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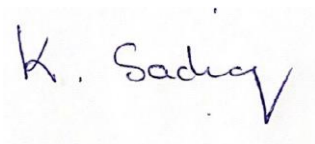
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**Submission in Response to Updating and Simplifying the Voluntary Tax
Transparency Code (June 2025)**

We refer to the Consultation by the Board of Taxation on the draft redesigned VTTC and consultation guide.

In response to the call for contributions and input, we attach a submission based on prior academic research undertaken by us investigating voluntary transparency measures.

Kind regards,



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Submission in Response to Updating and Simplifying the Voluntary Tax Transparency Code (June 2025)

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Overview

In similar submissions to Treasury and the Board of Taxation over the last few years we, along with other academics, have acknowledged that aggressive tax minimisation strategies have come under increasing public scrutiny and the Australian Government has been proactively addressing the problem through various measures. We continue to stress that addressing the behaviour of multinational entities (MNEs) requires both legislative reform and increased tax transparency. Comments below reflect the views expressed in previous submissions.¹

Structure, design and usability

We agree that the Voluntary Tax Transparency Code (VTTC) is an important element in Australia's approach to tax transparency and support the Board of Taxation's proposed redesigned VTTC. Consistent with a best practice approach to international tax transparency, the proposed updates to the VTTC within an Australian landscape are to be commended. The updates complement the new mandatory public country-by-country reporting (public CbCR) of tax information in Australia for certain large MNEs. Where there is an obligation on MNEs to disclose information about their tax practices and this information can be accessed by all stakeholders, there is the potential for greater diversity in tax thinking and an increase in morally grounded views on taxation.²

Many of the flaws that we have highlighted previously, are overcome through a new recommended structure and template being provided to users. There are significant improvements largely due to the clarity of information required and the suggested consistency across reports. We support the new structure and design based on research

¹ Brown, R. & Sadiq, K. (2024). [Submission in response to the public country-by-country reporting exposure draft legislation and accompanying explanatory materials, 2024](#); Sadiq, K. & Brown, R. (2023). [Submission in response to the public country-by-country reporting exposure draft legislation and accompanying explanatory materials, April 2023](#); Sadiq, K., Krever, R. E. & Brown, R. (2022). [Submission in Response to Government Election Commitments: Multinational Tax Integrity and Enhanced Tax Transparency Consultation Paper, August 2022](#); Sadiq, K., Krever, R. E., McCredie, B. & Zummo, H. (2019). [Submission to the Board of Taxation's Post-Implementation Review of the Tax Transparency Code](#).

² Anesa, Mattia, Gillespie, Nicole, Spee, Paul and Sadiq, Kerrie (2019) "The Legitimation of Corporate Tax Minimization" 75 *Accounting, Organizations and Society* pp. 17-39.

findings of previous studies. The VTTC in its current form has proven not to be fit for purpose due to several flaws. First and foremost, the Code currently does not strictly enforce any standards or formats. Corporate tax transparency reports in their current form provide diverse and disparate information that lacks comparability. For example, current reports have varying degrees of detail and structure, provide variable levels of assurance, and use different bases and methods for calculations. Second, there are a number of observable deficiencies in the administration of the reports. We highlight two studies that support the need for a redesigned VTTC that provides greater clarity and consistency.

The first study by Brown examined the determinants of the choice to disclose and the behavioural response in terms of firms' level of corporate tax avoidance.³ The study found that large firms and firms with high pre-existing effective tax rates are more likely to disclose. However, no evidence was found of a change in tax avoidance undertaken by voluntary disclosers relative to a control group of non-disclosers. Evidence was found of a decrease in tax avoidance by non-disclosers. The study concluded that the voluntary reporting merely acts as a confirmatory mechanism for large firms already paying relatively higher taxes.

The second study, by McCredie et al, tested the extent to which voluntary disclosures under the Code can increase awareness or understanding of the tax behaviour of large corporations and whether the information affects public perceptions and consequent corporate responses.⁴ The findings suggest that while this disclosure mechanism provides the public with additional information, the material is not overly useful and often cannot be compared between corporate entities. Further, this information is not well understood as sophisticated accounting and tax knowledge are needed to read and interpret the information in the published reports. The reports also appear to have little impact on stakeholders considering buying and selling shares in the companies releasing reports. The evidence suggests that reports released under the existing voluntary code are unlikely to have any impact on the level of tax avoidance undertaken by large companies.

Objectives

We are pleased to see that stated Objectives have been added to the VTTC and support the five objectives outlined in the draft redesigned VTTC. These objectives provide context and scope to the recommended reports. We do however note that tax disclosures, whether voluntary or mandatory, do not directly address corporate tax avoidance but instead, provide a soft-law approach by requiring information that may suggest a firm is engaging in activities that authorities and the public deem unacceptable. The VTTC must continue to complement other tax reforms.

³ Brown, Rodney (2020) "The Impact of Increased Tax Transparency Via Public Country-by-Country Reporting on Corporate Tax Aggressiveness: Evidence from the European Union" 35(4) *Australian Tax Forum* pp. 596–637.

⁴ McCredie, Bronwyn, Sadiq, Kerrie and Krever, Richard (2021) "The Effectiveness of Voluntary Corporate Tax Disclosures: An Australian Case Study" 36(4) *Australian Tax Forum* pp. 573-595.

Disclosure criteria

We support the redesigned disclosure criteria, specifically the alignment with GRI-207. In doing so, a more robust and harmonised approach to the reporting of both qualitative and quantitative data within a tax transparency report is attained. This is more likely to lead to MNEs adopting the view that tax is a moral obligation to society and that tax has a role in environmental, social and governance (ESG) reporting. The most widely used sustainability reporting standards are those of the Global Reporting Initiative (GRI),⁵ with tax reporting standard GRI 207: Tax 2019 providing a framework for both qualitative and quantitative tax reporting. The benefit of aligning the VTTC is that the GRI is an independent international organisation that provides standards that businesses may use to demonstrate their commitment to sustainability. Its tax standard is ‘universal and applicable to all industries and sizes of companies’,⁶ and is designed to allow businesses of all size, type, sector, and geographic location to report information about their tax related impacts on the economy, environment, and people.

Timing and transitional issues

The timing and transitional recommendations are reasonable and align with other reporting requirements. A reconciliation to the figures published by the ATO in its annual Report of Entity Tax Information enhances the usability of the information and provides consistency of information. We acknowledge that this places an additional burden on VTTC providers. However, if the VTTC is to meet its objective of providing access and visibility for the public to view and compare the tax affairs of companies, the requirement of reconciliation is preferable.

⁵ <https://kpmg.com/xx/en/home/insights/2022/09/survey-of-sustainability-reporting-2022.html>

⁶ GRI response- Consultation on Multinational tax integrity and enhanced tax transparency, 1 September 2022: <https://treasury.gov.au/sites/default/files/2023-02/c2022-297736-gri.pdf>