



# Corporate groups

## INFORMATION SHEET 4

October 2022

*This information sheet provides general guidance only and does not amount to legal advice. Entities are encouraged to seek independent legal advice to clarify their rights and obligations under the Act.*

### Reporting for corporate groups

The scheme requires reporting at an individual entity level. If an entity is part of a corporate group, it may:

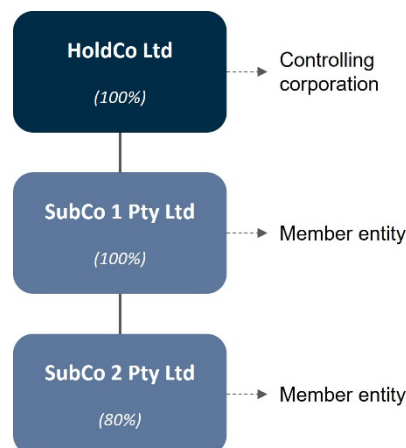
- be subject to a lower income threshold when assessing whether it is required to report
- have additional reporting requirements when preparing payment times reports.

To understand the obligations of its entities, corporate groups need to assess which entities in its group are **controlling corporations**, **member entities** and which entity is its **head entity**.

### Controlling corporations and member entities

Where entities are incorporated in Australia and are structured as a parent-subsidary, they may be a **controlling corporation** or **member entity** for reporting purposes.

A controlling corporation is an entity that:	A member entity is an entity that:
<ul style="list-style-type: none"> <li>• is a body corporate incorporated in Australia</li> <li>• has incorporated subsidiary entities, and</li> <li>• is not a subsidiary of another Australian body corporate.</li> </ul>	<ul style="list-style-type: none"> <li>• is incorporated, and</li> <li>• is a subsidiary of a controlling corporation.</li> </ul>



Subsidiary has the same meaning as in the *Corporations Act 2001*. An entity is a subsidiary of another entity if the other entity:

- controls the composition of its board
- is in a position to cast or control more than 50% of the maximum number of votes at an Annual General Meeting, or
- holds more than 50% of the entity's issued share capital.

In a corporate group that has a controlling corporation and member entities:

- The controlling corporation will be a reporting entity if the aggregate total income of the corporate group is greater than A\$100 million.
- Member entities will be reporting entities if their individual total income is greater than A\$10 million and the corporate group has an aggregate total income greater than A\$100 million.
- Member entities must report the details of their controlling corporation in their payment times reports.

For more information on income thresholds see [Guidance Note 1: Key concepts](#).

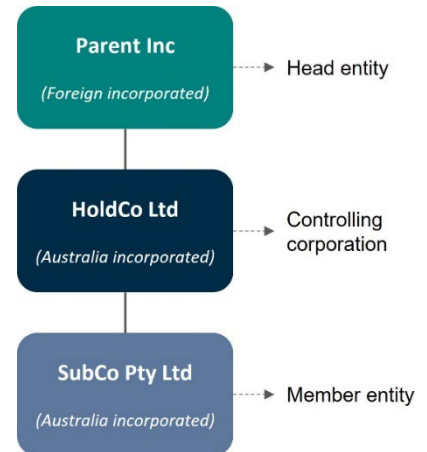
## Head entities

A head entity is the ultimate parent entity of a group of related entities. Unlike controlling corporations, a head entity does not need to be incorporated in Australia.

Entities that are part of a group of related entities must report a head entity in their payment times report if the head entity is not also a controlling corporation.

Entities in a structure where their controlling corporation is also their head entity may report the same entity as both their head entity and controlling corporation.

For more information on head entities see [Guidance Note 1: Key concepts](#).



*Note: Parent Inc cannot be a controlling corporation because it is not incorporated in Australia.*

## Complex groups

Group structures can be complex and involve multiple layers. When determining your reporting obligations, entities with complex structures should:

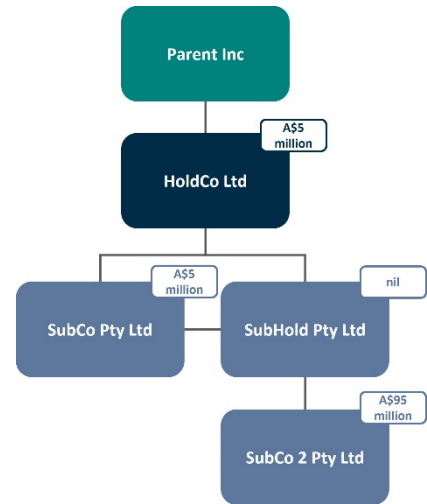
1. **Identify the head entity.** The head entity will be the ultimate parent entity in the group structure.
2. **Classify the incorporated entities.** Incorporated entities should be assessed to determine whether they are controlling corporations or member entities.
3. **Identify which entities are required to report.** There are three criteria for identifying reporting entities: being a constitutionally covered entity, carrying on an enterprise in Australia and meeting income thresholds. See [Information Sheet 3: Who must report](#) for further information.
4. **Assess each entity's reporting obligations.** Member entities must report details of their controlling corporation. If the group does not have a controlling corporation or the controlling corporation is not the group's head entity, reporting entities in the group must report the head entity.

If, after following this process, it is unclear whether an entity is a reporting entity, we encourage you to seek independent legal advice.

## Worked example

Additional Information:

- Parent Inc is not incorporated in and does not operate in Australia. The other entities are incorporated in and operate in Australia.
- Group income is earned through: HoldCo Ltd: A\$5 million, SubCo Pty Ltd: A\$5 million, SubHold Ltd: nil, SubCo2 Pty Ltd: A\$95 million.



<b>Step 1</b>	Parent Inc is the only entity in the group that does not have a parent entity. Parent Inc is the head entity in the group’s structure.
<b>Step 2</b>	<p>All entities, other than Parent Inc, are incorporated in Australia.</p> <ul style="list-style-type: none"> <li>• HoldCo Ltd does not have an Australian incorporated parent entity: HoldCo Ltd is a controlling corporation.</li> <li>• SubCo Pty Ltd and SubHold Ltd are controlled by HoldCo Ltd which is incorporated in Australia: SubCo Pty Ltd and SubHold Ltd are member entities of HoldCo Ltd.</li> <li>• SubCo2 Pty Ltd is controlled by SubHold Ltd, which is controlled by HoldCo Ltd. HoldCo: SubCo2 Pty Ltd is a member entity of HoldCo Ltd.</li> </ul>
<b>Step 3</b>	<p>Parent Inc does not operate in Australia and is not a reporting entity. Other entities operate in Australia:</p> <ul style="list-style-type: none"> <li>• HoldCo Ltd is a controlling corporation and its group’s aggregate income is greater than A\$100 million (A\$105 million). HoldCo Ltd is a reporting entity.</li> <li>• SubCo Pty Ltd and SubHold Ltd are member entities of a controlling corporation with group income over A\$100 million but have income less than A\$10 million: SubCo Pty Ltd and SubHold Ltd are not reporting entities.</li> <li>• SubCo2 Pty Ltd is a member entity of a controlling corporation with group income over A\$100 million and has income over A\$10 million: SubCo2 Pty Ltd is a reporting entity.</li> </ul>
<b>Step 4</b>	<p>HoldCo Ltd and SubCo2 Pty Ltd are reporting entities:</p> <ul style="list-style-type: none"> <li>• HoldCo Ltd reports Parent Inc as its head entity</li> <li>• SubCo2 Pty Ltd reports HoldCo Ltd as its controlling corporation and Parent Inc as its head entity</li> </ul>

## Further information

For more information, please refer to the additional guidance notes and information sheets available in the [Guidance](#) section of the Payment Times Reporting Regulator’s [website](#).