

# New guidance: Provision of GPFS to ATO

## Reporting Update

26 April 2019, 19RU-005



### ATO guidance updated

### So what has changed?

### KPMG updated its practical guide

#### Highlights

- The story so far
- KPMG guide
- Who will be most impacted?
- KPMG comment

#### The story so far

In December 2015 tax law amendments were enacted requiring significant global entities (SGEs) to provide the ATO general purpose financial statements (GPFS) at the time they lodge a tax return, if the entity does not already lodge GPFS with ASIC within required deadlines. The amendment applied for income years beginning 1 July 2016.

In response to feedback from external stakeholders, the ATO has issued updated web guidance in April 2019. This guidance replaces previous guidance issued in September 2017. The updated guidance provides ATO views on practical issues encountered by stakeholders when seeking to satisfy the GPFS regime.

The April 2019 update seeks to:

- clarify the requirements and options available when determining whether the GPFS are for the taxpayer who may or may not be a member of a group of entities
- clarify which ATO scenario foreign controlled small proprietary companies fall into
- expand on what accounting principles the ATO considers to be commercially accepted principles relating to accounting (CAAP)
- provide further guidance for multiple entry consolidated group (MEC) groups around consolidation, aggregated or combined financial statements
- clarify the term 'financial year most closely corresponding to the income year'.

No further formal consultation period has been announced by the ATO following the release of the April 2019 additional guidance.

#### KPMG guide

KPMG has updated its practical guide [ATO provision of general purpose financial statements](#) to assist you in understanding the impact of the new guidance issued by the ATO. The KPMG guide provides information on the issues identified in complying with the tax law amendments and includes a number of illustrative examples of the options available to entities.

The publication represents KPMG's views based on information current at 8 April 2019.

## Most impacted?

## KPMG supports need for transparency

The [KPMG guide](#) considers a number of issues, including:

- What are GPFS?
- Who has an obligation to lodge GPFS with the ATO?
- What options does a taxpayer have when required to lodge GPFS with the ATO?
- What is CAAP?
- Foreign residents conducting a business through a permanent establishment – for example, branch operations
- ATO best practice guidance
- Frequently asked questions around content of GPFS
- Impact of ASIC reporting relief on requirement to lodge GPFS with the ATO
- When and how to lodge with the ATO
- 15 illustrative examples noting options available to taxpayers
- Issues which would benefit from further ATO clarification.

## Who will be the most impacted?

The entities most impacted by the tax law amendments will be the following types of SGE (i.e. income of A\$1 billion or more) corporate taxpayers:

- foreign owned companies that are currently preparing and lodging SPFS with ASIC
- foreign owned companies that are small proprietary companies which are not currently preparing financial reports under the *Corporations Act 2001* (Corps Act) (as they are not part of a large group)
- locally owned companies that are currently preparing and lodging SPFS with ASIC
- companies which currently receive ASIC relief from preparation and/or lodgement of financial statements – for example, grandfathered (exempt) proprietary companies or groups with deeds of cross guarantee in place.

Companies that are impacted by the tax law amendments should consider how to best satisfy the GPFS requirements under the options available. The requirements may require additional information to be collected and presented in financial statements. This will likely involve significant additional time and cost.

If you have any further questions please contact your KPMG partner.

Appendix 1 provides a summary of the tax law amendments and who they impact.

## KPMG comment

**“While we support the need for transparency in relation to a company’s taxation matters we question how the lodgement of GPFS will assist in furthering this objective.**

**Financial statements contain limited and summarised information when it comes to disclosure of income tax matters. Information reported through the Tax Transparency Code (albeit voluntary at present) has the potential to provide information more useful to users external to a taxpayer.**

**Further we note the general powers of the Commissioner of Taxation to obtain information in relation to taxpayers and their affairs.**

**Could the objective be achieved more efficiently?**

**We would question whether any change in law surrounding general purpose financial statements would have been better dealt with through the Corps Act rather than taxation legislation.”**

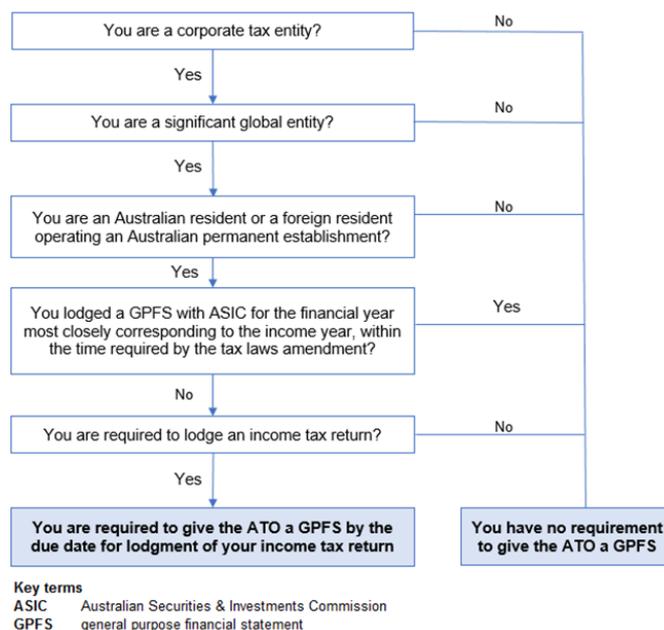
**Michael Voogt  
Director, Department of Professional Practice**

## Appendix 1 - Summary of tax law amendments

### Who is within scope?

The Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015 amended the tax legislation to require certain entities to prepare and lodge GPFS with the ATO at the time it lodges its tax return. These GPFS will be provided by the ATO to ASIC.

The following decision tree provides an overview on assessing the potential impact on an entity.



An entity is a corporate tax entity if it is a company, corporate limited partnership or public trading trust (as defined in the income tax law).

An entity is a SGE if it is one of the following:

- a global parent entity with an annual global income of A\$1 billion or more
- a member of a group of entities consolidated for accounting purposes and one of the other group members is a global parent entity with an annual global (consolidated) income of A\$1 billion or more.

The ATO has also clarified the following points where an entity is required to give the ATO GPFS:

- an entity must provide a GPFS regardless of whether they are a reporting entity under Australian accounting standards
- an entity is considered to have lodged a GPFS with ASIC if it is lodged with an eligible financial market – for example, ASX
- any relief or exclusion provided under the Corps Act or by ASIC in relation to your obligation to prepare or lodge financial reports does not affect the entity's obligation to provide a GPFS to the ATO – for example, grandfathered large proprietary companies relieved from lodging financial reports under the Corps Act.

An entity is not impacted by the requirement to lodge GPFS if it is not required to lodge an income tax return – for example:

- an income tax exempt charity
- a subsidiary member of a tax consolidated group or MEC group
- a non-resident entity for Australian taxation purposes that is not operating through a permanent establishment in Australia.

### 19RU-005 New guidance: Provision of GPFS to ATO

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

## Impact of ATO guidance on SGE corporate tax entities

The guidance outlines the following impacts of Section 3CA of the tax law amendments.

| SGE corporate tax entity   | ATO requirements – Section 3CA   |
|--|--|
| <p><b>Scenario 1</b></p> <p>If the entity is an Australian resident for tax purposes and lodges GPFS with ASIC within the stipulated time.</p> <p>If the entity is a subsidiary member of an Australian tax consolidated group or a MEC group, except where the entity enters or leaves that group part-way through the income year.</p>   | <p>None.</p>   |
| <p><b>Scenario 2</b></p> <p>If the entity is an Australian resident for tax purposes and:</p> <ul style="list-style-type: none"> <li>• the entity is required to lodge a GPFS with ASIC, but has not done so, or</li> <li>• the entity lodges SPFS with ASIC, or</li> <li>• the entity is required to prepare, but not lodge financial reports with ASIC (for example, grandfathered large proprietary companies), or</li> <li>• the entity is otherwise relieved from preparing financial reports for ASIC purposes because your parent lodges consolidated financial statements prepared in accordance with AASBs (for example some deeds of cross guarantee arrangements).</li> </ul>   | <p>A form of GPFS (individual<sup>^</sup>, separate<sup>^</sup> or consolidated) prepared in accordance with AASBs.</p>  |
| <p><b>Scenario 3</b></p> <p>If the entity is an Australian resident for tax purposes and you are:</p> <ul style="list-style-type: none"> <li>• not subject to the Corps Act (for example corporate limited partnerships), or</li> <li>• not subject to Part 2M.3 of the Corps Act (for example, certain small proprietary companies), or</li> <li>• otherwise relieved from preparing financial reports by ASIC because you are a small proprietary company controlled by a foreign company that is not part of a large group, or</li> <li>• otherwise relieved from preparing financial reports by ASIC because your foreign parent lodges consolidated financial statements with ASIC, which are prepared in accordance with accounting standards applicable in their home country (for example, a deed of cross guarantee where the holding entity is a registered foreign company).</li> </ul> | <p>A form of GPFS (individual<sup>^</sup>, separate<sup>^</sup> or consolidated) prepared in accordance with AASBs or other commercially accepted accounting principles (CAAP)</p> |

| SGE corporate tax entity  | ATO requirements – Section 3CA  |
|---|---|
| <p><b>Scenario 4</b></p> <p>If the entity is a foreign resident operating a permanent establishment in Australia and the entity has not already lodged GPFS with ASIC (for example, a registered foreign company conducting a business through an Australian branch).</p> | <p>A form of GPFS (individual<sup>^</sup>, separate<sup>^</sup> or consolidated) prepared in accordance with CAAP – depending on the circumstances.</p> |

<sup>^</sup> Individual and separate financials statements are collectively referred to as stand-alone financial statements in the ATO guidance

### ATO best practice

The ATO guidance also refers to best practice options (which may be in addition to the requirements of the enacted legislation) and encourages the taxpayer to elect the best practice option in order to promote tax transparency. In most circumstances other options will generally be available and will still comply with the enacted legislation.

For example, a taxpayer may have a choice of providing GPFS for the parent entity only or a consolidated GPFS. In determining which option to adopt, the ATO suggests that a taxpayer should take into account how each option would best contribute to transparency of its Australian tax affairs, i.e. prepare consolidated GPFS.

### 19RU-005 New guidance: Provision of GPFS to ATO

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).