

# Extending the definition of SGE



## More taxpayers will be caught by the broadened Significant Global Entity (SGE) definition.

With the Royal Assent received on Treasury Laws Amendment (2020 Measures No.1) Bill 2020 on 25 May 2020, the definition of SGE is officially broadened. This means more entities will be subject to:

- Country-by-Country (CBC) Reporting and general purpose financial statements (GPFS) filing obligations effective from income years starting on or after 1 July 2019; and
- failure to lodge penalty up to \$525,000 per document.

### What are the key changes



Current law	Amendments in the new law
<b>1. Broadened SGE definition</b>	
<p>An entity is a SGE if:</p> <ul style="list-style-type: none"> <li>• it is a member of a group of entities that are consolidated for accounting purposes; and</li> <li>• another member of the group is a global parent entity (GPE) that is a SGE.</li> </ul> <p>A GPE is a SGE if its annual global income (AGI) is <math>\geq</math> \$1 billion.</p>	<p>An entity is also a SGE if:</p> <ul style="list-style-type: none"> <li>• it is a member of a <u>'notional listed company group'</u>; and</li> <li>• another member of the group is a GPE that is a SGE.</li> </ul> <p>A <u>'notional listed company group'</u> is a group of entities that would be required to be consolidated as a single group for accounting purposes if:</p> <ul style="list-style-type: none"> <li>• a member of that group was a listed company; and</li> <li>• exceptions to requirements to consolidate were disregarded.</li> </ul>
<b>2. AGI can be fictional</b>	
<p>The Annual Global Income (AGI) is the total annual income of all members of the group as reported in the most recent global financial statements.</p>	<p>In addition to the 'as reported' scenario, if an entity does not have adequate global financial statements, its AGI is the amount that would be its AGI <u>had appropriate global financial statements been prepared</u>.</p>
<b>3. CBC reporting entity redefined</b>	
<p>An entity must undertake CBC reporting and may be required to provide GPFS to the Commissioner if it is a SGE.</p>	<p>An entity must undertake CBC reporting and may be required to provide GPFS to the Commissioner if it is a CBC reporting entity</p> <p>An entity is a CBC reporting entity if, broadly, it would be a SGE if:</p> <ul style="list-style-type: none"> <li>• the notional listed company group rules did not disregard exceptions to consolidation (other than the materiality rules); and</li> <li>• did not include individuals</li> </ul>



## What the taxpayer should do

Taxpayers may need to take greater care in relying on the AGI as reported in the consolidated financial statements to determine if it is a SGE. Due to the complexity in applying various concepts set out above, non-individual taxpayers (particularly if they were previously not SGEs) should immediately revisit whether they are subject to CBC reporting and GPFS filing obligations, as the new law applies retrospectively from 1 July 2019.

Our international tax and global transfer pricing experts can assist you navigating through the complexities arising from the new SGE landscape.



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