



## Tax Transparency

### Project summary

The objective of this project is to develop guidance to assist businesses meet the Tax Transparency Code (TTC) recommendations for the suggested tax reconciliation and calculation of the TTC Effective Tax Rate (ETR).

The AASB released an Invitation to Comment “Draft Appendix to the Tax Transparency Code” in May 2017. The AASB is undertaking further work to progress the draft Appendix with the aim of ultimately finalising the Guidance in the second half of 2019.

### Project contacts

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**Project priority: Low**

#### Issued Documents

- Invitation to comment Draft Appendix to the Tax Transparency Code

#### AASB Outreach

- Survey on TTC to preparers (Jan 2018)
- Submissions on ITC

#### Project status

- Monitoring developments on Tax Transparency Code

#### Board deliberations

- AASB Action Alert Update and Board Papers (see below)

#### Other

- [Tax Transparency Code](#)

#### AASB Communications

- n/a

### Latest project news

Date	News
14 February 2018	<a href="#">February 2018 Action Alert</a>
13-14 December 2016	<a href="#">December 2016 Action Alert</a>

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

### Feb 2018 Tax Transparency Code Disclosure

The Board discussed an overview of corporate reports providing disclosures in accordance with the Tax Transparency Code (TTC), including the Board's draft guidance on Part A of the TTC. The Board intends to finalise the draft guidance in May 2018. The Board will consider further whether to develop guidance on Part B of the TTC.

[8.1 Presentation – Tax Transparency Code Disclosure Update](#)

### Dec 2016 Income Tax Disclosures

The Board tentatively decided, in response to the Board of Taxation request for the AASB to assist entities in implementing Part A of the voluntary Tax Transparency Code (TTC), to develop draft non-mandatory guidance in the form of an Appendix to the TTC. The draft guidance is expected to be issued in February 2017, with the Board intending to revisit the guidance after considering usage during the 30 June 2017 reporting period and further consultation with preparers and users.

The Board tentatively decided the non-mandatory guidance would:

- (a) highlight the definition of 'effective tax rate' in AASB 112 *Income Taxes* (paragraph 86) as an existing 'common definition' and identify how the specific matters identified in the Board of Taxation request are incorporated within this definition;
- (b) clarify that any alternative effective tax rate (ETR) or any other metrics disclosed should have regard to the principles in ASIC Regulatory Guide 230 *Disclosing non-IFRS financial information* and the IASB Principles of Disclosure project for guidance on using alternative measures (eg reconciliation to the ETR per AASB 112 and explanation of the objective of alternative measures).
- (c) make clear that alternative ETR measures can be presented in financial statements where considered appropriate to explain the tax risks impacting the entity;
- (d) illustrate an alternative presentation of the tax reconciliation, to reconcile from net profit before tax to current tax payable, including some common line items in reconciling income tax expense to income taxes paid per the cash flow statement, or income taxes paid and payable. The example will also illustrate a possible disaggregation between foreign and domestic amounts and disclosure of non-recurring items; and
- (e) refer to the qualitative characteristics underpinning useful financial information to which preparers may want to have regard when presenting information to comply with the TTC, such as neutrality, faithful representation and materiality.

The Board noted the AASB 112 definition of ETR is unlikely to satisfy users, but decided not to mandate a common alternative ETR measure. The Board considered that the specific facts and circumstances of a taxpayer would make determining such a measure difficult, and that users would be best served by having more information about why a taxpayer has chosen its alternative ETR and by better explanations of the reconciling items between accounting profit and taxable income. Feedback to the Board to date indicates the likely

## AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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objective of an alternative ETR is to provide users with information regarding a sustainable/maintainable tax rate. The Board noted that issuing the guidance in draft form for use during the next reporting season as a form of consultation would enable the Board to consider practical examples and revisit its decisions regarding alternative ETR. The Board decided not to propose additional tax disclosures in general purpose financial statements at this time, as it considered that improvements in tax reconciliation disclosures in response to the TTC may be sufficient.

### [8.1](#) Income Tax Disclosures