Media Release

Large Corporate Tax Compliance in Australia Continues to be World Leading at 96%

"The release of the ATO's fourth large corporate tax gap estimate once again confirms that compliance with Australia's stringent corporate tax system is world leading, with just over 96% collected voluntarily and by compliance activity in the 2017-18 income year. Apart from super funds, this makes Australia's large corporate tax market the most compliant of all sectors of the Australian economy. Australians can and should have confidence that the largest companies operating here are paying the right amount of tax," CTA executive director Michelle de Niese said today.

"While the ATO can claim credit for some amendments collected from large corporate taxpayers, the amount collected from large corporates voluntarily has also increased. And although there is an amount attributable to ATO compliance activity, almost all of that amount relates to differences in view on interpretative issues, not non-compliance with the law.

The vast majority of Australia's largest companies have earned 'justified trust'

"For the past five years the ATO has been applying what it calls the "Justified Trust" methodology to the Top 100 and Top 1000 corporate taxpayers. The aim of the Justified Trust program is twofold:

- for the ATO to obtain greater assurance that large public and multinational taxpayers are paying the right amount of tax; and
- to allow the ATO to direct its resources where those tax gaps are largest.

"Large corporates have accepted and embraced the ATO's Justified Trust program, dedicating significant resources to complying with the ATO's requirements. In terms of results, the ATO has publicly stated that it expects the vast majority of top 100 taxpayers to achieve 'justified trust' by 2021. This finding aligns with the estimated 96% large corporate tax compliance rate, as released by the ATO today.

Justified Trust should lead to reduced compliance costs in a post COVID-19 environment

"Given the size of the large corporate revenue stream and its crucial role in supporting the services Australians need and deserve, large corporates are and will continue to be heavily scrutinised by the ATO and other regulatory authorities. The public should take heart in the fact that no other sector in the economy is more compliant or is as heavily scrutinised by the ATO than large corporates – as it should be.

"But that scrutiny must be justified, particularly in a post COVID-19 environment where resources within corporate tax functions are under strain. Both the ATO and large corporates should be looking for a return on their mutual investment in the Justified Trust program in the form of reduced compliance costs. The continued strength of large corporate tax compliance in Australia provides the ATO with the opportunity to deliver some real wins for business without compromising one dollar of revenue. By focussing on reducing compliance costs for corporates who have earned justified trust, the ATO could singlehandedly generate productivity in the large corporate market" said Ms de Niese.

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Appendix

Recently Legislated and Announced Tax Integrity and Disclosures Measures

	Measure	Effective Date	Summary of Change
1	General anti-avoidance rule changes	Schemes entered into after 16 November 2012	Strengthening of the definition of tax benefit.
2	Multinational anti-avoidance law	From 1 January 2016	Prevent the artificial avoidance of permanent establishments.
3	Thin capitalisation changes	1 July 2014	Reduction in safe harbour debt limits from to 60% for Non Banks and to 90% for Banks.
4	Transfer pricing changes	For years ending 30 June 2014	Substantial changes to modernise Australian rules to accord with contemporary OECD standards. Requirement for contemporaneous documentation otherwise significant penalties imposed.
5	Country by Country reporting	For tax years commencing on or after 1 January 2016	Requirements to file country by country reports with the ATO in accordance with OECD requirements.
6	Tax transparency code	May 2016	Voluntary tax transparency code for large corporations.
7	Public tax disclosures	From the 2014 income tax year. First published Dec 2014	ATO annually publish tax data for publicly listed and foreign taxpayers with over $100m turnover of total income, taxable income and tax paid (including PRRT).
8	Filing of general purpose financial statements	For tax years commencing on or after 1 January 2016	Requirements to lodge general purposes financial statements with the ATO.
9	Tax exchange of information agreements	Various	TEIAs to enable ATO access to information from 50 non treaty country tax administrators, including tax havens
10	Reportable tax positions	From the 2014 income tax year	Taxpayers to disclose to the ATO tax positions taken that are not reasonably arguable.
11	Revised International Dealings Schedule	From the 2012 income tax year	Modernisation of related party tax disclosures to the ATO, including details of all related party transactions.
12	Anti-hybrid rules	1 January 2019	Adoption of OECD standards to ensure no double non taxation or double deductions for certain hybrid instruments ad structures.
13	Updated OECD transfer pricing rules	From 1 July 2016	Australia to adopt revised OECD BEPS transfer pricing guidance into Australia's tax laws.
14	Diverted Profits Tax	From 1 July 2017	40% tax on certain transactions with lower tax jurisdictions to ensure tax is paid in where activities of economic substance reside.
15	100-fold increase in late lodgement penalties	From 1 July 2017	A 100-fold increase in penalties for late lodgement of approved forms with the ATO (up to $525,000 for any approved form).
16	Doubling of penalties for false or misleading statements	From 1 July 2017	A 100% increase in penalties for false or misleading statements.
17	Reportable tax positions	For income years commencing 1 July 2016	Revised filing requirements for certain transactions that are subject to certain ATO Tax Alerts and various Rulings.
18	Doubling of penalties for tax schemes international	From 1 July 2015	100% penalty applying to significant global entities for entering into tax avoidance and profit shifting schemes. 50% penalty if no dominant purpose.
19	Adoption of the OECD multilateral instrument for all tax treaties	1 January 2019	Adoption of new BEPS standard for existing treaties including revised PE test, principal purpose test for treaty shopping and mandatory arbitration.
20	Accounting for tax uncertainty	From 1 January 2019	Adoption of International Accounting Standard on the disclosure of tax uncertainties in financial statements.
21	Mandatory disclosure rules	To be determined	Adoption of OECD standard of disclosure for tax schemes.
22	Whistleblower protections	To be determined	Protections and potential financial rewards for tax whistleblowers.
23	Stapled structures	From 1 July 2019	Integrity measures increase the tax rate on certain payments between stapled groups.
24	Thin capitalisation	From 1 July 2019	Limitation use of on certain asset revaluations in thin capitalisation calculations.
25	Government procurement	Operative	Requirement for satisfactory tax record certificate from ATO when tendering for government contracts more than $4 million.