



Tax Transparency Report



- ❖ **This is NBN Co's Tax Transparency Report for the year ended 30 June 2020. The voluntary disclosures in this report continue our commitment to transparent tax disclosure as recommended by the Board of Taxation's Voluntary Tax Transparency Code (TTC). The TTC was developed by the Board of Taxation and endorsed by the Government in May 2016. The TTC provides minimum standards to guide medium and large businesses on public disclosure of tax information.**

NBN Co's Tax Risk Framework

The taxation affairs of NBN Co are managed in accordance with NBN Co's Tax Risk Policy. Forming part of NBN Co's tax governance framework, NBN Co's Tax Risk Policy defines NBN Co's tax risk appetite, the way NBN Co identifies and manages tax risk, and the nature of the relationships we seek to foster with revenue authorities.

NBN Co's tax risk framework forms an important element of the Company's overall risk management regime. As part of NBN Co's overarching risk management regime, the Company also conducts a rigorous quarterly Control Self-Assessment programme across financial and tax controls.

Pursuant to the ATO's Justified Trust Program, NBN Co was considered a "Top 100" taxpayer. In February 2020 the ATO formally advised NBN Co that it is no longer considered a "Top 100" taxpayer, rather it will now be managed as part of the "Top 1000" Tax Performance Program, covering GST and Income Tax. This reassessment was based on the ATO's understanding of NBN Co's tax affairs developed through their Pre-Lodgement Compliance Review (PCR) of the 2017 and 2018 income years. The outcome of the PCR resulted in the ATO reporting a provisional *high* assurance that the right Australian tax outcomes were reported in NBN Co's income tax returns in respect of the years reviewed. NBN Co remains committed to continuing to work with the ATO in respect of its obligations under the "Top 1000" Tax Performance Program, or as otherwise directed by the ATO under this program.

Achieving Transparency

This Tax Transparency Report aims to provide our shareholder, stakeholders and the public with tax information complimenting that published in the 2020 Annual Report. As a government business enterprise (GBE), NBN Co is subject to tax in the same way as any other large corporate taxpayer. In light of the current stage of the Company's lifecycle, for the foreseeable future, NBN Co will not pay corporate income tax. This is because, since the inception of the Company, the focus has been on building the national broadband network. The excess of costs in meeting construction and roll-out activities over NBN Co's current revenue stream from operating the national broadband network, has resulted in taxable losses. This situation is expected to continue until NBN Co becomes profitable which is forecast to occur in future years. In preparing the disclosures for this TTC report, we have followed the guidelines recommended by the Board of Taxation for large and medium taxpayers.

Tax Risk Policy

In pursuing the NBN Co corporate strategy, we abide by our Tax Risk Policy to ensure full and transparent compliance with all taxation obligations.

NBN Co's Tax Risk Policy operates as part of the wider Board-approved Risk Management Framework. The Tax Risk Policy defines the following key guiding principles with respect to NBN Co's tax risk management approach.

Risk Appetite: NBN Co approaches its tax compliance obligations seriously, and has *No Appetite* for practices or behaviours that could foreseeably lead to unnecessary tax risk and material non-compliance and/or result in significant litigation, fines, prosecutions or future intervention from regulators.

Tax Goal: To achieve an appropriate balance between maintaining NBN Co's tax risk appetite and maximising the value sought for stakeholders, while staying within both the letter and the spirit of the law.

Tax Principles: the guiding principles upon which NBN Co's tax governance framework is based are:

- All applicable laws and regulations relating to taxation must be adhered to;
- All NBN Co personnel must comply with NBN Co's Code of Conduct Policy, NBN Co's Risk Management Standard and all NBN Co policies;
- NBN Co aims to develop and maintain an excellent working relationship with the relevant revenue authorities at all times, as well as be transparent in providing full and accurate disclosure to the revenue authorities; and
- NBN Co will always strive to achieve open and effective communication relating to tax matters to the relevant internal and external stakeholders in a timely manner.

Tax Risk Management and Identification: Tax risks are identified, managed and monitored in line with NBN Co's Risk Management Standard. This includes reporting of tax risks to the Audit and Risk Committee and Board as required. Ongoing oversight of material tax risks and key controls is coordinated through NBN Co's integrated assurance framework, and actively governed by the Integrated Assurance Forum.

Risk Reporting and Communications: The tax affairs of NBN Co, including operational tax risks and tax risk associated with significant transactions, are communicated through updates to the NBN Co Board and NBN Co Senior Management.

Tax Disclosures

The following disclosures are consistent with those recommended for a "large" taxpayer by the Board of Taxation.

Effective Tax rate

	2020 \$m	2019 \$m
1. Loss before income tax	(5,238)	(4,879)
2. Income tax benefit/(expense)	(1)	1
3. Effective tax rate	0%	0%

Reconciliation of Accounting profit to Taxable income/(loss)

	2020 \$m	2019 \$m
Loss before income tax	(5,238)	(4,879)
Tax at the Australian tax rate of 30%	1,571	1464
Current year tax losses not recognised	(1,428)	(1,271)
Temporary differences not recognised	(144)	(192)
Income tax benefit/(expense)	(1)	1

Taxes paid

	2020 \$m	2019 \$m
GST paid	957	887
Payroll tax paid	49	48
Fringe benefit tax	1	0

Contributions and collection of taxes

	2020 \$m	2019 \$m
GST collected	392	289
PAYG withholding	274	263

Tax Losses

	2020 \$m	2019 \$m
Unused Tax Losses for which no deferred tax asset has been recognised	(24,145)	(19,381)

0 means the balance is between 0-\$500,000.