

## **PJCCFS Regulation of Auditing Inquiry Hearing: Questions on Notice**

### **KPMG Question on Notice No. 5**

#### ***Question:***

**Senator O'NEILL:** Would you, on notice, acquire copies of any emails that relate to Everett and provide them to the committee?

**Mr Yates:** We'll take the question on notice, yes.

*(Hansard, page 79)*

#### ***Response:***

The High Court's approved Everett Assignments in 1980. Since that time, emails have been sent regarding that decision and as subsequent guidance has been provided by the ATO, relating to that guidance. Emails have been sent to the individual partners who have established, sought to establish or require information on Everett Assignments. Emails have also been sent periodically to existing partners to inform them of the procedural steps and timing of those steps that need to be completed should they intend to establish an Everett Assignment in advance of the next financial year. Attached is an example of a procedural email (with individual's names redacted).



INTERNAL

# Everett Assignments 2018 /2019 – next steps for you

14 June 2018

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Dear Equity Partners,

The next opportunity for Partners who wish to enter into an Everett Assignment is June 2018 (for FY18) or July 2018 (for FY19) . Should you wish to do so, we would like to let you know of the next steps and what is required of you. References in this email to “Partners” are a reference to Equity Partners only.

Please note if you have already entered into an Everett Assignment, you are not required to take any further action, and this notice may be disregarded.

The National Board will only permit assignments of the Partnership interests provided:

- The assignee is the same beneficiary as your current beneficiary of the KPMG Australian Service Trust.
- The assignment results in the assignee holding an overall economic interest in KPMG (i.e. KPMG Partnership, KPMG Australian Service Trust and KPMG Finance Trust) of no more than 49%.
- The Partner meets the relevant safe-harbour test outlined by the Tax Office; and
- The assignment is valued for tax purposes according to the methodology agreed with the Tax office.

If you wish to go ahead with an Everett Assignment, the following should be noted:

## Assignment Percentage

The maximum 27% of the Partners' interest in the KPMG Partnership (and KPMG Law Partnership if applicable) will be assigned (on the basis that Partnership income

currently represents approximately 70% of total KPMG income), the amount assigned will represent an economic interest of approximately 19% (i.e. 27% x 70%).

If you wish to discuss this percentage, please contact [REDACTED]

### **Safe-harbour test**

Partners undertaking an Everett assignment will need to ensure they meet the relevant safe-harbour test - that is, the Partner is personally taxed on at least 50% of the overall KPMG accounting income (i.e. KPMG Australian Partnership, Service Trust and Finance Trust).

### **Market value of assignment**

Partners undertaking an Everett assignment do not need to finalise the valuation prior to making the assignment. Rather, it will need to be finalised prior to lodging your tax returns following the assignment being made. The valuation will depend on inputs such as the age of the partner, band level, changes in band levels and other matters.

Once you make an assignment, [REDACTED] will provide you with an Everett valuation certificate which will confirm your market value of the assigned interest for tax purposes using the valuation methodology which has been agreed with the Australian Taxation Office. This valuation must be used.

Any Partner contemplating an assignment in their first 12 months as a Partner should contact [REDACTED] to discuss issues relevant to you.

### **Everett Assignment Deed(s)**

The relevant legal document (Deed of Assignment) to give effect to the Everett assignment has been drafted for KPMG by Ashurst and is attached for your completion. Please review the document and, if satisfied, complete the necessary information. Note that the National Board approval permitting Everett assignments is based on each Partner completing this legal document.

Please note KPMG Law partners wishing to effect an Everett Assignment will need to complete two Deeds of Assignment, the first in relation to KPMG the second in relation to KPMG Law. The percentage assigned will need to be the same within both Deeds.

If you have any questions concerning the document please contact [REDACTED]

### **Cash draws**

Partners should note that the Partner cash draws will be revised post Everett assignments to reflect the additional income to be received by the assignee.

The revised Partner cash draws will commence upon payment of the October 2018 monthly distribution, being the same time in which Partners will receive their cash

adjustments in relation to FY19 monthly cash drawings. A model will be available on the Partner Portal which will enable partners to understand their revised cash draws.

### **Taking up an Everett**

If you wish to take up an Everett assignment for FY18 (June 2018) you **MUST**, by **30 June 2018**:

- Complete the attached Deed(s) of Assignment on or before 30 June 2018 (Both if KPMG Law Partner)
  - Save a copy of the attached Deed(s) onto your laptop
  - Complete the items highlighted yellow (and then remove yellow highlights)
  - Delete the execution blocks at the end of the documents not required
  - Print the Deed(s) as appropriate
  - Arrange for execution by the necessary parties
  - Click on the below **green** voting button, which will generate a return email to AU-FM NAT Partnership Accounting. Attach a copy of your fully executed Deed of Assignment and send by 30 June 2018
- Please retain the original copy for your own records.
- You will be contacted by [REDACTED] in due course to provide your individual Everett valuation certificate.

If you wish to take up an Everett assignment for FY19 (effective 1 July 2018) you must, by **31 July 2018**:

- Complete the attached Deed(s) of Assignment on or before 31 July 2018 (Both if KPMG Law Partner)
  - Save a copy of the attached Deed(s) onto your laptop
  - Complete the items highlighted yellow (and then remove yellow highlights)
  - Delete the execution blocks at the end of the documents not required
  - Print the Deed(s) as appropriate
  - Arrange for execution by the necessary parties
  - Click on the below **blue** voting button, which will generate a return email to AU-FM NAT Partnership Accounting. Attach a copy of your fully executed Deed of Assignment and send by 31 July 2018
- Please retain the original copy for your own records.
- You will be contacted by [REDACTED] in due course to provide your individual Everett valuation certificate.

I WISH TO TAKE UP AN  
EVERETT AT 30 JUNE  
2018

I WISH TO TAKE UP AN  
EVERETT AT 1 JULY  
2018

Please also refer to the attached FAQs based on some queries received during last year's Everett Assignments.

We trust the above is self-explanatory, however, if you have any queries please do not hesitate to contact the Enterprise Tax Partner in your office who are listed below.

- Adelaide - [REDACTED]
- Brisbane / Gold Coast - [REDACTED]
- Canberra - [REDACTED]
- Darwin - [REDACTED]
- Melbourne - [REDACTED]
- Perth - [REDACTED]
- Sydney - [REDACTED]
- Tasmania - [REDACTED]
- Wollongong - [REDACTED]

Kind regards

[REDACTED]

Chief Operating Officer / Chief Financial Officer

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