

### In a nutshell...

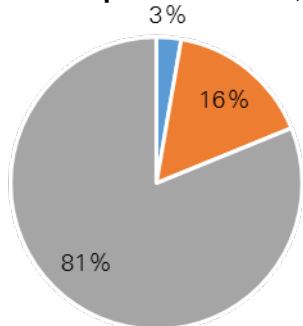
On 17 December 2015, the ATO published on [www.data.gov.au](http://www.data.gov.au) the first corporate tax transparency report, covering income tax for corporate taxpayers with a total income of \$100M or more (but excluding Australian resident private companies), plus Minerals Resource Rent Tax (MRRT) and Petroleum Resource Rent Tax (PRRT) information. In relation to income tax, the ATO disclosed gross income, taxable income and tax paid as evidenced in the taxpayers' income tax returns for the 2013-14 income year. Legislation was passed on 3 December 2015 resulting in approximately 300 Australian resident private companies with a total income of \$200M or more now subject to the transparency rules. The ATO will publish their income tax information in early 2016 after validating the data with taxpayers.

### PIE CHART KEYS

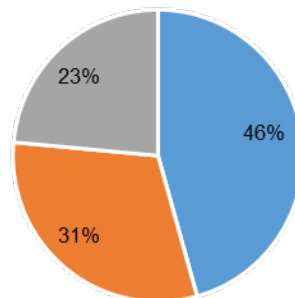
#### Corporate taxpayers with:

- Gross income > \$5 Bn ■
- Gross income from \$1 Bn to \$5 Bn ■
- Gross income from \$100 mil to \$1 Bn ■

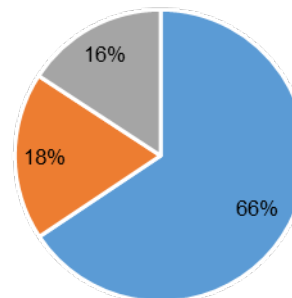
**No. of companies:** Total = 1,539



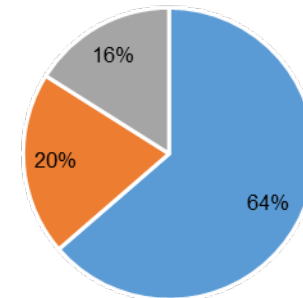
**Income:** Total = \$1,629.0 Bn



**Taxable income:** Total = \$169.9 Bn



**Tax paid:** Total = \$39.9 Bn



### Understanding the data

- The ATO's release of the transparency report was accompanied with data-specific commentary (ATO Guidance Part 3), covering five sectors: Banking and Finance, Energy and Resources, Insurance and Superannuation, Manufacturing and Sales and Services. The commentary also analyses foreign owned vs Australian owned public companies and the percentage of non-tax paying entities in each sector. The ATO's commentary shows that 579 corporates are not tax paying in the 2013-14 year (38% of the total population), and this can be explained by the incurrance of current year tax losses (22%), utilisation of prior year losses (8%), and utilisation of franking credits and other offsets (7%).
- In total, the ATO has released three tranches of guidance in relation to the transparency report. ATO Guidance Part 1 from November 2015 provides background to where the information is extracted from tax returns and outlines the factors affecting taxable income and tax payable.
- ATO Guidance Part 2 published earlier in December 2015 outlines key factors impacting the 2013-14 tax outcomes, including the pool of carried forward tax losses, particular sectors of the economy being at different points in the economic cycle, reducing commodity prices and some of the peculiar features of stapled groups, life insurance companies, offshore banking units, etc. The ATO also highlights why comparisons with tax data in financial reports can be problematic and the correlations between economic losses and tax losses. The ATO's procedures to assure corporate taxpayers are paying the correct amount of tax together with ATO areas of focus are explained. There are also links to other ATO relevant material such as the ATO's risk and governance review guide.

### KPMG observations

- Of the companies with revenue exceeding \$5bn which paid tax during the 2013-14 income year, approximately 91% of those were companies headquartered in Australia.
- A number of taxpayers have already released their own tax transparency reports that seek to explain their tax numbers.
- Indeed, other developments both internationally and locally (e.g. the recent release of the Board of Taxation discussion paper on a tax disclosure code and the future requirement for globally significant entities to prepare general purpose financial statements) will provide further impetus for public disclosures, with tax reports evolving and their structure converging.
- The listed contacts or your KPMG advisor can provide further analysis of the ATO's tax transparency report.

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