

Australia's Significant Global Entity definition expanded, impacting tax integrity laws (DPT and MAAL), reporting requirements (CbCR and general-purpose financial statements) and related penalty provisions

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On 12 February 2020, the Australian Government introduced into Parliament a Bill to broaden the significant global entity (SGE) definition after the May 2018 budget announcement. Treasury Laws Amendment (2020 Measures No. 1) Bill 2020 (Treasury link [here](#)) follows an earlier Bill which lapsed with the calling of the 2019 Federal Election and updated November 2019 exposure draft (ED) law.

Expansion of the SGE definition will impact:

- ▶ The multinational anti-avoidance law (MAAL) and diverted profits tax (DPT) integrity laws and country-by-country reporting (CbCR) as well as general-purpose financial statements (GPFS) reporting requirements, from years starting on or after 1 July 2019. This one-year deferral as compared to previous proposals is a positive development and follows the EY submission which sought such an extension due to the complexity of working through the intricate details of the changed definition.
- ▶ It also applies for increased administrative tax penalties from 1 July 2020.

Importantly, the Bill introduces slightly different rules for CbCR and GPFS with a new definition of a "country by country reporting entity": the SGE definition continues to apply for other purposes.

As a result, the proposals require review and assessment by entities that may not currently meet the SGE definition due to various exclusions from accounting consolidation, including notably those groups headed by individuals, partnerships, trusts, private companies and investment entities.

An entity will be an SGE generally if it is either:

- ▶ A global parent entity (an entity that is not controlled by another entity) with annual global income of AU\$1 billion or more (including trusts and partnerships); or
- ▶ A member of a group of entities that are consolidated for accounting purposes and the global parent entity of that group has annual global income of AU\$1 billion or more.

The Bill expands the SGE definition to groups of entities headed by an entity other than a listed company in the same way as it applies to groups headed by a listed company (notional listed company group). The criteria will apply despite exceptions to the rules setting out when a group of entities must consolidate for accounting purposes, including materiality rules, in the applicable accounting rules. If there are no or inadequate consolidated global financial statements for the notional listed company group, the annual global income is the amount determined on the assumption that such statements had been prepared.

To better align the CbCR reporting rules with international standards, the Bill also adjusts the CbCR obligations to apply only to a “country-by-country reporting entity” (CbCRE). Most significant global entity groups that are a notional listed company group will also be CbCREs. However, some exceptions apply. The requirement for certain corporate tax entities to provide GPFs to the Commissioner will also now apply to CbCREs rather than all SGEs.

The potential impact of these changes will require review and assessment in each case, in conjunction with accounting professionals, and various other technical changes will need to be considered.

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