

# New tax disclosures in financial reports

April 2024

The *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024* amends the *Corporations Act 2001* to enhance transparency around tax residency of entities within a consolidated group.

It requires Australian public companies, as part of their annual financial reporting obligations under Chapter 2M of the Corporations Act, to include a 'Consolidated Entity Disclosure Statement' describing for each entity that was, at the end of the financial year, part of the consolidated group:

- The entity's name;
- Whether the entity is a body corporate, partnership or trust;
- Whether the entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity;
- Where the entity was incorporated or formed (if the entity is a body corporate);
- Where the entity is a body corporate with share capital, the percentage of the entity's issued share capital held directly or indirectly by the public company;
- Whether the entity was an Australian resident or a foreign resident within the meaning of the Income Tax Assessment Act 1997; and
- If the entity was a foreign resident, a list of each foreign jurisdictions in which the entity was a resident for the purposes of the law of the foreign jurisdiction.

## Example disclosure

Group Holdings Limited

Consolidated entity disclosure statement as at 30 June 2024

| Entity name                       | Entity type    | Body corporates             |                         | Tax residency        |
|-----------------------------------|----------------|-----------------------------|-------------------------|----------------------|
|                                   |                | Place formed / incorporated | % of share capital held |                      |
| Group Holdings Limited            | Body Corporate | Australia                   | N/A                     | Australia            |
| Subsidiary A Pty Ltd              | Body Corporate | Australia                   | 100%                    | Australia            |
| Subsidiary B Pty Ltd <sup>1</sup> | Body Corporate | Australia                   | 100%                    | Australia            |
| Subsidiary C Pty Ltd              | Body Corporate | Jurisdiction Z              | 75%                     | Jurisdiction Z and X |
| Subsidiary D Pty Ltd              | Body Corporate | Jurisdiction W              | 90%                     | Jurisdiction W       |
| Subsidiary E Pty Ltd <sup>2</sup> | Body Corporate | Australia                   | 100%                    | Australia            |
| GH Partnership                    | Partnership    | N/A                         | N/A                     | Jurisdiction X       |
| GH Trust                          | Trust          | N/A                         | N/A                     | Jurisdiction Y       |

<sup>1</sup>Subsidiary B Pty Ltd is a partner in the GH Partnership, which is consolidated within the consolidated financial statements.

<sup>2</sup>Subsidiary E Pty Ltd is the trustee of the GH Trust.

Large proprietary companies, registered schemes, and other entities that are not public companies are outside of the scope of this requirement. Public companies that do not report under Chapter 2M are also outside the scope of these amendments (for example, charities that report annually to the Australian Charities and Not-for-profits Commission rather than under Chapter 2M).

Where a public company is not required to prepare consolidated financial statements - for example, because it is exempted by AASB 10 Consolidated Financial Statements or because it has no subsidiaries - a Consolidated Entity Disclosure Statement is still required. However, that statement would only note that fact.

The Consolidated Entity Disclosure Statement is a separate statement that forms part of the company's financial report but is separate from the financial statements. Consequently, it is not included as a note to the financial statements.

The existing directors' declaration will include a statement about whether, in the directors' opinion, the Consolidated Entity Disclosure Statement is true and correct.

In addition, for listed public companies, the chief executive officer and chief financial officer will include a statement in their declaration to the directors that the Consolidated Entity Disclosure Statement is true and correct.

The Consolidated Entity Disclosure Statement will be subject to audit.

The inclusion of a Consolidated Entity Disclosure Statement applies to those public companies for financial years commencing on or after 1 July 2023.

Talk to your trusted Nexia Advisor if you have any questions about the matters discussed in this article.

## Australia

### Adelaide Office

Level 3, 153 Flinders Street, Adelaide SA 5000  
p +61 8 8139 1111, f +61 8 8139 1100  
receptionSA@nexiaem.com.au

### Brisbane Office

Level 28, 10 Eagle St, Brisbane QLD 4000  
p +61 7 3229 2022  
email@nexiabrisbane.com.au

### Canberra Office

Level 5, 17 Moore Street Canberra ACT 2601  
p +61 2 6279 5400  
mail@nexiacanberra.com.au

### Darwin Office

Level 2, 62 Cavenagh Street, Darwin NT 0800  
p +61 8 8981, 5585 f +61 8 8981 5586  
receptionNT@nexiaem.com.au

### Melbourne Office

Level 35, 600 Bourke Street Melbourne VIC 3000  
p +61 3 8613 8888, f +61 3 8613 8800  
info@nexiamelbourne.com.au

### Perth Office

Level 3, 88 William Street, Perth WA 6000  
p +61 8 9463 2463, f +61 8 9463 2499  
info@nexiaperth.com.au

### Sydney Office

Level 22, 2 Market Street, Sydney NSW 2000  
p +61 2 9251 4600, f +61 2 9251 7138  
info@nexiasydney.com.au

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