5 March 2024

FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES
ABN 53 008 550 347

LEVEL 1
59 WENTWORTH AVENUE
KINGSTON ACT 2604
AUSTRALIA
PHONE: 02 6247 3811
FAX: 02 6248 7673

Attention: Director
International Tax Branch
Corporate and International Tax Division Treasury, Langton Cres,
Parkes ACT 2600

By Email: MNETaxTransparency@treasury.gov.au

Dear Director,

The Federal Chamber of Automotive Industries (FCAI) wishes to make a submission with respect to *Treasury Laws Amendment Bill 2024: Multinational tax transparency – Country by Country report* (*the draft Bill*), commonly referred to as public country-by-country reporting (Public CbyC reporting).

The FCAI is the peak industry body representing the Australian importers and distributors of passenger motor vehicles, SUVs, LCVs, motorcycles and Off Highway Vehicles. FCAI members supply about 99% of new vehicles to the Australian market each year, with in excess of 50 brands offering more than 350 models of light vehicles into the Australian market.

The FCAI welcomes the revised draft legislation with respect to Public CbyC reporting on 12 February 2024 released by the Government. Specifically, the draft Bill has taken into consideration stakeholder feedback from the latest round of consultations and we appreciate:

- the removal of Australian specific data requirements set out in the earlier exposure draft (released in April 2023), ensuring the information requirements for disclosure are now more closely aligned to the private OECD CbyC reporting requirements, Global Reporting Initiative (GRI) 207-1 and GRI 207-4;
- that required data can now be aggregated for all foreign jurisdictions that are not on a list of 41 specified jurisdictions; and
- a de minimis threshold applies to Multinational groups such that a CbyC reporting parent is not subject to a reporting obligation if less than AUD10m of the group's global income for the income year is Australian sourced income.

However, the FCAI notes that there are still differences between the information required to be disclosed and the method of aggregation compared to the other public CbyC reporting obligations overseas.

This will be challenging for the CbyC reporting parent of our members to prepare and submit the public CbyC report in accordance with Australian requirements within a 12 month timeframe after a financial year, considering the simultaneous preparation and submission requirements for existing private OECD CbyC reports and other public CbyC reporting obligations implemented/proposed overseas.

FCAI Submission

The FCAI has reviewed the KPMG Submission on the draft Bill and wishes to confirm its support for the recommendations outlined in the KPMG Submission. Specifically, the FCAI endorses the following recommendations:

1 Compliance requirements for public CbyC reporting should be coordinated globally between the tax authorities to avoid excessive burdens on the CbyC reporting parent.

   - Utilising existing CbyC reporting data sources and approach will reduce compliance costs.

- Confirmation that financial statements other than audited consolidated financial statements may be used to prepare the Australian public CbC reporting disclosures, consistent with the requirements of OECD CbCR and EU public CbCR.
- Removal of the requirement to split revenue disclosures (similar to EU CbCR), or alternatively aligning the split between related and unrelated party revenues with OECD CbCR.
- Treasury should consider removing disclosure of the book value of tangibles assets in line with EU public CbCR. This was excluded by EC in the development of the EU public CbCR Directive, as it provided competitors with commercially sensitive information.
- Similarly, Treasury should consider removal of the approach to tax and reconciliation of book to tax differences from the minimum standard given the additional compliance burden it would impose given that such a requirement is not included in OECD CbCR and EU public CbCR. However, both disclosures could be left open to groups to include as an optional disclosure to better explain their tax profile in a jurisdiction.

2 Clear safeguards and guidance are needed for using and interpreting public CbyC reports.

- The wider tax transparency and related ESG agenda needs to be critically reviewed including the Board of Taxation's voluntary tax transparency code to determine its relevance relative to community expectations.

3 The specified countries list for disaggregated reporting should align with the EU non cooperative and grey list and be regularly updated.

4 Clarification is needed regarding the responsibilities and legal framework surrounding public CbyC reporting obligations, especially for the CbyC reporting parent.

5 Materiality thresholds for jurisdictional data disclosure and correction of errors need clarification to ensure consistency and mitigate compliance burdens.

6 Responsibilities for reporting CbyC information should be clearly defined to enhance compliance, drawing lessons from the EU's structure approach.

7 Mandating disclosure of tax strategies according to GRI 207-1 raises practical and enforcement concerns, suggesting a reconsideration of this requirement.

The FCAI thanks Treasury for the opportunity to provide its comments and welcomes the opportunity to further discuss the above recommendations it has made on behalf of its members.

Yours sincerely

Tony Weber

Tony Weber
Chief Executive