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Tax Insights

Tax governance for Top 100 and Top 1,000 taxpayers: Latest developments

On 18 September 2025, the Australian Taxation Office (ATO) published its findings reports from the Top 100 and Top 1,000 justified trust assurance programs undertaken in the year ended 30 June 2025. The findings reports continue to allow large businesses to objectively benchmark their ratings to their peers and highlight areas of regulatory focus to assist businesses to proactively manage tax risk and prepare for an upcoming review.

The ATO's observations on key focus areas continue, with much of the sentiment aligned with the ATO's comments in the prior year.

Deloitte Australia observations on the ATO findings reports

The extension of the monitoring and maintenance period for Top 100 high assurance taxpayers and the introduction of the differentiated approach for the Top 1,000 programs over the last 12 months have been welcomed by taxpayers, particularly those who have robust tax governance and risk management controls and processes. These developments incentivise investment in governance frameworks, as they reduce the compliance burden for those meeting the ATO's expectations during assurance reviews, and signal a shift towards a more collaborative, trust-based compliance model.

Overall, the ATO has observed a continued positive shift among both Top 100 and Top 1,000 taxpayers toward stage 2 and stage 3 tax governance ratings, with many now having board-endorsed commitments to conduct periodic internal tax controls testing, have controls testing underway or one or more cycles of testing completed. The ATO anticipates that an increase in stage 2 and 3 tax governance ratings will continue as more taxpayers complete design enhancements of their tax governance frameworks and operating effectiveness testing.

The data indicates that as more taxpayers progress from stage 2 (medium) to stage 3 (high) tax governance ratings, entities remaining at stage 1 risk being outliers in the market when benchmarked against industry peers. The ATO's evolving perspective is that taxpayers with low tax governance ratings will face increased scrutiny and potentially more intensive reviews. The expectation is that all large taxpayers should progress towards stages 2 and 3, where tax governance is effectively designed and integrated into the business.

Where a commitment to testing has been undertaken but testing has not started by the next review, the ATO may reassess whether a stage 2 tax governance rating previously provided remains appropriate, and in the absence of any testing, may consider whether a stage 1 tax governance rating is now more suitable.

For tax and finance teams, these changes mean that the business case for investment in governance is stronger than ever. Achieving higher governance maturity not only assists in lowering regulatory risk and reducing regulator scrutiny but also enhances reputation and operational efficiency. Tax teams should now focus on elevating tax controls, embedding periodic reviews, and ensuring board-level oversight and documentation of key tax decisions.

A robust tax governance framework is also required to support increased transparency disclosures with the new public country-by-country (CbC) reporting regime and required approach to tax policy disclosures. Effective controls over data and a clear accountability framework should also assist with implementation of Pillar Two reporting.

Over the past 12 months, the ATO has evolved its approach to goods and services tax (GST) assurance reviews, particularly with the introduction of the supplementary annual GST return (SAGR) and moving towards a more tailored, risk based review process for taxpayers with mature tax controls. This tailored, and hopefully, less resource intensive, approach is intended to reduce the regulatory burden for taxpayers with mature tax controls, transitioning from intensive, transaction-level testing to higher-level risk assessments and targeted inquiries.

This shift means good tax governance practices, including completing the GST analytical tool (GAT) and providing detailed, complete, and accurate responses in the SAGR are now more critical than ever. The ATO's focus is firmly on transparency, responsiveness, and proactive risk management across both income tax and GST. While these changes are designed to support better risk outcomes and more streamlined reviews, the tangible benefits of the differentiated approach for taxpayers will become clearer over time.

Assurance review readiness

The ATO's areas of focus remain consistent with the prior year, with taxpayers encouraged to:

- Document major tax decisions (e.g., related to significant transactions or events) as part of board and senior management meetings' minutes to maintain accountability and transparency.
- Consider tax governance and controls around areas that may attract ATO scrutiny, such as transfer pricing, thin capitalisation, hybrid mismatches, capital allowances, research and development, losses, and tax consolidation. In this regard, taxpayers should focus on maintaining contemporaneous documentation and objective evidence to support the commercial rationale and technical basis of material tax positions, apply ATO risk assessment frameworks (where appropriate), and implement robust processes to ensure accurate, complete, and timely reporting of tax-related data. Where errors are identified, ensure timely submission of voluntary disclosures as part of usual governance processes, rather than waiting for assurance reviews.

- Document internal controls and processes demonstrating a clear reconciliation pathway between the financial performance and the tax calculations, including embedding the GAT as part of the annual governance process, particularly as the ATO views "high alignment" as a strong indicator of justified trust.
- Keep informed of current ATO focus areas and continue to make enhancements to internal tax controls in line with emerging tax risks and evolving ATO expectations (as appropriate).
- Maintain robust tax governance documentation in key GST focus areas including accounts payable, accounts receivable as well as compliance processes for income tax and GST, ensuring that procedural documentation is consistently reviewed and updated, particularly in light of enterprise resource planning upgrades and other systems changes.
- Implement a rolling periodic independent tax controls testing program to ensure the tax framework remains effective as the business evolves. The testing may be conducted over a three to five-year period spreading out the level of resources, time, and costs required.
- The wealth industry should continue to consider ATO expectations for third party tax governance and should add third party controls to the periodic internal tax controls testing program, after obtaining confidence that the controls over third party provided tax data are designed effectively.

Top 100 findings

Stage 3: Governance ratings	2023	2024	2025
Income tax	20%	35%	41%
GST	8%	9%	12%

Note: Continued increase in stage 3 ratings from 35% in 2024 to 41% in 2025 for income tax and an increase in stage 3 ratings for GST from 9% in 2024 to 12% in 2025, signifying enhanced tax control frameworks that are independently verified as being "lived in practice." However, 19% of taxpayers in the Top 100 population were rated as "red flag" (2%) or stage 1 for income tax governance. This was higher for GST, with 42% of Top 100 taxpayers still at Stage 1.

Income tax findings

As of 30 June 2025, 81% of Top 100 taxpayers hold either stage 3 or stage 2 assurance ratings for income tax governance, with 41% now operating a tax framework that is being "lived and breathed in practice." None of the Top 100 taxpayers have had their overall assurance ratings downgraded this year (that is, all have either maintained or improved their status across reviews), with all industry segments showing a rising share of high assurance.

Key ATO observations identified as either new or more closely scrutinized compared to the prior year report include:

- **Board reporting and related documentation:** There were inconsistencies in escalation processes for material tax risks, with some entities failing to ensure timely communication to senior management or the board. Furthermore, significant transactions and events were often not fully documented in board minutes or tax risk registers, leading to gaps in accountability and transparency.
- **Periodic review and testing:** Some taxpayers lacked regular review and testing of their tax controls, resulting in outdated policies and missed emerging risks. It is therefore suggested that tax governance is integrated with broader risk management systems and ensure periodic independent assurance over the effectiveness of tax controls.

- **Proactive engagement:** The ATO reported that proactive, early engagement on tax matters was linked to better outcomes and reduced disputes, but not all taxpayers consistently adopted this approach. The ATO recommended taxpayers adopt a proactive approach to ATO engagement, discussing complex transactions and uncertain positions early.

GST findings

Over half (58%) of Top 100 GST reporters have obtained a stage 2 or 3 governance rating.

Overall high assurance was obtained by 38% of GST reporters, increased from 30% in 2024. The ATO shared the key reasons why high assurance was not attained:

- In 42% of cases reviewed, there were design gaps in the GST control and governance frameworks, and insufficient objective evidence to demonstrate an effectively designed GST framework.
- A number of taxpayers (17%) were close to achieving high assurance but were affected by specific issues. This included the presence of tax risks flagged to market, issues with correct GST reporting, and/or insufficient evidence to assure significant transactions.
- 15% of taxpayers either failed to complete the GAT or were unable to reach a stage 2 rating. This continues to be a critical area of focus, as the GAT is central to demonstrating justified trust in GST assurance reviews.

Changes to the Top 1,000 cohort and the ATO's differentiated approach

It is more than 12 months since the ATO announced in March 2024 that it would change the Top 1,000 taxpayer cohort and its approach to the Combined Assurance Review (CAR) program.

As part of the change, the ATO increased the Top 1,000 taxpayer entry threshold to $350 million to bring back a greater focus of the CAR program to the largest 1,000 taxpayers from the largest economic groups. The ATO also refined how it will review different groups of entities within the new Top 1,000 cohort, differentiating its assurance approach to assuring taxpayers based on their size and the level of assurance already attained.

Where a significant taxpayer (broadly taxpayers with a turnover exceeding $1 billion) has attained overall medium or high assurance and has a stage 2 or 3 governance rating, the ATO will adopt a tailored approach, primarily seeking evidence from the last year of the review period as well as any significant transactions and key risks flagged to market in the four-year period, as well as a review of the implementation of any recommendations made in previous reviews.

For general pool taxpayers (which includes all other taxpayers in the Top 1,000 population) who achieve at least a stage 2 governance/medium overall assurance rating, the ATO will adopt a similar lighter touch approach as for significant taxpayers.

From a GST perspective, the ATO will also use the responses to the SAGR to assess its confidence as to whether the investment in GST governance is maintained and the right amount of the GST has been paid for the prior financial year. Using the SAGR responses, as well as assurance attained in earlier reviews, the ATO will further tailor its engagement. This may mean that in some cases, a GST assurance review is not undertaken, for example where the taxpayer has at least a stage 2 governance rating, no outstanding actions from the prior review, no significant ERP or business changes, and has been able to explain variances between accounting results and business activity statement (BAS) reporting (i.e., by completing the GAT).

Top 1,000 findings—income tax

Overall assurance ratings by population pool*

Overall assurance rating	Significant pool	General pool	All Top 1,000 taxpayers
High	32%	24%	26%
Medium	58%	64%	63%
Low	10%	12%	11%

*New to the 2025 findings report.

As at 30 June 2025, 89% of Top 1,000 taxpayers achieved a high or medium overall assurance rating continuing a trend where more taxpayers are obtaining higher assurance ratings and fewer taxpayers obtaining low assurance.

Income tax governance ratings by population pool*

Governance rating	Significant pool	General pool	All Top 1,000 taxpayers
Stage 3	11%	2%	5%
Stage 2	51%	45%	47%
Not rated/red flag/stage 1	38%	53%	48%

*New to the 2025 findings report.

The Top 1,000 significant pool taxpayers are more likely to have achieved a higher governance rating as at their most recent review, with 62% of significant and 47% of general pool taxpayers reaching a stage 2 or stage 3 rating for governance.

Consistent with the prior year findings, the ATO continues to emphasise that improvements in income tax governance ratings are most likely where taxpayers demonstrate enhanced practices across the following areas.

- **BLC3:** Ensure boards/senior management receive clear reporting on control effectiveness, effective tax rate, and significant tax risks.
- **BLC4:** Undertake regular, independent testing of internal tax controls, endorsed by the board or senior leadership.
- **MLC6:** Maintain detailed income tax control manuals that clearly document preparation, review, and sign-off processes.
- **MLC7:** Implement income tax procedures to reconcile and explain differences between financial statements, tax calculations, and the lodged income tax return.

Top 1,000 findings—GST

Overall assurance ratings

Overall GST assurance rating	
High assurance	41%
Medium assurance	54%
Low assurance	5%

GST tax risk management and governance rating

GST governance rating	
Stage 3	5%
Stage 2	42%
Not rated/stage 1	53%

A stage 1 governance rating continues to be the most significant reason for taxpayers not achieving high assurance. The ATO has also identified the following common areas of weakness remaining in the GST control framework:

- **MLC 3:** Lack of a defined materiality threshold in monetary terms for significant transactions.
- **BLC 4:** Commitments to periodic internal controls testing which do not fully set out the scope of testing, timing, independence, and reporting of testing outcomes.
- **MLC 4:** Lack of documented procedures in relation to manual adjustments and the implementation and maintenance of the customer, vendor, and product master files.
- **MLC 7:** Not undertaking the GAT, or for those who have undertaken the GAT, not fully documenting the process.

Other GST observations—Top 100 and Top 1,000

The ATO's observations with respect to both the Top 100 and Top 1,000 cohorts remain relatively similar to the prior year:

- **Poor governance** is still considered by the ATO to be the main driver of GST reporting errors due to a breakdown of systems and processes including GST coding errors, failure to undertake reconciliations, and deficiencies in documented procedures. Periodic independent control testing remains a challenge from a GST perspective, in particular, the lack of consideration to the GST aspects of the controls common to both income tax and GST, such as board reporting and the treatment of significant transactions. Nonetheless, the ATO expects that the number of GST reporters obtaining a stage 3 governance rating for both Top 100 and Top 1,000 taxpayers will continue to increase in future years.

- **Data testing:** The ATO continues to observe Top 100 taxpayers embedding data analysis and transaction testing into the BAS compliance process including verification of the GST treatment of transactions and trend analysis. Once a taxpayer has reached high or medium assurance, the ATO is likely to limit data testing in future reviews or may not conduct data testing at all.

- **Key GST risk areas continue to feature as the source of errors including:**

    - **Product classification:** Issues continue to be identified, particularly the incorrect classification of taxable supplies as GST-free. In the Top 100 market the errors identified were typically relatively immaterial in the context of total GST reported and therefore in most cases, did not affect the overall assurance rating. In the Top 1,000 market, 40% of issues that received a separate assurance rating obtained a low or red flag rating, indicating that further care needs to be taken when onboarding new products and undertaking regular reviews of the product master file also being required.

    - **Financial services and insurance sector:** The ATO's focus on financial services remains unchanged—denying input tax credits to the extent they relate to making input taxed financial supplies including the application of the financial acquisitions threshold, claiming reduced input tax credits (RITCs) correctly, and having good governance procedures to ensure that GST is correctly reverse charged on cross-border acquisitions are all key considerations for taxpayers operating in this space. Interestingly, in the Top 100 cohort, only 35% of relevant taxpayers received high assurance with respect to the apportionment or extent of creditable purpose including change in creditable purpose, indicating that affected taxpayers may need to apply further focus to this area going forward.

- **International GST risk:** The ATO is continuing its focus on taxpayers in the Top 100 market in the digital economy where related offshore entities may be liable to remit GST with regards to supplies of inbound intangible supplies and/or supplies of low value goods. The risk of a “set and forget” approach by taxpayers with regard to customer identification remains a focus for the ATO.
- **Real property, accommodation, and retirement villages:** The ATO’s areas of concern include the margin scheme, build-to-rent activities and the use of fair and reasonable apportionment methodologies for mixed use developments.

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