

# Tax Transparency Report

**For the year ended 30 June 2021**

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## CFO statement

We are proud to present LGIAsuper's first Tax Transparency Report. This Report demonstrates our commitment to transparently present LGIAsuper's tax affairs and Australian tax contributions and our focus on meeting our tax affairs and paying the correct amount of tax.

In the 2020/21 financial year, LGIAsuper contributed towards both Australian and State governments through the collection and payment of tax in excess of \$150 million. This amount represents a variety of direct and indirect tax commitments which apply to LGIAsuper's transactional and investment operations.

This Report has been prepared based on the principles in the Australian Government's Board of Taxation's Voluntary *Tax Transparency Code*. The disclosures within this Report have been independently reviewed and should be read in conjunction with LGIAsuper's 2020/21 *Annual Report*, which can be found on our website.



**Garnett Hollier**  
**Chief Financial Officer**  
**LGIAsuper**

## Introduction

### The Tax Transparency Code

The *Tax Transparency Code* (TTC) developed by the Board of Taxation is a set of principles and minimum standards to guide medium and large business on public disclosure of tax information. Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures.

LGIAsuper recognises the importance of greater tax transparency by large taxpayers and enhancing the community's understanding of taxpayer's compliance with Australia's tax laws. Therefore, as part of our commitment to improved tax disclosure, we are pleased to publish this *Tax Transparency Report* in respect of the year ended 30 June 2021, which provides an insight on compliance with our tax obligations, our tax strategy and governance arrangements and our contribution of taxes paid.

### About LGIAsuper

LGIAsuper is an Australian superannuation fund which, as at 30 June 2021, managed approximately \$15 billion in funds and looked after more than 72,500 members.

We began in 1965 as a fund for Queensland local government employees and their spouses. In 2017, we became an open fund, attracting new employers and employees beyond the Queensland local government, welcoming members from private sectors, and the wider community. We are a profit-for-members fund, so our members always come first.

### Australia's tax regime for superannuation funds

In Australia, superannuation funds are required to pay tax (generally at a rate of 15%, subject to various adjustments and tax offsets) on:

- Pre-tax member and employer contributions up to \$25,000 (apart from after-tax contributions or taxed roll-overs from other super funds). Note for members with a salary over \$250,000 (15% deducted and paid to ATO by LGIAsuper, plus an additional 15% directly payable to ATO or deducted from account)
- investment earnings generated for members in the accumulation and transition to retirement phase
- some benefits paid to members (depending on the type of benefit and the age and circumstances of the recipient).

## Tax strategy and governance

Our approach to tax strategy and governance is outlined in our *Tax Risk Management Policy* (the 'Policy'), which is reviewed and approved by our Board on an annual basis.

The strategic objective of LGIAsuper's tax function is to "identify, manage and monitor tax risks that might jeopardise a secure source of retirement income for LGIAsuper's members". This is in line with our primary investment objective to provide a secure source of retirement income for LGIAsuper's members.

The key strategic tax principles which we are committed to achieving are:

- Not to breach tax laws, tax filing or tax payment obligations in any jurisdiction.
- Achieve a high standard of integrity as a responsible taxpayer and good corporate citizen.
- Maintain open and honest relationships with all tax authorities.
- Take prudent steps to maximise member returns sustainably and strictly within the tax risk appetite adopted by the fund.
- Ensure that the tax applied to member returns to the extent possible is fair and equitable and reflects the most accurate net member return value for each member.
- Sufficiently resource tax advisory and tax compliance activities, including with expert external advice.
- Strive to comply with both the letter and 'spirit' of tax laws and regulations in all relevant jurisdictions.

We invest funds in a diverse range of assets, geographic locations and legal structures to optimise investment performance and after-tax returns for our investors, whilst ensuring that any tax risk associated with the investments is appropriately considered and managed.

We also invest into third party managed collective investment vehicles which aggregate funds from various investors (including LGIAsuper). In this regard, though tax may not be paid by these collective investment vehicles, LGIAsuper is subject to tax on the income it earns from such collective investment vehicles.

For collective investment vehicles established in overseas jurisdictions or that hold foreign assets, such tax may be payable in both the jurisdiction where the relevant assets and investment activity is located, as well as in Australia, as determined by the relevant tax laws and regulations.

### Relationship with tax authorities

LGIAsuper is committed to maintaining an open, transparent, honest and cooperative approach with tax authorities. We take a proactive approach to:

- providing tax authorities with required information for the fund on a timely basis
- managing tax uncertainties, by engaging in discussions with tax authorities, and seeking rulings / clearances from tax authorities where appropriate.
- working with tax authorities in an open and constructive manner to resolve any issues and to minimise the risk of disputes which might attract additional taxes, penalties and costs
- engaging in consultation with the tax authorities, either directly or together with other industry superannuation funds or representative bodies, on matters relevant to improving processes or on any proposed changes to the law that are open for consultation.

### International related party dealings

LGIAsuper's international related party dealings are limited to arm's length transactions between investment entities controlled by LGIAsuper that have been set up to facilitate investments made on behalf of our members. LGIAsuper has no other international related party dealings.

## Tax contribution

LGIAsuper contributes to government revenues in Australia by paying various taxes. Page 11 contains descriptions of these taxes and related definitions. Due to the global nature of our investments, we also pay taxes in foreign jurisdictions where we invest.

### Summary of taxes paid – Australia

The table below outlines taxes paid or payable for the 2020/21 financial year by LGIAsuper in Australia.

Tax Type	\$'000 (AUD)
<b>Income tax - fund</b>	144,603
<b>Income tax - corporate<sup>1</sup></b>	90
<b>GST</b>	(4,008)
<b>FBT<sup>2</sup></b>	27
<b>Payroll tax</b>	730
<b>Duties</b>	940
<b>PAYG withholding tax</b>	8,260
<b>TOTAL</b>	<b>150,642</b>

<sup>1</sup> Paid by LGIAsuper Services Pty Ltd, a company that is wholly owned by LGIAsuper.

<sup>2</sup> For fringe benefits tax (FBT) year ended 31 March 2021

### Summary of taxes paid – by region

The table below outlines taxes paid or payable for the 2020/21 financial year by LGIAsuper in various regions.

Regions	\$'000 (AUD)
Australia	150,642
North America	4,399
South America	78
Africa	59
Asia	1,189
Oceania	128
Europe	1,560
<b>TOTAL</b>	<b>158,055</b>

## Income tax reconciliations

### Reconciliation of accounting profit to income tax expense

Australian Accounting Standards require entities to calculate and disclose various tax balances in their financial statements including income tax expense for the relevant period.

We outline below a summary reconciliation of accounting profit to the income tax expense disclosed in LGIAsuper's financial statements for the year ended 30 June 2021. In addition, the effective tax rate has been calculated based on the *prima facie* tax rate for a superannuation fund (15%) adjusted for the effective tax rate on the identified adjustments.

Reconciliation of accounting profit to income tax expense	\$'000 (AUD)	\$'000 (AUD)	%
Operating result before income tax	1,789,597		
Prima facie income tax (expense)/benefit at the tax rate of 15%		(268,394)	15%
Prima facie income tax (expense)/benefit at the tax rate of 30%		(91)	30%
<i>Adjustments</i>			
Increase in tax expense due to non-deductible expenses relating to exempt pension income		7,997	(7.53%)
Decrease in tax expense due to non-assessable investment (income)/losses relating to exempt pension income		(23,385)	
Decrease on tax expense due to non-assessable investment (income)/losses relating to trust distributions		(4,973)	
Decrease in tax expense due to imputation and foreign tax credits		(27,720)	
Decrease in tax expense due to Discount Capital Gains		(13,973)	
Decrease in tax expense due to prior period adjustments		(12,428)	
Decrease in tax expense due to other movements in deferred tax		(60,328)	
Increase in tax expense due to recovery of anti-detriment payments from the Australian Taxation Office		197	
Decrease in tax expense due to other adjustments		(95)	
<i>Adjustment total</i>		(134,708)	



Reconciliation of accounting profit to income tax expense	\$'000 (AUD)	\$'000 (AUD)	%
Income tax expense / benefit (after adjustments)		(133,777)	
<b>Effective tax rate</b>			<b>7.48%</b>

The effective tax rate in respect of net contribution revenue is not included in the above calculation as Australian Accounting Standards no longer require it to be included. The effective tax rate in respect of contributions is outlined in the below table:

Contributions	\$'000
Gross contributions	846,730
Less member and other non-taxable contributions, including deductions relating to contributions	(317,550)
Taxable contributions	529,180
Tax on taxable contributions at 15%	79,377
<b>Effective tax rate on gross contributions</b>	<b>9.37%</b>

## Reconciliation of income tax expense to income tax payable

We outline below a summary reconciliation of income tax expense disclosed in the financial statements for the year ended 30 June 2021 for LGIAsuper and actual tax payable in the 2020/21 financial year.

Reconciliation of income tax expense to income tax payable	AUD \$'000	AUD \$'000
Income tax expense / (benefit)		133,777
Tax expense on contributions		79,377
Unrealised capital (gains) / losses on investments & other timing differences		(124,826)
Movements between tax provision and income tax return		
<i>Realised capital (gains) losses on investments</i>	473	
<i>Assessable / non-assessable investment income</i>	(746)	
<i>Imputation and foreign tax credits</i>	(603)	
<i>Exempt pension income</i>	1,129	
<i>Deductible / non-deductible expenses</i>	(318)	
<i>Contributions</i>	21	
<i>Other</i>	(16,347)	(16,390)
Over provision of prior period tax		12,428
Other movements in deferred tax		60,328
<b>Income tax payable - total</b>		<b>144,694</b>
Income tax payable – fund		144,603
Income tax payable – company		91
<b>Income tax payable – total</b>		<b>144,694</b>

## Description of taxes and definitions

### GST (Goods and Services Tax)

LGIAsuper's supplies are classified as input taxed for GST purposes. GST is not charged on such supplies and LGIAsuper is generally not entitled to claim input tax credits in respect of costs associated with making these supplies other than certain acquisitions for which an entitlement to a Reduced Input Tax Credit (RITC) exists at a rate of 75% or 55%.

### Imputation credits

Imputation credits arise from franked dividends received by LGIAsuper from companies in which LGIAsuper has an interest (either directly, or through interposed holding trusts) and that have paid Australian income tax on their taxable income. They ensure LGIAsuper is only exposed to tax on the taxable income of those companies at the rate LGIAsuper would be exposed to if it carried on those businesses directly. As LGIAsuper's tax rate will be lower than the corporate tax rate, imputation credits will generally result in a reduction to LGIAsuper's total income tax expense.

### PAYG withholding tax

In 2020-21 LGIAsuper withheld and remitted tax from (i) salary and wages paid to staff and (ii) payments of superannuation benefits to members and their beneficiaries.

### ETR (Effective Tax Rate)

This is the income tax expense recognised in the financial statements divided by the net income before income tax.

### Over/under provisions

These are the differences between the current and deferred tax expense recorded in the financial statements and the actual tax reported in lodged tax returns and paid. Such differences generally arise due to additional adjustments made as part of the preparation and lodgement of LGIAsuper's income tax return.

### Payroll tax

LGIAsuper employees are subject to payroll tax in Queensland. This amount is as reflected in our audited financial statements.

### **Fringe Benefits Tax (FBT)**

LGIAsuper is subject to FBT on any benefits provided to employees. The FBT reported in this report is based on the 12-month period ending 31 March 2021.

### **Duties**

In 2020/21 financial year, LGIAsuper was subject to Queensland stamp duty on the acquisition of a 17.5% interest in Sunshine Coast Airport.