

**31 October 2022**

**Assistant Secretary  
Corporate and International Tax Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600**

By email: [contact.internationaltax@treasury.gov.au](mailto:contact.internationaltax@treasury.gov.au)

Dear Assistant Secretary

We refer to the Treasury's consultation paper in relation to the Global Agreement on Corporate Taxation ("the Consultation Paper").

South32 Limited ("South32") is a multinational mining and metals group based in Western Australia with substantial operations in several countries and revenue in 2022 of over USD 9 billion.

We have had the opportunity to review the submission made by Ernst & Young ("EY") dated 28 October 2022 in relation to the Consultation Paper. We broadly support the comments made in relation to 'foreign exchange' at page 13 and have outlined below some additional comments on behalf of South32 for your attention.

Like many multinational groups, South32 has subsidiary entities overseas which operate using accounting functional currencies for statutory reporting purposes that differ from the group functional and presentational currency. Additionally, typically, those overseas subsidiaries are required to compute their corporate income taxes in their local jurisdictions based on local currency.

Given the potential differences in currencies used as the basis for computing accounting profit and current and deferred taxes, without careful adjustment, distortions could arise in the jurisdictional effective tax rates ("ETRs") calculated in order to determine whether top-up tax should be paid in respect of the relevant jurisdiction. In this regard, Article 3.2.1(f) of the GloBE Model Rules requires adjustment for 'Asymmetric Foreign Currency Gains or Losses', which is the mechanism to adjust the foreign exchange amounts included in the GloBE Income or Loss computed for a jurisdiction, to align with the functional currency applied in computing the Covered Taxes amount.

We consider it essential that the domestic implementation of the GloBE Model Rules be constructed in a way that carefully ensures distortions as described above do not arise from foreign exchange differences.

Additionally, clear guidance must be provided by Treasury and/or the Australian Taxation Office both as to the overall operation of this foreign exchange adjustment, and more specifically, about the currency that should be used for each entity in preparing the GloBE calculations. As a base proposition, we would expect clarity that jurisdictional ETR calculations on an entity basis can be done in the local tax currency with appropriate conversion rules to support this calculation, as well as conversion rules to determine the top-up tax payable in a fashion that does not lead to distortion.

We would be pleased to discuss the above comments in further detail.

Regards,



**Brian Purdy**  
Vice President – Tax & Treasury