



# The Tax Institute's National GST Conference: ATO update for public and multinational businesses

Deputy Commissioner Rebecca Saint and Senior Director Virginia Gogan deliver speech to The Tax Institute.

**Last updated** 24 October 2024

*Rebecca Saint, Deputy Commissioner, Public Groups and  
Virginia Gogan, Senior Director Public Groups  
Speech at The Tax Institute's National GST Conference  
17 October 2024  
(Check against delivery)*

## Introduction

Thank you to the Tax Institute for having us at this conference. It's a pleasure to come speak to you all today.

It's been 5 years since responsibility for GST compliance for large business moved to Public Groups. The move has allowed us to better combine our expertise in GST with our deep insights into large business.

Supported by Government funding to improve assurance and compliance in the large market, we embarked on an ambitious program to generate long term change in the market. We've taken on a number of difficult long-term systemic issues, such as governance (including systems and controls), apportionment issues related to financial supplies and product classification.

Whilst there is still a way to go, we are encouraged by the positive results and we are starting to envisage the future world of GST

compliance for large business beyond what you see today. We will cover some of this in our presentation today.

We will cover:

- where we are at in our engagement with the market for GST
- our observations on the GST risk focus area in this market, and
- our future directions for large business compliance programs going forward.

## **The importance of large business tax compliance**

Firstly, it's useful to set the scene with some key facts and figures.

The significant monetary contribution and position of influence of large business in the tax system shapes the way we think about compliance for this market. Understanding these drivers also helps in understanding the rationale as to why Government directs funding to specific programs in this market.

Public and multinational businesses are the largest contributors to the GST system.

In the 2023 financial year, GST revenue was around 14% of the ATO's overall net tax collections. In the same year, over 60% of the \$77.3 billion in net GST liabilities collected by the ATO were from public and multinational businesses.

This is reflected in PG populations with:

- top 100 taxpayers making up 13% of net GST liabilities or \$10 billion
- top 1000 taxpayers making up 37% or \$28.6 billion, and
- the Medium and Emerging population at 11% or \$8.9 billion.

The numbers demonstrate the important role of large business in the level of GST contribution and Government budgets. The heavy reliance on large business for revenue collection is not unique to GST and we see similar reliance for corporate tax. However, the settings of GST mean the concentration of GST collection differs to that income tax. For income tax, corporate tax is highly concentrated in large mining and resource companies, the big banks and a few retailers or telcos. In comparison we see GST as being more spread across the Top 100 and

Top 1,000 populations with the bulk of collections coming from the wholesale, retail and services sectors – miners' exports are GST-free, and banks are mostly input taxed.

We often talk about the role that large business play beyond their significant revenue contribution. The perception of compliance by large business supports the health of the tax system as a whole. The willingness of individual and small business taxpayers to voluntarily meet their obligations is indirectly impacted by whether they consider there is fairness in the system.

Whilst public scrutiny more commonly focusses on the income tax contribution and compliance of large business, ultimately perceptions of tax compliance generally are important. At one level GST compliance is more observable to the broader community, with many engaging directly with GST treatments through roles in different parts of the supply chain and consumers engaging with marketing of GST free supplies. This provides both positive and downside opportunities for business.

## **Proving GST compliance – justified trust**

### **Evolution of the justified trust program**

A key platform for our engagement with public and multinational businesses is through the Justified Trust assurance programs. These programs are important in giving us high levels of confidence that we know which large businesses are meeting their Australian income tax and GST obligations. This gives Government and the community confidence that the right amount of tax is being paid by large business.

We are specifically funded to undertake the justified programs with GST being funded by the GST Compliance Program and income tax being funded through the Tax Avoidance Taskforce.

Under the assurance programs, the ATO provides positive assurance that taxpayers are paying the right amount of tax, rather than confirming that certain risks do not arise. Whilst the pillars of justified trust are the same for income tax and GST, our compliance stance for the taxes differs. We will explore some of these differences when discussing the programs.

### **Top 100**

The Top 100 program covers the largest public and multinational businesses. Top 100 taxpayers are under continual monitoring for income tax. However, for GST, for those taxpayers that have met the governance requirements and achieved at least overall medium assurance, we will generally adopt a periodic review stance. The exception being for high-risk industries such as financial services who may have more intensive engagement.

What this means for the vast bulk of GST remitters, is that if they meet the necessary requirements in their initial assurance review, our justified trust engagement will be more limited until a refresh year. However, we will continue to monitor their affairs at some level.

We have now completed an initial assurance review for one or more GST reporters in around 88% of the top 100 economic groups. This means that the vast bulk of Top 100 taxpayers could already be benefiting from periodic review stances. There may be opportunity to evolve this approach further, which we will talk about later in this presentation.

We have recently re-focussed our efforts in the Top 100 program to real time engagement. The program has always been intended to work this way – given our focus is on prevention before correction, however we have not lived up to this ideal.

The shift to real-time is designed to provide greater tax certainty for Top 100 taxpayers and the ATO. Transactions and business changes will be considered closer to the time of event and may include both income tax and GST considerations. This may include both income tax and GST. Compliance teams will make decisions as to what if any further investigation or verification may be required. Pre-lodgment Compliance Reviews (PCRs) will be on strict time-lines, to prevent gap or open years arising. We have made changes to our internal work processes to make this happen.

The shift to real time will come with mutual obligations for business and the ATO. Top 100 taxpayers will have agreed disclosure frameworks that set out the principles of what and the timing of disclosures throughout the year. For GST, there are also specific disclosure requirements for certain industries given the GST risks that arise – such as for large banks.

## **Top 1000**

The Top 1000 program assures the largest public and multinational businesses outside of the Top 100. It is an integrated review where we assure both income tax and GST as part of a combined assurance review.

We have completed 735 reviews for GST across the various phases of the program. 395 entities have received a GST assurance rating, with 59 of these receiving an assurance rating for a second time. The increasing number of second time reviews, particularly for income tax, is giving us insights to the 'stickiness' of tax assurance ratings and improvements for big business.

Due to differences in timing as to when the programs commenced, income tax is ahead of GST. Positively, we have seen most taxpayers either maintain or improve their ratings. We have observed similar positive trends for GST although the numbers are much less. This insight is what gives us confidence that we can take a more tailored lighter approach to assurance for taxpayers that have already demonstrated high levels of compliance.

In March this year, we announced a recalibration of the entities that would be included in the program. We originally used a \$250 million total business income threshold to determine who came within the program. However, over the 8 years since commencement we have observed considerable growth in population. As a result, the Top 1000 program has been covering more than 1000 entities which was not enabling us to achieve a 4-year rolling review cycle.

Going forward, we will be applying an assurance approach to taxpayers that are the largest 1000 outside of the Top 100 population. Based on our current analysis, for the 2025 financial year, the largest 1000 had a turnover of approximately \$350 million.

We now also differentiate between two different groups in the Top 1000. About a third of the largest 1000 taxpayers exceed \$1 billion in turnover. Given the significance of that level of economic activity, these entities will be classed as our 'significant taxpayers', and we will apply a different approach to assure them. The remaining entities will form our 'general taxpayer' population.

Differentiating within the population allows us to take different approaches in our assurance program. It also provides opportunities for us to consider opportunities for different services for 'significant taxpayers', given their size and contribution.

In addition to our Justified Trust program, we have risk-based engagements on specific GST risks. These risk-based engagements are important to ensure we continue to target the highest priority GST risks for public and multinational business, including for entities outside our Top 100 and Top 1000 programs.

## **Program results – Latest Top 100 and Top 1000 findings for GST**

Each year we publish a raft of information to provide insights about the tax performance and compliance of large business. This includes the findings reports for our Justified Trust programs, with the latest reports for 2024 being published in September.

At the highest level, this is a good news story. For GST, in both programs, we have observed an increase in the number of taxpayers obtaining high assurance.

For Top 100 taxpayers:

- 30% attained overall high assurance, a significant increase from the figure of 23% as at the end of June 2023
- 63% attained medium assurance, which has fallen from 70% as at the end of June 2023, and
- overall low assurance ratings have remained stable at 2%.

For Top 1000 taxpayers:

- 37% of taxpayers attained an overall high assurance outcome at their most recent review, which is also a significant increase from the figure as at end of June last year of 31%. This is due to 44% of taxpayers who were reviewed in 2024 achieving an overall high assurance rating.
- 59% of taxpayers attained medium assurance (down from 65%) and we only have 4% of the population with a low assurance rating, which remains relatively constant compared to previous years. This usually occurs where we see an absence of evidence of a governance framework, combined with a low assurance rating for the GAT, and specific issues of concern with low assurance or red flags.
- At the conclusion of the review, if we have identified areas of concern, we will either provide recommendations for the taxpayer to

undertake (including a client next action, where we typically make recommendations and require the taxpayer to advise us of what they have done to address our recommendations) or we may consider intervention through a formalised ATO next actions product. In 2024, approximately 2% of taxpayers were escalated for a further ATO action for GST via a risk review or audit.

We are also seeing marked improvements in GST governance. We rate GST governance using stage ratings. At least a stage 2 rating, which means your documented GST control framework exists and has been designed effectively, is required to obtain overall high assurance.

For Top 100 taxpayers:

- 56% attained a stage 2 or stage 3 rating for GST governance – which is an increase from 45% as at 30 June 2023.
- Stage 3 was achieved by 9% of GST reporters reviewed, meaning that the documented GST control framework is both designed and operating effectively in practice.

For Top 1000 taxpayers:

- 42% attained a stage 2 or 3 rating, which was an increase from 35% in 2023. This positive shift reflects that for those reviewed in 2024, 50% achieved a stage 2 or 3 rating for GST governance.
- Governance continues to be the main reason that taxpayers are prevented from achieving an overall high assurance rating in the Top 1000 program, with 40% of those achieving medium assurance prevented from high assurance solely due to their stage 1 governance rating.

We also continue to see improvements in GST Analytical Tool, or GAT ratings, with the majority of taxpayers being able to reconcile the accounting and GST results and explain any differences with reference to objective evidence. A stage 2 or 3 GAT rating was attained by 86% of taxpayers in the Top 100. In the Top 1000, the majority of taxpayers achieved a high assurance rating for the GAT, with 74% of taxpayers able to reconcile the accounting and GST results and able to explain any differences with reference to objective evidence.

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. Taxpayers are

encouraged to embed the GAT as part of their own governance processes.

## **Errors and amendments**

Notwithstanding improvements in governance and tax control frameworks, we continue to see a significant rate of voluntary disclosures of GST errors with the root cause being deficiencies in governance controls and systems.

In the Top 1000, about 40% of combined assurance reviews carried out in 2024 involved a voluntary disclosure for GST – either at the notification of the review, or throughout the review. For the voluntary disclosures we received in our Top 1000 reviews in the 2024 financial year, almost 30% of those taxpayers had previously made a voluntary disclosure when they had been subject to a prior review in our Top 1000 program, with some of those being disclosures for the same issue previously identified (with penalties being applied as appropriate).

In the Top 100, about 44% of the completed reviews had issues or concerns with correct reporting of GST obligations. The amounts of these errors were commonly not material in dollar terms. 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.

Where errors are identified, we focus on understanding how the error occurred and reviewing the taxpayer's processes and procedures to make sure they are designed effectively to prevent the error from recurring.

We acknowledge even taxpayers that have a strong governance framework in place will have errors from time to time. Whilst a voluntary disclosure may be an indication of a good governance process to detect errors, the timing of these indicate that it is not necessarily happening as a result of the governance processes in place, but rather as a result of our review notification. In some cases, we also see recurrent errors being made.

We see best practice processes where businesses have a process for detecting and remediating errors on a regular basis, not just as a result of ATO contact. We encourage all businesses to embed such processes. If the ATO is to lessen the intensity through the justified

trust program, we need to be confident that businesses have got appropriate processes in place to address these issues.

As you would be aware, the Commissioner has published draft guidance on Division 93 of the GST Act earlier this year, which is about the four-year time limit on claiming input tax credits or fuel tax credits.

You should actively consider Division 93 when periods are close to the expiry of the 4-year entitlement period, given that putting in 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.

If you are submitting an amendment request for periods close to the expiry of the 4-year period, I encourage you to proactively consider the application of Division 93 in the circumstances. We strongly recommend that you not wait until year 4 and do sweeps much more frequently to reduce the potential impact.

If you are making the voluntary disclosure to one of our case teams, it will take our case teams some time to consider the requests. We also may require evidence to verify the entitlement to the additional input tax credits. We also appreciate that in many cases taxpayers may wish to engage with the team prior to finalising amendments to protect against penalties, which is a practice we encourage – but you should be conscious of, and proactively raise, any periods that are close to expiry of the four-year period. Again, we encourage you not to leave this to the last year.

In circumstances where taxpayers seek to change long standing positions to uplift GST recovery, you can expect this will attract additional scrutiny – for instance where an apportionment methodology is changed for periods to increase the rates claimed. You can expect that this will likely take us longer to review and may require further engagement and information from you. You should factor this into your timeframes.

Just as the Division 93 Miscellaneous tax ruling raises issues for taxpayers to consider, there are also aspects that the ATO will need to consider in our compliance activities. In those cases where there may be additional liabilities and additional input tax credits may also arise, there may be a reluctance of taxpayers to provide an extension to the period of review. This is perhaps understandable if the taxpayer is at risk of the ATO making adjustments, and for those periods there is no legal basis for the Commissioner to give the taxpayer any GST credits

that they would otherwise have been entitled to as a result of the audit adjustment. In these cases, both the ATO and the taxpayer will need to co-operate to ensure timely and efficient resolution of issues.

## **GST risk focus areas**

### **Financial services and insurance**

We continue to have a focus on financial services and insurance to ensure compliance with the specific provisions that apply in this area. The types of issues we have recently seen that cause us concern are:

- ‘Set and forget’ approaches to apportionment models without consideration of whether the method is fair and reasonable, or in relation to claiming reduced input tax credits based on general ledger codes, without conducting periodic self-review transactional analysis.
- We’ve also observed that while financial institutions generally are within the green zone (low risk) of PCG 2019/8, we continue to have concerns with a small number who adopt high risk positions in their apportionment methodologies, including continual use of retrospective amendments for earlier periods to uplift their claims.
- Lack of understanding and controls to identify reverse charge transactions is also a concern. In this regard we highlight our **guidance** on the ATO’s expectations around controls to ensure correct application of these provisions and examples of best practice that can be adopted.
- For super funds, an example of an issue we have seen is the inappropriate allocation of administrator costs to investment activities leading to excessive input tax recovery.
- For general insurers, we have seen issues with a lack of controls around decreasing adjustments – for instance to ensure these are only claimed on taxable policies where the insured does not have full entitlement to input tax credits.
- We continue to see errors where large businesses fail to undertake the financial acquisitions threshold test monthly, and do not correctly recover input tax credits on costs related to significant and unusual transactions such as takeovers.

Generally, we encourage taxpayers in the financial services and insurance industry to review the relevant practical guidance we have issued. This includes considering the use of the **GST data tests for the financial services and insurance industry** as part of reviewing the correctness of GST reporting – these are also the ones we incorporate into our reviews.

Touching on one point raised earlier in the conference, we do want to urge caution around market views on the application of the appeal decision of the Full Federal Court in *Commissioner of Taxation v Hannover Life Re of Australasia Ltd*.


That appeal, in relation to overheads, was decided on the particular unchallenged facts and evidence before the Court. The legal analysis adopted in respect to considering the application of Division 11 remains consistent with the ATO's conventional understanding of relevant legal precedent on the topic. In particular:

- it is necessary to consider the precise nature of the relationship between an acquisition and related supplies when determining creditable purpose
- the fact that an input taxed supply is interdependent, and cannot be made without a GST-free or taxable supply also being made, or that other supplies may arise automatically as a result of the making of an input taxed supply, will not of itself determine the creditable purpose of the relevant acquisition.

The ATO does not consider that any published guidance or advice need be changed in light of the decision. That is the ATO considers the outcome results in a 'business as usual' outcome. For instance, we do not agree there is any broader impact in relation to apportionment for credit cards, or for super funds. We encourage taxpayers to read our Decision Impact Statement for the decision.

Taxpayers will continue to need to consider the extent to which particular acquisitions relate to input taxed supplies, and to the extent apportionment is required, their apportionment models should appropriately adhere to the relevant legal principles in determining any applied extent of creditable purpose rate. To try and emulate the conclusions of the Hannover case in relation to 'overheads', without consideration of the relationship between particular acquisitions and supplies, may result in an overclaiming of GST.

The ATO does not consider that the decision offers any judicial justification for any substantially new apportionment method for 'overheads'. Accordingly, taxpayers should be wary of any claim that the case can permit a material uplift in GST recovery, even if their circumstances have some similarities to the Hannover case. Such an approach may risk a shortfall occurring.

We also encourage taxpayers to take note of our [recent guidance \(PDF 107KB\)](#)  around the eligibility of super funds and investor-directed portfolio services investment platforms to claim reduced input tax credits on adviser fees.

## **Product classification**

As our colleague Andrea Wood discussed earlier today, the ATO has been working to provide public advice and guidance on priority food and health product classification issues, with the aim of providing certainty and stability to the industry.

We recently published a further draft of our Determination on food of a kind marketed as a prepared meal. This incorporates a practical compliance approach to assist taxpayers in determining whether or not certain salad products are food of a kind marketed as a prepared meal. This incorporates threshold tests that refer to objective attributes involving size and composition.

We've developed this approach to address industry feedback that more practical guidance is needed to provide certainty on how to correctly classify these products. We have released the guidance on prepared meals in draft because we recognise this is a new approach and we are seeking industry feedback. This forms part of a layered approach to provide certainty to the market – including principled public advice and guidance, and detailed food list updates that cover more specific categories of products.

There has been significant work and consultation in providing ATO public advice and guidance to ensure clarity on priority issues involving food and health products – including the guidance on combination foods, and sunscreen products, and upcoming guidance on formula products.

We have also published a webpage that we will regularly update with emerging GST issues for food and health products, to promote consistency and give the industry early insights into practical issues we are observing.

The product classification cluster has also published a self-review guide and checklist to assist taxpayers in the industry to undertake regular self-reviews of their GST classification, which I strongly encourage all industry participants to use as part of reviewing the GST classification of their food and health products.

We expect that in future we will undertake further compliance activity to ensure consistent adoption of the views in ATO guidance once finalised – likely in the form of targeted mailouts focusing on manufacturers and wholesalers.

We work to ensure consistency across the market, and encourage taxpayers to review our recent guidance to ensure they have appropriate governance controls to ensure correct classification of products.

## **Property, construction and retirement villages**

We have had a focus on ensuring a good understanding of what risks arise in the property, construction and retirement village segments of the public and multinational market, through both our assurance programs and risk-based engagements.

In particular we have had a recent focus on build to rent developments – we have observed that taxpayers are treating the relevant supplies as being input taxed in line with our expectations, and the main issues arising have involved adjustments (for instance, failure to make adjustments under Division 135 when a property is acquired as a GST-free going concern).

We will continue to engage with taxpayers across a variety of business models – including purpose built student accommodation, retirement villages, accommodation providers and hybrid property types.

## **Correct reporting**

In addition to our assurance programs, we engage in a targeted way where we potential correct reporting risks may arise (for instance, in the gambling industry under Division 126 and the sharing economy), or in relation to refunds that may be high risk.

While we have observed some improvements following the release of the relevant legislative instrument in 2023, we continue to have concerns about situations where recipient created tax invoices are issued without appropriate agreements, or issued to the incorrect

supplier or to suppliers who are no longer GST-registered, or in some cases were never GST-registered. These issues can lead to GST shortfalls.

## **International GST**

Another one of our risk focus areas is ensuring that Australian GST obligations are being met by offshore entities making supplies to Australian consumers.

Since the introduction of the laws that require offshore supplies of digital products and services, and low value imported goods, to register and remit GST on these supplies, we have collected \$7.8 billion in revenue. In the 2024 financial year, we collected \$1.6 billion in revenue, which was a 14.7% increase from the prior year.

We currently have 2,685 non-residents registered under these measures, which is also a 13.8% increase from the prior year.

We are making better use of data, particularly banking data, to improve our holistic understanding of the offshore population and tailoring our risk treatment strategies to obtain greater assurance that offshore businesses who fall within the Australian GST regime are registered, are lodging, and paying the correct amount of GST.

Our leadership in OECD Working Party 9 (WP9) on Consumption Tax allows us to play a significant role in global collaboration to better understand the impact of global digitalisation and develop administrative best practice to address fraud and non-compliance in digital trade. We will continue to leverage our strong domestic and global relationships to support multilateral arrangements that enable the exchange of crucial GST information such as payment data, enhanced intelligence sharing, and compliance insights through international administrative cooperation. This will allow us to bridge critical data gaps and more efficiently and effectively manage international GST risks.

## **The role of advisors**

I want to touch on the role that advisors play in the system. The Commissioner in his keynote address earlier today recognised the important role that advisors play in supporting taxpayers to meet their tax obligations.

The ATO has been focussed on the role of advisors in supporting large business. This includes initiatives such as the Large Market Advisor Principles, which we facilitated by working closely with the big 4 advisory firms. These principles provide an objective and transparent basis against which firms, their clients and the community, can be confident that the firms are not engaged in marketing or promotion of tax avoidance or other high-risk arrangements. All firms offering tax advisory services may choose to adopt the principles and we actively encourage firms to do so.



The ATO's focus is not limited to advisors in the large-market and we have dedicated programs in other business lines. We work closely with other lines and co-ordinate our actions in relation to advisors working across markets. For us this is predominantly the Private Wealth line.

Most tax professionals act in a way that supports the integrity of the tax system. However, we'll act quickly where we detect advisors who undermine the integrity of the system or facilitate non-compliance by large business. Whilst we are not the regulator of the tax profession, we have teams with responsibility for monitoring and addressing advisor behaviours.

Ultimately, we're interested in tax risk. In this respect, we are agnostic as to which advisor a business may choose. However, if an advisor is directly linked to possible facilitation and promotion of tax schemes or is influencing their clients to adopt high risk tax positions, we will take action. This may include seeking the client list of the advisor and using that as a basis for determining the targets of our compliance activity. In this way, we can shut down schemes more quickly and effectively.

An important part of our approach to large business is to provide transparency to taxpayers on our risk parameters. This includes working with the tax profession to explain areas of concern at an early stage, to support them in providing appropriate advice to taxpayers. This enables taxpayers to make informed decisions about their levels of compliance risk. Our goal is to only have taxpayers entering into disputes with us where they know what our position is and have made a conscious decision to operate contrary to it.

We accept that there will be differences of opinion on the operation of the law. However, we expect advisors to clearly articulate the risk of dispute with the ATO to their clients when providing advice. This is consistent with the principles in the Large Market Advisor Principles and other professional obligations such as the recent [Revisions to the](#)

[Code Addressing Tax Planning and Related Services](#)  released by the [International Ethical Standards Board for Accountants](#) .

Behaviours we have seen that cause us concern for GST include practitioners who advise clients to claim refunds without appropriate evidence to substantiate the claims or which are contrary to published ATO views without making their client fully aware of the tax technical and tax administrative risks of that course, and even in some cases, that it might not align with (or be directly contrary to) the client's tax governance and tax risk policies. We note that commonly such arrangements are associated with retrospective input tax credit claims, with the adviser's fees being calculated as a percentage of GST refund received.

Whilst not illegal, these business models bring high levels of risk for businesses. We have long been concerned with the exercise of "grave digging". We have an even greater level of concern when there is a lack of substantiation and taxpayers seemingly are not advised of the legal and compliance risk associated with the activities.

We have also observed issues with independence requirements of initiatives in our justified trust program. In an attempt to help businesses, we introduced an initiative that allowed businesses to engage an independent agent to conduct data testing as an alternative to the ATO doing this. Engaging an advisor on a contingency fee basis in these circumstances represents a clear conflict of interest and cannot be independent. We have since updated our guidance to reflect this.

The solution is not to put in place arrangements that seemingly separate the 'grave digging' activity from the independent data testing engagement. We will not accept these engagements as being independent either.

We want to actively support the vast bulk of advisors that are doing the right thing and prevent those operating in the grey space from gaining a commercial advantage. We recognise the important work that tax professionals do in supporting large business GST compliance, and we value the strong relationships we have with the profession. This includes your engagement with us in the development of our approaches via consultation. We will continue to invest in growing this partnership.

## **Introducing the supplementary annual GST return**

As our programs gain maturity and we continue to see the embedding of positive behaviours, in particular improved governance and systems controls, being embedded in business we are able to move toward a new phase for our justified trust programs.

A key part of our vision for future engagement with the market is the introduction of the supplementary annual GST return. We recently announced the introduction of this return following consultation with the Large Business Stewardship Group and other stakeholders.

The return allows us to collect information from business that allows us to more readily identify changes in business and GST positions. As we have again noted today, governance and systems is the key risk for most businesses in the large market. Having observed improvements in this aspect, are considering moving to a more targeted risk-based type approach for suitable taxpayers. However, we first need to be confident that the relevant standards are maintained.

The return will allow us to monitor this without having to conduct one on one engagements for all taxpayers. The good news for highly compliant businesses is that if you maintain your standard and lodge the return, you can reduce the likelihood of intensive justified trust reviews. For some in the Top 1000 program, you may not be selected for a justified trust review for GST.

The return is straightforward to complete and targeted at understanding how taxpayers have actioned recommendations from our earlier review, and key updates on governance and GST compliance for the year. It will also effectively give a single view of GST risk for the entity in a similar way to how the Reportable Tax Position Schedule gives a view of key corporate tax risks to the organisation and the ATO.

### **Information requested**

We have recently provided detailed guidance and a copy of the return on our website.

The way the supplementary annual GST return is designed to work, where we obtain a baseline level of assurance over a taxpayer as part of our assurance programs, and we can maintain the level of confidence that we have in the taxpayer's investment in correct

reporting and GST governance through the supplementary annual GST return, we can use this to tailor our future engagement.

There are five parts to the return:

- how the entity has actioned recommendations, areas of low assurance or red flags outlined by the ATO in their most recent GST assurance review (including any subsequent interactions with us)
- whether the entity has maintained or increased their level of GST governance, and any material business changes or material systems changes impacting their GST control framework since their last GST assurance review
- the reconciliation between the entity's audited financial statements and annualised business activity statements
- whether the entity has taken any material uncertain GST positions in the period – this includes positions which are about as likely to be correct as incorrect, even if they are reasonably arguable, positions contrary to an ATO public ruling or other ATO public advice and guidance, contrary to a private ruling, or to which an ATO Taxpayer alert or moderate or high risk rating under a Practical Compliance Guideline apply
- and finally, whether the entity has identified any material GST errors in the period and how these have been rectified, and whether the entity has claimed any material amounts of input tax credits in the period that were referable to earlier periods due to a change in GST treatment.

## **How we will use the information**

For Top 100 taxpayers, we will use the information to:

- monitor your GST disclosures and outcomes in the intervening 3 years between assurance reviews, and
- inform the scope and intensity of our GST assurance reviews, including refresh reviews.

As we complete some more refresh reviews for this population over the coming 12 months, we will be able to better assess whether positive behaviours, and in particular improvements to governance, remain embedded within business. Assuming this level of confidence increases, we see opportunity for an even greater role for return in

determining the level of our investment in the justified trust program in this population.

For Top 1000 taxpayers:

- Under our differentiated approach to Combined Assurance Reviews, we'll assess the responses to the returns to determine the level of intensity for the next GST assurance review.
- This may result in a less intensive GST assurance review or we may decide that a GST assurance review is not required, where the following requirements are met:
  - the taxpayer has obtained an overall medium or high assurance rating for GST
  - a stage 2 or 3 GST governance rating in their most recent assurance review
  - there are no unresolved ATO or client next actions, and
  - where the information provided in the return enables us to maintain confidence that their investment in GST governance is maintained and that GST is correctly reported.
- Taxpayers who obtained an overall low GST assurance rating or a stage 1 GST governance rating will be subject to a GST assurance review when selected under our Combined Assurance Review program.

## **Timing of lodgment**

To help support full implementation of this new requirement, we will undertake a pilot of the return with a small number of Top 100 and Top 1000 taxpayers as part of their assurance reviews. This will enable us to test the usability of the questions as part of their assurance reviews prior to the broader roll-out. If you are part of this group, we will reach out to you soon.

All taxpayers who received a GST assurance review report by 30 June 2024 will need to lodge annually from the 2025 financial year. The key due dates for the first lodgments for the 2025 financial year include 21 August 2025 for December balancers, and 21 February 2026 for June balancers.

You'll be required to lodge a Supplementary annual GST return for the 2024–25 financial year if you received one of the following on or

before 30 June 2024:

- Top 100 GST Assurance Report
- Top 1,000 Combined Assurance Review report with a GST assurance rating
- Top 1,000 GST Streamlined Assurance Review.

We will have a direct communication campaign to notify those who need to lodge. I encourage you to read our webpage material and to raise any questions with us at [SAGR@ato.gov.au](mailto:SAGR@ato.gov.au).

Moving forward, as we assure additional taxpayers under our programs, they will be required to lodge a return starting from the financial year following the financial year you received your GST assurance report. The introduction of the return emphasises the benefits of obtaining higher assurance ratings in the initial assurance review, as in combination with the information provided annually, this puts the entity in the best position for streamlined future engagement with us for GST.

## **Conclusion**

Reflecting on the last five years, the ATO and large business have made substantial progress in being able to demonstrate and improve GST compliance. The ATO has invested heavily in key initiatives that provide greater and better targeted tax certainty for large businesses (including in relation to governance and tax frameworks). We are observing strong positive signs (and in some cases improvements) of compliance. As a result, we are starting to envisage the future of GST compliance for large business, one where the intensity and in some case frequency of our justified trust reviews can be lessened. However, for this to occur we need objective evidence of high levels of compliance, we need to be confident these levels can be sustained, and we need information that will allow us to monitor ongoing GST performance. We continue to encourage large business to help us achieve this.

QC 103297

**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.

## **Copyright notice**

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).