

Committee Secretariat
Senate Standing Committee on Economics
Department of the Senate
Parliament House
CANBERRA ACT 2600

Email: economics.sen@aph.gov.au

19 July 2024

Dear Sir/Madam,

Global and Domestic Minimum Tax – primary legislation

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 173,000 members in over 100 countries and regions. We make this submission in relation to:

- [Taxation \(Multinational—Global and Domestic Minimum Tax\) Bill 2024](#) (Assessment Bill)
- [Taxation \(Multinational—Global and Domestic Minimum Tax\) Imposition Bill 2024](#) (Imposition Bill)
- [Treasury Laws Amendment \(Multinational—Global and Domestic Minimum Tax\) \(Consequential\) Bill 2024](#) (Consequential Bill)

CPA Australia is supportive of the implementation of the Pillar Two Global Anti-Base Erosion (GloBE) rules in Australia. We summarise the key recommendations for your consideration:

- The government, through the Australian Accounting Standards Board (AASB) works to issue specific and timely guidance as to when the Pillar Two rules are substantively enacted in Australia, to enable taxpayers meet their financial reporting obligations.
- The government considers the compliance cost implications and explore opportunities to reduce compliance burdens.
- Further guidance is provided on on how the Australian tax consolidation rules in Part 3-90 of the ITAA 97 interact with the Australian Pillar Two rules.

Please refer to the Appendix for our detailed discussions. If you have any queries, please contact Jenny Wong, Tax Policy Lead at jenny.wong@cpaustralia.com.au or Bill Leung, Tax Technical Advisor at bill.leung@cpaustralia.com.au.

Yours sincerely,

Ram Subramanian
Interim Head of Policy and Advocacy

Detailed discussion

CPA Australia would like to highlight the following issues that will be important for the Government to address to enable impacted entities to implement Pillar Two in Australia:

1. Substantive enactment in Australia and financial accounting disclosures

The legislation currently before Parliament relates to the primary legislation, which forms part of a set of legislation required to implement the global minimum tax in Australia.

The primary legislation includes the Assessment Bill, which sets out the framework for the entities that are liable to top-up tax consistent with the Organisation for Economic Co-operation and Development (OECD) GloBE rules. It is intended that the substantive computation of top-up tax, consistent with the OECD GloBE Rules is to be determined via Rules made under the Minister's rule making power ie subordinate legislation. We understand the subordinate legislation has not been released but will be made after enactment of the primary legislation.¹

It is unclear if the complete legislative package (both primary and secondary) will be enacted by December 2024. Taxpayers with financial year-ends on 31 December will need to consider their financial reporting disclosures for Pillar Two at the reporting date. Since the substantive rules will be in the subordinate legislation, and its creation depends on the enactment of the primary legislation, it is important for the government to collaborate with the AASB to provide specific and timely guidance on when the Pillar Two legislation is 'substantively enacted'. Previously, specific accounting guidance (e.g., Urgent Issues Group Interpretation 1039) clarified when tax consolidation legislation, introduced with several linked bills, was substantively enacted. We recognise that for Pillar Two, the subordinate legislation is not a bill but a legislative instrument that will follow a different Parliamentary process depending on whether it is a disallowable instrument.

We recommend the government, through the AASB works to issue specific and timely guidance as to when the Pillar Two rules are substantively enacted in Australia to enable taxpayers meet their financial reporting obligations.

2. Compliance cost considerations

The introduction of a global and domestic minimum tax in Australia will significantly impact the compliance obligations of affected entities. According to the Impact Analysis in the Explanatory Materials accompanying the relevant Bills, about 5,000 multinationals fall within the scope of Pillar Two. However, only a subset of these entities will be subject to top-up taxes, necessitating detailed engagement with the Pillar Two rules. The Impact Analysis estimates that approximately 140 Australian-headquartered multinationals or Australian subsidiaries of foreign multinationals are likely to be subject to top-up taxes under the Pillar Two rules and/or a domestic minimum tax.

We recommend the government considers the compliance cost implications and explore opportunities to reduce compliance burdens. For example, efficiencies could be achieved through the amalgamation of the Australian IIR/UTPR and Domestic Minimum Tax returns into a single form filed by one entity on behalf of all Australian Constituent Entities rather than by each Constituent Entity. The Commissioner is allowed to specify circumstances in which an entity is not required to lodge, and we hope to see further administrative guidance in this area to facilitate streamlined filing for Australian tax consolidated groups.

3. Interaction with Australia's tax consolidation regime

We understand the Australian Pillar Two legislation is to be aligned with the OECD GLoBE rules. However, there is a need for further clarity on how the Australian tax consolidation rules in Part 3-90 of the ITAA 97 interact with the Australian Pillar Two rules. For example, there is a need for clarity regarding the interaction between section 6-55 of the subordinate legislation and the Australian tax consolidation rules, particularly concerning the acquisition or disposal of a controlling interest in a head company of a tax consolidated group.

¹ See [Global and domestic minimum tax | Australian Taxation Office \(ato.gov.au\)](https://ato.gov.au/global-and-domestic-minimum-tax)

We recommend further guidance is provided on on how the Australian tax consolidation rules in Part 3-90 of the ITAA 97 interact with the Australian Pillar Two rules.