


JTR/GST-refresh -

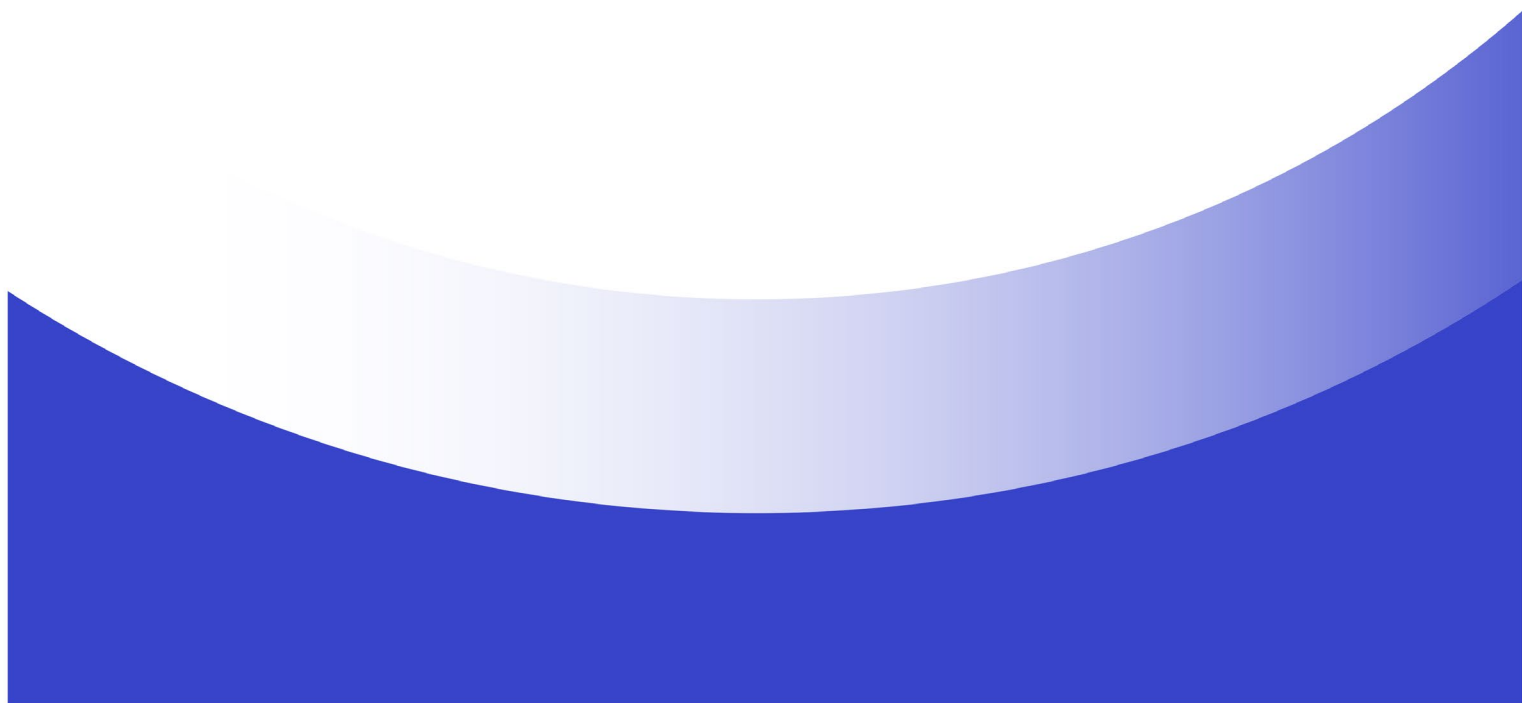
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Australian Government
Australian Taxation Office

Top 100 GST refresh review

Top 100 justified trust program
3 July 2024





We acknowledge the Traditional Owners and Custodians of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to them, their cultures, and Elders past and present.

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Our commitment to you

If you rely on this document, you have the protections that apply to Guidance – see [How our advice and guidance protects you](#). To the extent that this document outlines a compliance approach, and you apply that approach in good faith to your own circumstances, the Commissioner will act in accordance with that approach.

Purpose of this guidance

The purpose of this guidance is to outline our approach and the outcomes sought from a Top 100 GST Assurance refresh review (**refresh review**).

Background

The [Top 100 GST assurance program](#) seeks to provide assurance, through the justified trust methodology, that the [Top 100 population](#) is reporting and paying the right amount of GST in Australia.

Under the program, we gain assurance, or identify areas of GST risk, by engaging with Top 100 taxpayers through a GST assurance review (**initial review**). Once the initial review is concluded, we will provide each taxpayer with a tailored assurance approach that seeks to build upon and leverage from previous assurance activities.

If a taxpayer attains a high or medium assurance rating in the initial review, it is intended that the taxpayer will be reviewed on a periodic basis at least once every 4 years (**refresh review**). The [Top 100 GST Program Future GST engagement after initial GST assurance review](#) (**Future engagement approach**) outlines this approach.

During the monitoring and maintenance period between the initial review and the refresh review (**M&M period**) taxpayers are expected to proactively engage with us and make relevant disclosures. We will actively monitor the taxpayer to safeguard against non-disclosure or non-compliance during the M&M period and may also conduct targeted assurance activities. We do not provide Tax Assurance Reports (**TARs**) during the M&M period.

The refresh review will resume a whole of business approach, applying the full justified trust methodology across the economic group and applying all 4 focus areas of justified trust. The refresh review will also address actions or matters identified in the initial review's Future Action Plan that were not addressed in the M&M period. At the conclusion of the refresh review, the taxpayer will receive a TAR.

Refresh review approach

The primary objective of the refresh review is to refresh our understanding and evidence base to enable us to reaffirm our confidence that the taxpayer continues to report and pay the right amount of GST.

The refresh review experience will differ for each taxpayer. In ordinary circumstances, it is expected that the refresh review will require less resource investment by both taxpayers and the ATO as existing information, evidence and knowledge are able to be leveraged.

We expect taxpayers to continually review GST control frameworks and undertake robust and regular data and transaction testing to ensure that business systems are creating, capturing and correctly reporting GST on an ongoing basis. We also expect taxpayers to make real-time disclosures of a range of matters, including new or significant transactions, material business changes, and changes in GST positions taken. These expectations are outlined in our Future engagement approach and will impact the level of intensity applied to each focus area in a refresh review.

The intensity applied to a refresh review will have regard to the relevant facts and circumstances of the taxpayer, including the following:¹

- the taxpayer's [Action Differentiation Framework \(ADF\)](#) rating
- the extent to which the taxpayer's circumstances have remained constant since the initial review
- changes in the taxpayer circumstances or GST approaches that may impact our prior level of assurance, particularly where those changes do not align with our existing understanding of the taxpayer (for example, changes to the taxpayer's business, governance, or reporting systems since the initial review)
- the future assurance plan, or client next actions, identified in the initial review yet to be addressed
- whether any provisional ratings were issued in the initial review and if the underlying causes of the ratings have been addressed
- the number of tax risks flagged to market identified
- the activities of the taxpayer and disclosures made during the M&M period
- whether the initial review meets the coverage requirements of the economic group as per the [GST Governance Data Testing and Transaction Testing Guide \(GST Guide\)](#).²

The refresh review period

The refresh review will generally cover the fourth financial year after the financial year that was subject to the initial review. For example, and assuming a 30 June year end, if the period covered by the initial review ended on 30 June 2018, the refresh review will cover the period 1 July 2021 to 30 June 2022.

¹ This is a non-exhaustive list.

² In a small number of cases completed early during the program, the scope of the assurance review may have been limited as the review had commenced prior to the finalisation of the GST Guide, did not include a rating for focus area 4, or both.

Scope of the refresh review

At the commencement of the review, we will scope the refresh review based on our understanding of the taxpayer's economic group and consider what has been assured in our previous engagements. We will ascertain the extent to which we can leverage from prior assurances, existing information, evidence, and knowledge and, also, whether we need to review and assure new focus areas or GST issues that are relevant to the refresh review but were not in scope for the initial review.

It is possible that the scope of the refresh review is different to that of the initial review. The scope of the refresh review and our approach will be discussed with taxpayers prior to, or at the commencement of, the review.

Leveraging from an initial review

For most taxpayers, we will leverage from prior assurances, existing information, evidence, and knowledge. In determining the extent to which we can leverage, amongst other things, we will consider³:

- whether the reasons for a provisional assurance rating have been resolved
- the impact of a significant business change (for example, a takeover or merger or change in company structure or GST group)
- whether systems changes (for example, accounting systems or Enterprise Resource Planning (**ERP**)) impact our prior assurances or existing information, evidence, and knowledge
- the impact of legislative change
- whether any significant changes in GST reported are not explained
- if the application of a tax risk flagged to market becomes relevant and of concern
- if there has been a material change to the tax team or employees responsible for GST (that is, outsourcing).

Expectations for each focus area

Our expectations for a refresh review are outlined below. They include general principles, noting that the intensity to be applied in a refresh review is reliant on, and tailored to, the relevant facts and circumstances and our understanding of the taxpayer.

³ This is a non-exhaustive list.

Focus area 1: Tax risk management and governance

It is expected that the refresh review will require less intensity for tax risk management and governance, and we will be able to build upon our understanding from our initial review and any information and evidence obtained during the M&M period and through the annual income tax pre-lodgment compliance reviews.

Where we cannot leverage from prior ratings or existing information, evidence and knowledge, the expected reduction in the level of intensity is lessened. There may be reasons why we are not able to leverage from prior ratings or existing information, evidence, and knowledge including:

- the initial review was conducted prior to the publication of the GST Guide⁴
- there has been a change to the existence or design of a tax governance framework, a change in business structure, a divestment or merger, implementation of new systems and software or business processes
- as a result of the operational effectiveness testing, the independent tester has recommended changes to the design of the governance framework, which we have not yet reviewed
- the taxpayer has yet to provide us with operational testing results, which may indicate that the taxpayer's GST governance framework is no longer designed effectively.

Focus area 2: Tax risks flagged to market

In the initial review we sought to assure that none of the GST risks we have flagged to the market, for example through Taxpayer Alerts and Practical Compliance Guidelines, are present for GST. As set out in Appendix A to the [Future engagement approach](#), during the M&M period we expect taxpayers to disclose in real time whether tax positions have changed or if there has been a transaction or business change that could fall within the scope of tax risks flagged to market. During the M&M period we would also have conducted our own internal review of publicly available information to determine if any tax risks flagged to market apply to the taxpayer.

In a refresh review, it is expected for previously assured tax risks flagged to market, that we will be able to leverage from prior assurances, existing information, evidence, and knowledge and will require less intensity and objective evidence. By comparison, the review of any new relevant tax risks flagged to market requiring assurance will be similar in approach and intensity to an initial review.

⁴ We encourage taxpayers who were reviewed prior to the publication of the GST Guide to prepare for the refresh review by referring to the GST Guide that includes our approach to GST tax governance and the ratings system.

Focus Area 3: Significant or new transactions and specific issues

Significant or new transactions

Under the Future engagement approach, we expect a taxpayer to disclose in real time if it has entered into new transactions, undergone business changes, or has changed a tax position adopted for transactions and risks we have previously assured.

It is expected that under ordinary circumstances previously assured risks rated high or rated low impact will require less intensity. The intensity of our review will depend on the specific facts and circumstances of each transaction.

For ongoing transactions, we will update our assurance of the transaction based on the current facts and utilise objective evidence (where sufficient) obtained in prior periods to reduce the intensity of review, focusing on the impact of any change where possible.

Significant or new transactions and specific risks not previously assured will require greater intensity.

Correct reporting

Business activity statements (BAS) and systems walkthroughs

Whether a BAS or systems walkthrough will be undertaken will be determined by numerous factors, including whether there has been organisational, system or process changes that impact our ability to leverage from previous engagements. We will apply less intensity to walkthroughs where we can leverage from previous assurance, existing information, evidence, and knowledge.

Data and transaction testing

Data and transaction testing may be undertaken in a refresh review in accordance with the scope and guidance outlined in the [GST Guide](#).

In determining the intensity applied to both data testing and transaction testing, we will take a holistic and tailored approach and consider:

- GST risks inherent to specific industries or taxpayers, including tax risks flagged to market
- the extent of data and transaction testing undertaken in the initial review
- the assurance ratings provided in the initial review
- the extent to which the taxpayer's circumstances have remained constant since the initial review
- changes in the taxpayer circumstances or GST approaches that may impact our prior level of assurance, particularly where those changes do not align with our existing understanding of the taxpayer (for example, changes to the taxpayer's business, governance, or reporting systems since the initial review)
- whether the taxpayer has been applying the GST analytical tool (**GAT**) to reconcile the BAS to financial statements since the initial review

- using the GAT prepared by the taxpayer in the refresh review to target data and verification testing
- the operational effectiveness testing results from a taxpayer's periodic tax controls testing program.

Independent third party data testing

A taxpayer can use an independent third party for data testing in line with the expectations and conditions that must be met in the [Guide to Independent Data Testing by Third Party Advisors](#).

Focus Area 4: Understanding the alignment between accounting and GST

All refresh reviews will include the use of the GAT to understand the key differences between accounting and reported GST and to verify these differences with objective evidence, regardless of whether one was completed in the initial review.

Where a GAT was conducted in the initial review, if we have sufficient objective evidence to support the assumptions made, we can utilise the same assumptions to the extent there have been no substantial changes to the underlying business matters. We will still require new objective evidence in relation to GAT adjustments.

The GAT is not intended for use by taxpayers with predominantly input-taxed supplies, or those taxpayers exempt for other specific reasons.

Outcomes from a refresh review and next steps

At the conclusion of the refresh review, the taxpayer will be issued with a TAR.

If a taxpayer remains at overall medium or high assurance after the refresh review, a new M&M period will commence, followed by a subsequent refresh review. Similar to an initial review, if a taxpayer attains an overall high assurance rating in a refresh review, it will only be in exceptional circumstances that we will apply compliance resources to review any of the relevant issues in the period reviewed other than issues listed in the future assurance plan of the refresh review TAR. A taxpayer cannot generally receive a provisional rating on the same issue in a refresh review as in an initial review.

If a taxpayer receives an overall low level of assurance in the refresh review, an M&M period cannot commence, and the next actions will be discussed with the taxpayer.

References

[Action Differentiation Framework](#)

[Future engagement approach](#)

[Guide to Independent Data Testing by Third Party Advisors](#)

[GST Governance, Data Testing and Transaction Testing Guide](#)

[Top 100 GST assurance program](#)

[Top 100 population](#)

[Top 100 GST Program Future GST engagement after initial GST assurance review](#)

ATO references

BSL: ISP

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