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About private wealth international program

About our private wealth populations and international risks we're focused on.

Last updated 14 October 2026

Our population

Our population includes all privately owned and wealthy groups that engage in international dealings. This includes groups that are covered by our Top 500 and Private groups tax performance programs.

We provide dedicated support through our tax performance programs to identify and address international risks. We also collaborate with stakeholders across the ATO to ensure international risks are treated consistently.

We deliver a combination of approaches to help you understand and comply with your tax obligations, including:

- education campaigns to raise awareness about new measures or guidance
- developing public advice and guidance on international tax
- partnering with you through early engagement activities to provide certainty on significant transactions and events
- targeted risk campaigns, risk-based reviews, and audits where appropriate, based on risk assessments from a wide range of internal and external data sources.

We also provide input to relevant new international tax measures affecting private groups.

International risks we're focused on

We focus on treating the following key international tax risks:

- Related party financing risk
- Intangibles migration
- Controlled foreign companies (CFC)
- Non-resident withholding tax
- Tax residency (both individual and corporate)
- Related party service arrangements.

Other international issues also attract our attention. For more information, see International transactions.

In some cases, we have also observed poor record-keeping, reporting and lodgment practices. To learn about your record-keeping requirements, see Overview of record-keeping rules for business.

International related party dealings

If you have international operations and transactions, you should consider if these dealings satisfy the definition of international related party dealings. If so, you must consider if you're required to lodge the international dealings schedule (IDS).

For assistance, see:

- Who must complete an IDS for circumstances when you must lodge an IDS.
- Forms and instructions for the relevant income year to help you complete the IDS.

QC 103520

Related party financing risk

Related party financing risk can arise if you engage in cross-border financing arrangements.

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Related party financing (RPF) refers to financing arrangements (such as a loan) between related parties or associates. Our program focuses on PW taxpayers engaging in cross-border financing arrangements to achieve a tax benefit.

For example:

- related party financing arrangements which adopt non-arm's length terms and conditions resulting in excessive debt deductions, particularly for property investment or development – see Inbound

related party financing for private groups in property and construction

- claiming interest deductions on your related party loan, whilst failing to pay, credit or regularly capitalise interest amounts, resulting in the deferral or non-payment of interest withholding tax.

Other issues we commonly observe with cross-border related party financing arrangements include:

- debt versus equity characterisation (for example, interest-free loans)
- purported interest deductions on interest that is accrued and never paid
- outbound funding provided to overseas related parties on non-arm's length terms (for example, interest-free loans)
- the deferral or avoidance of income recognition in Australia
- use of purported loans to disguise foreign income or wealth in order to avoid assessment of offshore monies received by Australian resident taxpayers – see Taxpayer Alert TA 2021/2 *Disguising undeclared foreign income as gifts or loans from related overseas entities*
- the deductibility of interest under section 8-1 or TOFA (taxation of financial arrangements) – see Taxation of financial arrangements (TOFA)
- non-lodgment of annual PAYG withholding from interest, dividend and royalty payments paid to non-residents reports
- thin capitalisation
  - incorrectly applying the $2 million de minimis exemption threshold, which should be calculated on an associate inclusive basis
  - compliance with safe harbour test (applicable before 30 June 2023)
  - inappropriate use of arm's length debt test (prior to its repeal).

For income years starting on or after 1 July 2023, new thin capitalisation rules apply as part of the Treasury Law Amendment

(Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024.

We have resources available to help you. For more information, see:

- Inbound related party financing for private groups in property and construction to learn about what to consider from a transfer pricing perspective if you have an inbound funding arrangement
- Practical Compliance Guideline PCG 2017/4 *ATO compliance approach to taxation issues associated with cross-border related party financing arrangements and related transactions* to help you assess the risk of your related party financing arrangements
- Characterisation of inbound foreign funds to learn about cross-border arrangements that mischaracterise inbound foreign funds provided by non-residents to Australian taxpayers, covering inbound foreign funds of interest, foreign investors investing directly into businesses, loans and gifts and guidance on inbound foreign funds
- Documenting genuine loans from related overseas entities to learn about how to document your loan arrangements
- Transfer pricing to learn about the transfer pricing rules, including the arm's length principle
- Practical Compliance Guideline PCG 2017/2 *Simplified transfer pricing record-keeping options* for guidance on applying simplified record-keeping options and eligibility requirements for low-level inbound and low-level outbound loans
- Thin capitalisation for information about the rules and who is affected.

Inbound related-party financing for private groups in property and construction

What to consider if you receive funding from an international related party.

Intangibles migration

Intangible migration risk can arise if you have Australian-generated assets or rights.

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Intangibles migration refers to arrangements connected with the development, enhancement, maintenance, protection, and exploitation (DEMPE) of intangible assets, resulting in:

- disposal or migration of locally developed intangible assets (and associated future profit streams) to offshore jurisdictions on non-arm's length terms
- mischaracterisation and non-recognition of Australian activities connected with intangible assets held offshore
- mischaracterisation of payments to offshore entities in connection with intangible assets, such as the mischaracterisation of royalties as other types of payments (e.g. licence fees, service fees, tangible goods) to avoid withholding tax
- mispricing or non-recognition of arrangements relating to intangible assets to reduce tax liabilities.

We're concerned with privately owned and wealthy groups engaging in any transaction that allows an offshore party to access, hold, use, transfer or obtain benefits in connection with Australian-generated intangible assets or associated rights on non-arm's length terms.

For more information and other useful resources, see:

- Practical Compliance Guideline PCG 2024/1 *Intangibles migration arrangements* if you have an intangibles migration arrangement that involves an international related party, to self-assess the tax risk of your arrangement(s).
- Taxpayer Alert TA 2020/1 *Non-arm's length arrangements and schemes connected with the development, enhancement, maintenance, protection and exploitation of intangible assets* provides a summary of our concerns regarding international arrangements that mischaracterise Australian activities connected with intangible assets.

- Taxpayer Alert TA 2018/2 *Mischaracterisation of activities or payments in connection with intangible assets* provides a summary of our concerns regarding international arrangements that mischaracterise intangible assets or activities connected to intangible assets.

QC 103521

Controlled foreign company

When the controlled foreign company provisions apply and risks we are concerned with.

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The controlled foreign company (CFC) provisions apply to Australian resident taxpayers with a substantial interest in a foreign company controlled by Australians.

The provisions operate to include a taxpayer's share of specified income and gains of a CFC in the taxpayer's assessable income. This is called attribution. Subject to some modifications, the income and gains of CFCs are worked out using the same tax rules that apply to residents.

We're concerned about:

- non and under-reporting of attributable foreign income by resident taxpayers
- tax returns and international dealings schedules being lodged with incomplete and inconsistent disclosures.

Information and examples to assist you in applying the CFC measures are available on our website in Chapter 1 of the Foreign income return form guide. In particular, it's important to understand these features:

- Are you subject to the CFC measures?
- Does the CFC satisfy the active income test?
- Working out attributable income and the amount to include in your assessable income

You can also refer to available summaries and worksheets to:

- work out your control and attribution percentages
- work out the tainted income ratio for a CFC
- work out the attributable income of a CFC.

Companies, partnerships and trusts who complete certain trigger points in their tax returns are required to complete the International dealings schedule. Instructions are available on how to complete Section C: Interests in foreign entities of the International dealings schedule.

QC 103523

Non-resident withholding tax

The issues we've observed regarding non-resident withholding tax in privately owned and wealthy groups.

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When you make a payment of interest, dividend, royalty, or managed investment trust (MIT) payments to a non-resident, you may have an obligation to withhold tax. Withholding rates vary according to the type of payment, and whether the payee is a resident of a treaty country.

Issues that we've observed in privately owned and wealthy groups include:

- failure to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report or an annual investment income report
- withholding tax hasn't been withheld or paid, or an incorrect amount is withheld or paid
- deductions for interest or royalty payments to an offshore entity are incorrectly claimed or misclassified on tax returns
- withholding tax exemption or tax treaty relief are incorrectly claimed
- inappropriate reliance on the exemption in section 128F or section 128FA of the ITAA 1936 to avoid liability to interest withholding tax –

this includes where there was already an arrangement, agreement or understanding, that the debenture or debt interest would be issued to particular parties in a way that makes the offer not truly available to the public

- uncommercial arrangements where entities claim income tax deductions on an accruals basis but withholding tax isn't paid when deductions are claimed
- artificial structuring used to obtain a reduced withholding tax rate under a double-tax agreement
- artificial structuring and interposed offshore entities used to obtain a refund (in full or in part) of the withholding tax already withheld in Australia.

For more information on how the non-resident withholding tax mechanism works, refer to our guidance:

- Investment income and royalties paid to foreign residents
- Interest, dividends, royalties, and MIT payments
- Who withholds
- When to withhold
- Withholding rate
- Obligations
- Taxpayer Alert TA 2018/4 *Accrual deductions and deferral or avoidance of withholding tax* provides a summary of our concerns regarding arrangements where income tax deductions are claimed on an accruals basis but withholding tax isn't paid when deductions are claimed.
- Taxpayer Alert TA 2020/3 *Arrangements involving interposed offshore entities to avoid interest withholding tax* provides a summary of our concerns regarding arrangements that use offshore entities to avoid interest withholding tax.
- Taxpayer Alert TA 2022/2 *Treaty shopping arrangements to obtain reduced withholding tax rates* provides a summary of our concerns regarding arrangements designed to obtain the benefit of reduced withholding tax rates in relation to royalty or dividend payments from Australia. These arrangements may involve an interposed entity.

QC 103524

Tax residency

It's essential to correctly assess tax residency to determine how an individual or entity will be taxed.

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Determining tax residency

Determining tax residency is essential in order to determine how an individual or entity will be taxed in Australia.

An Australian tax resident is assessable on their worldwide income, derived from all sources, for tax purposes. However, a non-resident is only taxed on their Australian-sourced income.

Due to the increasing globalisation of business and the global mobility of individuals, tax residency is a key risk in the privately owned and wealthy group market. Incorrect residency disclosures may lead to other tax risks, which may be present for the taxpayer and their wider group.

There's a small proportion of private group taxpayers that lodge their tax returns as non-residents for tax purposes. However, our data suggests that many of these could be residents.

Additional risks may arise because of a change in an individual or entity's tax residency status.

Individual tax residency

There are generally 2 scenarios where individuals may have incorrectly self-assessed as non-residents.

Individuals who remain Australian residents while overseas – individuals who are long-term Australian tax residents lodge as non-residents for income tax purposes while staying overseas. However,

their facts and circumstances don't sufficiently demonstrate the cessation of their Australian tax residency.

Change of residency status for individuals entering Australia – individuals who visit and remain in Australia continue to lodge as non-residents despite their facts and circumstances demonstrating they're Australian tax residents.

Corporate tax residency

A company is a resident of Australia if either:

- it's incorporated in Australia, or
- it carries on business in Australia, even if not incorporated in Australia, and has either its
  - central management and control in Australia, or
  - voting power controlled by shareholders who are residents of Australia.

Corporate residency may also be affected by relevant tax treaties.

We have some tax rulings and guidelines to help determine individual and corporate residency.

- Taxation Ruling TR 2023/1 *Income tax: residency tests for individuals* outlines the residency tests for individuals for tax purposes and when a person will be considered as a tax resident of Australia.
- Taxation Ruling TR 2018/5 *Income tax: central management and control test of residency* provides how to apply the central management and control test of company residency.
- Practical Compliance Guideline PCG 2018/9 *Central management and control test of residency: identifying where a company's central management and control is located* contains practical guidance to assist foreign incorporated companies and their advisors to apply the principles set out in Taxation Ruling TR 2018/5, to help determine whether they are a resident under the central management and control test of company residency.
- Your tax residency provides guidance on working out tax residency for individuals.

- Working out your residency helps business entities determine their tax residency.

QC 103525

Related party service arrangements

What to consider if you have a related party service arrangement.

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If you are a member of a privately owned and wealthy group and you engage in related party service arrangements, you should consider the transfer pricing rules and the economic substance of your arrangement.

We are particularly concerned with the mischaracterisation of service arrangements where the legal form is inconsistent with the economic substance of the arrangement.

For example, where:

- individuals in Australia are performing activities for an overseas related entity that may be characterised as central management and control (CMAC) or key value-adding functions, but these activities have been mischaracterised as routine or low-value services. This may give rise to corporate residency risk or a transfer pricing benefit, and is typically more common where there's a concentration of control in a founder or director, or a small number of individuals in a privately held business.
- service fees are paid to an overseas related entity, but the benefit received by the Australian entity is questionable, or in some cases, the service wasn't provided at all. This may give rise to a transfer pricing benefit, particularly if the overseas service provider has no employees, and all activities are either performed by staff in Australia or outsourced to third-party providers that are directed by Australian staff.

For more information, see:

- Taxation Ruling TR 1999/1 *Income tax: international transfer pricing for intra-group services* – provides guidance on transfer pricing for intra-group services
- Practical Compliance Guideline PCG 2018/9 *Central management and control test of residency: identifying where a company's central management and control is located* – provides guidance on determining corporate tax residency of foreign incorporated companies under the central management and control test.

QC 103526

New international tax measures affecting private groups

See new measures in international tax that may affect privately owned and wealthy groups.

Last updated 11 July 2025

New thin capitalisation rules

The Amending Australia's interest limitation (thin capitalisation) rules is also known as the 'new thin capitalisation rules.' Changes were made to align with the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) Action 4. The new rules are now law and apply to income years starting on or after 1 July 2023. The debt deduction creation rules apply to income years starting on or after 1 July 2024.

The amendments apply to most multinational businesses operating in Australia, privately owned Australian entities that are foreign controlled, and to privately owned and wealthy groups with outbound operations. The de minimis threshold exemption continues to apply where debt deductions of all associate entities does not exceed $2 million for that year

The old thin capitalisation rules continue to apply to Australian plantation forestry entities.

New tests for general class investors

Under the new rules, 'general class investors' will be subject to one of 3 new tests.

Fixed ratio test

- an earnings-based ratio test that will limit an entity's net debt deductions to 30% of its tax earnings before interest, taxes, depreciation, and amortisation (EBITDA)
  - debt deductions exceeding the 30% EBITDA limit will be denied
  - denied deductions can be carried forward for a maximum of 15 years (subject to the 30% EBITDA limit each year). This method is the default method unless a taxpayer makes a choice to use one of the other 2 methods.

Group ratio test

- an earnings-based worldwide gearing ratio test that will limit net debt deductions based on a ratio of the worldwide group's net debt deductions and EBITDA based on the worldwide group's financial statements
  - there is no carry forward of denied deductions under this method.

Third-party debt test

- an entity's external (or third party) debt deductions, except for non-qualifying external debt deductions, will be allowed in full
  - debt deductions attributable to related parties are denied under this test
  - there is no carry forward of denied deductions under this method.

The arm's length debt test has been removed for all taxpayers.

Other considerations

Private groups including those with cross-border related party loans should also consider whether the terms and conditions of their arrangements, including interest rate and the amount of debt are arm's length under Australia's transfer pricing rules.

General class investors should also consider their approach when determining their remaining debt deductions for the purpose of applying the fixed ratio test or third-party debt test. This is because the previous transfer pricing limitation in section 815-140 (that an arm's length interest rate was applied to the actual amount of debt for thin capitalisation purposes) has been removed.

The new thin capitalisation rules are supported by the **debt deduction creation rules (DDCR)** that deny debt deductions arising from relevant related party loans to fund asset acquisitions, or prescribed payments such as distributions and returns of capital. The DDCR reduce the ability for multinational businesses and private groups, with at least $2 million in debt deductions (on an associate inclusive basis), to create debt through internal transactions.

The DDCR apply to income years starting on or after 1 July 2024 and apply to both existing and new domestic and international arrangements.

Complying Division 7A loans are not excluded from the operation of the DDCR.

More information

For more information and other useful resources, see:

- Thin capitalisation rules for information and guidance about the thin capitalisation rules and who they apply to.
- Debt deduction creation rules and private groups for a summary of DDCR and how they affect private groups.
- Debt deduction creation rules and Division 7A to learn about how DDCR applies and interaction with Division 7A.

Global and domestic minimum tax

On 9 May 2023, as part of the 2023–24 Budget, the Government announced it will implement key aspects of Pillar Two of the OECD/G20 Two-Pillar Solution to address the tax challenges arising from digitalisation of the economy.

Specifically, the announcement included the intention to implement the Global Anti-Base Erosion Model Rules (GloBE Rules). They provide for a coordinated system of taxation intended to ensure in-scope

multinational enterprise (MNE) groups are subject to a global minimum tax rate of 15% in each jurisdiction where they operate.

This measure is now law. The legislation includes a:

- 15% global minimum tax for MNE groups with the
  - Income Inclusion Rule (IIR) applying to fiscal years starting on or after 1 January 2024, and
  - Undertaxed Profits Rule (UTPR) applying to fiscal years starting on or after 1 January 2025.
- 15% domestic minimum tax for MNE groups applying to fiscal years starting on or after 1 January 2024.

See Global and domestic minimum tax for more information on the implementation of Pillar Two of the OECD/G20 Two-Pillar Solution in Australia.

QC 103527

Reporting significant global entity status for large private groups

What large private groups should know about assessing and reporting significant global entity status.

Last updated 29 January 2026

What this guidance is about

Privately owned and wealthy groups (private groups) need to:

- assess whether group members are significant global entities (SGEs)
- complete the relevant SGE label in Australian income tax returns for entities that are SGEs. This applies to company, trust, fund and partnership income tax returns.

SGEs may be subject to increased penalties and certain tax integrity measures (such as multinational anti-avoidance law and diverted

profits tax). Where an SGE is also a country-by-country reporting entity, it may have additional reporting obligations. For more information, see Consequences of being an SGE.

This guidance provides clarity on:

- SGE status reporting and record-keeping expectations
- low-risk scenarios where self-assessment and reporting of SGE status (income tax return disclosure) is unlikely to raise compliance concerns.

When the SGE definition applies to private group entities

The SGE definition requires consideration of accounting principles used to prepare consolidated financial statements.

From 1 July 2019, the SGE definition applies to members of a group consolidated for accounting purposes or a notional listed company group with an annual global income of $1 billion or more. The term 'notional listed company group' refers to a group of entities that would be required to consolidate as a single group for accounting purposes, assuming that:

- a member of the group was a listed company
- any exceptions to consolidation under accounting principles are disregarded (for example, the investment entity exception and materiality rules).

This means that the definition of an SGE applies to entities in private groups, including:

- individuals
- private companies
- trusts
- partnerships
- self-managed superannuation funds
- any entities that would be exempt from consolidation.

Importantly, the SGE definition is not limited to multinational groups. It can apply to entities in wholly domestic private groups.

Annual self-assessment and tax return disclosure

Entities belonging to a private group should self-assess each income year whether they are SGEs. If an entity's assessment identifies that it is an SGE, it must complete the SGE label in its income tax return to disclose its SGE status for that year.

If a private group does not prepare global financial statements or have adequate consolidated financial statements that accurately represent the annual global income of the global parent entity (GPE), they should:

- identify the GPE and all members of the notional listed company group, using the relevant accounting principles such as Accounting Standard AASB 10 *Consolidated Financial Statements* (AASB 10) (disregarding any exceptions to consolidation)
- determine the annual global income (assuming global financial statements were prepared).

Where an entity has checked the relevant SGE label in its tax return, we'll generally accept their self-assessed SGE status for that income year.

Record keeping for private groups

When self-assessing SGE status, the private group and its controlling minds should prepare and retain all relevant records supporting the assessment outcome. This includes records relevant to assessing whether an entity controls one or more other entities according to accounting principles.

Examples of records

The following are examples of the type of records we expect to be kept:

- Group structure information and details of all entities in the private group, including whether they are controlled by the GPE according to the relevant accounting principles.
- Consolidated financial statements for the entire group or, if unavailable or inadequate, accurate and complete stand-alone financial statements for each member of the group.

- Calculations of total annual income or annual global income of all members of the group.
- For
  - Companies – company constitutions, shareholder agreements and share registers recording the beneficial ownership and any movements for each class of share.
  - Trusts – trust deeds (including all amendments), trustee resolutions, minutes of trustee meetings, letters of wishes or other documents or agreements relating to the appointment of trustees and exercise of trustee powers. If the trust is a unit trust, unit holder agreements and unit registers recording the beneficial ownership and any movements for each class of unit.
  - Partnerships – partnership agreements and capital contribution agreements.
  - Self-managed superannuation funds – fund trust deeds, minutes of trustee meetings and details of fund trustees and members (including all changes).

Control through contractual or other arrangements

Holding equity instruments with voting rights may indicate an entity can obtain or exercise control over another. However, where control of an entity is not obtained directly and solely from voting rights granted by equity instruments, it may arise through contractual or other arrangements.

In these circumstances, determining control for an entity should also involve assessing the contractual arrangements, any other arrangements, and dealings between the entity and other parties that have the power to direct or influence the entity's operating, financing and capital decisions, together with exposure or rights to variable returns arising from those decisions. The assessment should look at both the substance and legal form of the arrangements.

The following records used to assess and determine control according to accounting principles should be retained:

- Documents recording the purpose, design and structure of the entity.

- Details of each other party's involvement in the creation of the entity and structuring of its operations.
- Details of each other party's role in and influence over decision making for the entity.
- Agreements and details of any contractual arrangements governing the decision making for the key managerial, operational and financing affairs of the entity.
- Details of any remuneration agreements and credit or liquidity support arrangements in place between the entity and one or more other parties.
- Documented analysis regarding control over the entity according to accounting principles.
- Independent opinion about control over the entity according to accounting principles, prepared by suitably qualified practitioners, for example, registered company auditors, full and fellow members of professional accounting bodies.
- Documented analysis of the substance of arrangements between entities, especially where the existing documentation and legal form do not align with the substance of the arrangements.

Examples of SGE self-assessment

The following examples illustrate circumstances where private group entities have self-assessed as being SGEs based on relevant records, dealings and arrangements.

Example 1: private group structure involving a discretionary trust

Jessica Group Pty Ltd (Jessica Co), an Australian private company, is the head company of an income tax consolidated group formed with its wholly owned subsidiaries.

Jessica and her husband, David, are Australian tax residents and managing directors of Jessica Co. All shares on issue in Jessica Co are held by Trustee Co as trustee for the Jessica Family Trust, a discretionary trust.

Jessica is the sole director and shareholder of Trustee Co. She is also the sole appointor of the Jessica Family Trust.

The trust deed for the Jessica Family Trust contains the following clauses governing the determination of income and capital of the trust:

- Jessica, David and their 2 children are the primary beneficiaries of all income and capital of the trust, in the shares and proportions that the trustee, in its absolute discretion, may determine anytime during each year of income.
- If the trustee fails to make a determination in respect of income of the trust during a year of income, such income will be held upon trust for the benefit of Jessica's siblings.

In each of the previous income years, the trustee determined to distribute all of the trust income to Jessica, David and their 2 children in different proportions.

During the income year ended 30 June 2025, Jessica Co has an annual income of more than $1 billion for the first time.

SGE self-assessment

Trustee Co, acting as trustee for the Jessica Family Trust, considers the relevant information and documents in determining whether it controls Jessica Co and its subsidiaries. These documents include:

- company constitutions
- shareholder agreements
- actual dealings with Jessica Co and the subsidiary companies.

Trustee Co (acting as trustee for the Jessica Family Trust) determines, in accordance with AASB 10, that the trust controls Jessica Co.

Jessica also considers the relevant information and documents in determining whether she controls the Jessica Family Trust. This includes:

- the trust deed
- current year and historical trustee resolutions

- her involvement in the creation and structuring of the trust
- her role in and influence over decisions made regarding the trust.

Jessica determines, in accordance with AASB 10, that she controls the Jessica Family Trust because she is the appointor and a beneficiary of the trust, as well as the sole director and shareholder of the trustee company.

Jessica considers that:

- she is the GPE of a notional listed company group comprising herself, Trustee Co, Jessica Family Trust, Jessica Co, and the subsidiaries of Jessica Co
- the group has a total annual income of more than $1 billion for the income year ended 30 June 2025.

SGE status reporting

In their income tax returns, Jessica Family Trust, Trustee Co and Jessica Co (as head company of the tax consolidated group) each declares they are an SGE for the income year ended 30 June 2025.

Example 2: merger and acquisition involving private group entities

Trains Co Pty Ltd (Trains Co) is an Australian private company and reports an annual income of $10 million for the income year ended 30 June 2025.

The trustee for Lucas Family Trust (Lucas Trust), which is part of the Lucas Family Group ultimately controlled by Lucas, beneficially owns all the shares in Trains Co. The Lucas Family Group operates family businesses and has never had total annual income of more than $20 million in any income year.

No entities in the Lucas Family Group, including the Lucas Trust and Trains Co, have previously reported being SGEs in their income tax returns.

Acquisition

Amelia Group Pty Ltd (Amelia Co) is an Australian private company and a member of the Amelia Family Group.

The Amelia Family Group is a large private group. The total annual income across all the members of the group is more than $1 billion for the income year ended 30 June 2025. The entities in the Amelia Family Group, including Amelia Co, report as SGEs in their income tax returns.

During the income year ended 30 June 2025, the trustee of the Lucas Trust successfully negotiated and completed the sale of Trains Co to Amelia Co.

After the sale, Amelia Co becomes the beneficial owner of all the shares in Trains Co. As part of the sale agreement, Lucas will remain a director and the CEO of Trains Co to continue managing the business' key commercial and tax aspects for the next 5 years.

SGE self-assessment

There has been a change in ownership of Trains Co during the income year ended 30 June 2025. Amelia Co considers the relevant information and documents in determining whether it controls Trains Co, including:

- the company constitution
- the shareholder agreement
- the share register
- Lucas' ongoing employment arrangement along with his role in and influence over the decision making for Trains Co.

Amelia Co determines, in accordance with AASB 10, that it controls Trains Co after the acquisition. Being a member of the Amelia Family Group, that has total annual income of more than $1 billion, Trains Co is self-assessed as being an SGE for the income year ended 30 June 2025.

Train Co's prior membership of the Lucas Family Group is not relevant to determining whether Train Co is an SGE for the income year ended 30 June 2025. For more information, see Joining or leaving a group.

SGE status reporting

Trains Co reports as an SGE in its income tax return for the income year ended 30 June 2025.

Low-risk scenarios for SGE status reporting

We view certain private group scenarios as presenting a lower risk of incorrectly self-assessing and reporting SGE status. Private groups in low-risk scenarios may be subject to limited forms of verification and are unlikely to raise compliance concerns regarding the SGE classification of entities for that income year.

A private group will fall within a low-risk scenario where the annual global income across all its members is likely approaching $1 billion and:

- its entities satisfy all criteria for either Category 1 or Category 2 of low-risk scenarios shown below
- the private group doesn't exhibit any of the features listed under exclusions from low-risk scenarios.

Wholly domestic private groups may fall under one or both categories.

Our approach aims to support private groups in mitigating and managing risks of incorrect SGE classification.

Criteria for low-risk scenarios

Category 1 – Domestic operations

These are the criteria for entities within a wholly domestic private group to be considered low risk:

- You're an entity that is part of a private group.
- The private group comprises one or more Australian resident entities.
- One or more individuals ultimately beneficially own the private group or otherwise are the controlling minds of the private group.
- You and all other entities in the private group do not have any operations or related parties outside Australia.

- For the current income year and for each of the 4 income years before the current income year, you and all the other entities comprising the private group meet all the following conditions
  - all reporting obligations have been met on time
  - no administrative penalties have been imposed relating to statements, positions that are not reasonably arguable or schemes
  - no penalties have been applied for contravening the tax promoter penalty laws.
- For the current income year, and for each of the 4 income years before the current income year, each of the entities comprising the private group meet **either** of the following conditions
  - The entity was **not** required to undertake country-by-country (CBC) reporting or public CBC reporting, or lodge general purpose financial statements (GPFS) with either the ATO or the Australian Securities & Investments Commission (ASIC).
  - Where the entity was required to undertake one or more of the following for a prior income year – CBC reporting, public CBC reporting, or lodging GPFS with either the ATO or ASIC – the obligations have been properly met.

In assessing which entities comprise the private group and whether the above factors are present, you should include all entities, including all companies, trusts or partnerships that are associated with, controlled by, or potentially controlled by, the individual beneficial owners and controlling minds of the group.

Category 2 – Total annual income less than $1 billion

These are the criteria for private group entities to be considered low risk:

- You're an entity that is part of a private group.
- The private group comprises one or more Australian resident or offshore entities.
- One or more individuals ultimately beneficially own the private group or otherwise are the controlling minds of the private group, and each of the following is satisfied

- You have kept relevant accurate, contemporaneous records including financial statements for each entity comprising the private group, in line with the record-keeping for private groups section of this guidance, as part of governance procedures to self-assess SGE status.
- Based on these relevant records including financial statements, the total sum of the income across all entities in the group (including the individuals who ultimately beneficially own the private group and, if different, the individuals who are the controlling minds of the private group) is less than $1 billion for the income year.

In assessing which entities comprise the private group and calculating the total sum of income for the income year, you should include all entities, including all companies, trusts or partnerships, that are associated with, controlled by, or potentially controlled by, the individual beneficial owners and controlling minds of the group.

Exclusions from low-risk scenarios

A private group will **not** be considered low risk if any of the following apply:

- An entity in the group, including the individual beneficial owners and controlling minds, has received a notice from the Commissioner determining that the entity, its GPE or another group member, is an SGE for the relevant income year.
- An entity in the group has disclosed being an SGE in its tax return for the relevant income year and subsequently amends or attempts to otherwise revoke its SGE status for that year.
- Financial statements or accounting records for any entity in the group materially understate income in accordance with accounting principles.
- An entity in the group is unable to readily explain and substantiate its self-assessed SGE classification.
- The substance of arrangements between entities in the group materially deviates from the documented contractual arrangements and/or governing documents.
- The beneficial owners and controlling minds can't be readily and reasonably determined from existing documentation or initial

taxpayer engagement.

- There is a refusal to provide records relevant to the entity's self-assessment that a low-risk scenario applies.
- False or misleading information or statements, or fraudulently prepared documents, are provided to the ATO in relation to a group member's self-assessment that a low-risk scenario applies.
- There is a deliberate act or arrangement that conceals, manipulates or ceases the SGE status for any entity in the group.
- There is an artificial or contrived arrangement for avoiding tax involving one or more entities in the group.
- The behaviour of one or more entities in the group amounts to fraud or evasion.

Examples of low-risk scenarios

The following examples illustrate circumstances where private group entities have not disclosed being an SGE but fall within a low-risk scenario based on their records, dealings and arrangements.

The examples are general and illustrative, and meant to help explain low-risk situations. They shouldn't be read as a definitive conclusion on similar circumstances, as each entity's circumstances are unique.

Example 3: individuals in partnership and wholly domestic private groups

Linny and Troy are 2 unrelated Australian tax residents who have formed Aus Partnership and jointly operate a business AusCo Pty Ltd (AusCo). Linny and Troy have equal partnership interests in Aus Partnership, which owns all shares in AusCo. Linny and Troy are managing directors of AusCo. No other entity has any interest in AusCo.

Aus Partnership and AusCo reported being an SGE in their income tax returns for the income year ended 30 June 2025. This is on the basis that Aus Partnership controlled AusCo in accordance with AASB 10 and their total annual income exceeded $1 billion. Consequently, these 2 entities don't present a low-risk scenario and the Commissioner will accept the self-assessed SGE status of Aus Partnership and AusCo.

Linny and Troy's private groups are however independent of each other, and the total turnover of each of these respective groups is approaching $1 billion.

None of the entities in Linny's private group or Troy's private group have:

- prepared a set of consolidated financial statements that include Aus Partnership and AusCo
- reported being an SGE in any tax return lodgments.

SGE self-assessment

Linny and Troy have tested whether their respective private groups control Aus Partnership and AusCo under AASB 10. The partnership agreement between Linny and Troy requires both to act together to direct all key business decisions of Aus Partnership and AusCo, meaning neither can direct key business decisions without the other's cooperation.

Linny and Troy have kept all documents relating to the ownership and management of AusCo, including the company constitution, the shareholder agreement and management agreement for AusCo.

Linny and Troy have also kept all documentation relevant to their assessment of the SGE status for Aus Partnership. This includes:

- the partnership agreement
- accurate and complete records of how key business decisions are made
- emails detailing the business decision-making process for the income year in question
- evidence of situations where business opportunities were not pursued as agreement could not be reached between Linny and Troy as partners.

Category 1 low-risk scenario criteria

For the income year ended 30 June 2025, and for the previous 4 income years, none of the entities in this example:

- was a foreign resident entity

- had offshore operations or an offshore related party
- had an outstanding tax return or late lodgment of any tax returns or statements
- was subject to any administrative or civil penalties.

Also, for the same period, none of the entities in this example:

- were subject to CBC reporting, public CBC reporting and GPFS obligations (or such obligations were met if they applied)
- exhibited any features listed in exclusions from low-risk scenarios.

Outcome

Based on the circumstances described above, this example is considered a Category 1 low-risk scenario. Although the entities in Linny and Troy's respective private groups haven't disclosed as SGEs in their income tax returns, we are unlikely to dedicate further compliance resources to determining whether the entities are SGEs for the income year ended 30 June 2025.

Example 4: wholly domestic private group structure without SGE disclosure

William and his spouse Linda control a private group. Their combined annual income was less than $1 million per year for each of the 2021 to 2025 income years.

William and Linda are the managing directors of OzCo Pty Ltd (OzCo), an Australian private company. They each beneficially own 50% of all the shares in OzCo. Upon self-assessment of SGE status they identify an arrangement between William and Linda that may indicate William has control of OzCo under AASB 10.

OzCo is the head company of an income tax consolidated group formed with its wholly owned subsidiaries. OzCo and its subsidiaries each prepare stand-alone special purpose financial statements annually.

According to the financial statements, the sum of the total annual income of OzCo and its subsidiaries for each income year was approximately:

- $500 million for the income year ended 30 June 2021
- $600 million for the income year ended 30 June 2022
- $700 million for the income year ended 30 June 2023
- $800 million for the income year ended 30 June 2024
- $900 million for the income year ended 30 June 2025.

OzCo has not reported as an SGE in its income tax returns.

Side Trust is a discretionary trust established on 1 July 2024. William is the sole appointor and trustee of the Side Trust. The discretionary beneficiaries of the trust include William, Linda and their associated entities.

Side Trust commenced a new business in the income year ended 30 June 2025 and reported total income of $95 million in its management accounts for the 2025 income year.

All of Side Trust's income is derived from sales and services provided to OzCo and the income would be eliminated upon consolidation had global financial statements been prepared with William as the parent of a group that consisted of William, Side Trust, OzCo and OzCo's subsidiaries.

Side Trust doesn't report as an SGE in its income tax return for the income year ended 30 June 2025.

Category 1 low-risk scenario criteria

For the income year ended 30 June 2025, and for each of the previous 4 income years, none of the entities in the private group, including William, Linda, Side Trust, OzCo and its subsidiaries:

- was a foreign resident entity
- had offshore operations or an offshore related party
- had an outstanding tax return or late lodgment of any tax returns or statements
- was subject to any penalties.

Further, for the same period, neither OzCo nor any of its subsidiaries in the tax consolidated group were determined to have had CBC reporting, public CBC reporting or GPFS lodgment obligations.

None of the private group entities exhibit any features listed in exclusions from low-risk scenarios.

Outcome

Based on the circumstances described above, this example is a Category 1 low-risk scenario. The criteria for Category 2 may also be satisfied, however further information is required to determine this.

We are unlikely to dedicate further compliance resources to determining whether the entities within William and Linda's private group are SGEs for the income year ended 30 June 2025.

Example 5: private group with foreign operations has total annual income of less than $1 billion

Jack, an Australian resident individual, is the controlling mind of a private group that comprises multiple entities involved in various businesses and investment activities, including retail, financial services, and property development.

The Australian entities in the private group include:

- Jack Business Company Pty Ltd (Jack Business Co), an Australian private company of which Jack is the managing director and majority shareholder with 80% beneficial ownership
- Jack Trust, an Australian discretionary trust of which Jack is the appointor, trustee and primary beneficiary
- Jack Investment Company Pty Ltd (Jack Investment Co), an Australian private company wholly owned by the trustee of the Jack Trust

- Jack Superannuation Fund (Jack Super Fund), a self-managed superannuation fund of which Jack is the trustee and a member
- Elite Partnership, an Australian partnership Jack formed with an independent business partner, in which Jack has a 50% partnership interest.

While each entity conducts its own operations, Jack – as the common decision maker – oversees the operations of all these entities.

In 2024, Jack and several independent UK entities incorporated a new company in the United Kingdom (UK), Jack UK Co, to launch a property development business in the UK.

Jack UK Co, a resident of the UK for income tax purposes, is structured so that Jack Business Co holds 70% of the shares and the independent UK entities hold the remaining 30% among themselves.

Jack Business Co correctly reports its dealings with Jack UK Co in the International Dealings Schedule lodged with its income tax return for the income year ended 30 June 2025.

Each business entity prepares stand-alone financial statements to report their financial position and financial performance annually. However, neither Jack, nor any entity in the private group, prepares consolidated financial statements in accordance with Australian accounting standards.

Jack UK Co is a medium-sized company in the UK. It prepares financial statements according to the International Financial Reporting Standards, as adopted by the UK and files financial statements with the UK Companies House.

Category 2 low-risk scenario criteria

Relevant accurate, contemporaneous records including financial statements for each entity within the group have been kept, in line with record-keeping for private groups.

The total sum of the income across all entities in the group, including Jack and Jack UK Co, for the income year ended 30 June 2025 is $900 million.

The private group entities don't exhibit any of the features listed in exclusions from low-risk scenarios.

None of the entities report as an SGE in their respective income tax returns for the income year ended 30 June 2025.

Outcome

This example describes a Category 2 low-risk scenario. We are unlikely to dedicate compliance resources to determine whether Jack and the entities in his private group are SGEs for the income year ended 30 June 2025.

Example 6: private group structure involving a discretionary trust with total annual income of less than $1 billion

Bob Group Pty Ltd (Bob Group) is an Australian private company that is the head company of an income tax consolidated group formed with its wholly owned subsidiaries.

Bob and his wife Sally are the managing directors of Bob Group. All shares on issue in Bob Group are beneficially held by Trustee Co as trustee for a discretionary trust named the Bob Family Trust.

Bob is the sole director of and indirectly owns Trustee Co. Bob's ownership in Trustee Co is indirect because all the shares in Trustee Co are beneficially held by Hold Co, of which Bob is the sole shareholder.

The trust deed for the Bob Family Trust contains the following clauses governing the determination of income and capital of the trust:

- Sally and their 4 children are the primary beneficiaries of all income and capital of the trust, in the shares and proportions that the trustee, in its absolute discretion, may determine any time during each year of income.
- Bob is the secondary beneficiary who is only eligible for distributions of income and capital of the trust if there is no

living primary beneficiary.

- If the trustee fails to make a determination in respect of the distribution of income of the trust to a primary or secondary beneficiary for a year of income, such income will be held upon trust for the benefit of Bob's siblings.

In each of the previous income years, the trustee distributed all the income of the Bob Family Trust to Sally and the 4 children in different proportions.

Bob only has minimal interest and dividend income for the income year ended 30 June 2025. Sally and the 4 children don't have income from any source other than the trust distributions they received for the 2025 income year.

Neither Bob nor any entity in his private group prepares consolidated financial statements in accordance with Australian accounting standards. Each business entity prepares stand-alone financial statements to report their financial position and financial performance annually.

Aside from the entities mentioned above, Bob also owns 2 other private companies, Side Co 1 and Side Co 2.

Category 2 low-risk scenario criteria

Bob is initially uncertain about whether he controls the Bob Family Trust under AASB 10. Having undertaken due diligence by reviewing all relevant circumstances regarding his situation, Bob considers it's possible that he may control the Bob Family Trust. However, the total sum of the income across all entities in the group, including Bob, Sally and their 4 children, is $800 million for the income year ended 30 June 2025.

Relevant accurate, contemporaneous records including financial statements for each entity within the group have been kept, in line with record-keeping for private groups.

Accordingly, none of the entities report as an SGE in their respective income tax returns for the income year ended 30 June 2025.

None of the entities exhibit any of the features listed in exclusions from low-risk scenarios.

Outcome

This example describes a Category 2 low-risk scenario. The criteria for Category 1 may also be satisfied, however further information is required to determine this.

We are unlikely to dedicate compliance resources to determine whether Bob, Sally and the other entities in the private group are SGEs for the income year ended 30 June 2025.

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