

13 April 2023

Corporate and International Tax Division  
Treasury  
Langton Cres  
Parkes ACT 2600

*via email: [mnetaxtransparency@treasury.gov.au](mailto:mnetaxtransparency@treasury.gov.au)*

Dear Sir/Madam

**Treasury Consultation: *Disclosure of subsidiary information***

Deloitte is pleased to respond to the Treasury Consultation *Disclosure of subsidiary information* (the Consultation).

We appreciate the opportunity to comment on the Consultation and broadly welcome the Federal Government's action on multinational enterprise tax integrity and transparency of which this Consultation forms part of.

We understand the rationale for including the proposed disclosure in the financial report of a public company, and in our response we have highlighted the following matters for consideration:

- The interaction of the proposals with the *Corporations Act 2001* requirements for the overall financial report, including that the proposed consolidated entity statement will be subject to audit and will introduce additional costs and resourcing challenges for public companies
- The requirement for the directors, and in the case of listed public companies, the chief executive officer and chief financial officer, to attest that the consolidated entity statement is "true and correct" when financial statements are required to provide a "true and fair view" under the *Corporations Act 2001*
- Suggesting clarification of the requirements for the proposed consolidated entity statement when a public company chooses, but is not required, to prepare consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements*.

We have provided detailed analysis of each of the above points in the Appendix.

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Please contact me on +61 416 661 464 or [aliswhite@deloitte.com.au](mailto:aliswhite@deloitte.com.au) if you wish to discuss any of our comments.

Yours sincerely

A handwritten signature in black ink that reads "Alison White". The signature is written in a cursive, flowing style.

**Alison White**

Lead Partner – Accounting Technical  
Audit & Assurance  
Deloitte Touche Tohmatsu

## APPENDIX: DETAILED COMMENTS

### Interaction with the broader financial reporting requirements of the *Corporations Act 2001*

Whilst we understand and support the rationale and need for tax transparency, we have some concerns that in some cases, the listing of subsidiaries may be voluminous and become a substantial proportion of the overall financial report, adding substantially to printing costs for printed annual reports. In addition, additional resourcing and processes will be required in finance functions in order to collate and verify the information to be disclosed, with finance functions already facing resourcing challenges. As a result, there may be significant additional costs and resourcing challenges faced by public companies in ensuring compliance.

Furthermore, the proposed consolidated entity statement is being added as a separate statement that is part of an entity's overall financial report through the amendments to s.295 of the *Corporations Act 2001* (the Act). As a result, the consolidated entity statement will be subject to audit under s.301 of the Act.

Whilst we recognise that the provision of assurance on the consolidated entity statement will provide additional credibility to the statement, we question whether the additional costs imposed on entities from requiring an audit are necessary when the directors will attest to the statement in any case.

Consideration could be given to the following alternatives:

- Making the consolidated entity statement part of the directors' report rather than the financial report, and without an audit requirement, or
- Explicitly exclude the consolidated entity statement from the scope of the financial report subject to audit under s.301 of the Act.

### Requirement to declare that the statement is "true and correct"

The proposed amendments would introduce a requirement for the directors to include a declaration that the consolidated entity statement is "true and correct". Furthermore, for listed entities, the declaration provided by the chief executive officer and chief financial officer will also be required to confirm the statement is "true and correct".

We acknowledge that an entity's tax return lodgement in Australia is required to be certified as being "true and correct". However, we note:

- The "true and correct" certification is in the content of a tax return in a particular jurisdiction (Australia), and does not otherwise arise elsewhere in financial reporting
- The requirement to be "true and correct" is inconsistent with the requirement to provide a "true and fair view" of the financial position and performance of the entity (or consolidated entity) arising under s.297 of the Act.

Consideration could be given to requiring the declaration to be that the statement provides a "true and fair view" of the consolidated entity statement. This would link the requirement to well understood and long applied terminology in financial reporting. However, we do not recommend adding a reference to the consolidated entity statement in s.297 of the Act as it would then trigger further obligations on the auditor through the operation of s.309 of the Act, which will further increase compliance costs.

### Linkage to the requirement for consolidated financial statements

The proposed s.395(3)(3A) of the Act would introduce differential requirements in the consolidated entity statement depending on whether the public company is required by the accounting standards to prepare consolidated financial statements.

We agree that where consolidated financial statements are not required under accounting standards, it is appropriate for the consolidated entity statement to simply include a statement to that effect. We believe this is an appropriate approach to avoid unnecessary costs in the preparation of financial reports, particularly in light of

the requirement in paragraph Aus4.2 of AASB 10 *Consolidated Financial Statements* for the ultimate Australian parent entity to prepare consolidated financial statements (unless it is an investment entity). Therefore, information about all subsidiaries of an ultimate Australian parent entities that is a public company will be listed in the financial report of that entity<sup>1</sup>.

We note that the proposed requirements may cause confusion where the entity is not *required* to prepare consolidated financial statements, but instead *chooses* to prepare consolidated financial statements. This approach is not uncommon where an entity has multiple reporting mandates, e.g. under Chapter 2M of the Act and a financing facility agreement.

This approach is permissible as AASB 10 *Consolidated Financial Statements* contains an *optional* exemption from presenting consolidated financial statements in certain circumstances. However, the proposed s.395(3)(3A) of the Act would only require the consolidated entity statement to include a list of subsidiaries where a public company is *required* to prepare consolidated financial statements (such as is the case with most ultimate Australian parent entities).

We recommend that the requirement is reworded to state the following:

“if the accounting standards:

- (i) require the public company to prepare financial statements in relation to a consolidated entity;  
or
- (ii) permit the public company to prepare financial statements in relation to the consolidated entity, and the public company prepares such statements...”

We note that the use of wording referencing a requirement to prepare consolidated financial statements is pervasive in Chapter 2M of the Act and similar interpretative issues arise. Accordingly, there may be an opportunity as part of these amendments to standardise the above suggested wording throughout Chapter 2M to clarify the existing requirements in that chapter.

### **Minor drafting suggestions**

In addition to suggestions already noted, we note the following minor drafting suggestions:

- The comments in Item 1 of the table in s. 285 could be updated to include a reference to the consolidated entity statement
- The proposed section 1700 Application of amendments currently only refers to s. 295, excluding s. 295A which is also amended by the schedule (if the previous suggestion is adopted, there would be a further amendment).

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<sup>1</sup> We note that this will not be the case where a public company has an ultimate Australian parent entity that is not a public company, e.g. a proprietary company.