



Australian Government
Australian Taxation Office

Top 100 GST Program

Future GST engagement after initial GST assurance review

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Background and overview

The top 100 GST assurance program seeks to provide assurance, through the justified trust methodology, that the top 100 population is reporting and paying the right amount of GST in Australia. Under this program, we will complete an initial top 100 GST assurance review (**Initial Review**) for each top 100 taxpayer. The review will generally focus on the last complete financial year.

Once a taxpayer has completed their Initial Review, it is intended that the program will provide a tailored assurance approach that seeks to leverage, as far as possible, from previous assurance activities.

Future engagement approach for taxpayers with overall high assurance

Once a taxpayer has obtained overall high assurance¹, it is intended that the taxpayer will be reviewed on a periodic basis at least once every 4 years.

Taxpayers are expected to proactively engage with us and make disclosures of material business changes, changes in GST positions taken, and any new or significant transactions. A list of the types of disclosures we expect to be disclosed on a real time basis is set out at Appendix A.

We will monitor the taxpayer's GST disclosures and outcomes in this phase. We will use our data and analytics capability to safeguard against non-disclosure or non-compliance. This can include profiling, and analysis of disclosures and other information collected through the income tax pre-lodgment compliance review (**PCR**) or annual compliance arrangement (**ACA**).

Where GST governance was rated at provisional Stage 2 in the Initial Review, we will follow up to understand what actions have been taken by the taxpayer to address the qualified rating during the 3 years.

As a result of our monitoring approach, the ATO may conduct targeted assurance activities during the 3 years.

The nature of these assurance activities may involve asking GST questions in the income tax PCR or ACA, or the commencement of a review or an audit to address specific GST risks.

¹ A taxpayer is not considered to have obtained overall high assurance where the taxpayer has obtained high assurance in respect of a division or business segment which does not meet the minimum sufficient coverage requirements with respect to the whole GST economic group. The discussion of sufficient coverage in the GST Governance, Data Testing and Transaction Testing Guide, July 2020 identifies that sufficient coverage is not only achieved where there is at least 75% of GST throughput, but also using additional criteria based on the case team's knowledge of the taxpayer's business operations and industry. We consider that at least 75% coverage of the GST throughput of the economic group represents sufficient coverage. The additional criteria require case teams to consider including within the scope of the assurance review any entities or business divisions that may pose a GST risk, even if the largest GST reporter provides at least 75% coverage of GST throughput. It is also important to consider entities or divisions that contain GST risks communicated to the market in public advice and guidance, such as Taxpayer Alerts, Practical Compliance Guidelines, and Public Rulings. If a taxpayer attains high assurance in respect of a division or business segment which does not meet the minimum sufficient coverage requirements, we will need to engage with the taxpayer in an assurance review(s) over other divisions or business segments in order to obtain sufficient coverage over the whole of the GST economic group before confirming that we can apply the general approach for taxpayers at overall high assurance.

Refresh Review

It is anticipated we will seek to 'top up' our assurance approach where appropriate. In ordinary circumstances, it is expected that the refresh GST assurance review (**Refresh Review**) will require less resource investment by taxpayers and the ATO as existing information, evidence and knowledge are able to be leveraged.

The Refresh Review will generally cover the fourth financial year after the financial year that was subject to the Initial Review.

For example, if the period covered by the Initial Review ended on 30 June 2018, we will not conduct a Refresh Review for the periods between 1 July 2018 to 30 June 2021. The Refresh Review will cover the period 1 July 2021 to 30 June 2022.

In the Refresh Review, we will seek to refresh our understanding and evidence base to enable us to reaffirm our confidence that the taxpayer continues to report and pay the right amount of GST. The Refresh Review will apply the full justified trust methodology.

We may conduct the Refresh Review earlier if:

- > there are changes that may significantly impact correct recording, collating and reporting of GST impacted transactions (including significant changes to business or governance systems)
- > there is a risk of significant incorrect GST reporting and/or payment
- > there is a significant transaction (such as a merger or acquisition) involving significant GST risks
- > we have reason to consider that our trust should no longer be maintained, or
- > there are efficiencies to conduct the Refresh Review together with the income tax Refresh Review. We will work with taxpayers to understand the impact of such alignment on their resourcing.

In ordinary circumstances, it is expected that this Refresh Review will require less resource investment by taxpayers and the ATO as existing information, evidence and knowledge are able to be leveraged.

Future engagement approach for taxpayers with overall medium or low assurance

Taxpayers who have attained an overall medium or low assurance in their Initial Review will have a tailored GST engagement after the Initial Review.

Overall medium assurance taxpayers

Taxpayers who have attained an overall medium level of assurance² will also be subject to a periodic assurance review at least once every 4 years, with the possibility of an earlier Refresh Review.

The ATO may conduct targeted assurance activities during the 3 years to address areas of concern identified in the Initial Review and/or where the Initial Review was limited in scope.³

² If a taxpayer attains medium assurance in respect of a division or business segment which does not meet the minimum sufficient coverage requirements, we will need to engage with the taxpayer in an assurance review(s) over other divisions or business segments in order to obtain sufficient coverage over the whole of the GST economic group before confirming that we can apply the general approach for taxpayers at overall medium assurance.

³ Some of the earlier GST assurance reviews may be limited in scope as they had commenced prior to the finalisation of the GST Governance, Data Testing and Transaction Testing Guide, and the GST Analytical Tool methodology.

Where GST governance was rated at Stage 1 or provisional Stage 2 in the Initial Review, we will follow up to understand what actions have been taken by the taxpayer to address the governance design gaps or the qualified rating during the 3 years.

Similar to overall high assurance taxpayers, overall medium assurance taxpayers will be expected to make relevant disclosures to the ATO during this phase. The ATO will also take a monitoring stance to safeguard against any non-disclosure or non-compliance.

The Refresh Review will apply the justified trust methodology.

Where the Initial Review contains recommended steps for the taxpayer to address (**Client Next Actions**), we will also review whether those steps have been taken in the Refresh Review.

The circumstances relevant to the ATO's decision to conduct an earlier Refresh Review for an overall high assurance taxpayer equally apply to an overall medium assurance taxpayer.

Further targeted assurance activities in the form of reviews or audits may occur during the 3 years as a result of our monitoring approach during this phase.

Overall low assurance taxpayers

We will comprehensively and intensively review overall low assurance taxpayers through an annual comprehensive justified trust assurance review.

A comprehensive justified trust assurance review will involve a whole-of-business approach and apply the four pillars of justified trust. Where there are governance design gaps and/or Client Next Actions identified in the Initial Review, we will follow up in the comprehensive review to understand what actions have been taken by the taxpayer to address the gaps and/or recommendations. Where there are other specific issues of concern, we will seek to work with the taxpayer to improve the assurance ratings in the comprehensive review. We are more likely to use specific reviews and/or audits to progress issues of concern which are assigned a Red Flag rating.

Annual Compliance Arrangement taxpayers

For top 100 ACA taxpayers who have reached an overall high or medium level of assurance (including an overall high or medium level of assurance that has been reached incrementally across multiple divisional reviews), we will revert to an annual ACA review in accordance with the ACA terms of arrangement.

We will address the disclosures made as part of the ACA framework requirements and take appropriate steps to resolve any tax risks or issues placed on the Issues Register that have not yet been finalised. In accordance with the ACA framework, taxpayers will make disclosures of significant or new transactions, any change in tax treatments or positions that have previously been assured, any new GST tax risks flagged to market, changes to various streams of economic activity and how they are treated for GST and any changes to the design of the tax governance framework, and any other matters required to be disclosed under a specific taxpayer's ACA terms of arrangement.

We will undertake a Refresh Review using the justified trust methodology every fourth year, with the possibility of an earlier Refresh Review. The circumstances relevant to the ATO's decision to conduct an earlier Refresh Review for an overall high assurance or medium assurance non-ACA taxpayer equally apply to ACA taxpayers.

Appendix A

We expect the following to be disclosed on a real time basis (as relevant):

- > significant or new transactions
- > material business changes including changes to various streams of economic activity and how they are treated for GST purposes
- > changes that may impact correct recording, collating and reporting GST impacted transactions (including changes to business systems and material changes to the design of the tax governance framework)
- > outcomes of independent operational effectiveness testing of the tax governance framework completed
- > change of GST treatments or positions that have previously been assured
- > details of any new tax risks flagged to market
- > details in relation to industry-specific disclosures (for example, for financial suppliers, GST (or input tax credit) recovery across the entity and other relevant disclosures), and
- > disclosure issues or errors relating to information reported in the BAS that should be corrected.

