



A roadmap for tax transparency: new guidance promotes clarity and consistency for tax disclosures

Australian stakeholders (and international investors) wanting to see clearer and more consistent and comparable tax reporting this financial year will benefit from new guidance from the Australian Accounting Standards Board (AASB) on how to implement the Board of Taxation's Voluntary Tax Transparency Code (the Code).

The AASB's draft guidance promotes consistency and comparability of key information about entities' tax positions, in particular, their effective tax rate (ETR) relative to the corporate tax rate. Effective tax rates are the amount of tax incurred as a proportion of profit before tax. The guidance aims to help entities communicate their tax information in a way that is consistent with evolving international disclosure practices and ASIC's requirements regarding non-GAAP information. The Code also aims to improve comparisons between companies in relation to the tax information reported.

Chair of the Board of Taxation, Michael Andrew AO said, "The aim of the Code is to increase transparency around tax and to help educate the public about compliance with tax laws. But tax is a complex subject that can be difficult for companies to explain in a way that is accessible to the readers of their reports, and there is potential for inconsistency in some key areas."

Kris Peach, Chair of the AASB said, "This guidance helps to establish some common approaches, makes it easier for preparers to pull the report together, and easier for readers to understand and compare information."

Explaining tax and the financial statements

The Code requires disclosure of an ETR based on corporate tax only, to enable comparison to the company tax rate. The guidance sets out the necessary disclosures to ensure interested parties can better understand the differences, if any, between the ETR under the Code and the accounting ETR prepared in accordance with accounting standards.

The guidance also sets out how companies can improve their disclosures by reconciling their accounting profit to income tax expense and their income tax expense to income tax paid or payable, including any material temporary and non-temporary differences.

Ms Peach said, "While there are good reasons the numbers in financial statements and tax transparency reports are not the same, this often causes confusion for the reader and can be a difficult area to explain. The AASB has set out some principles and examples to help companies better communicate their tax positions and practices to stakeholders."

The guide has been published in draft to allow companies to test in the upcoming reporting season and can be found on the [Board of Taxation](#) and [AASB](#) websites.

Media Contact

Susie Brown
Communications Manager
Australian Accounting Standards Board
sbrown@asb.gov.au
Tel +61 3 8080 7440