



Dr Kathleen Dermody  
Committee Secretary  
Senate Economics References Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

9 December 2015

Dear Dr Dermody

During my evidence before the Senate Economics References Committee enquiry into Corporate tax avoidance on 18 November 2015, I was asked the following question by Senator Dastyari [Transcript page 80]:

"But you have from time to time given advice to companies on how to structure themselves or whether or not it would be appropriate for them to look at general purpose versus special purpose reporting, surely? That is part of an advice business."

I indicated to the Committee that I would take that question on notice. Following is my response to that question.

It is the responsibility of a company's directors to determine their operating structure and whether or not they consider their company to be a reporting entity which must prepare a general purpose financial report (GPFR). Prior to 2005 Australian accounting standards included requirements for foreign owned groups to prepare GPFRs. Post that time, foreign owned groups needed to self-assess their circumstances, and re-assess each reporting period, or where their circumstances changed. It is not unusual for our firm to discuss with an audit client the factors they need to consider in making this determination under the accounting standards. We may also provide advice of that kind as part of an engagement for accounting advice outside of an audit or for a non-audit client. Given the breadth of our practice it is difficult to be definitive, but I expect that there will be circumstances where the firm has identified to clients that it may be open to them to prepare special purpose financial reports (SPFRs) and, without obviating the company's own responsibilities, they may wish to consider taking that course.

The auditor must form a view as to whether the company needs to prepare general purpose financial reports. There have been a number of instances where clients have indicated a desire to adopt use of a special purpose financial report and our firm has formed a view that we would not be prepared to sign an unmodified audit opinion in that event, resulting in the client continuing to prepare a GPFR. Similarly, I expect that in accounting advice situations, there will have been many instances where we have indicated to clients that SPFRs are not appropriate.

I trust that this sufficiently answers the question put to me.

Yours sincerely

Tom Seymour  
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