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**Submission on Corporate Amendment (Proprietary Company  
Thresholds) Regulations 2018**  
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The Tax Justice Network Australia (TJN-Aus) welcomes this opportunity to make submission on the consultation of reducing the financial reporting burden by increasing the thresholds for large proprietary companies. The TJN-Aus is disappointed that the Commonwealth Government is looking to significantly reduce the number of proprietary companies that are required to lodge financial reports with ASIC and the number of companies that will be required to have whistleblower policies under the *Treasury Laws Amendment (Enhancing Whistleblower Protections) Bill 2017*.

The TJN-Aus finds this consultation odd given that the Australian Accountancy Standards Board (AASB) has been consulting on *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*.<sup>1</sup> Australian proprietary companies already have significantly reduced financial reporting requirements compared to other jurisdictions around the world. As stated on page 5 of the AASB consultation paper:

*Australia is the only country to have a concept that effectively permits entities to self-assess what type of financial reporting is required when legislation or otherwise (ie such as a constitutional document) requires the preparation of financial statements in accordance with accounting standards. Unlike other countries, in Australia, two similar entities can prepare very different sets of financial reports, one preparing general purpose financial statements (GPFS) using a robust and consistent framework and the other SPFS, with self-selected requirements. This reduces comparability for entities of similar economic circumstances and undermines the fundamentals of trust and transparency.*

The AASB found the 55-60% of entities that lodge financial reports Special Purpose Financial Statements (SPFSs), with 80% of large propriety companies lodging SPFSs.<sup>2</sup> The reform option preferred by the AASB will still allow many companies required to file financial reports to be able to use a standard that has reduced requirements over GPFS.

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<sup>1</sup> [https://www.aasb.gov.au/admin/file/content105/c9/ITC39\\_05\\_18.pdf](https://www.aasb.gov.au/admin/file/content105/c9/ITC39_05_18.pdf)

<sup>2</sup> Peter Carey, Brad Potter and George Tanewski, 'AASB Research Report No 1. Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements', Australian Accountancy Standards Board, June 2014, 2, [https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_RR-1\\_06-14\\_Reporting\\_Entities\\_and\\_SPFSs.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_RR-1_06-14_Reporting_Entities_and_SPFSs.pdf)

The TJN-Aus further notes that some countries, such as Germany<sup>3</sup>, Italy<sup>4</sup> and France<sup>5</sup>, require all incorporated entities to lodge GPFs.<sup>6</sup> In the UK all private limited and public companies must file their accounts at Companies House.<sup>7</sup> By comparison the AASB reported that in 2010-2011 financial year only 21,711 incorporated entities filed financial accounts with ASIC<sup>8</sup>, which represents just over 1% of the 1.84 million corporate entities registered with ASIC in that year.<sup>9</sup>

It is very disappointing that the Explanatory Statement for the *Corporate Amendment (Proprietary Company Thresholds) Regulations 2018* provides no information about how many corporate entities will no longer need to file financial accounts if the regulations are adopted. This would seem to be a significant piece of relevant information.

The filing of accounts allows employees to better understand the business they are working for and the security of their employment. It allows investors to make better decisions about their investments. It also allows other businesses to make better decisions about who they are doing business with and the reliability of the companies they are doing business with. It also allows for better transparency, accountability and comparability between companies. It is also highly desirable for companies with 50 or more employees to have a whistleblower policy. For these reasons the TJN-Aus opposes the increases in the thresholds outlined in the *Corporate Amendment (Proprietary Company Thresholds) Regulations 2018*.

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<sup>3</sup> <https://www.lawyersgermany.com/annual-filing-requirements-for-german-companies>. Companies in Germany can avoid consolidated accounts by restructuring themselves as foundations. Small companies only publish a balance sheet.

<sup>4</sup> <https://www.italiancompanyformations.com/services/accounting-and-tax-services/>

<sup>5</sup> <https://www.healyconsultants.com/france-company-registration/accounting-legal/>

<sup>6</sup> Peter Carey, Brad Potter and George Tanewski, 'AASB Research Report No 1. Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements', Australian Accountancy Standards Board, June 2014, v, [https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_RR-1\\_06-14\\_Reporting\\_Entities\\_and\\_SPFSs.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_RR-1_06-14_Reporting_Entities_and_SPFSs.pdf)

<sup>7</sup> <https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts>

<sup>8</sup> Peter Carey, Brad Potter and George Tanewski, 'AASB Research Report No 1. Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements', Australian Accountancy Standards Board, June 2014, 10, [https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_RR-1\\_06-14\\_Reporting\\_Entities\\_and\\_SPFSs.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_RR-1_06-14_Reporting_Entities_and_SPFSs.pdf)

<sup>9</sup> Australian Accountancy Standards Board, 'Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems', May 2018, 8, [https://www.aasb.gov.au/admin/file/content105/c9/ITC39\\_05\\_18.pdf](https://www.aasb.gov.au/admin/file/content105/c9/ITC39_05_18.pdf)

## **Background on the Tax Justice Network Australia**

The Tax Justice Network Australia (TJN-Aus) is the Australian branch of the Tax Justice Network (TJN) and the Global Alliance for Tax Justice. TJN is an independent organisation launched in the British Houses of Parliament in March 2003. It is dedicated to high-level research, analysis and advocacy in the field of tax and regulation. TJN works to map, analyse and explain the role of taxation and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. TJN's objective is to encourage reform at the global and national levels. The Tax Justice Network aims to:

- (a) promote sustainable finance for development;
- (b) promote international co-operation on tax regulation and tax related crimes;
- (c) oppose tax havens;
- (d) promote progressive and equitable taxation;
- (e) promote corporate responsibility and accountability; and
- (f) promote tax compliance and a culture of responsibility.

In Australia the current members of TJN-Aus are:

- ActionAid Australia
- Aid/Watch
- Anglican Overseas Aid
- Australian Council for International Development (ACFID)
- Australian Council of Social Service (ACOSS)
- Australian Council of Trade Unions (ACTU)
- Australian Education Union
- Australian Manufacturing Workers Union
- Australian Nursing & Midwifery Federation
- Australian Services Union
- Australian Workers Union, Victorian Branch
- Baptist World Aid
- Caritas Australia
- Centre for International Corporate Tax Accountability and Research
- Community and Public Service Union
- Electrical Trades Union, Victorian Branch
- Evatt Foundation
- Friends of the Earth
- GetUp!
- Greenpeace Australia Pacific
- International Transport Workers Federation
- Jubilee Australia
- Maritime Union of Australia
- National Tertiary Education Union
- New South Wales Nurses and Midwives' Association
- Oaktree Foundation
- Oxfam Australia
- Save the Children Australia
- Save Our Schools
- SEARCH Foundation
- SJ around the Bay
- Social Policy Connections
- TEAR Australia
- The Australia Institute
- Union Aid Abroad – APHEDA
- UnitedVoice
- Uniting Church in Australia, Synod of Victoria and Tasmania

- UnitingWorld
- Victorian Trades Hall Council
- World Vision Australia