



18 September 2025

Emily Worthing
International Risk and Projects | Public Groups
Australian Taxation Office

Via email: LCMSFversion4@ato.gov.au

Dear Emily,

**Short Form Local File
Application to Banks/Financial Entities**

The Australian Financial Markets Association (**AFMA**) represents the interests of over 130 participants in Australia's financial markets. Our members include Australian and foreign-owned banks, securities companies, treasury corporations, traders across a wide range of markets and industry service providers. AFMA's members are the major providers of wholesale banking and financial market services to Australian businesses and investors.

We are pleased to provide comments to assist the ATO in determining the scope of the Short Form Local File/Master File Schema Version 4. In this regard, AFMA notes that the ATO has requested more detail regarding the potential for carve-outs for affected taxpayers where the compliance burden would be disproportionate to the benefit for the ATO, noting the stated objectives of the Short Form Local File. In this regard, AFMA has reviewed and endorses the ABA submission of 15 April 2025, although we note that the potential scope of any carve-out should apply equally to financial entities, as elaborated on below.

Productivity Agenda

AFMA notes that the disclosure of changes to all related party funding arrangements for banks/financial entities would be contrary to the Government's current productivity agenda. As the ATO would be aware, on 1 August 2025, the Commissioner of Taxation wrote to the Treasurer and Minister for Finance in relation to regulatory reform opportunities. In this letter, the Commissioner specifically acknowledged the commencement of a review of compliance costs to identify opportunities to reduce the compliance burden. AFMA's strong view is that requiring banks and financial entities to disclose a very large number of related party financing arrangements would do nothing to inform the ATO of the risk of the taxpayer and would stand in stark contrast to the Government's current productivity agenda.

In this regard, we agree with the comment from the ABA that the information that would be disclosed is already available to the ATO through transfer pricing documentation, the annual

local file, the International Dealings Schedule and the documentation provided as part of Justified Trust reviews. We also note that the *de minimis* threshold of \$10,000,000 is of no practical benefit to banks and that a narrow exclusion would not achieve any reduction in regulatory burden as affected taxpayers would need to determine whether a change in a related party funding arrangement would be reportable.

Confirmation of Current Short Form Requirements

The current requirements are to “provide a description of any business restructures affecting your business in the current or previous income year and an explanation of its significance.” This includes “significant changes in your ownership, equity or **related party debt funding**.” (Emphasis added).

Banks/financial entities are in the business of providing finance to third parties and will generally borrow from other parts of the group (both inter and intra-entity) to fund the provision of finance. In the context of inter-entity funding, the terms of the related party debt funding may mirror the external loan. In addition, banks routinely place cash on deposit with related parties overnight for liquidity and funding purposes and these transactions should be out of scope for reportability.

On this basis, AFMA’s view is that, for a bank/financial entity, any changes to related party funding would not represent a “restructure affecting your business” and hence would not need to be disclosed under the Short Form Local File, as it might for taxpayers in non-financial industries.

AFMA would appreciate guidance from the ATO confirming this view. As the ATO would appreciate, the volume of transactions that would be required to be reported by banks/financial entities in terms of related party debt would impose an impractical compliance burden while being of no assistance to the ATO.

Non-Application to Internal Transactions

Following on from the point above, AFMA would appreciate confirmation that there is no need for taxpayers to disclose intra-entity loans on the Short Form Local File. As such loans are within the same legal entity, given Australia’s non-adoption of the Authorised OECD Approach to branch taxation, such loans have no effect from a taxation perspective.

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Please contact me on (02) 9776 7996 or at rcolquhoun@afma.com.au to discuss any of the matters that we have raised in this submission.

Yours sincerely,



Rob Colquhoun
Director, Policy