
2018 Tax Transparency Report



Contents

Introduction	3
Overview	
Approach to Tax	4
Tax Governance Policy	
Tax Risk & Compliance Management	
ATO Justified Trust & Assurance Report	
International Related Parties	
Tax Payments & Reconciliations	5
Income Tax Expense Reconciliation	
Effective Tax Rate	
Reconciliation of Income Tax Expense to Current Tax Liability	
Tax Payments & Collections on Behalf of Governments	

Introduction

The Australia Post Group is committed to strong tax governance practices. This is our third Tax Transparency Report published on a voluntary basis as part of our commitment to improved tax disclosure. The report includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code (TTC). The TTC is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. The TTC was developed by the Board of Taxation and endorsed by the Government in May 2016.

Overview

We manage our taxation affairs in accordance with the Group Risk Management Framework. Forming part of the Framework, the Tax Governance Policy outlines the framework and methodology for applying a risk based approach to managing our taxation affairs and our relationship with revenue authorities. We maintain a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. We are committed to providing our stakeholders, customers and communities with transparent disclosure of our tax affairs.

We are classified as a “Key Taxpayer” for Income Tax and GST and a “Lower Risk” taxpayer for Excise under the Australian Taxation Office (ATO) Risk Differentiation Framework.

The ATO have also advised that for the year ended 30 June 2017 (the most recent year that has been reviewed), Australia Post has been granted an overall assurance rating under its “justified trust” review that demonstrates the existence of an effectively designed tax control framework.

Providing Greater Tax Transparency

This Tax Transparency Report aims to supplement the tax disclosures made in the 2018 Annual Report and complies with the standard of disclosure expected of ‘large businesses’ under the TTC. This report includes information in relation to our approach to tax governance and tax risk management and international related party dealings. In addition, this report provides information on the Australia Post Group accounting effective tax rate, the relationship between accounting profit and our income tax liability and tax contributions and collections.

Improving Everyday

We continue to review our Tax Transparency reporting and implement stakeholder feedback together with industry and regulatory developments. We look to maintain and help develop best practice in Tax Transparency reporting to better serve the communities in which we operate.

Basis of Preparation

Tax payments are presented on a cash paid basis for the year ended 30 June 2018 for all operations across all countries. Those tax payments made by entities accounted for as equity investments are excluded. Consistent with the Annual Report, comparative information has been adjusted, where required, for consistency with the current year’s presentation.



Approach to Tax

In pursuing the Australia Post corporate strategy, we abide by our Tax Governance Policy to ensure full and transparent compliance with all taxation obligations.

Tax Governance Policy

The Australia Post Tax Governance Policy operates as part of the wider Board-approved Group Risk Management Framework.

Tax Governance Principles

The core drivers of our Tax Governance Policy are:

1. **Maintain full compliance** – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates;
2. **Maximise shareholder value** – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy;
3. **Manage risk** – we will maintain documented policies, procedures and positions in relation to tax-risk consequences of business strategy within the Group's Risk Management Framework, taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the Group Chief Financial Officer where material;
4. **Maintain openness and transparency** – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with the Australia Post's Tax Code of Conduct;
5. **Build assurance** – we will provide the Board, Managing Director & Group CEO, Group Chief Financial Officer, senior management and other key internal and external stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.



Tax Risk & Compliance Management

We apply a risk based approach to key activities in the corporate tax function. We adopt a strong control framework to identify, mitigate and control tax risks and refrain from undertaking aggressive tax planning. We proactively manage our business and tax affairs in accordance with the Group Tax Governance Policy.

We have confirmed our risk appetite within the Group Risk Appetite Statement:

"We will comply with all relevant taxation laws when managing our corporate taxation regulatory obligations in Australia and in all international jurisdictions in which the Group operates. Any deliberate non-compliance with taxation laws will be unacceptable."

We strive to maintain collaborative and trusted relationships with the ATO and other revenue authorities and we are committed to full compliance and transparent disclosure with respect to our tax affairs. We participate in an annual Pre-Lodgement Compliance Review Program with the ATO and continue to adopt real-time communication with tax authorities.

ATO Justified Trust & Assurance Report

Under its new Key Taxpayer Engagement approach the ATO seeks to establish 'Justified Trust' on an evidence-based approach to:

- Understand a taxpayer's tax governance framework, significant and new transactions and why the accounting and tax results vary; and
- Identify tax risks flagged to the market.

Following the completion of this review, a Tax Assurance Report for the 2017 income year (the most recent year that has been reviewed) has been issued indicating that Australia Post has demonstrated a 'Medium trending to High' level of assurance and a 'Stage 2' level of assurance with respect to Tax Governance.

International Related Parties

We have been investing in partnerships that strengthen our warehousing and international freight-forwarding capabilities in various international markets. This is part of our strategy for future growth as an eCommerce business with a focus on the burgeoning Asian market.

Our offshore businesses generated less than 1% of our consolidated revenue in the 2018 year. Our dealings with these international related parties are conducted in a manner consistent with the arm's length principle and reflect the commercial nature of the transactions.



Tax Payments & Reconciliations

Contributions and collections of taxes and duties to Federal and State Governments

Income Tax Expense Reconciliation

	2018 \$m	2017 \$m
Accounting profit before income tax	125.7	126.1
At the Australian statutory tax rate (30%)	37.7	37.8
Adjustments relating to prior years	(4.7)	1.4
Pre-CGT property disposals & revaluations	(47.3)	(6.5)
Other CGT gains and losses	–	(3.7)
Sundry items	5.8	1.7
Income tax expense/(benefit)	(8.5)	30.7

Effective Tax Rate

	2018 \$m	2017 \$m
Profit from ordinary activities before income tax expense	125.7	126.1
<i>Less: Post-tax share of results of equity accounted investments</i>	(6.3)	(6.5)
A. Adjusted profit before income tax expense	119.4	119.6
B. Income tax expense	(8.5)	30.7
Effective tax rate (B/A)	(7%)	26%
Effective tax rate (excl pre-CGT property disposals & revaluations)	33%	31%

Property

Over more than 200 years of operation, we have established one of the largest and most diverse property portfolios in Australia. Given our history, many of our properties were established prior to the introduction of capital gains tax in September 1985. As a consequence, the disposal of such properties is generally not subject to taxation.

As indicated in the table above, if pre-CGT properties were subject to taxation, our 2018 income year effective tax rate would have been 33%, closely aligned to the 30% statutory rate.

Reconciliation of Income Tax Expense to Current Tax Liability

	2018 \$m	2017 \$m
Income tax expense/(benefit) in the consolidated income statement	(8.5)	30.7
<i>Add/(subtract):</i>		
Deferred tax assets charged to income	(16.1)	(19.3)
Deferred tax liabilities charged to income	46.5	28.3
Over/(under) provision in prior years (current and deferred tax)	4.7	(1.4)
Current tax expense included in income tax benefit	26.6	38.3
<i>Add/(subtract):</i>		
Tax payments to tax authorities	(68.5)	(0.7)
Tax refunds from tax authorities	–	3.8
Net opening balance	85.2	43.4
Other	(7.0)	0.4
Net current tax liability	36.3	85.2

Tax Payments & Collections on Behalf of Governments

Taxes & Duties Paid

	2018 \$m	2017 \$m
Income Tax	68.5	0.7
GST (net GST paid)	274.9	256.5
Payroll Tax	145.9	139.8
Fringe Benefits Tax	6.4	6.6
Land Tax	18.1	17.8
Stamp Duty	0.1	0.1
Total	513.9	421.5

Taxes Collected on Behalf of Governments

	2018 \$m	2017 \$m
GST collected	630.1	613.0
PAYG Withholding	602.8	553.9
Total	1,232.9	1,166.9



auspost.com.au