



# Speech at the CPA Tax Forum 2025

Deputy Commissioner Rebecca Saint's speech at the CPA Tax Forum 2025: Future Proofing the Tax Profession.

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## Introduction

Thank you to CPA Australia for having me speak today.

I've been asked to cover what I see as the 5 key issues in navigating the large market from an administrator's perspectives. It's hard to limit this to 5 and certainly hard to do it justice in 15 minutes!

## Number 1: Investment in large market compliance remains high, supporting high levels of tax compliance

Large business tax compliance underpins public trust, ensures fair competition and secures the revenue needed to fund essential services. When our largest and most visible businesses do the right thing, it strengthens the integrity of the entire tax system. Tax compliance in the large business sector influences the integrity of the entire tax system and the health of our economy.

The ATO continues to have high levels of confidence that most large businesses are meeting their tax obligations. Whilst not the only metric, tax gap is key indicator to understand the health of the system.

For 2021–22, the large corporate gap was 6.8% on lodgment (representing the level of voluntary compliance) and net gap was 4.1% after ATO compliance activity.

Over the past decade, we've seen steady improvements in voluntary compliance, and today, large corporates are now one of the most compliant segments. This improvement has in large part been due to the increased focus of the Tax Avoidance Taskforce (which has seen investment from successive Governments), which was bolstered by law changes increasing the ATO's ability to tackle base erosion practices.

Many businesses have been responsive to this engagement, with many investing in demonstrating and improving areas of tax compliance. We have also seen significant and long-standing disputes resolved with our settlements including go forward agreements to change future tax behaviours. However, we are not there yet, and we have an ambition to improve large market gap from current levels to 96% on lodgment and 98% after compliance activity.

Whilst these higher levels of compliance will inform the way we engage with large businesses, our view is that we need to continue to proactively monitor and engage with the market. We have conducted some initial analysis to determine what would happen to tax gap if there was a 50% reduction in compliance resources. The ATO refers to this as 'backslide risk'.

We know that large businesses are responsive to ATO engagement, as demonstrated in the improvement in gap. Therefore as ATO activity reduces we expect to see more opportunistic behaviour by some corporates. Some corporates may also cut costs of their tax functions, leading to deteriorating tax governance, errors and increased tax risk. As a result, non-detection and unreported tax are both expected to increase (key inputs to gap calculations), with a negative impact on the tax gap.

Projections show that voluntary compliance would start to decrease by year 3 as behaviours start to change. Net gap will also grow larger as compliance starts to skew further to audits and assessments increasing.

At year 5 voluntary compliance is estimated to deteriorate beyond historical levels and net gap will also reach its peak. These projections take us back to levels similar to 2013–14 when we saw the commencement of the corporate tax inquiries and ultimately the

establishment of the Taskforce. The projections reflect levels of gap currently observed for small business.

Importantly, we are not suggesting that compliance of all large business will deteriorate, but the concentration of the population and impact of proliferation to even a few can have significant detrimental impacts to the performance of the sector.

Absent a change in the structural settings that incentivise tax minimisation for large business and in particular multinationals, we expect the level of investment in resourcing of large market compliance to remain. However, how the ATO continues to monitor, intervene and resolve disputes will continue to evolve.

## **Number 2: High assurance supports resourcing savings and provides tax certainty**

The majority of large businesses are meeting their tax obligations. Currently, 83% of Top 100 taxpayers hold either high or medium overall assurance ratings. Notably, the proportion of taxpayers achieving an overall high assurance rating now sits at 64%. Top 1000 taxpayers ratings also continue to increase with 89% of Top 1000 taxpayers rated as high or medium overall assurance. This is a strong indicator of compliance and transparency within the sector. The focus for the ATO over the past 18 months is how we build upon the high levels of compliance demonstrated in our justified trust programs, realising benefits for business and the ATO whilst limiting backslide risk.

We have recently re-focused our efforts in the Top 100 program to real time engagement providing tax certainty pre-lodgment of the return. The program has always been intended to work this way, given our focus is on prevention before correction, however our engagement has often been retrospective.

This is a strategic pivot meaning transactions and business changes will be considered closer to the time they occur, providing greater certainty for business and the ATO. We know that many of you and your clients are already operating at a high standard. This change is designed to recognise and support that, while also ensuring that our engagement is timely, targeted and proportionate. This is about building a stronger, more collaborative relationship that

delivers greater tax certainty, reduces unnecessary compliance burden and supports a fair and transparent tax system.

The Top 1000 program has also been reshaped, providing a tailored assurance review for taxpayers based on their unique tax profile (including previous assurance ratings) of the business.

These program changes are already delivering resource savings and benefits to business and the ATO.

We are also moving to make key changes to how we assure GST. Although not as mature as income tax yet, we expect that the increasing levels of assurance will allow us over time to reduce the reliance on the justified trust program to assure GST compliance. We've introduced the Supplementary annual GST return for large businesses that are part of our assurance programs to help us achieve this goal.

The return provides information that can help us to more readily identify changes in business and GST positions without having to conduct one on one engagements for all taxpayers across all issues. The good news for highly compliant taxpayers is that if they maintain a consistent standard, lodge the return with high quality responses, it will reduce the likelihood of intensive justified trust reviews.

### **Number 3: Disputes are a feature of a good tax system, but profit shifting will remain a focus area**

While our focus remains on maintaining assurance that the correct amount of tax is paid, it's a reality that not all taxpayers will achieve certainty on every matter. We are operating in a complex tax system, where certain aspects are open to interpretation and some organisations will be driven by the savings that tax avoidance strategies promise.

Profit shifting disputes continue to dominate our audit program, comprising roughly 70% of our activity. Traditional disputes, such as those involving financing and marketing hub arrangements, are now well understood by the market. Whilst disputes continue in these areas, we do not observe the scale of a decade ago.

We continue to observe a shift in the nature of disputes in part due to the evolution of business models (combined with an evolution in profit

shifting techniques) but also because our sophistication and ability to detect these arrangements has increased.

Mischaracterisation of arrangements, business models and global value chains is an increasing area of focus and dispute. These structures pose significant challenges to the ATO as they attempt to limit the recognition of functions conducted in Australia to that of a 'limited risk distributor' where typically only a small return on cost is recognised. Where this is not reflective of the economic substance of the business or value generated in Australia, this has the effect of limiting the profit attributable to Australia and ultimately the tax paid here (whether that be income or royalty withholding tax).

We also continue to increase our investment in management of dissipation risk. For example, through our private capital strategy and also our focus on multinationals exploiting the multiple entry consolidated (MEC) rules.

MEC exploitation arrangements involve internal restructuring within a MEC group to enable Australian groups with foreign shareholders to divest of an Australian investment tax free. Exploitation of these rules not only deprives the Australian community of revenue but also creates an uneven playing field with Australian businesses who pay tax on similar disposals. These cases require intensive investigation to test the commercial rationales put forward by business. We already have one case in litigation and have a number of other cases working their way through the dispute pipeline. These exploitation arrangements involve significant amounts – to illustrate, from our examinations the average capital gain is well over \$300 million, meaning potential tax avoided by foreign shareholders will typically be in the order of hundreds of millions of dollars.

Whilst we've always conducted activities in relation to private capital investments, we have established a dedicated program. Dissipation and other disposal risks on exit by foreign shareholders has been a key area of focus over the past 18 months. This has resulted in the ATO obtaining security of \$1.45 billion in a handful of cases. Having taken security we understand the need to move these compliance cases quickly. This requires the full and transparent cooperation of all parties. Whilst reducing tax on exit was previously observed as the key issue for private capital, we are intensifying our focus on inappropriate profit shifting throughout the life cycle of the private capital investment. We will release guidance on some of these issues in the future.

All of the areas that I've touched on today all present increasingly difficult information gathering challenges due to structuring, decision making and ability to obtain offshore information. In these audits you can expect the ATO to use formal powers, including issuing formal notices to offshore entities and third parties and conducting formal interviews of key personnel. Exchange of information with other jurisdictions may also be pursued.

Finally, I note on this topic, the important role that data and corporate reporting plays in our ability to detect high risk arrangements in a timely and efficient way. The recent changes to local file that have been made to better standardise reporting, and in some cases address significant under-reporting, are expected to make a significant difference to our ability to differentiate usual commercial arrangements from those that are tax motivated. We recognise the broad reporting impost on corporates at this time (particularly with Pillar Two, Public country-by-country reporting and thin cap changes also underway) and have implemented a 'provide it once' principle in our forms. However, we recognise that more can be done, and we will seek to work with corporates to understand where opportunities to limit duplication across reporting forms might exist whilst not undermining our important monitoring and risk detection capability.

## **Number 4: Achieving tax certainty**

The ATO recognises and supports the need for tax certainty by business.

We remain committed to investing in the development of programs and tools to help taxpayers to make informed decisions about their tax affairs, whether that relates to transactions, cross-border dealings or implementation of new laws.

Minimisation of double tax exposure is an increasing focus area internationally. We continue to prioritise our **advance pricing arrangement (APA) program** and are recognised internationally as having a robust program. We would like to continue to see this grow for the right arrangements. We are also a member of the International Compliance Assurance Program steering group and this year we are participating in another joint review with a number of other countries.

While we continue to offer one-to-one tailored engagement (including through private rulings and the justified trust program), it's important to acknowledge the practical constraints. Our resources are not

infinite, and the complexity and volume of transactions across the system mean we simply cannot provide bespoke engagement for every taxpayer.

That's why we harness other features of the system that are designed to support the broader community and provide clarity. Public rulings provide a mechanism for business to make informed choices, whether that be about legal interpretation, likelihood of compliance action or to avoid arrangements of focus.

Litigation is also a valid and sometimes essential resolution strategy, and plays a vital role in setting precedent, shaping the tax system and providing transparency and clarity for all taxpayers and the ATO. With no concept such as Chevron deference in Australia, we see it as a necessity for Australian Courts to adjudicate in contentious areas where precedent can be established for the system.

## **Number 5: Transparency as an as expectation, not an option**

Over the past few years, the Australian Parliament has driven increases in tax transparency requirements in Australia. Measures include the introduction of corporate tax transparency and 'tax' general purpose financial reports both of which are now well embedded. But the recent introduction of public country by country reporting represents a significant shift in tax transparency for multinationals operating in Australia.

Under public country by country rules, multinational companies will now be required to report certain tax data (including profit, tax paid, number of employees and related party revenue) jurisdiction by jurisdiction, noting that for non-specified jurisdictions they can choose to aggregate the remaining jurisdictions. Publication of this global data will allow the Australian community to compare global tax performance of multinationals operating in Australia. Importantly, the data will assist readers to understand whether tax outcomes reflect the economic presence of organisations in disclosed jurisdictions.

We are currently consulting on how we will administer the exemptions for the regime. Whilst we expect that some exemptions will be available, it is a high bar. Business will need to demonstrate that making the (historical) data public will give rise to harm or detriment to the organisation outweighing the public interest in transparency.

The ATO also has a long history of providing transparency about the operation of the tax system. Through our transparency, the community can gain insight about the tax performance of large business.

We see transparency not just as a regulatory requirement but as a powerful tool for building trust. It strengthens the integrity of our tax system and boosts confidence across the board, benefiting all Australians.

As we enter the second half of the calendar year, we will be releasing two key publications. Firstly, our Public Groups findings reports, which reflect our ongoing commitment to enhancing visibility into corporate tax performance and compliance, and provides insights as to how our key programs, for example, the Top 100 program, performed in 2023–24. Secondly, for the eleventh year since legislated, we will release the Corporate tax transparency (CTT) report, and this data set on the total income, taxable income and tax paid of our largest corporates always generates a lot of interest (and I say that out of personal experience!).

Our findings reports provide insight at an overall level into the operation of the large corporate tax system and we will continue our practice of providing context to the entity level data released in the CTT report.

## **Conclusion**

Over the coming period, we will continue to have a keen focus on the tax performance of large business. Whilst strong regulatory oversight will continue, how we go about this will continue to evolve as our levels of confidence, access to data and integration of technology by the ATO and business (something I didn't touch on today) continues to influence our compliance approaches. Ideally, this will deliver better results for those taxpayers that have demonstrated high levels of compliance as well as bolster our ability to conduct complex investigations across global supply chains and business models.

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