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Findings report – Top 100 income tax and GST assurance programs

Key findings from the Top 100 income tax and GST assurance programs for the income year ended 30 June 2025.

Last updated 18 September 2025

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About this report

See what our findings report for the Top 100 assurance program for income tax and GST assurance reviews covers.

Last updated 18 September 2025

This is the seventh year we are publishing our findings report for the Top 100 assurance program for income tax. It's also the fifth year we are including insights from the Top 100 GST assurance program.

For income tax and GST assurance reviews completed to 30 June 2025, this report:

- outlines our key findings and observations
- explains how we apply the justified trust methodology to

- obtain greater assurance that large public and multinational taxpayers are paying the right amount of income tax or GST
  - identify areas of tax risk for further action
- explains what it means to achieve high assurance.

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Findings report summary

A summary of observations around assurance ratings for income tax and GST for 2025 and what the Top 100 report covers.

Last updated 18 September 2025

Latest findings

The 2025 Top 100 income tax and GST assurance findings report shows:

- high levels of compliance of most of our largest taxpayers
- continued investment we make to maintain assurance over the tax affairs of top 100 taxpayers
- positive impact of the justified trust program on taxpayer behaviour and compliance.

We have recently refocussed our engagement with top 100 taxpayers to ensure our justified trust engagements are in real time and that transactions and business changes are disclosed and considered closer to the time they occur, providing greater certainty for taxpayers and the ATO.

Income tax

Key highlights for income tax:

- We continue to see high levels of assurance with most large business obtaining high assurance ratings
  - We continue to see that most large businesses are meeting their tax obligations, with 83% of top 100 taxpayers maintaining either high or medium overall assurance ratings.
  - The number of top 100 taxpayers attaining overall high assurance has increased to 64% (from 59% in 2024). This has led to a decrease in the number of top 100 taxpayers rated as medium assurance to 19% (a reduction from 23% in 2024).
  - Of the $59.2 billion of income tax paid by Top 100 economic groups in 2023, $48.6 billion was reported by taxpayers that have achieved a high or medium assurance rating in their latest review.
  - Around 31% of the Top 100 population did not pay tax in the 2023 year. This may be due to legitimate business reasons. For example, they may not have made a profit due to economic conditions or the life cycle of the project may not yet be income producing or they may be recouping prior year losses.
  - 85% (22 of 26 taxpayers) of nil taxpayers have achieved high or medium assurance providing a high level of confidence about the tax affairs (including losses) of these taxpayers. Those taxpayers that have attained low assurance are subject to further review.
  - Overall low assurance ratings have remained stable at 13%. Disputes and systemic risks continue to remain a feature of this population.
- We are reprioritising real time engagement, providing tax certainty pre-lodgment, reducing compliance costs for business and the ATO
  - We have recently reprioritised our efforts on achieving real time engagement. The program has always been intended to work this way, given our focus on prevention before correction. However, our engagement has often been retrospective.
  - More than 90% of top 100 taxpayers now have current year (real time) justified trust reviews underway, and over half of those have no past year justified trust reviews outstanding. We anticipate more than 80% of taxpayers will have no past year justified trust reviews by the end of 2025. However, a small

number of these taxpayers may have other investigations in relation to specific matters underway, including audits.

  - By ensuring our justified trust engagements are in real time and that transactions and business changes are disclosed and considered closer to the time they occur, we are able to provide greater tax certainty for taxpayers and the ATO.

- We continue to observe improvements in tax governance which gives us greater confidence that errors are reduced, and tax risk is appropriately managed

  - Tax governance is a critical pillar of the justified trust methodology for large public and multinational businesses. We observed a notable increase in Stage 3 ratings from 35% in 2024 to 41% in 2025. This signifies enhanced tax control frameworks that are being 'lived in practice' and independently verified as operationally effective. These improvements give us greater confidence that errors are reduced, and tax risk is identified and managed by the organisation.

GST

Key highlights for GST:

- We continue to see high levels of assurance with most large business obtaining high or medium assurance ratings

  - Of the top 100 GST reporters reviewed, 97% have obtained overall high or medium assurance ratings.

  - A total of 38% of top 100 GST reporters obtained high assurance for GST (an increase from 30% in 2024) indicating that these taxpayers have paid the right amount of GST for the year reviewed. A total of 59% (a decrease from 63% in 2024) attained medium assurance.

  - Overall low assurance ratings have remained stable at 2%.

- We continue to observe improvements in tax governance which gives us greater confidence that errors are reduced

  - Over half of the top 100 GST reporters have obtained a Stage 2 or Stage 3 rating for tax governance. Stage 3 was achieved by 12% of GST reporters reviewed. This is important as errors due to poor governance and controls are the largest driver of amendments in the large market. Achieving stage 3 means that controls are in place to detect and remediate errors.

- Our reviews are encouraging improvements in correct reporting
  - 95% of top 100 taxpayers have obtained a high or medium assurance rating for correct reporting. The number of taxpayers obtaining high assurance for correct reporting increased to 58% in 2025.
  - GST corrections, including those amounts that were voluntary disclosures (VDs) processed in 2025 were typically not material in dollar terms relative to total GST reported and paid. However, in some cases the errors were large, and in a small number of cases, penalties were applied.
  - Importantly, many GST reporters have implemented, or have documented plans to implement, improvements to their controls, processes, and procedures to prevent the reoccurrence of these errors.
  - We continue to see voluntary disclosures made by taxpayers during an assurance review. Taxpayers should be continually reviewing their GST compliance for inadvertent errors or misreporting as part of their business as usual tax governance processes.
- We continue to see improvements in GAT ratings
  - The GST analytical tool (GAT) is a useful tool for taxpayers to check how their various streams of economic activity are treated for GST purposes and have confidence in their GST outcomes. A Stage 2 or 3 rating was attained by 85% of taxpayers who had the GAT applied during an assurance review.
  - Taxpayers are encouraged to embed the GAT as part of their own governance processes.
- With the introduction of the Supplementary annual GST return we expect to be able to undertake more targeted and less resource intensive GST reviews for many taxpayers
  - We have introduced the Supplementary annual GST return (SAGR) from the 2024–25 financial year for large business that have had a GST assurance review. The SAGR will enhance our ability to monitor GST compliance and undertake more targeted and less resource intensive GST reviews for many taxpayers.

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Top 100 engagement

How we engage with the top 100 population through the ATO justified trust program.

Last updated 18 September 2025

About the top 100 population

The top 100 population:

- consists of public and multinational businesses and Australian Prudential Regulation Authority (APRA) regulated superannuation funds that have substantial economic activity related to Australia
- consists of the largest contributors to corporate income tax, excise, and petroleum resource rent tax (PRRT) collections
- includes some of the largest remitters of GST.

The top 100 population is a significant contributor to total income tax collections. Based on 2023 income tax returns, top 100 economic groups paid about $59.2 billion or 42% of all corporate income tax.

We moderate the top 100 population annually having regard to several factors including the size of their Australian operations. We also review top 100 taxpayers annually and tailor our engagement based on the **Action Differentiation Framework** (ADF).

Note: In 2025 there were 83 economic groups in the top 100 population. This number varies year-on-year and some groups have more than one taxpayer in the top 100 population. Accordingly, the annual number of entities reviewed under the justified trust program does not equal 100.

Since the commencement of the **justified trust program** in 2016, our justified trust ratings have provided an objective mechanism for organisations to test and assess the effectiveness of their own tax governance processes as well as understand the organisation's tax profile. Publishing the findings report helps organisations understand how our assessment of their tax profile compares to peers in the market.

Top 100 taxpayers that have obtained overall high assurance ratings can achieve reduced compliance costs and are less likely to have intensive tax disputes with us. Taxpayers can also rely on our high assurance rating to mean that we will generally not apply compliance resources to those issues over which we have justified trust.

Owing to their significance in the tax system, we continually monitor top 100 taxpayers. However, we tailor the intensity of our reviews having regard to several factors including the level of assurance attained.

Where top 100 taxpayers achieve high assurance for income tax, we continue to monitor their disclosures and tax outcomes with a focus on significant new transactions and business changes. Similarly, for GST we generally take a monitoring stance to the GST affairs of top 100 reporters who attained overall high or medium assurance in an initial review. We also conduct some targeted engagement to address GST issues arising from the initial review for some taxpayers.

However, a justified trust rating is not ‘set and forget’. Every 4 years we conduct a tailored justified trust review to refresh our confidence in the taxpayer’s tax outcomes.

Over the last 18 months we have refocussed our engagement with the top 100 population to ensure our reviews are more in real time. The program has always been intended to work this way, given our focus on prevention before correction, however, our reviews have often been retrospective.

We currently have real time justified trust reviews in progress with over 90% of the top 100 population for income tax. Over half of those have no past year justified trust reviews outstanding. This number is set to increase to over 80% by the end of 2025.

We also continue to encourage taxpayers to engage early with us and to make disclosures when changes or events happen, that is, prior to lodging their return. Mutual engagement on matters will provide confidence to taxpayers and the ATO that the tax outcomes reported in the returns are appropriate, or conversely, there is an informed understanding of where there may be a difference of view. We encourage taxpayers to ensure that evidence supporting the tax treatment of significant transactions is readily available and provided to the ATO in a timely manner to support early resolution of issues.

We have released **Top 100 Pre-lodgment disclosure framework** guidance about our expectations of taxpayers and how we will engage on these matters, and set out mutual obligations for real-time disclosures by top 100 taxpayers.

Justified trust and transparency

Tax compliance is a focus among boards, investors, customers and consumers, suppliers, community groups and other stakeholders of how organisations contribute to the communities in which they operate. Many see this as an important component of environmental, social and governance (ESG) performance indicators.

Societal attitudes and expectations in Australia and globally are increasingly encouraging organisations to make more transparent and sustainable business decisions that can lead to long-term growth benefiting all stakeholders. There continues to be calls for organisations to be more transparent about their operations and tax contributions, and to demonstrate that they are participating fairly in the economy.

We have observed that our justified trust ratings are leveraged by organisations to demonstrate their community and ESG credentials as part of their broader social licence to operate. The objective principles used in the justified trust initiative also serve to enhance the community's understanding about large market compliance and their ability to differentiate good corporate tax citizens from others. Although there remains a level of non-compliance by some in this population which we continue to robustly address, the overall level of compliance is very high and possibly much higher than the current broader community understanding. Sharing these ratings can help address this gap for those organisations which have achieved high assurance.

Our results to date demonstrate that most large businesses do and want to do the right thing. We have a high level of willing participation by most large corporate groups. This is shown by 83% of top 100 taxpayers having obtained either a high or medium overall assurance rating for income tax and 97% for GST. There are also examples of companies that have committed to long-term behavioural change, including restructuring, changing their business practices, and settling long-standing disputes with us.

We continue to see justified trust assurance ratings disclosed together with other contextual information to assist the community’s understanding of the tax contributions of the largest participants in the Australian economy. We encourage the continued adoption of tax transparency practices (including the disclosure of assurance ratings) which supports community confidence that the largest taxpayers are paying the right amount of tax.

Our approach

In 2016 we introduced the justified trust initiative starting with the income tax affairs of the top 100 population. In 2019 we expanded the initiative to include the GST affairs of the top 100 population.

We apply the justified trust methodology and seek to obtain assurance of 4 focus areas, that:

1. Appropriate tax risk and governance frameworks exist and are applied in practice. This includes the design and operational effectiveness of business systems to create, capture and report transactions correctly for GST purposes.
2. None of the specific income tax or GST risks we have flagged to the market are present.
3. Tax outcomes of atypical, new, or large transactions are appropriate.
4. We understand why the accounting and tax results vary. We analyse the various streams of economic activity and how they are treated for taxation purposes. We also analyse the sales, acquisitions, and other data, and compare this to net GST paid.

The justified trust program has reached maturity in relation to the assurance reviews of income tax and more recently GST affairs for top 100 taxpayers. Over the past few years, we've worked closely with the top 100 taxpayers and have detailed in their tax assurance reports (TARs):

- the criticality of a good, lived, tax governance framework and encouraging self-assessment against ATO 'better practices'

- the areas of their economic and tax affairs over which we have a high level of assurance
- areas where we have concerns or where improvements can be made and how a higher level of assurance can be obtained
- how the effective tax borne (ETB) on economic activities linked to Australia is critical to our understanding of their income tax risk profile (in particular, transfer pricing matters)
- our future engagement approach
- where a rating is provisional, how that issue resulting in the provisional rating has been addressed
- how the taxpayer has addressed governance gaps and ATO recommended enhancements, and other client next actions detailed in the TAR
- where the monitoring and maintenance approach is applied, whether we have been able to verify the tax outcomes from significant new transactions or significant changes to the taxpayer's business activities.

The report outlines our findings for the 4 justified trust focus areas for income tax and GST, as well as our engagement approach once a top 100 taxpayer attains overall high assurance for income tax and for GST once high or medium assurance is obtained. We clearly set out the areas of concern and any planned compliance action, governance gaps and enhancements and how taxpayers can practically improve their assurance ratings. These reports are complemented by the annual ADF letters where we highlight to senior executives what is working well and any areas of concern requiring attention.

We have introduced the **Supplementary annual GST return** from the 2024–25 financial year for large business that have had a GST assurance review. The return covers:

- how recommendations, areas of low assurance or red flags outlined in the most recent GST assurance review (including subsequent interactions with us) have been actioned
- whether GST governance ratings have been maintained and if any material business or systems changes have occurred that impact on the GST control framework since the last GST assurance review

- the reconciliation between audited financial statements and annualised business activity statements
- whether any material uncertain GST positions have been taken in the period
- whether any material GST errors have been identified in the period and how these have been rectified, and whether any material amounts of credits have been claimed in the period that were referrable to earlier periods.

Our expectation is that the SAGR together with real-time disclosures will enhance our ability to monitor GST compliance and provide us with comprehensive and meaningful levels of detail to maintain assurance and undertake more targeted and less resource intensive reviews for many taxpayers. Where this is not the case our engagement is likely to be more intensive. We are currently consulting on how we will further streamline our engagement with high assurance GST taxpayers.

QC 63848

Top 100 income tax assurance program

Check our Top 100 income tax assurance program ratings and observations.

Last updated 18 September 2025

Health of the system

Graph 1 – Tax paid and total business income (TBI) for the 2023 year by overall assurance ratings for the last income tax reviews completed

Overall assurance ratings for the last income tax reviews completed for tax paid is 76% high, 12% medium, 12% low, for total business income reported is 80% high, 11% medium, 8% low and 1% not rated.

Graph 2 – No tax payable for the 2023 year by overall assurance ratings for the last income tax reviews completed

Percentage of entities where no tax was paid by assurance rating is 58% high, 27% medium, 12% low and 4% not rated.

Table 1: Population review status by latest rating and 2023 figures (nearest hundred million $)

Population status	Latest rating (%)	Total business income (%)	Tax paid (%)	Tax losses carried forward (%)
Totals	100%	$1,199.4b	$55.5b	$30.1b
High	64%	$958.4b (80%)	$41.9b (76%)	$12.5b (42%)
Medium	19%	$131.7b (11%)	$6.7b (12%)	$7.4b (25%)
Low	13%	$99.7b (8%)	$6.6b (12%)	$9.1b (30%)
Unrated	4%	$9.4b (1%)	$0.1b (>1%)	$0.9b (3%)

Note: Based on 2023 income tax returns, Top 100 economic groups paid about $59.2 billion income tax of which about $55.5 billion was paid by Top 100 entities that have been subject to a justified trust review.

As shown by Graph 1, based on 2023 income tax returns high assurance taxpayers accounted for 80% of TBI reported and 76% of tax paid by top 100 taxpayers who have had an assurance review as at 30 June 2025.

Of the $59.2 billion of income tax paid by Top 100 economic groups in 2023, $48.6 billion was reported by taxpayers that have achieved a high or medium assurance rating in their latest review.

Of the top 100 taxpayers who have had an assurance review as at 30 June 2025, 31% paid no tax in the 2023 year. There are legitimate and genuine commercial reasons why a business may not pay tax. For example, they may not have made a profit due to economic factors or the life cycle of their investment may not yet have generated income or may still be recouping prior year losses. We assure that losses are legitimate and able to be carried forward and deducted against future profit.

As shown by Graph 2, 85% (22 of 26) of taxpayers that did not pay tax achieved overall high or medium assurance providing high levels of confidence over the tax outcomes for this group.

Taxpayers who achieved low assurance are subject to further review. Typically, there are systemic issues that concern us in relation to the business model of these taxpayers.

Obtaining high assurance for income tax

In the Top 100 program, we apply a principled approach to reaching overall high assurance (justified trust). This is based on 2 elements:

1. a quantitative threshold of more than 90% tax assured and economic activity correctly reported
2. an objective assessment of 7 qualifying factors.

The quantitative threshold of element 1 must be met before the qualifying factors in element 2 can be applied.

The 7 qualifying factors are outlined below:

1. **Governance**

Governance has been rated at least a Stage 2 in the last tax assurance report (TAR).

2. **Tax risks flagged to market**

Any tax risks flagged to market (published in practical compliance guidelines, taxpayer alerts, public rulings, including those set out in the Reportable tax position (RTP) schedule Category C disclosures) have been rated at least a medium level of assurance in the TAR, and are not of immediate concern or identified as necessitating further action based on the information provided.

3. **International related party dealings and CFCs**

International related party dealings, profit attribution to permanent establishments and controlled foreign companies (CFCs) have received at least a medium level of assurance in the TAR and are not identified as necessitating further action based on the information provided.

4. **Losses**

Losses, if applicable, have received at least a medium level of assurance in the TAR. This includes the commerciality of tax losses that have been verified and we understand when a taxpayer expects to utilise carried forward balances and move into a tax payable position.

5. **Effective tax borne**

The effective tax borne (ETB) calculation in the TAR and any underlying assumptions or proxies have been verified with the taxpayer. The ETB calculation hasn't highlighted any new areas of concern that pose a potential tax risk, for example, holding overseas interests in jurisdictions where there is not a substantiated commercial purpose.

6. **Reportable tax position (RTP) schedule**

There are no inconsistencies in RTP schedule disclosures which are identified between lodgment of the tax return and finalisation of the review.

7. **Cooperative and collaborative behaviour**

It has been a cooperative and collaborative process, and when working with a taxpayer we have not observed any non-cooperative behaviour.

An overall provisional high assurance rating may be possible in limited circumstances. This may include where the taxpayer has provided an undertaking and is actively working on addressing a specific design gap in their tax governance framework or there is ongoing compliance activity. Where there is ongoing compliance activity, provided the quantitative threshold is met (inclusive of the unassured issue), the availability of a provisional rating will depend on the nature and stage of the compliance activity.

Ratings

We apply consistent rating categories when considering our overall level of assurance.

Table 2: Rating categories

Colour indicator	Rating	Category description
Green dot	High	We obtained assurance that the taxpayer paid the right amount of Australian income tax or reported the right Australian income tax outcomes for the income year reviewed.
Yellow dot	Medium	We obtained assurance in relation to some but not all areas reviewed. For those areas not yet assured, further evidence or analysis will be required before we obtain assurance that the taxpayer paid the right amount of Australian income tax for the income year reviewed.
Orange dot	Low	We have specific concerns around the taxpayer's compliance with the Australian income tax laws and the amount of Australian income tax paid for the income year reviewed.

Overall levels of assurance

As at 30 June 2025, almost two-thirds (64%) of top 100 taxpayers have attained overall high assurance (that is, justified trust). This means that we have obtained assurance that these taxpayers have paid the right amount of Australian income tax for the year reviewed.

The overall level of assurance is based on an objective view (having regard to objective evidence) of whether the taxpayer is considered to have paid the right amount of tax.

The reviews completed to the end of June 2025 resulted in the following ratings.

Graph 3 – Overall assurance ratings for the last income tax reviews completed as at 30 June 2025

Overall assurance ratings at 30 June 2025 were 64% high, 19% medium, 13% low and 4% not rated.

Note: All outcomes data used in this report in relation to income tax is based on the last review completed, which can include:

- a standard justified trust review
- monitoring and maintenance review
- annual compliance arrangement (ACA) review
- refresh year review.

Not rated is applied to taxpayers where a recent full justified trust review across all 4 focus areas has not been undertaken.

Graph 4 – Overall assurance ratings for the last income tax reviews completed by industry as at 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025

Overall assurance ratings for FS, MCA, MEW and WRS industries for the 2022 to 2025 financial years, as detailed in tables 1 to 4.

You can also view **overall assurance ratings** for the last income tax reviews completed by industry data in table format.

Note:

- These groupings align with the industry segments we use as part of our corporate tax transparency reporting except where we have amalgamated the Banking, finance and investment (BFI), Insurance (ISR) and Superannuation (SUP) segments into a Financial services (FS) segment. The groupings are:
  - Banking, finance and investment, superannuation funds and insurance (FS)
  - Manufacturing, construction and agriculture (MCA)
  - Mining, energy and water (MEW)
  - Wholesale, retail and services (WRS).
- The population depicted in Graph 4 comprises taxpayers in the current top 100 population during each of the 2022, 2023, 2024 and 2025 income years.

Observations

Of the top 100 taxpayers reviewed up to 30 June 2025, 83% obtained either an overall high assurance rating or an overall medium assurance rating.

We've seen a marked increase in the number of taxpayers achieving overall high assurance with a shift from 6% in 2019 to 59% in 2024. During 2025 the number of overall high assurance taxpayers has further increased to 64%.

For top 100 taxpayers who've had more than one TAR issued, over 66% have increased their overall assurance rating between the first and last TAR issued.

The number of taxpayers at overall low assurance has remained stable in 2025 at 13%.

The increase in the number of high assurance taxpayers shows the efforts taxpayers have made to resolve key disputes with the ATO as well as continuing to pro-actively engage with us during the year to progress and finalise assurance reviews. Taxpayers have also continued to embed justified trust principles (particularly those relating to governance) as well as make efforts to provide objective evidence that support higher ratings.

This year, all top 100 taxpayers have maintained or improved their overall assurance rating. That is no taxpayers have had their assurance ratings downgraded.

High assurance taxpayers

We've seen a further increase in 2025 in the number of top 100 taxpayers achieving overall high assurance, with a shift from 59% in 2024 to 64% in 2025. This reflects improved assurance ratings from taxpayers in the Manufacturing, construction and agriculture (MCA), Mining, energy and water (MEW) and Wholesale, retail and services (WRS) industries.

We expect that we will continue to have incrementally more taxpayers attain overall high assurance in time. However, we don't expect that the entire population will achieve high assurance due to ongoing concerns about systemic tax risk or behaviour of a small number of entities in the group.

This improvement will come from the cooperation of the ATO and taxpayers in achieving timely completion of the planned assurance reviews for the year. It also relies on taxpayers actively addressing areas of concern identified by the ATO, including resolution of key disputes and taxpayers continuing to maintain their overall high assurance ratings in the refresh reviews.

In limited circumstances, we may give an overall provisional high assurance rating. Such circumstances may include where the taxpayer has provided a written undertaking and is actively working on addressing a specific design gap in their tax governance framework, or there is ongoing compliance activity.

There were 13 taxpayers in the current top 100 population who had a provisional high assurance rating as at 30 June 2025. The main reasons for a provisional rating are because the taxpayer had some areas that required further assurance, amendments had not yet been lodged, or they had other ongoing compliance activity. Another reason is because some taxpayers had committed to but not yet developed a periodic tax control testing plan in relation to their governance framework at the time of the rating. This is typically because the testing plan is developed closer to the time of the testing which may occur after the issuance of the TAR depending on the organisation’s internal review cycle.

There were 6 taxpayers who had provisional high assurance who have been able to complete the required work and improve their assurance rating to unqualified high assurance.

During 2025 we completed 36 monitoring and maintenance reviews for taxpayers in the current population. We also completed 6 annual compliance arrangement (ACA) reviews during 2025 for taxpayers who have an ACA and have attained overall high assurance. All these reviews resulted in the taxpayers maintaining their justified trust ratings.

Many taxpayers have completed or are currently into their second or third round of the monitoring and maintenance approach with their overall high assurance rating being reaffirmed.

We've further observed the following in relation to the monitoring and maintenance reviews:

- Taxpayers are proactively engaging with us and making disclosures of significant or new transactions, or where there are material changes.
- Our focus on governance is typically limited to reviewing the implementation of our recommendations, addressing any specific design gap that is the subject of a provisional Stage 2 rating, and

reviewing the outcomes from an independent operational effectiveness testing to assess whether a Stage 3 rating has been achieved.

- Further verification work was required in the 2025 year for most reviews in relation to significant new transactions or tax risks flagged to market, or both. We've also completed 7 refresh reviews for taxpayers in the current population during 2025. These reviews enabled us to refresh our understanding and evidence base and reaffirmed our confidence that these taxpayers continue to pay the right amount of tax.

The refresh reviews completed to date have resulted in most taxpayers maintaining their justified trust ratings.

For 2025 we have further observed the following in relation to the refresh reviews:

- Most taxpayers who had a refresh review concluded during this year are already at Stage 3, with one having increased their governance rating in the refresh review from Stage 2 to Stage 3.
- All had new transactions where a tax risk flagged to market applied. These were identified from the RTP schedule alongside other taxpayer information. All these new risks were rated as high or medium assurance.
- Most of the reviews identified one or more new significant transactions that required review.

Medium assurance taxpayers

In 2025, 19% of top 100 taxpayers attained an overall medium level of assurance. This means that we obtained assurance in most areas reviewed or to a level that we had confidence that the likelihood of tax risk is low. This reflects, to some degree, the complexity of large businesses.

In practice, the main blockers to taxpayers achieving overall high assurance are:

- demonstrating design effectiveness of their governance framework
- the display of what we perceive to be non-cooperative behaviours
- non-assured matters relating to tax risks flagged to market (that is, key corporate tax risks)

- significant transactions that require further information to be provided to us in order to assure the tax outcome
- in a small number of cases, analysis still to be conducted by us.

Low assurance taxpayers

In 2025 the percentage of top 100 taxpayers at overall low assurance remained stable at 13%. We consider most of these taxpayers to have a higher risk profile. They are typically involved in complex and numerous tax disputes and are more likely to use audits to progress the resolution of issues.

Overall, low assurance taxpayers typically have a combination of low and red flag assurance ratings across the 4 justified trust focus areas that prevent them from attaining a higher level of overall assurance. Resolving the higher risk tax issues (such as those that go to the heart of their business model), as well as making improvements to the design effectiveness of their tax risk management and governance frameworks, will likely see these taxpayers increase their overall assurance ratings.

Tax governance framework

Tax governance is a key focus area under the justified trust methodology for large public and multinational businesses.

We consider the existence, design and operation of a tax control framework for income tax and GST focusing on the 8 controls set out in the **Tax risk management and governance review guide** and the **GST Governance, Data testing and Transaction Testing Guide** (collectively, the Guides).

1. Board-level control 1: Formalised tax control framework
2. Board-level control 3: The board is appropriately informed
3. Board-level control 4: Periodic internal control testing
4. Managerial-level control 1: Roles and responsibilities are clearly understood
5. Managerial-level control 3: Significant transactions are identified
6. Managerial-level control 4: Controls in place for data
7. Managerial-level control 6: Documented control frameworks

8. Managerial-level control 7: Procedures to explain significant differences

The Guides:

- set out principles for board-level and managerial-level responsibilities, with examples of evidence that demonstrate the design and operational effectiveness of tax control frameworks
- focus on the processes and controls in place and may not necessarily reflect the tax risk appetite or capabilities and experience of the tax or finance team, or their advisers.

Ratings

We apply the following staged rating system when reviewing and assessing tax governance. For practical guidance about how we rate tax governance, see **Reviewing tax governance for large public and multinational businesses**.

Table 3: Staged rating system

Colour indicator	Rating	System description
Green dot	Stage 3	Evidence was provided to demonstrate that a tax control framework exists, has been designed effectively and is operating effectively in practice.
Yellow dot	Stage 2	Evidence was provided to demonstrate that a tax control framework exists and has been designed effectively.
Orange dot	Stage 1	Evidence was provided to demonstrate a tax control framework exists.
Red dot	Not evidenced or concerns	We have not been provided with sufficient evidence to demonstrate a tax control

		framework exists or we have significant concerns.

The reviews completed to the end of June 2025 resulted in the following ratings which have been grouped by industry.

Graph 5 – Overall governance ratings for the last income tax reviews completed as at 30 June 2025

Percentage of governance ratings at 30 June 2025 were 17% stage 1, 40% stage 2, 41% stage 3 and 2% red flag.

Graph 6 – Overall governance ratings for the last income tax reviews completed by industry as at 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025

Overall governance rating by industry segments for 2022, 2023, 2024 and 2025 financial years, as detailed in tables 5 to 8.

You can also view **overall governance ratings** for the last income tax reviews completed by industry data in table format.

Observations

During 2025 we observed continued improvement in governance reflecting the efforts of many taxpayers to enhance their income tax control frameworks, provide objective evidence in support of their governance policies and processes, and undertake testing of their income tax control frameworks.

The number of taxpayers attaining the highest rating for tax governance (Stage 3) increased to 41% (up from 35% in 2024) as more taxpayers completed independent testing of their income tax control frameworks and shared the findings with us. The number of taxpayers attaining Stage 2 decreased from 43% to 40%. This means that 81% of the top 100 population have at least a well-designed and effective tax governance framework because they have obtained a Stage 2 or Stage 3 rating. We expect that this will result in greater organisational understanding of the tax risks taken on (or not) by the organisation as well as a greater alignment between an organisation's tax risk appetite and their risk framework.

Stage 3

To obtain the highest rating (Stage 3), we look for evidence that the documented income tax control framework is both designed and operating effectively in practice. This stage requires evidence in the form of a detailed report of findings that demonstrates taxpayers have independently tested the operation of their framework in practice. This should conclude that the documented tax control framework is operating effectively.

Where the report of findings recommends improvements or enhancements, we will seek to understand whether these have been (or will be) implemented before assigning a Stage 3 rating.

We've seen taxpayers being assigned an overall Stage 3 rating increase from 2024 with 41% of taxpayers receiving an overall Stage 3 rating.

We note that some taxpayers are testing their income tax controls over a 3-to-5-year period. These taxpayers are not expected to be assigned an overall Stage 3 rating until testing has been completed and the results have been provided to us at the conclusion of the 3-to-5-year period. Accordingly, whilst we expect the number of taxpayers that have achieved Stage 3 to increase, this will occur over several years.

Stage 2

A minimum Stage 2 rating is required to achieve an overall high assurance rating or justified trust. This means taxpayers have provided objective evidence to demonstrate a tax control framework exists for income tax and has been designed effectively.

For income tax, 40% of taxpayers were assigned a Stage 2 rating for the year ended 30 June 2025, a decrease from 43% in 2024.

When reviewing governance for Stage 2, we'll leverage existing processes or identify compensating controls where the better practice elements are either not present or only partially present.

An increasing number of top 100 taxpayers at Stage 2 are working with us to demonstrate that their income tax control framework is not only designed effectively but also operating effectively, to proceed to the next rating (Stage 3).

Stage 1

A Stage 1 rating recognises that an income tax control framework exists but reflects that further work is needed to demonstrate that the framework is designed effectively. Most top 100 taxpayers have provided objective evidence that a tax control framework for income tax exists.

For income tax, 17% of taxpayers were assigned a Stage 1 rating for the year ended 30 June 2025 compared to 19% for the year ended 30 June 2024. The decrease in the number of taxpayers at Stage 1 can be attributed to taxpayers providing us with objective evidence addressing their design gaps.

We continue to work with those top 100 taxpayers with a Stage 1 rating to progress to a Stage 2 rating as part of current and future reviews. In this regard, reporting tax risks to the board, tax provision procedures (relevant to procedures to explain significant differences between accounting and tax), and the periodic internal controls testing program were the main areas observed with limited formal documentation in 2025.

We note that although some taxpayers have documented their income tax controls, they have not documented a plan as to when and how frequently, their income tax controls will be tested by an independent tester (rather than the control owner). This remains a key blocker to taxpayers achieving a Stage 2 rating.

Red flag

A red flag rating is only applied after careful consideration if we have:

- no evidence demonstrating that an income tax control framework exists
- significant concerns with the taxpayer's income tax control framework as evidenced by the high level of errors identified
- fundamental concerns about the robustness of existing income tax controls.

There remains a small percentage (2% in 2025) of top 100 taxpayers that have been assigned a red flag rating for income tax governance.

Tax risks flagged to market, significant or new transactions and specific tax risks

We seek to understand, and review, the income tax treatment of the taxpayer's business activities, particularly significant and new transactions. We also look for, and review, risks or concerns communicated to the market and determine if they are present.

Ratings

We apply a consistent rating system when reviewing and assessing the income tax treatment of a taxpayer's business activities, including significant and new transactions and tax risks communicated to the market.

Table 4: Staged rating system

Colour indicator	Rating	System description
Green dot	High	With respect to this issue, we obtained a high level of assurance that the right Australian income tax outcomes were reported in the taxpayer's income tax return.
Yellow dot	Medium	More evidence and or analysis is required to establish a reasonable basis to obtain a high level of assurance.
Orange dot	Low	More evidence and or analysis is required to determine whether a tax risk is present.
Red dot	Red flag	Likely non-compliance with the income tax law.
–	Not rated	We have not evaluated this item and not expressed a rating.

For some issues or transactions, we require more evidence or analysis, or both, to obtain high assurance. We work with top 100 taxpayers to identify the areas that require further evidence or analysis. In some cases, medium assurance ratings on specific transactions may be satisfactory and, depending on the area and the significance of the transaction, it may still be possible to achieve overall high assurance.

High quality information, relevant supporting documentation, and an open and transparent relationship are required for taxpayers to be able to achieve high assurance.

Large companies are required to disclose information in the RTP schedule on uncertain tax positions and arrangements that are considered to pose a systemic risk to the corporate tax base. These arrangements often involve tax avoidance or profit shifting (or both).

The latest **Findings report Reportable tax position schedule Category C disclosures** provides the aggregated disclosures made by companies for the 2023–24 income year. The report provides insights to the types of arrangements large companies are entering, including arrangements in addition to those outlined below.

Observations

The assurance areas covered in the analysis for tax risks flagged to market, and significant and new transactions often have material tax consequences if they've been incorrectly treated or calculated for tax. This also has a significant impact on the overall assurance ratings.

Many top 100 taxpayers have arrangements that are covered by a public advice and guidance product (such as a practical compliance guideline, taxpayer alert or public ruling). Where a public advice and guidance product may be applicable, our approach is to seek to understand the arrangement to determine the presence of risk. Where risk is present, we work with the taxpayer to mitigate or address this.

As part of our Top 100 assurance reviews, we check on an annual basis, the accuracy and completeness of disclosures made by top 100 taxpayers in tax returns, accompanying schedules (including the RTP schedules), country-by-country (CBC) reporting statements and financial statements. We also follow up on disclosures in the RTP schedules relating to unamended mistakes or omissions in tax returns.

We have observed that over time many taxpayers who have previously been engaged in high-risk arrangements now have either:

- no new tax risks flagged to market
- typically
  - fall in the low risk or white zone of the practical compliance guidance, or
  - have been given high assurance.

This is consistent with our observations about taxpayers committing to long term behavioural change.

The following sections outline specific areas of concern and items that attract our attention. We do not see these in all cases.

Transfer mispricing

Transfer pricing is a natural feature of the international tax system, requiring entities to deal with related parties on arm's length terms. Our concern is where arrangements or transactions are mischaracterised or mispriced (or both), resulting in the tax base being shifted from Australia. This is a particular risk in a country like Australia, being a net importer of capital with a high tax rate. As such, the appropriateness of transfer pricing is a common assurance area with approximately 90% of top 100 taxpayers reporting related party dealings in the 2024–25 income year. This area encompasses a substantially large number of dealings, the nature of which can range from simple to very complex.

We continue to work with impacted taxpayers to improve the level of assurance on arrangements that attract a low assurance or red flag rating. Given the prevalence and significant tax outcomes involved, we actively investigate these arrangements and undertake assurance activities on top 100 taxpayers.

Where transactions are covered by an Advance Pricing Arrangement (APA), or Bilateral Advance Pricing Arrangement (BAPA) we will review the arrangements and the annual compliance report that is required to be submitted for APAs and BAPAs to ensure that taxpayers are continuing to follow the terms of the arrangements.

Where transactions are subject to settlement agreements or private rulings, we also review these to confirm that taxpayers are adhering to the terms of the settlement agreement or implementing the relevant transactions in accordance with the ruling.

Common issues which arise in relation to transfer pricing matters where we are yet to obtain assurance include the following:

- The inadequacy of information available to support transfer pricing positions.
- The size and complexity of the global value chain in the top 100 population – top 100 taxpayers often have very complex businesses and Australia can be a significant part of the value chain. We are

finding it takes time to source relevant information to support the transfer pricing analysis particularly when the information is held offshore.

- Businesses in Australia are fragmented and housed in various entities who each play a key role in delivering the services or products in the Australian market but are then priced or characterised individually, for example as distinct service providers to the offshore parent.
- Transfer pricing mischaracterisation of arrangements, transactions or Australian activities (or both) that result in inappropriate profit and tax outcomes.
- Changes in transfer pricing policy or methodologies without an underlying change to the functional profile of a taxpayer.
- Artificial structuring, bifurcation and risk allocation of the taxpayer that are misaligned with commercial substance and result in the application of inappropriate transfer pricing methodologies.

The following is a breakdown of the key transfer pricing areas reviewed across a range of dealings.

Related party finance

International related party financing transactions includes arm's length conditions, related party derivatives, interest free loans (outbound and inbound), cash pooling arrangements and guarantee fees.

Table 5: Transfer pricing assurance ratings by percentage of review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	46%
Medium	38%
Low and red flag	12% (7% and 5%)

Not rated	4%

Related party financing arrangements continue to be one of the largest assurance areas for the Top 100 program. In particular, PCG 2017/4 is a key focus of our reviews including taxpayers' self-assessment of the risk indicators and risk zone rating, and evidence required to support any relevant disclosures.

We have observed the proportion of high and medium assurance ratings have improved from 63% in 2022 to 84% in 2025. There has also been a reduction in the proportion of low assurance ratings from 14% last year to 7%, reflecting the improvement of several taxpayers to a medium rating.

The ATO was successful in the Full Federal Court in relation to the *Singtel* related party financing case. The favourable decision provides further support to our existing compliance approach to related party financing and will help to reinforce the positive assurance trend.

Offshore hubs (marketing or procurement)

Table 6: Offshore hubs assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	47%
Medium	23%
Low and red flag	30% (19% and 11%)
Not rated	0%

We are primarily concerned about offshore hubs that derive high profits from marketing or procuring goods or services for Australian operations.

PCG 2017/1 sets out our compliance approach to transfer pricing issues related to the location and relocation of certain business activities and operating risks into a centralised operating model.

In 2025 we further extended our coverage and provided an assurance rating on previously unrated arrangements from 2024 building further on our high levels of coverage.

We have focused on offshore hubs for several years, in particular offshore marketing hubs. During this time, we have been able to resolve a number of disputes, including with the largest commodity exporters in Australia, providing confidence that the right amount of tax is being paid in relation to our largest commodity exports. The majority of the offshore centralised operating models (hubs covering marketing and non-core procurement activities) that have been reviewed are rated high or medium assurance rating.

However, there continues to be a number of arrangements across a small number of taxpayers where we continue to have concerns. Further compliance action, such as reviews and audits, is underway in relation to these arrangements. For completeness we note that these taxpayers may have multiple marketing or procurement hub arrangements, some of which may be rated as medium or high assurance.

Inbound distribution arrangements

Table 7: inbound distribution arrangements assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	25%
Medium	13%
Low and red flag	37% (25% and 12%)
Not rated	25%

PCG 2019/1 concerns the transfer pricing risks associated with distribution of goods purchased from related foreign entities for resale, and distribution of digital products or services where intellectual property in those products or services is owned by related foreign entities. Less than 10 taxpayers have arrangements that potentially fall within PCG 2019/1.

We have observed the proportion of high and medium assurance ratings have improved from 14% in 2024 to 38% in 2025. There has been a corresponding reduction in the proportion of low assurance and unrated arrangements, reflecting the improvement of several taxpayers to a higher rating.

We continue to work with taxpayers to improve our level of assurance in respect of those arrangements attracting a low assurance or red flag rating. Where necessary these arrangements have been escalated to specific investigations, including audits.

We continue to focus on a number of related party arrangements where a number of related Australian subsidiaries each significantly contribute to the creation of the digital products or services or the intellectual property in the digital products or services in Australia, including data centres. We consider these arrangements are not merely inbound distribution arrangements within the meaning provided by the PCG and are reviewing whether the tax outcomes are appropriate.

Inbound distribution arrangements (especially as they relate to digital products or software) may also raise concerns about the extent to which payments made to offshore associates are royalties, subject to withholding tax. This continues to be an enquiry requiring regard to the terms of the agreements and other relevant facts and circumstances.

Structured arrangements designed to reduce Australian tax

In some cases, we see arrangements that are structured to reduce or avoid Australian tax. In those cases, the low assurance ratings and red flags are generally associated with related party transactions or other structured transactions (including third party back-to-back transactions) promoted or designed to achieve Australian tax savings, such as the following:

- Contrived related party financing arrangements, including the use of financing transactions with special terms designed to

- artificially defer or avoid interest withholding tax while having obtained annual Australian income tax deductions
- avoid or reduce dividend withholding tax upon repayment/redemption of contrived related party financing arrangements
- otherwise obtain deductions or avoid assessable income using arrangements designed to circumvent thin capitalisation, debt or equity classification and the hybrid mismatch rules.

- Intangibles arrangements designed to reduce or avoid Australian taxable income or reduce or avoid royalty withholding tax, including
  - intangible migration arrangements falling within the higher risk zones of **PCG 2024/1** *Intangibles Migration Arrangements*
  - arrangements of the kind described in Taxpayer Alert **TA 2018/2** *Mischaracterisation of activities or payments in connection with intangible assets* or within the scope of Draft Tax Ruling **TR 2024/D1** *Income tax: royalties – character of payments in respect of software and intellectual property rights*
  - We've recently released the Draft Practical Compliance Guideline (PCG) **2025/D4** – *Low-risk payments relating to software arrangements – ATO compliance approach* which provides certainty about when the ATO will not review software arrangements to determine whether any part of a cross-border payment made to a non-resident is a royalty and subject to withholding tax (royalty risk).
- Arrangements or variation of arrangements of the kind described in Taxpayer Alert **TA 2020/4** – these arrangements broadly involve the transfer of assets to an Eligible Tier 1 (ET-1) and an ET-1 company leaving or anticipating leaving, the multiple entry consolidated (MEC) group.
- Arrangements designed to avoid income being attributable to an Australian permanent establishment.
- 'Inversion' or 'top-hatting' arrangements, or the interposition of partnerships or other entities, designed to
  - shift recognition of income, or change or mischaracterise the nature of income

  - facilitate related party transactions to obtain Australian tax deductions
  - reduce or eliminate withholding tax
  - avoid the application of targeted or general anti-avoidance measures.
- Arrangements of the kind described in Taxpayer Alert TA 2020/5 – *Structured arrangements that provide imputation benefits on shares acquired where economic exposure is offset through use of derivative instruments*.

Capital allowances

Table 8: Capital allowances assurance ratings by percentage of review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	57%
Medium	30%
Low and red flag	8% (8% and 0%)
Not rated	5%

In 2025 there has been a noted improvement in assurance ratings for taxpayers with capital allowances matters with the majority (87%) achieving high or medium assurance rating.

When assuring capital allowances claims, we consider the systems and governance processes adopted, as well as the supporting evidence provided (including working papers).

Common areas of focus include the use of project pools, balancing adjustment calculations, self-assessed effective lives, and correct asset classification (particularly for composite assets and leasehold improvements). Other areas of assurance include blackhole expenditure, exploration expenditure and capitalised labour costs.

Research and development (R&D) expenditure

Table 9: R&D expenditure assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	16%
Medium	72%
Low and red flag	12% (12% and 0%)
Not rated	0%

We have seen an improvement in assurance ratings for R&D over time. We've observed an improvement in the high assurance ratings from 10% to 16%. There was a significant improvement in medium assurance ratings to 72% (previously 43% in 2024) as taxpayers have improved their previously low assurance rating. Furthermore, a small number of taxpayers that were previously not rated for R&D matters due to pending amendment claims have subsequently attained medium assurance.

However, we continue to see some taxpayers unable to reach higher assurance ratings due to a lack of contemporaneous documentation to evidence that notional deductions claimed by taxpayers are incurred on R&D activities and whether expenses (such as overheads and fixed costs) are appropriately apportioned between eligible and non-eligible R&D activities.

We'll continue to work with taxpayers to address issues that are leading to lower assurance ratings. In some cases, taxpayers are required to provide further information to substantiate the amounts claimed. Additionally, some taxpayers are expected to make improvements to their governance and record keeping. Where appropriate, we will refer activities for review to the Department of Industry, Science and Resources.

Thin capitalisation

Table 10: Thin capitalisation assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	81%
Medium	14%
Low and red flag	5% (3% and 2%)
Not rated	0%

The majority of our reviews of the thin capitalisation provisions attracted a high assurance or a medium assurance rating (95%). However, given the change to the thin capitalisation provisions, this will remain an ongoing focus for us.

The *Treasury Law Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024* applies to income years commencing on or after 1 July 2023 (except for the new debt deduction creation rules which apply to income years commencing on or after 1 July 2024). The new rules will be supported by changes to the application of the transfer pricing rules that may affect a taxpayer's quantum of debt.

The new thin capitalisation and debt deduction creation rules are likely to have a significant impact on top 100 taxpayers. This will be a key focus area in upcoming reviews.

We expect taxpayers are implementing strong processes to deal with the new thin capitalisation provisions, including appropriate consideration of the matters set out in the following draft guidance products, which are expected to be finalised soon:

- Practical Compliance Guideline **PCG 2025/2** *Restructures and the thin capitalisation and debt deduction creation rules – ATO compliance approach*
- Draft Taxation Ruling **TR 2024/D3** *Income tax: aspects of the third party debt test in Subdivision 820-EAB of the Income Tax*

Assessment Act 1997.

Deductions

Table 11: Deductions assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	73%
Medium	21%
Low and red flag	3% (2% and 1%)
Not rated	2%

Most of the general deductibility issues we're seeing relate to revenue or capital classification and the subsequent tax treatment of the expense. This includes capitalised labour, exploration expenses and repairs and maintenance. About 94% of reviews relating to deductions have been rated as high or medium assurance.

Consolidation

Table 12: Consolidation assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	69%
Medium	27%
Low and red flag	2% (2% and 0%)

Not rated	2%

Consolidation areas reviewed include the allocable cost amount process including some instances where the allocable cost amount has not been prepared at the time of the assurance review, asset recognition, valuation, reconsolidation events and MEC groups. Nearly 70% of reviews relating to consolidation issues have been rated as high assurance.

Losses

Table 13: Losses assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	57%
Medium	28%
Low and red flag	13% (11% and 2%)
Not rated	2%

We holistically focus on generation, carry forward, transfer and utilisation of any losses. Our reviews consider not only the tax analysis, but we also look to understand the origin of the losses and the commercial environment of the business at the time the losses were incurred. We also seek to understand when top 100 taxpayers will use any carry forward losses and move into a tax payable position. About 85% of reviews relating to losses have been rated as high or medium assurance.

Revenue

Table 14: Revenue assurance ratings by review outcomes

Assurance ratings as at	Percentage of Top 100

30 June 2025	review outcomes
High	84%
Medium	13%
Low and red flag	3% (3% and 0%)
Not rated	0%

In some cases, we're seeing a need for more evidence and analysis of sales revenue and other material revenue amounts. These are needed to establish a reasonable basis to obtain a high level of assurance where we've been unable to reconcile revenue figures reported in the tax return with audited financial accounts. Over 80% of reviews relating to the derivation of revenue have been rated as high assurance.

Controlled foreign companies and permanent establishments

Table 15: Controlled foreign companies and permanent establishments assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	64%
Medium	29%
Low and red flag	5% (3% and 2%)
Not rated	2%

Controlled foreign companies (CFCs) and permanent establishments (PEs) are areas that commonly arise in our justified trust reviews. About 93% of reviews relating to CFCs and PEs have been rated as high or medium assurance. We continue to work with the small number of taxpayers where assurance has not been attained. This includes obtaining further objective evidence in relation to issues arising from CFCs and PEs including their entitlement to foreign tax offsets, CFC attribution amounts, and conduit foreign income balances.

Hybrid mismatch

Table 16: Hybrid mismatch assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	42%
Medium	46%
Low and red flag	9% (7% and 2%)
Not rated	3%

In 2025 we have completed further reviews of hybrid mismatch arrangements. The improvement in the proportion of high assurance ratings from 23% in 2024 to 42% in 2025 largely reflects taxpayers whose hybrid arrangements were not previously assured, or where taxpayers have improved from a prior medium level of assurance.

A common reason contributing to medium or low assurance ratings continues to be a lack of evidence or any substantial effort being made to comply with obligations in respect of the hybrid mismatch rules, in particular, the imported hybrid mismatch rule. As part of our assurance reviews, we refer to **PCG 2021/5** *Imported hybrid mismatch rule – ATO's compliance approach* and request evidence to support the processes and procedures taxpayers are taking to ensure compliance with the imported hybrid mismatch rule in Subdivision 832-H. It is important that this evidence is retained and provided to us during the assurance review.

Alignment of tax and accounting outcomes

We analyse the differences between the accounting and tax results. This includes understanding the effective tax rates and ETB. We seek to understand, and be able to explain, any variances between tax and accounting outcomes. This provides an objective basis to obtain greater assurance.

Ratings

We apply a consistent rating system when reviewing and assessing the alignment of tax and accounting outcomes, which is outlined below.

Table 17: Staged rating system

Colour indicator	Rating	System description
Green dot	High	We understand and can explain the various streams of economic activity and why the accounting and income tax results vary.
Yellow dot	Medium	Further analysis and explanation are required to understand the various streams of economic activity and why the accounting and tax results vary.
Orange dot	Low	We identified concerns from our analysis of the various streams of economic activity and why accounting and tax results vary.
Red dot	Red flag	We don't understand and cannot explain the various streams of economic activity and why accounting and tax results vary.

The reviews completed to the end of June 2025 resulted in the following ratings.

Graph 7 – Alignment of tax and accounting ratings for the last income tax reviews completed as at 30 June 2025

Percentage of ratings is 74% high, 22% medium and 4% not rated.

Graph 8 – Alignment of tax and accounting ratings for the last income tax reviews completed as at 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025

Overall alignment of tax and accounting for 2022 to 2025 financial years, as detailed in table 9.

You can also view alignment of tax and accounting ratings for the last income tax reviews data in table format.

Observations

Most (96%) of the top 100 taxpayers have obtained a medium or high assurance rating with respect to the alignment of tax and accounting outcomes, with the proportion at high assurance increasing from 67% as at 30 June 2024 to 74% as at 30 June 2025.

We're generally able to obtain assurance over a significant proportion of reported income and expenses as most taxpayers have audited financial statements. This is supported by a book-to-tax reconciliation between net profit or loss reported in the financial statements and the total profit or loss disclosed in the relevant tax return. This can be more challenging for taxpayers with MEC groups, foreign branches, or stapled groups. However, in many cases, we've been able to overcome these challenges through active collaboration with top 100 taxpayers with these structures to deepen our understanding of these taxpayers' various streams of economic activity and why the accounting and income tax results vary.

We're also generally being provided with detailed book-to-tax reconciliations which allow us to obtain assurance over the key adjustments from the accounting results to calculate the taxable income (and tax payable) figures. We have a particular focus on permanent differences.

The increase in high assurance ratings has resulted in a corresponding decrease in the number of medium ratings (22%) for this focus area. In some cases, further analysis is required and underway to understand the various streams of economic activity where the accounting and tax results vary for the top 100 population.

Another component of this focus area is the ETB calculation, which we use to analyse the tax and economic performance of corporate groups.

We've observed that the ETB analysis provides a good cross-check or confirmation in relation to our analysis and assurance over global supply chains. The ETB offers a useful sense check on any related party dealings and whether they are giving plausible, common-sense outcomes, or conversely if they are having the effect of skewing profits to low tax jurisdictions. This is done by identifying the economic group's worldwide profit from Australian-linked business activities and the Australian and offshore tax paid on that profit.

Boards and tax representatives of corporate groups should understand their ETB calculation and where they are booking profits around the world. We require taxpayers to provide information around their global value chains and foreign taxes paid on Australian-linked activities and encourage taxpayers to continue to work with us to refine and enhance their ETB analysis.

To further streamline reviews for high assurance taxpayers that are wholly or substantially domestic in operations and ownership with predominantly domestic transactions, we will no longer undertake the ETB calculation in our monitoring and maintenance and refresh reviews (unless there's exceptional or changed circumstances).

QC 63848

Tailored high assurance engagement

Observations from our tailored engagement approach for top 100 taxpayers who attain overall high assurance.

Last updated 18 September 2025

What a high assurance rating means for income tax

An overall high assurance rating for income tax means that we've obtained assurance that the taxpayer paid the right amount of Australian income tax or reported the right Australian income tax outcomes for the income year reviewed.

Where a taxpayer receives a high assurance rating for a significant or new transaction, a transaction with respect to a tax risk flagged to market, or a specific tax risk, this means that with respect to this issue, we obtained assurance that the right Australian income tax outcomes were reported in the taxpayer's income tax return.

The taxpayer can therefore rely on a high assurance rating to mean we won't initiate any additional review of the income year return (including assurance or audit activity). This is other than any issues listed in the future assurance plan or similar work plan noted as requiring further review, unless in exceptional circumstances. Similar work plan includes a taxpayer specific justified trust maintenance plan, issues register or annual review plan.

Exceptional circumstances for a review

Only in exceptional circumstances will we apply compliance resources to review any of the relevant issues in the income year reviewed. The following circumstances are likely to constitute exceptional circumstances:

- Legislation is enacted, a final decision of the court or tribunal is made, or there is a precedential ATO view that applies retrospectively to the income years reviewed.
- A review is required to complement compliance activity or give effect to a determination of another government agency or regulator.
- There's a self-amendment or objection to the return for the income year reviewed (we'll review the return in relation to the issue covered by the self-amendment or objection and related issues).
- The taxpayer has subsequently notified us of a disclosure issue or error that should be corrected. Relevant factors for consideration include materiality, potential risk to revenue, likely proliferation in the market or consistency with the policy intent.
- There's a change of tax treatment or position by the taxpayer, or a taxpayer related to them in that year or in subsequent years (other than due to a retrospective change in law or a precedential ATO view). This is particularly where the change in treatment means some amounts are never taxed or double benefits will be obtained for expenditure.

- It becomes apparent to us that full and true disclosure was not made.
- There is potential application of the general or specific anti-avoidance rules.
- Fraud or evasion becomes evident to us.

QC 63848

Top 100 GST assurance program

View the Top 100 GST assurance program ratings and observations.

Last updated 18 September 2025

About the Top 100 GST assurance program

The top 100 population is a significant contributor to total GST collections. In 2023–24 the top 100 population contributed about $10.3 billion in GST collections, which was about 12.6% of total GST collections.

As at 30 June 2025, one or more GST reporters in over 94% of our top 100 economic groups have had a GST assurance review under the Top 100 GST assurance program. The remainder, except for some recent entrants, have a GST assurance review underway or commencing in 2025–26.

GST reporters who attain overall high or medium assurance will have a tailored engagement where they will be reviewed on a periodic basis at least once every 4 years (Refresh review). Our **Future GST engagement after initial GST assurance review** (Future engagement approach) outlines our approach.

During the monitoring and maintenance period between the initial review and the refresh review (M&M period), GST reporters are expected to proactively engage with us and make relevant disclosures. We'll actively monitor the GST reporter to safeguard against non-disclosure or non-compliance during the M&M period and may also conduct targeted assurance activities if required. We don't provide tax assurance reports (TARs) during the M&M period.

Our refresh review will be tailored based on a comprehensive understanding of the taxpayer's business across the 4 focus areas. The scope of this review (including any data or transaction testing (or both)) will be informed by our profiling and have regard to the SAGR and disclosures made by the taxpayer.

Health of the system

Table 1: GST population latest rating and 2023 tax figures (nearest hundred million $)

Latest assurance rating	Latest rating (%)	Net GST (%)	GST throughput (%)
High assurance	38%	$6.9bn (60%)	$56.7bn (52%)
Medium assurance	59%	$4.7bn (40%)	$52.7bn (48%)
Low assurance	2%	-$0.5bn (~0%)	$0.58bn (~0%)
Not rated	1%	$0	$0

Table 1 above outlines the GST reported and paid, as well as the GST throughput, in the 2023 year by the current population, based on their rating as at their last assurance review. The assurance ratings of individual taxpayers may not have been attained in respect of the 2023 year. That is, the 2023 year may not yet have been assured through reviews, but instead uses the latest assurance rating (which could relate to a different year) as a proxy for the population coverage of key tax figures.

Of the $11.1 billion net GST reported and paid in 2023 by top 100 taxpayers subject to an assurance review, almost 100% was attributable to taxpayers that have achieved a high or medium assurance rating in their latest review

Obtaining high assurance for GST

In the Top 100 program, we apply a principled approach to reaching overall high assurance (justified trust). This is based on 2 elements:

1. a quantitative threshold of more than 90% tax assured and economic activity correctly reported
2. an objective assessment of 6 qualifying factors.

The quantitative threshold of element 1 must be met before the qualifying factors in element 2 can be applied.

These 6 qualifying factors are outlined below.

1. **Governance**

Governance has been rated at least a Stage 2 in the GST TAR.

2. **Tax risks flagged to market**

Any tax risks flagged to market (practical compliance guidelines, taxpayer alerts, public rulings) have been rated at least a medium level of assurance in the TAR and aren't of immediate concern or identified as necessitating further action based on the information provided.

3. **New, significant transactions and specific tax risks**

Any material significant, new, or specific transactions reviewed have received at least a medium level of assurance in the TAR and aren't identified as necessitating further action based on the information provided.

4. **Alignment between accounting and tax results**

The GST analytical tool (GAT) calculation and any underlying assumptions or proxies have been verified with objective evidence provided by the taxpayer. The GAT calculation has not highlighted any areas of concern for us and is rated Stage 2.

Completion of the GAT is mandatory for all top 100 taxpayers except in relation to taxpayers who are predominately input taxed.

For top 100 taxpayers who don't apply the GAT (that is, predominately input taxed taxpayers) we expect an alternative methodology be applied to identify the key variances between accounting and tax. The outcomes of this analysis must be rated at least a medium level of assurance.

5. **Correct reporting**

The results from data testing and transaction testing (by the ATO or a third party) have been verified with objective evidence provided by the taxpayer. The data and transaction testing has not highlighted any areas of concern for us and is rated as high assurance.

6. **Cooperative and collaborative behaviour**

It has been a cooperative and collaborative process, and when working with a taxpayer we haven't observed any non-cooperative behaviour.

An overall provisional high assurance rating may be possible in limited circumstances. Such circumstances may include where the taxpayer has provided an undertaking and is actively working on addressing a specific design gap in their tax governance framework, or there is ongoing compliance activity. Where there is ongoing compliance activity, provided the quantitative threshold is met (inclusive of the unassured issue), the availability of a provisional rating will depend on the nature and stage of the compliance activity.

Overall levels of assurance

The overall level of assurance is based on an objective view (having regard to objective evidence) of whether the taxpayer is considered to have reported the right amount of GST.

Ratings

We apply consistent rating categories when considering our overall level of assurance.

Table 2: Rating categories

Colour indicator	Rating	Category description

Green dot	High	We obtained assurance that the taxpayer reported the right amount of Australian GST for the period reviewed.
Yellow dot	Medium	We obtained assurance for some but not all areas reviewed. For those areas not yet assured, further evidence or analysis will be required before we obtain assurance that the taxpayer reported the right amount of Australian GST.
Orange dot	Low	We have specific concerns around the taxpayer's compliance with the Australian GST law and the amount of Australian GST paid and GST refunds claimed for the period reviewed.

The GST assurance reviews completed to the end of June 2025 resulted in the following ratings.

Graph 9 – Overall assurance ratings for the most recent GST reviews completed as at 30 June 2025

Percentage of assurance ratings is 38% high, 59% medium, 2% low and 1% not rated.

Note: GST findings in this report reflect outcomes based on the last completed review for the GST reporter.

Not rated is applied to taxpayers where a recent full justified trust review across all 4 focus areas has not been undertaken.

Graph 10 – Overall assurance ratings for the most recent GST reviews completed by industry as at 30 June 2025

Overall governance rating for most recent GST review by industry at 30 June 2025, as detailed in table 10.

You can also view **overall assurance ratings** for the most recent GST reviews completed by industry data in table format.

Note:

- These groupings align with the industry segments used by us as part of our annual corporate tax transparency reporting except where we have amalgamated the Banking, finance and investment (BFI), Insurance (ISR) and Superannuation (SUP) segments into a Financial services (FS) segment. The groupings are:

  - Banking, finance and investment, superannuation funds and insurance (FS)
  - Manufacturing, construction and agriculture (MCA)
  - Mining, energy and water (MEW)
  - Wholesale, retail and services (WRS).

- Graph 10 depicts all current top 100 GST reporters that have had a completed GST assurance review (this does not include GST reporters that have exited the top 100 population).
- To ensure we have sufficient coverage of each taxpayer economic group, we consider a range of factors including
  - coverage of at least 75% of GST throughput
  - additional criteria based on our knowledge of the taxpayer's business operations and industry (as outlined in section 4 of the *GST Governance Data Testing and Transaction Testing Guide* including unique or complex transactions, input taxed supplies and GST-free supplies).

  For this reason, multiple GST reporters within an economic group may be reviewed. Economic groups in the MEW industry segment have more GST reporters subject to a review, as these taxpayers (GST economic groups) typically comprise of multiple GST reporters that make GST-free supplies and have lower GST throughput.

Observations

Overall high assurance was attained by 38% of GST reporters reviewed (an increase from 30% in 2024). This means we have assurance these GST reporters have reported the right amount of GST for the period reviewed. These GST reporters typically have:

- overall Stage 2 or provisional Stage 2 rating for governance
- high assurance for correct reporting
- no identified concerns or issues with GST risks flagged to market or treatment of significant transactions.

We also have a good understanding of, and can explain, the various streams of economic activity and how they are treated for GST.

A large proportion of GST reporters reviewed have attained an overall medium level of assurance (59%). This means we obtained assurance in relation to most areas reviewed but not all areas.

Reasons why an overall high assurance rating was not attained include the inability to attain any of the following:

- Overall Stage 2 rating for governance, due to insufficient objective evidence to demonstrate that a tax control framework exists and has been designed effectively with respect to GST. Design gaps in their tax control and governance frameworks for GST were found in 42% of GST reporters reviewed.
- Overall Stage 2 rating when applying the GAT. 15% of GST reporters that were required to do the GAT either did not do the GAT or didn’t attain at least overall Stage 2.
- Assurance for other focus areas, including in a small number of cases the presence of potential tax risks flagged to market, issues with correct reporting and/or insufficient evidence to assure significant transactions. 17% of the GST reporters reviewed could otherwise reach overall high assurance but for these factors. These matters typically do not have a material impact on GST reported and paid. However, they may necessitate further taxpayer or ATO compliance action before we are comfortable we have obtained a sufficient level of assurance.

Less than 2% of GST reporters reviewed have attained an overall low assurance rating. This means we have specific concerns around the GST reporter’s compliance with Australian GST law and the amount of Australian GST paid and GST refunds claimed for the period reviewed. These GST reporters typically have Stage 1 governance, attained low assurance over multiple focus areas (including tax risks flagged to market, specific GST issues or correct reporting) and the variances between accounting figures and the amounts reported on the business activity statement (BAS) are not understood or explained. We will comprehensively and intensively review these GST reporters through an annual justified trust assurance review to improve their assurance rating.

There are also less than 1% of GST reporters reviewed who've had an interim review that only focused on 2 of the 4 justified trust focus areas with no overall GST assurance rating assigned. These GST reporters will have a review on the remaining focus areas, at which point they will be assigned an overall GST assurance rating.

The refresh reviews completed to date have resulted in most taxpayers maintaining or improving their justified trust ratings.

Tax risk management and governance

Tax governance is a key focus area under the justified trust methodology. This is important as errors due to poor governance and controls is the largest driver of amendments in the large market. We review governance by requesting objective evidence of the design of tax controls. We review the design of controls based on documentation given to us and look for evidence in the form of approved policies and procedures demonstrating the existence and design of a tax control framework (for example, work instructions, templates and process maps).

Our **GST Governance, Data Testing and Transaction Testing Guide** outlines how the justified trust methodology is applied with regard to reviewing the existence, design and operation of GST controls as part of an effective tax control framework.

We consider the 8 controls outlined previously. There are 3 controls that are fundamental because the design of these controls directly influence the way GST is reported. These 3 fundamental controls are:

- Board-level control 4: Periodic internal control testing
- Managerial-level control 4: Controls in place for data
- Managerial-level control 6: Documented control frameworks.

We also consider the other 5 controls as these are common controls and the design is equally critical for both income tax and GST. There are common features in the way these controls are evidenced for both taxes.

Ratings

We apply the same standard ratings system as outlined previously for income tax when considering the existence, design, and operation of a tax control framework for GST purposes.

The GST assurance reviews completed to 30 June 2025 resulted in the following ratings.

Graph 11 – Overall GST governance ratings for the most recent GST reviews completed as at 30 June 2025

Percentage of overall GST governance rating at 30 June 2025 is 42% stage 1, 46% stage 2 and 12% stage 3.

Graph 12 – Overall GST governance ratings for the last GST reviews completed by industry as at 30 June 2025

Overall GST governance rating for last GST review completed by industry at 30 June 2025, as detailed in table 11.

You can also view **overall GST governance ratings** for the last GST reviews completed by industry data in table format.

Observations

The governance ratings for the GST assurance reviews to date show that over half of the top 100 GST reporters have obtained a Stage 2 or Stage 3 rating (58% in 2025) with the remaining GST reporters at Stage 1 (42% in 2025).

Poor governance that includes gaps in procedures or controls often leads to incorrect reporting of GST obligations. Taxpayers may inadvertently underpay GST or over-claim input tax credits due to a breakdown in a part of their processes or systems that capture, collate, report and reconcile the data that determines their GST liability. For instance:

- systems issues can arise due to coding errors and issues with the flow of information through the business system
- controls issues can arise due to the failure to undertake reconciliations and testings of controls
- process issues can arise due to deficiencies in documented procedures and having unstructured manual interventions or workarounds.

Where errors are identified (through voluntary disclosures or the assurance review), we've focused on understanding how these errors have occurred. We're reviewing the taxpayer’s processes and procedures to ensure that they are designed effectively to prevent the same errors recurring when assigning ratings to GST controls. Through improved governance, we expect to see fewer system type errors resulting in amendments lodged or corrections made in subsequent periods.

We've also identified links between GST errors made in applying the GST special rules and the design of GST controls. For example, the application of the reverse charge provisions, financial acquisitions threshold (FAT) and input tax credit (ITC) estimators. This is where we've observed inadequate system controls and missing detailed steps in BAS preparation procedures.

Periodic independent governance control testing continues to be a control that top 100 taxpayers find challenging for GST. Some taxpayers and their advisers are designing GST testing plans which cover only the 3 fundamental controls and not the common controls. Controls in place for data is another fundamental control for GST that is also challenging for taxpayers with limited formal documentation provided as evidence to demonstrate design effectiveness.

We strongly encourage taxpayers to develop procedures to explain significant differences between BAS reporting and financial statements. We continue to observe in practice that GST errors occur because there are no natural systems to check outcomes as taxpayers continue to rely on bottom-up systems. We're of the view that procedures to explain significant differences should be part of taxpayers' governance systems.

Systems and BAS walkthroughs performed in Top 100 assurance reviews help inform us of aspects of our governance review. However, we also require source documents to evidence the tax control framework. We'll leverage from the walkthroughs to identify systems and BAS controls. We'll request evidence during these meetings to help to generate overall efficiencies with our governance reviews.

We continue to consult with stakeholders where appropriate and refine our approach when rating GST controls. This is to ensure that the better practices set out in the guides are practicably achievable and able to be sustained in light of current business practices. This includes providing a page turn walkthrough of the **GST Governance, Data Testing and Transaction Testing Guide** and workshops to discuss design gaps identified during reviews.

Stage 3

To obtain a Stage 3 rating for GST, we look for evidence that the documented GST control framework is both designed and operating effectively in practice.

This stage requires evidence in the form of a detailed report of findings, where taxpayers have independently tested the operation of their GST control framework in practice and concluded that their GST controls are operating effectively.

To date, 12% of top 100 GST reporters have provided us with their testing results, which demonstrate that their GST control frameworks are operating effectively to achieve a Stage 3 rating. Similar to income tax, we anticipate a further increase in the number of GST reporters obtaining a Stage 3 rating over coming years.

Stage 2

A Stage 2 rating is required to achieve overall high assurance or justified trust for GST. This means taxpayers have provided objective evidence to demonstrate that a GST control framework exists and has been designed effectively.

We've observed that some top 100 taxpayers are highly committed to investing in GST governance with the result that they can obtain a Stage 2 rating at the conclusion of their initial GST assurance review. We expect that taxpayers with a well-designed and effective GST governance framework will result in less incorrect reporting of GST in future periods.

We continue to work with top 100 taxpayers to support their efforts to obtain a Stage 3 rating as part of our future engagement approach.

Stage 1

A Stage 1 rating recognises that a tax control framework for GST exists but reflects that further work is needed to demonstrate that it is designed effectively. We continue to work with taxpayers to improve their tax governance framework for GST as part of our future engagement approach.

In this regard, the main areas observed with limited formal documentation in place are controls in place for data, BAS preparation procedures, BAS reconciliation to financial statement procedures and the periodic internal controls testing program.

GST risks flagged to market, significant or new transactions, and specific tax risks

We seek to understand that the GST outcomes of atypical, new or large transactions are appropriate. We also review GST risks or concerns we communicated to the market and determine whether these risks may be present.

Ratings

We apply a consistent rating system when reviewing and assessing the GST reporting and GST treatment of a taxpayer's business activities, particularly significant and new transactions, and GST risks or concerns communicated to the market.

Table 4: Rating categories

Colour indicator	Rating	System description
Green dot	High	With respect to this issue, we obtained a high level of assurance that the right Australian GST outcomes were reported in the GST reporter's business activity statements.
Yellow dot	Medium	More evidence and analysis is required to establish a reasonable basis to obtain a high level of assurance.
Orange dot	Low	More evidence and analysis is required to determine whether a tax risk is present.
Red dot	Red flag	We have concerns there is non-compliance with the GST law.
–	Not rated	We have not evaluated this item and not expressed a rating.

Observations

Our assurance reviews assess correcting reporting, including using data and transaction testing. We have published guidance to assist taxpayers in relation to this, including the **GST Governance, Data Testing and Transaction Testing Guide** and the **Guide to independent data testing by third party advisors** (TPDT Guide).

We expect that taxpayers undertake robust and regular assurance and verification procedures that align with their business and that are tailored to their own operating environment. We have continued to observe positive actions taken by top 100 taxpayers to strengthen their GST compliance systems. We've also seen them adopt processes to support correct reporting. For example, embedding data and transaction testing or aspects of the testing into their own systems, including specific GST verification checks prior to lodgment of the BAS. Taxpayers are implementing and automating data and trend tests to produce the correct results before the BAS is lodged.

Data testing

Typically, we will conduct data and transactions testing for correct reporting as part of an initial GST assurance review. This includes further analysing transactions where we identify errors, anomalies, outliers or other exceptions from the data testing. It will also include separately analysing transactions relevant to any GST risks flagged to market and new or large transactions to confirm that these have been correctly treated and reported for GST purposes. However, we tailor our approach once a taxpayer has reached medium or high assurance for GST. We may not perform data or transaction testing for some taxpayers in subsequent reviews, or it may be more limited. In determining the intensity applied to both data testing and transaction testing, we will take a holistic and tailored approach and consider:

- GST risks inherent to specific industries or taxpayers, including tax risks flagged to market
- the extent of data and transaction testing undertaken in the initial review
- the assurance ratings provided in the initial review
- changes in the taxpayer circumstances or GST approaches that may impact our prior level of assurance, particularly where those changes do not align with our existing understanding of the taxpayer (for example, changes to the taxpayer's business, governance, or reporting systems since the initial review)

- whether the taxpayer has been applying the GST analytical tool (GAT) to reconcile the BAS to financial statements since the initial review
- the GAT prepared by the taxpayer in the refresh review to target data and verification testing
- the operational effectiveness testing results from a taxpayer's periodic tax controls testing program.

Third-party data testing

As at 30 June 2025, 44% of completed reviews that included data testing involved data testing by a third-party advisor (up from 22% in 2024).

The TPDT Guide provides practical guidance on our expectations and the conditions that must be met for a taxpayer's advisor to undertake independent data testing that can be relied upon in a GST assurance review. One key condition that must be met is the independence of the advisor. Where the conditions cannot be met, we will conduct the data testing.

The scenarios in the TPDT Guide provide practical guidance on what independence means in respect to advisors undertaking data testing. These scenarios illustrate some factors that may impact on the independence of the third-party advisor, noting it isn't feasible to cover every possible scenario.

We're continuing to work closely with taxpayers and their advisors where third-party data testing is conducted in our reviews to ensure that the outcomes are sufficiently robust. This provides the intended degree of confidence with respect to correct reporting and ensures that significant delays don't arise.

Correct reporting

Table 5: Correct reporting assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	58%

Medium	37%
Low and red flag	4% (4% and 0%)
Not rated	1%

Our reviews are encouraging improvements in correct reporting. As at 30 June 2025, 95% of taxpayers obtained a medium or high level of assurance for correct reporting. The number of taxpayers obtain high assurance for correct reporting increased to 58% in 2025. However, we continue to see examples of inadvertent errors or misreporting.

Below are some examples of reporting errors we've observed in assurance reviews completed up to 30 June 2025:

- Incorrect GST credit claims on transaction costs for significant transactions. Where businesses engage in securities transactions such as IPOs, mergers, demergers, company acquisitions or other similar activities, these activities may give rise to input taxed financial supplies. As such, there's a need for these entities to consider restricting input tax recovery on attributable costs where the financial acquisitions threshold is exceeded and, if so, to also consider whether any reduced input tax credits are available. This includes consideration of preparatory or 'set up' costs for the disposal of businesses or subsidiaries.
- Incorrect GST credit claims on employee entertainment expenses.
- Failure to apply the 'reverse charge' GST provisions on services acquired from overseas that relate to making of input taxed financial supplies (where the financial acquisitions threshold is exceeded), including supplies from parent entities outside Australia.
- Incorrect processing of manual transactions resulting in either underreported GST or overclaimed ITCs.
- Errors with respect to recipient created tax invoices (RCTIs) include RCTIs being issued to unregistered suppliers, issued without appropriate RCTI wording or deficient wording or issued with incorrect ABNs or taxpayer names. We have also identified a number of expired RCTI agreements.

GST corrections in 2024–25, including those amounts that were voluntary disclosures, were typically not material in dollar terms relative to total GST remitted and paid.

However, in some cases the amounts of errors were large and, in a small number of cases, failure to take reasonable care penalties applied due to the taxpayer's circumstances.

We continue to see a large number of voluntary disclosures made by taxpayers during an assurance review. Taxpayers should be continually reviewing their GST compliance for inadvertent errors or misreporting as part of their business as usual tax governance processes.

Importantly, many GST reporters have implemented, or have documented plans to implement, improvements to their controls, processes, and procedures to prevent the reoccurrence of these errors. Some taxpayers have continued to review their activity statements for periods outside the review periods to ensure compliance and to correct any GST errors identified. Others have expanded their self-reviews to include other GST reporters in the economic group.

Taxpayers should continue considering Division 93 of the GST Act when submitting voluntary disclosures for periods close to the expiry of the 4-year entitlement period, given that submitted an amendment request is not sufficient for input tax credits to be taken into account in an assessment. That is, the amendment request actually needs to be processed by the ATO within the 4-year limit.

Other key GST risks

In addition to incorrect reporting, we have observed other key GST risks and errors in the reviews completed and existing reviews in progress that can be grouped broadly as follows.

Table 6: GST product classification assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	52%

Medium	14%
Low and red flag	29% (29% and 0%)
Not rated	5%

The review of entities' product master lists has identified the incorrect GST classification of food and health products. As at 30 June 2025, 29% of reviews that considered GST product classification of food and health issues (of which there were approximately 20 in total) identified areas of low assurance. However, typically these issues are relatively immaterial in context of total GST reported and paid and therefore in most cases did not negatively impact the overall assurance rating.

GST classification issues continue to be attributable to the following risk drivers:

- inaccuracy or gaps in governance controls around onboarding of new products, processing of transactions, including 'manual data' controls
- taxpayers not undertaking regular reviews of their product master data
- incorrect interpretation of the GST exemptions in the GST Act
- taxpayers' reliance on a supplier's classification without undertaking due diligence to determine the correct GST classification of the products being supplied.

Recent public advice and guidance has been published to assist taxpayers with their GST classification decisions including the following:

- GSTD 2024/D2 *Goods and services tax: supplies of sunscreen*. The draft Determination provides guidance to help determine when sunscreen products are 'marketed principally for use as sunscreen'. This is particularly relevant for contemporary products with dual features, for example, sunscreens with moisturiser or tint. It also makes it easier for suppliers of sunscreen products across a supply chain to determine the GST classification of their product.
- GSTD 2025/1 *Goods and services tax: supplies of food of a kind marketed as a prepared meal*. The determination

- outlines the Commissioner's view on the meaning of 'food of a kind marketed as a prepared meal' by reference to the principles in the Simplot Australia decision
- explains how the key principles from the decision apply across the broad range of products where this issue commonly arises
- provides practical common examples to help illustrate these principles
- outlines impact on existing ATO public advice and guidance products, including the updates we've made to the **Detailed Food List** (DFL) public ruling.
- provides a method statement and compliance approach with examples to assist taxpayers in determining whether salad products are likely to be food of a kind marketed as a prepared meal
- includes a transitional compliance approach to the GST treatment of certain categories of prepared meal products for tax periods ending on or before 31 December 2025.

We also published a **Self-review checklist for small to medium businesses** and **Self-review guide for medium to large business** to provide taxpayers with practical step-by-step guidance to:

- undertake regular self-review of the GST classification of their supplies
- assess the robustness of business system processes and controls that directly impact the decisions on GST classification of supplies.

Financial services and insurance

A key focus of our reviews of financial services entities is ensuring that taxpayers correctly deny input tax credits on costs to the extent they relate to making input taxed financial supplies (and have adopted approaches in line with current ATO public guidance), correctly claim reduced input tax credits and applied the GST reverse charge on cross-border acquisitions. This also includes ensuring that relevant provisions (such as those for decreasing adjustments) are applied correctly amongst insurers.

Our review outcomes for financial supplies and acquisitions (includes the outcomes for Reduced input tax credits, Apportionment or extent of creditable purpose including change in creditable purpose, Mergers and acquisitions or share activity) as at 30 June 2025 are below.

Table 7: Financial services and acquisitions assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	60%
Medium	28%
Low and red flag	9% (9% and 0%)
Not rated	3%

Our review outcomes for reverse charge on cross border acquisitions as at 30 June 2025 are below.

Table 8: Reverse charge on cross border acquisitions assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	60%
Medium	33%
Low and red flag	7% (7% and 0%)
Not rated	0%

Key observations for 2024–25 are:

- Although most of the financial services market have adopted fair and reasonable GST apportionment methodologies which are in line with our published views in guidance (for example, PCG 2019/8, GSTR 2019/2, GSTR 2002/2), a small number of taxpayers in the market continue to utilise high risk apportionment practices which do not reflect an accurate relationship between costs incurred and supplies made.

- We have observed an interpretation of the reduced input tax credit (RITC) regulations on the concept of 'facilitation' and 'arranging' which appears to be wider than intended. We caution taxpayers not to apply a 'one size fits all' approach where RITCs are claimed based on vendor as not all acquisitions may be reduced credit acquisitions. Our expectation is that such claims be assessed on a case-by-case basis to ensure RITC eligibility is in line with published guidance in GSTR 2004/1. This includes systemic errors driven by a 'set and forget' approach being applied in relation to claiming RITCs based on general ledger codes, without conducting periodic self-review transactional analysis.
- We continue to observe significant errors in the general insurance industry relating to, in particular, the availability of decreasing adjustments. General insurers should be mindful of ensuring that there are controls in place to verify or sense check the input tax credit entitlement of the insured used in calculating decreasing adjustments.
- Taxpayers have now largely settled the outcome around the ability to claim decreasing adjustments in respect to remediation payments ensuring they have evidence of a supply and an adjustment note or recipient-created adjustment note to substantiate any claim.

We encourage taxpayers to consider our practical guidance published in relation to:

- Eligibility of super funds and investor-directed portfolio services investment platforms to claim reduced input tax credits on adviser fees
- ATO expectations on how to support reduced input tax credit claims on complex information technology outsourcing agreements
- Application of the reverse charge provisions – findings of reviews
- GST data tests for the financial services and insurance industry
- GST considerations for buy-now, pay-later providers

Table 9: Apportionment or extent of creditable purpose including change in creditable purpose

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	35%
Medium	29%
Low and red flag	18% (18% and 0%)
Not rated	18%

10% of issues reviewed under financial supplies and acquisitions related to apportionment or extent of creditable purpose including change in creditable purpose.

Recipient created tax invoices Aside from correct reporting, financial supplies and acquisitions, RCTIs is one of our most common assurance areas. Our review outcomes as at 30 June 2025 for completed reviews that covered RCTIs are in Table 10 below.

Table 10: RCTI assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	60%
Medium	28%
Low and red flag	12% (11% and 1%)

Although a small percentage of RCTI arrangements are rated as low assurance (11%) or red flag (1%), we've observed positive changes with taxpayers across a range of industries updating their processes to ensure that they periodically check that the supplier remains GST-registered (including automated validation checks), in line with our expectations. We have combined the relevant requirements into one legislative instrument – an RCTI will only be valid if all the requirements are met, including that both the supplier and recipient are registered for GST at the time the invoice is issued.

International GST risk

This risk is associated with the correct GST treatment of goods or services supplied by offshore entities to Australian consumers.

We continue to observe that top 100 taxpayers in the digital economy have related offshore entities which are liable to remit GST because they:

- make sales of digital products and services or low value imported goods
- facilitate supplies by offshore merchants through platforms they operate.

A key focus area is the application of GSTR 2017/1, whether large offshore businesses or platforms have implemented the permitted approaches, on a 'supply-by-supply' basis and beyond the initial transaction, to identify transactions made to registered Australian businesses, where the offshore entity is not required to charge GST. Top 100 taxpayers are at risk of implementing a set-and-forget approach, where they only collect the required information through the initial transaction. An update to GSTR 2017/1 is currently underway.

Relatively few arrangements (less than 10) give rise to this issue in the top 100 population and the issues rated as low assurance are typically immaterial relative to total GST reported and paid. Our review outcomes as at 30 June 2025 are below.

Table 11: Digital economy assurance ratings by review outcomes

Assurance ratings as at 30 June 2025	Percentage of Top 100 review outcomes
High	75%

Medium	13%
Low and red flag	12% (12% and 0%)

Real property, accommodation and retirement villages

Through our continued focus on assuring the correct treatment of property transactions and supplies of accommodation, we have obtained a good understanding of the risks in the industry and coverage of key business models.

The large taxpayers are generally well across the relevant GST provisions. However, there are some areas of concern where our focus remains, such as:

- eligibility for and application of the margin scheme
- treatment of build-to-rent activities, any changes in intended use of the property
- timing and calculations of adjustments under Divisions 129 and 135 for acquisitions of a going concern
- GST classification of supplies in arrangements for the provision of short-term accommodation by the accommodation providers
- use of fair and reasonable apportionment methodologies for mixed use developments
- treatment of inter-group and related party arrangements
- for retirement villages, characterisation of the supplies made to the residents and apportionment of costs.

Recently we published our intention to develop industry specific GST public advice and guidance for build-to-rent residential property developments on **Advice under development – GST issues**.

The draft update will provide further clarity on how the existing law applies to modern build-to-rent developments and assist taxpayers to determine whether their premises are residential premises or commercial residential premises.

Understanding the alignment between accounting and GST

We seek to understand and explain the various streams of economic activity and how they are treated for GST, which may include applying the GAT.

Ratings

We apply a consistent rating system when reviewing and assessing the alignment of accounting figures to amounts reported on the business activity statement (BAS). This includes also understanding the reasons for any variances.

Table 12: Staged ratings

Colour indicator	Rating	Category description
Green dot	Stage 3	We understand and can explain the variance between accounting figures and the amounts reported on the BAS. As a result of applying the GAT, we understand why accounting and GST results vary and this understanding is sufficiently supported by objective evidence.
Yellow dot	Stage 2	Further analysis and explanation are required to understand the variances between accounting figures and the amounts reported on the BAS. As a result of applying the GAT, we don't fully understand why accounting and GST results vary or this understanding isn't sufficiently supported by objective evidence.
Orange dot	Stage 1	We don't understand and can't explain the variances between accounting figures and the amounts reported on the BAS.
Red dot	Red flag	We identified concerns from our analysis of the variances between

		accounting figures and the amounts reported on the BAS.
-	Not rated	We haven't assessed the various streams of economic activity or why accounting and GST results vary using the GST analytical tool.

Observations

The GAT is applied under this focus area. We apply the GAT in each top 100 GST assurance review except in relation to GST reporters who are predominately input taxed, for example banks and APRA-regulated superannuation funds.

The GAT uses a standard method statement applying a 'top down' approach to identify and understand key variances between accounting figures reported in audited financial statements and GST reported in the BAS'. The GAT is a useful tool for taxpayers to check how their various streams of economic activity are treated for GST purposes and have confidence in relation to their GST outcomes.

The application of the GAT is an important component in respect of assuring the GST outcomes of taxpayers in the top 100 GST assurance reviews. As we continue to refine and enhance the GAT analysis, it's helping to provide an informed basis to drive the work program and areas of focus across assurance reviews. This is because identifying the key variances between accounting and tax is helping us understand the various streams of economic activity of a taxpayer and how they are treated for tax purposes. This helps us identify and target our reviews to the most important or critical GST risks.

We have recently published the **GST analytical tool (GAT) guide** (previously made available to taxpayers individually at commencement of a review), which along with the **GST analytical tool (GAT) – frequently asked questions**, support taxpayers and their advisers with their GST assurance reviews.

We have observed generally that the completion of the GAT can assist in identifying GST reporting errors. We continue to work closely with taxpayers to apply the GAT to demonstrate how understanding the variances between accounting and tax can be practically achieved.

Our approach has resulted in most taxpayers preparing their own GAT calculations for top 100 reviews and achieving either a Stage 3 or

Stage 2 rating based on our analysis of those calculations. We recommend that top 100 taxpayers, (who are required to prepare the GAT), embed the GAT process into their GST reconciliation and governance procedures to enable them to compare and explain variances between GST reporting on the BAS and business outcomes as reported in financial statements.

Graph 13 – GAT ratings for the most recent GST review completed where the GAT has been applied as at 30 June 2025

Percentage of GAT ratings for most recent GST review at 30 June 2025 is 15% stage 1, 47% stage 2 and 38% stage 3.

We have observed that 38% (an increase from 30% in 2024) of GST reporters who've had the GAT applied in their assurance review attained the highest rating for this focus area (Stage 3). This means that there's sufficient objective evidence to support our understanding why accounting and GST results vary. In most cases, the GAT was completed by the taxpayer where calculations provided have been supported by objective evidence and explanations.

A further 47% of GST reporters who've had the GAT applied attained a Stage 2 rating. This means that we don't have sufficient objective evidence to fully understand why accounting and GST results vary. In most cases with Stage 2 rating, there was a lack of evidence provided for some key adjustments. If these adjustments were to be evidenced correctly, Stage 3 ratings could have been achieved. For many GST reporters, a Stage 2 rating will be a satisfactory rating for the alignment between accounting and GST focus area.

The remainder of GST reporters who have had the GAT applied (15%) attained a Stage 1 rating.

We have observed that more taxpayers are achieving Stage 3 on their first application of the GAT. In 2025, 82% of reviews completed achieved Stage 3 on their first application of the GAT. A further 11% improved their rating to Stage 3 on the application of the GAT in a subsequent comprehensive review. This indicates improvement in the quality of GATs and evidence provided by taxpayers.

One of the early challenges associated with the application of the GAT related to reconciling complex grouping variances. We have since worked closely with taxpayers to provide tailored solutions for their grouping variances. This has resulted in greater ease for taxpayers when making adjustments for grouping variances.

We've observed that most GAT calculations have resulted in small overall variances when comparing the adjusted revenue and expenses to the 1A – GST on sales and 1B – GST on purchases labels in the BAS. The key difference between a Stage 3 and a Stage 2 rating comes down to how well those adjustments can be explained, the quantum of overall unexplained variance and the extent to which they can be supported by objective evidence. We note however that while in some cases the overall unexplained variances may be low, there can also be significant unexplained variances between the value of the adjustments and the objective evidence provided, which would mean a Stage 2 rating is provided rather than a Stage 3 rating.

A very small number of top 100 GST reporters have so far prepared documents detailing their procedures in place to perform the BAS to financial statement reconciliation (including where applicable, GAT preparation or similar methodology) as part of their MLC 7 controls within their GST governance framework. We consider this to be best practice and encourage all taxpayers to embed the GAT into their governance systems.

What a high assurance rating means for GST

An overall high assurance rating means that we obtained assurance that the GST reporter paid or reported the right amount of GST for the period reviewed.

Where a GST reporter receives a high assurance rating for a significant or new transaction, a transaction with respect to a tax risk flagged to market, or a specific tax risk, this means that with respect to this issue, we obtained assurance that the taxpayer reported the right amount of GST in their activity statement.

The GST reporter can therefore rely on a high assurance rating to mean we won't initiate any review (including assurance) or audit activity for the period reviewed on relevant issues in the activity statement reviewed. This is other than any issues listed as requiring further review in the future assurance plan or similar work plan. Similar work plan includes a taxpayer specific justified trust maintenance plan, issues register or annual review plan. It also extends to our general issues registers available on our website.

It will only be in exceptional circumstances that we'll apply compliance resources to review any of the relevant issues in the period reviewed. The following circumstances are likely to constitute exceptional circumstances:

- Legislation is enacted, a final decision of the court or tribunal is made, or there is a precedential ATO view that applies retrospectively to the period reviewed.
- A review is required to complement compliance activity or give effect to a determination, of another government agency or regulator.
- There's a self-amendment or objection to the activity statement for the period reviewed (we'll review the statement in relation to the issue covered by the self-amendment or objection and related issue) or the issue is impacted by the taxpayer correcting an error in relation to that issue in a later tax period.
- The taxpayer has subsequently notified us of a disclosure issue or error that should be corrected. Relevant factors for consideration include materiality, potential risk to revenue and likely proliferation in the market or consistency with the policy intent.
- There's a change of tax treatment or position by the taxpayer or a party to a supply in which the taxpayer is a participant in that period or in subsequent periods (other than due to a retrospective change in law or a precedential ATO view). Specifically, where it means that no GST is ever payable on a supply, there is a double input tax credit benefit (such as 2 entities claiming the same input tax credit on a supply), or that an input tax credit is available for one entity with no GST being payable by the other.
- It becomes apparent to us that full and true disclosure was not made.
- There's potential application of the anti-avoidance provisions.
- Fraud or evasion becomes evident to us.

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Ratings tables - Top 100 income tax and GST program

See tables detailing the data supporting the overall assurance ratings for the Top 100 income tax and GST program.

Last updated 18 September 2025

The following Tables 1 to 4 detail the data used in Graph 4: Overall assurance rating for the last income tax review completed by industry segment as at 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025.

Table 1: Overall assurance ratings for the financial services (FS) segment

Rating	2022	2023	2024	2025
High	11	12	14	14
Medium	4	3	3	1
Low	1	0	0	0
Not rated	0	0	0	0
Total	16	15	17	15

Table 2: Overall assurance ratings for the manufacturing, construction and agriculture (MCA) segment

Rating	2022	2023	2024	2025
High	4	4	6	6

Medium	4	5	5	2
Low	5	3	0	2
Not rated	0	0	1	1
Total	13	12	12	11

Table 3: Overall assurance ratings for the mining, energy and water (MEW) segment

Rating	2022	2023	2024	2025
High	14	15	15	17
Medium	15	15	7	6
Low	0	2	2	4
Not rated	1	1	2	0
Total	30	33	27	27

Table 4: Overall assurance ratings for the wholesale, retail and services (WRS) segment

Rating	2022	2023	2024	2025
High	10	12	16	18
Medium	8	8	6	7
Low	5	6	6	7

Not rated	0	0	0	2
Total	23	26	28	32

The following Tables 5 to 8 detail the data used in Graph 6: Overall governance rating for the last income tax review completed by industry as at 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025.

Table 5: Overall governance rating for the financial services (FS) segment

Stage	2022	2023	2024	2025
Stage 1	1	2	2	0
Stage 2	10	9	8	5
Stage 3	0	6	9	10
Not rated	1	0	0	0
Total	12	17	19	15

Table 6: Overall governance rating for the manufacturing, construction and agriculture (MCA) segment

Stage	2022	2023	2024	2025
Stage 1	6	5	3	2
Stage 2	6	8	6	6
Stage 3	1	1	3	3

Not rated	0	0	1	0
Total	13	14	13	11

Table 7: Overall governance rating for the mining, energy and water (MEW) segment

Stage	2022	2023	2024	2025
Stage 1	6	5	5	4
Stage 2	17	16	12	11
Stage 3	2	5	9	11
Red flag	0	1	1	1
Total	25	27	27	27

Table 8: Overall governance rating for the wholesale, retail and services (WRS) segment

Stage	2022	2023	2024	2025
Stage 1	9	11	8	7
Stage 2	10	10	10	17
Stage 3	2	4	9	7
Red flag	2	1	1	1
Not rated	0	0	0	0

Total	24	26	28	32

Table 9 below details the data used in Graph 8 – Overall alignment of tax and accounting for the last income tax review completed as at 30 June 2022, 30 June 2023, 30 June 2024 and 30 June 2025.

Table 9: Overall alignment of tax and accounting by financial year

Rating	2022	2023	2024	2025
High	46	50	57	63
Medium	28	29	27	19
Low	3	2	1	0
Not rated	0	1	1	3
Total	77	82	86	85

Table 10 below details the data used in Graph 10 – Overall assurance rating for the most recent GST review completed by industry as at 30 June 2025.

Table 10: Overall assurance rating for most recent GST review by industry at 30 June 2025

Rating	FS 2025	MCA 2025	MEW 2025	WRS 2025
High	9	8	9	16
Medium	6	6	33	22
Low	0	1	0	1

Not rated	1	0	0	0
Total	16	15	42	39

Table 11 below details the data used in Graph 12: Overall GST governance rating for the last GST review completed by industry as at 30 June 2025.

Table 11: Overall GST governance rating for most recent GST review by industry at 30 June 2025

Rating	FS	MCA	MEW	WRS
Not rated	0	0	0	0
Stage 1	5	5	21	16
Stage 2	8	7	15	22
Stage 3	3	3	6	1
Total	16	15	42	39

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.