

# AustralianSuper's tax transparency report

Contribution to Australia's tax system  
FY2020

## Introduction

AustralianSuper invests over \$200 billion on behalf of more than 2.4 million Australians with the aim of helping them achieve their best possible retirement outcomes.

In doing this, AustralianSuper plays a significant and meaningful role in the Australian community and national economy.

For the 2020 financial year (FY2020), AustralianSuper paid approximately \$1 billion of income tax on behalf of our members in Australia – making AustralianSuper one of Australia’s largest taxpayers. In addition, AustralianSuper pays taxes all over the world in respect of our global investments and activities.

AustralianSuper is pleased to publish this tax transparency report for its fourth year adopting the federal government’s Voluntary Tax Transparency Code (the Code).

Whilst the specific requirements of the Code do not extend to include superannuation funds, AustralianSuper recognises the importance of transparent disclosure and is pleased to provide our members and other interested parties with insight into:

- › AustralianSuper’s strategic tax objectives;
- › AustralianSuper’s approach to tax risk management and governance in support of these objectives; and
- › the significant contribution that AustralianSuper and our members make to taxes paid in Australia and around the world.

## Australia’s tax regime for superannuation funds

Superannuation is a long-term retirement savings system with a special tax regime that applies to Australian superannuation funds including AustralianSuper.

The tax that Australian superannuation funds pay largely depends on the type of income generated and the retirement savings phase of members.

Like all superannuation funds, AustralianSuper is required to pay tax on:

- › contributions that we receive from or on behalf of members;
- › investment earnings that we generate for some members; and
- › some benefits that we pay to members.

This has been summarised in the table below:

### Australia’s tax on superannuation funds

Contributions	Investment earnings for members in accumulation phase	Investment earnings for members in pension phase	Benefits paid to members
Contributions made by employers on behalf of members are generally <b>taxable at 15%*</b>	Investment earnings that support member assets in accumulation phase are generally <b>taxable at 15%†</b>	Investment earnings that support member assets in pension phase are generally <b>not taxable</b>	Benefits paid to members are generally not taxed in AustralianSuper, however we may be required to withhold tax when paying a benefit. The amount of tax withheld depends on the type of benefit, and the age and circumstance of the recipient
Contributions that members make from their after-tax income, and member asset roll-ins from other super funds, are generally <b>not taxable</b>	Franking credits and offsets for foreign tax paid on investment earnings are applied to <b>offset tax payable</b>	Franking credits are applied to increase pension member assets  Foreign tax paid on earnings that support member assets in pension phase is not creditable	

\* Members that earn over \$250,000 may be required to pay an additional 15% tax on their contributions, bringing their overall contribution tax rate to 30%. If members don’t provide us with their TFN, their contributions are taxed at 47%.

† Investment gains made on long-term capital assets are taxed at an effective rate of 10%.

## Strategic tax objectives and key tax principles

AustralianSuper's objective is to help members achieve their best possible retirement outcome, and our strategic tax objectives contribute to the pursuit of this goal.

AustralianSuper aims to ensure that it pays, on behalf of members, the right amount of tax that is due. This balances the requirements to:

- › comply with regulatory requirements as a taxpayer in all markets in which AustralianSuper invests; and
- › maximise after-tax returns to members.

Achievement of this objective requires the Fund to maintain a high standard of integrity in managing its overall tax position. This means that AustralianSuper acts as a responsible taxpayer, is a good corporate citizen, builds constructive relationships with tax authorities, and adopts tax positions that are sustainable over the long term for our members.

Pursuit of this objective requires adherence to the following Key Tax Principles:

- › AustralianSuper has close regard to appropriate available guidance established by tax authorities and international organisations such as the OECD;
- › AustralianSuper fosters an open, honest and collaborative approach with all tax authorities, and does not tolerate any practices that rely on secrecy or concealment of any information from any tax authorities;
- › AustralianSuper seeks to leverage its 'good standing' with revenue authorities to influence positive tax policy settings that benefit members;
- › AustralianSuper strives to comply with both the letter and 'spirit' of tax laws in all jurisdictions in which it invests;
- › AustralianSuper does not transact or structure in a way that produces tax results that are inconsistent with the underlying economic consequences of the relevant transaction, unless there is specific legislation designed to provide such a result; and
- › AustralianSuper makes timely payment of all required tax liabilities.

## Tax risk management and governance

AustralianSuper has an established Tax Risk Management and Governance Framework that sets out the Fund's approach in pursuing our strategic tax objectives in accordance with our Key Tax Principles.

The Tax Risk Management and Governance Framework is documented, approved and overseen by the AustralianSuper Board level Finance and Audit Committee, and is in accordance with Australian Tax Office (ATO) public guidance.

Our approach applies across all of our Australian and global operations and to our international offices.

AustralianSuper has achieved the highest rating of 'Justified Trust' in the ATO's Top 100 Assurance Review Program.

In AustralianSuper's Tax Assurance Report (issued by the ATO on 16 November 2020), the ATO stated: "We have maintained our confidence that the Fund has paid the right amount of income tax."

## Global investments

AustralianSuper invests globally to diversify investments across a broad range of assets and geographies to achieve the best possible returns for members. We pay tax in accordance with the tax rates and tax laws in the foreign countries in which we hold investments.

Our global investments include interests in listed and unlisted equities, property, infrastructure, cash and fixed interest securities.

In order to access global unlisted assets, AustralianSuper often invests into pooled entities to access investments that might otherwise not be available if investing alone.

Some of AustralianSuper's global pooled entities are located in low or no tax countries. There are a variety of commercial and legal reasons for this and from a tax perspective these pooling locations generally mean that the co-investors don't unnecessarily pay tax twice on the same income earned.

For AustralianSuper, this means that tax is paid where the global investments are located, and in Australia where all of our income is returned and is subject to tax with offsets for eligible foreign tax paid.

Consistent with our approach to Australian investment, when investing globally, we apply the same approach to tax governance regarding compliance with both Australian and international tax laws.

As a global investor, AustralianSuper indirectly pays foreign tax on income earned by the foreign companies that it invests in. AustralianSuper also directly pays foreign tax, predominantly on interest and dividend income earned from its foreign investments.

A summary of the direct foreign tax paid by AustralianSuper for FY2020 appears in the table below.

Region	\$(m)
North America	55
Europe	26
Asia	14
South America	1
Africa	1
Other*	15
<b>Total</b>	<b>113</b>

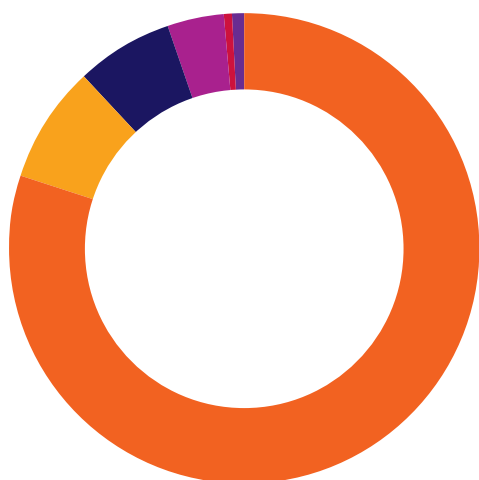
\* Relates to receipts from external trust distributions.

In addition to our seven office locations in Australia, AustralianSuper also has offices in London, New York and Beijing which operate to help support AustralianSuper's global investment activities. Investment support activities that are performed for the Fund by our international offices are provided in accordance with the requirements of the tax laws and tax authorities of both Australia and those foreign countries.

## FY2020 tax payments

AustralianSuper pays a range of different taxes to the Australian state, territory and federal governments each year. The chart below summarises the taxes that AustralianSuper paid for FY2020, and also the factors that influence the amount of those taxes paid.

### AustralianSuper tax paid 2020 \$(m)



Tax paid	\$(m)	Amount of tax paid is driven by:
Income tax	1,140	Contributions and investment returns
Direct foreign taxes	113	Foreign investment returns
Withholding tax (benefits)	96	Benefit payments to members (borne directly by members)
Withholding tax (salaries)	54	Employee salaries (borne directly by employees)
GST	9	Acquisition of goods and services
Employment taxes	9	Employee salaries and benefits
<b>Total</b>	<b>1,422</b>	

## FY2020 income tax expense

Income tax expense is calculated using accounting principles and is included in our financial statements, published on our website. The accounting standards for superannuation funds require that income from investing activities be shown separately to member related activities. This is shown in the table below.

As a superannuation fund, our taxable income is taxed at 15%, however some income that is included as income for accounting purposes is not included in income for tax purposes.

For example, investment earnings that support member assets in pension phase are exempt from tax, and long-term capital gains are allowed a one-third capital gains tax discount (an effective tax rate of 10%). Most transfers of member balances into AustralianSuper from other superannuation funds are also not taxable.

The Australian tax law also allows tax offsets (for example, for foreign tax and franking credits that reflect that tax has already been paid) which apply to offset our tax payable.

This means that our income tax expense is lower than 15% of our accounting income. The table below reconciles the differences between our FY2020 accounting income (at 15%) to our income tax expense

FY2020 reconciliation of accounting income to income tax expense (\$m)	Income statement	Change in members' benefits	Total
<b>Accounting income</b>	<b>-84</b>	<b>27,348</b>	<b>27,263</b>
Prima facie income tax expense (at the superannuation tax rate of 15%)	-13	4,102	4,089
<b>Adjusted for tax effect of the following items:</b>			
Non-taxable member contributions		-337	-337
Non-taxable transfers in from other superannuation funds		-2,302	-2,302
Tax deductible Group Life insurance premiums		-50	-50
Capital gains tax concession and tax exempt capital gains	108		108
Tax exempt income supporting pension balances	-37		-37
Franking credits and foreign tax offsets	-496		-496
Other	0	0	0
Under-provision for tax in the prior year	14		14
<b>Income tax expense</b>	<b>-424</b>	<b>1,413</b>	<b>989</b>
Effective rate of income tax expense* (after adjustment for amounts which are not deductible/not taxable)	501.8%	5.2%	3.6%

*\*For FY2020, the Fund has an unusually high effective tax rate. High effective tax rates occur in periods of low negative accounting income, when positive accounting income components carrying tax benefits (i.e., franked dividend income) are offset by amounts of negative accounting income (i.e., realised and unrealised losses) which also carry a tax benefit. When these combined tax benefits are compared to a low accounting net loss, the outcome is a high effective tax rate.*

The actual income tax that AustralianSuper pays each year is different to the amount of income tax expense shown in AustralianSuper's financial statements each year.

This is largely due to the income tax expense including a provision for tax on items which are assessable or deductible for tax purposes in a different year. For example, unrealised market

value movements on investments are recognised for accounting income each year, but are only taken into account for tax purposes when we sell those investments.

The below table shows the difference between the amount of income tax expense in our financial statements, compared to the income tax that we paid for FY2020.

FY2020 reconciliation of income tax expense to income tax paid (\$m)	Income statement	Change in members' benefits	Total
<b>Income tax expense</b>	<b>-424</b>	<b>1,413</b>	<b>989</b>
Over-provision for tax in the current year*	-24		-24
Net unrealised investment gains	190		190
Accrued income and expenses	-5		-5
Other	4		4
Impact of under-provision for tax in the prior year	-14		-14
<b>Income tax paid for 2020</b>	<b>-273</b>	<b>1,413</b>	<b>1,140</b>

\* Largely relates to trust distribution income where the tax components were provided to us after completion of the financial statements.

### AustralianSuper's trustee

AustralianSuper Pty Ltd is the corporate trustee of AustralianSuper (the fund). As trustee, AustralianSuper Pty Ltd provides trustee services to AustralianSuper and in doing so incurs operating costs in fulfilling its trustee obligations. AustralianSuper Pty Ltd recovers those operating costs through charging a trustee services fee to AustralianSuper.

The financial result of AustralianSuper Pty Ltd can be impacted by timing differences in charging the trustee fee. In FY2020, AustralianSuper Pty Ltd's trustee fee income was \$556 million, and its operating costs were \$556 million (resulting in a net accounting income for FY2020 of nil). AustralianSuper Pty Ltd was however required to make payments of tax to the ATO of \$54,000 for FY2020.

## Contact us

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This information is of a general nature and does not take into account your personal objectives, situation or needs. Before making a decision about AustralianSuper, consider your financial requirements and refer to the Product Disclosure Statement (PDS). AustralianSuper Pty Ltd ABN 94 006 457 987 AFSL 233788. Trustee of AustralianSuper ABN 65 714 394 898.

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