



October 10, 2025

Deputy Commissioner Rebecca Saint  
Australian Taxation Office  
GPO Box 9845  
SYDNEY NSW 2001, AUSTRALIA

*Re: Follow-up Regarding Country-by-Country Reporting and S Corporations in the United States*

Dear Deputy Commissioner Saint:

On behalf of the S corporation Association, thank you for reviewing Australia's Country-by-Country (CbC) reporting regime and the impact it will have on S corporations organized in the United States. We greatly appreciate your willingness to explore how the unique structure of S corporations may present challenges within the framework of Australia's transparency objectives.

As we discussed, S corporations are taxed under a pass-through regime in the United States, meaning taxation occurs at the shareholder rather than the entity level. As a result, the entity-level financial statements envisioned by Australia will not reflect the actual tax – or any tax -- paid on S corporation income.

In this context, we strongly believe that subjecting S corporations to the CbC reporting would fail to produce the information the rules are designed to collect – namely, whether large businesses operating in Australia are appropriately contributing to Australia's tax base. Instead, the reporting would provide a distorted view of tax compliance by reporting income but no tax payments, while also raising significant shareholder privacy concerns.

Providing an S corporation exemption would preserve the goals of the reporting requirements. The US Tax Code applies unique rules to S Corporations – including strict restrictions shareholder eligibility – that collectively prevent S corporations from acting as vehicles to hide or shield the economic activity from taxation. For example, these rules ensure that, if an S corporation is part of a broader group, it must be at the top of the structure, not the middle or bottom. Corporations and partnerships are precluded from owning S corporations.

Meanwhile, a single class of stock rule ensures that all distributions from S corporations are proportional to the ownership shares, precluding S corporations from entering into ownership agreements that disproportionately divide income, loss, tax benefits, and other benefits available to more opaque ownership structures.

These unique rules ensure that, should the ATO grant an exemption for S corporations from the CbC reporting regime, it would not open the door to avoidance strategies. In fact, reporting would be improved and more targeted at entities where increased transparency provides meaningful insight to the tax authorities.

We respectfully request that the ATO provide an exemption to S corporations from the CbC reporting requirements. Subjecting S corporations to the full reporting requirements would fail to collect useful tax information while producing a distorted view of the S corporations tax obligations. Short of an exemption, we ask that reporting for S corporations be limited to business operations within Australia. This limitation would address the concerns outlined above while providing the ATO with meaningful tax and income information on activities within its jurisdiction.

Thank you for your attention to this matter. We look forward to working collaboratively toward a solution that both protects shareholder privacy and ensures that the CbC regime functions as intended. Please do not hesitate to reach out with any follow-up questions or requests for additional technical materials.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brian Reardon", with a stylized, cursive script.

Brian Reardon  
President  
S Corporation Association