

SPSL Master Trust Tax Transparency Report 2021-22



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Important information

Suncorp Super products and this information are issued by SPSL Limited ABN 61 063 427 958 AFSL 237905 RSE licence number L0002059 (the Trustee), trustee for the SPSL Master Trust ABN 98 350 952 022, RSE Fund Registration No. R1056655 (the Fund). The Trustee is wholly owned by LGIAsuper Trustee as trustee for LGIAsuper (LGIAsuper), trading as Brighter Super and is not part of the Suncorp Group. The Trustee uses the 'Suncorp' brand under licence. Suncorp Super products are not bank deposits or bank liabilities and are subject to investment risk, including loss of the interest and principal invested. The obligations of the Trustee aren't guaranteed by any company within the Suncorp Group or the Brighter Super Group, nor do either Group guarantee the performance of Suncorp Super products.

Message From the Chief Financial Officer

SPSL Master Trust (SMT) recognises the importance of our commitment to contributing fairly to the communities that we operate in and the importance of accountability through full transparency on our tax payments and policies.

Our 2022 Tax Transparency Report details contributions made by SMT in Australia for the financial year ended 30 June 2022.



Garnett Hollier
Chief Financial Officer

SMT voluntarily adopted the Tax Transparency Code in 2020 in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary **Tax Transparency Code**. This includes reporting annually on our tax contributions and our approach to tax strategy and governance.

This report continues to reflect our commitment to transparency and open communication with our members and the community.

Introduction

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.

SMT 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 2022, which provides an insight on compliance with our tax obligations, our tax strategy and governance arrangements and our contribution of taxes paid.

About SMT

SMT is an Australian superannuation fund which has been delivering superannuation and retirement products for more than 20 years. These products are issued by SPSL Limited (SPSL), formerly Suncorp Portfolio Services Limited. SPSL is the trustee for SMT.

SPSL is licenced by APRA to act as a superannuation trustee and to offer a MySuper product. SPSL is responsible for the operation of the funds under its trusteeship including ensuring that the funds comply with relevant legislation.

With effect from 31 March 2022, Suncorp Life Holdings Limited, a wholly owned subsidiary of Suncorp Group Limited, sold 100% of its ownership interest in SPSL to Globe Hold Co Pty Ltd, a wholly owned subsidiary of LGIAsuper (trading as Brighter Super).

As of 30 June 2022, SMT managed approximately \$6.3 billion in funds.

Australia's tax regime for superannuation funds

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

- Pre-tax member and employer contributions up to \$27,500 (apart from after-tax contributions or taxed roll-overs from other super funds). An individual member whose income and relevant concessional taxed superannuation contributions exceed the threshold of \$250,000 for the year ended 30 June 2022 is liable to pay an additional 15% tax on the excess (Division 293 tax). Where the Division 293 tax applies, the individual's concessional contributions exceeding the threshold are subject to a total tax of 30% (i.e. 15% deducted and paid to the ATO by SMT, plus an additional 15% directly payable to the ATO or deducted from account of the individual member).
- Investment earnings generated for members in the accumulation and transition to retirement phase. Note capital gains on assets held for more than 12 months are taxed at 10%.
- Some benefits paid to members on behalf of the member (depending on the type of benefit and the age and circumstances of the recipient).

Approach To Tax Strategy And Governance

SPSL is the trustee for the SPSL Master Trust (referred to as the "Fund"). As a Trustee, SPSL is accountable for the activities of SMT and under general law and legislation, must act in the best interests of the members of the Fund at all times. From 1 July 2021, legislation requires trustees to act in the best *financial* interests of members.

Following the acquisition of SPSL by Globe Hold Co (wholly owned subsidiary of LGIAsuper) SPSL harmonised its approach to tax strategy and governance with that of LGIAsuper. LGIAsuper's approach to tax strategy and governance is outlined in its Tax Risk Management Policy. This policy has been prepared with reference to the Australian Taxation Office's (ATO) best practice framework.

The purpose of the policy is to:

- Outline the principles which underpin our approach to tax;
- Inform our stakeholders of our views on best practice tax governance including the tax risk appetite adopted;
- Set the roles and responsibilities that provide the structure to facilitate tax governance and tax risk management between all stakeholders, functions, and the Trustee;
- Formalise the reporting and escalation framework for tax matters;
- Set the level of assurance sought over ongoing implementation of this policy.

As set out in the policy, the strategic objective of the tax function is to facilitate and actively identify, manage and monitor tax risks that might jeopardise a secure source of retirement income for members. This is in line with our primary investment objective to provide a secure source of retirement income for all members.

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

- Not to breach tax laws, tax filing and 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.

Relationship With Tax Authorities

SMT values positive and cooperative relationships with all revenue authorities, including the ATO.

In 2019, SMT was a participant in the ATO's Top 1,000 Tax Performance Program for the financial years ended 30 June 2015 to 30 June 2018. The purpose of the review was to obtain evidence that SMT is reporting the right amount of tax. The program formed part of the ATO's Justified Trust initiative, and examines the taxpayer's tax governance, its approach to meeting tax compliance and tax accounting obligations, and its management of tax risks arising from transactions and emerging issues affecting the superannuation industry as a whole.

SMT was provided with a Medium Assurance rating which indicates the ATO obtained assurance in relation to some but not all areas reviewed. No "Red Flag" ratings were issued and SMT has not been engaged in the ATO's "Next Actions" program. SMT has also not been engaged in the ATO's Top 1,000 Combined Assurance Review program which covers the financial years from 30 June 2019 to 30 June 2021.

SMT is committed to working collaboratively with tax authorities to enhance market transparency and build confidence within the community that it is paying the right amount of tax. 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.

SMT is a holder of a Registrable Superannuation Entity licence and an Australian Financial Services licence. This means that it is regulated by the Australian Prudential Regulation Authority under the *Superannuation Industry (Supervision) Act 1993* (Cth), and the Australian Securities and Investments Commission under the *Corporations Act 2001* (Cth).

International Related Party Dealings

SMT does not have any international related parties and therefore does not have any international related party dealings.

Tax Contribution

SMT collects and pays other taxes in addition to income tax, such as GST. Refer to page 8 for definitions of these taxes.

In addition to taxes borne by SMT, SMT members may pay individual taxes on their superannuation benefits. SMT may be responsible for the collection and remittance of these taxes to the relevant revenue authorities. The table below outlines taxes paid or payable for the 2022 financial year by SMT in Australia:

Tax Type	2021-22 (AUD\$'000)
Income tax - fund	17,584
Net GST payable to (refund from) the ATO	(5,156)
PAYG withholding tax on member benefits	3,811

Super funds like SMT are required to pay tax on member contributions and earnings as follows:

Pre-tax or deducted member and employer contributions up to \$27,500, salary under \$250,000 ("Concessional Contributions")	15%
Pre-tax member and employer contributions up to \$27,500, salary over \$250,000 (15% deducted and paid to ATO by SMT, plus additional 15% directly payable to ATO or deducted from account)	30%
After-tax member contributions and account consolidation transfers ("non-concessional contributions")	Nil
Accumulation and Transition to Retirement account investment earnings	15%
Retirement Income account earnings (pension phase)	Nil
Tax on contributions where members do not provide their Tax File Number	47%

*All rates, caps and thresholds are for the 2021-22 financial year. Certain rates, caps and threshold change in subsequent periods.

Income Tax Reconciliation

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 SMT's financial statements for the year ended 30 June 2022. In addition, the effective tax rate has been calculated based on the prima facie tax rate for a superannuation fund (15%) adjusted for temporary and non-temporary differences.

A non-temporary difference arises where a business transaction is treated differently for accounting and tax purposes. Non-temporary differences do not reverse over time. Temporary differences occur when business transactions are recognised at a different time for accounting purposes than they are for tax purposes.

	SPSL Master Trust		
	Income statement (AUD\$'000)	Change in members benefits (AUD\$'000)	2021-22 Total (AUD\$'000)
Net Income (Loss) from Superannuation activities	(431,085) ¹	676,078 ²	244,993
Prima facie tax at 15%	(64,663)	101,412	36,749
Non-taxable member contributions	-	(11,814)	(11,814)
Non-taxable transfers from other superannuation funds	-	(35,671)	(35,671)
Tax deductible Group Life Insurance Premiums	-	(22,419)	(22,419)
Non-deductible expenses	1,381	-	1,381
Movements in fair value of investments	103,471	-	103,471
Non-assessable pension distributions	(7,280)	-	(7,280)
Other assessable investment income	1,369	-	1,369
Non-assessable other revenue	(61)	-	(61)
Franking and foreign tax credits	(47,921)	-	(47,921)
Total adjustments between net income and taxable income	50,959	(69,904)	(18,945)
Current income tax (benefit) expense - 30 June 2022	(13,704)	31,508	17,804
2022 under/over income tax return to provision	-	-	(220) ³
Australian income tax payable 2022 Income Tax Return	-	-	17,584
Current income tax (benefit) expense - 30 June 2022	(13,704)	31,508	17,804
Temporary differences - deferred tax (benefit) expense	(69,785) ⁴	-	(69,785)
Total income tax (benefit) expense - 30 June 2022	(83,489)	31,508	(51,981)
Over-provision from prior financial years	(9,345)	-	(9,345)
Total income tax (benefit) expense - current and prior year	(92,834)	31,508	(61,326)
Effective tax rate	N/A⁵	4.7%	N/A⁵

¹ Accounting income from investment net of operating expenditure.

² Excludes distributions of superannuation benefits.

³ Under/over provision of tax expense due to subsequent availability of final administrator and custodian reports received after year-end reporting but before tax return completion.

⁴ Deferred tax arises from unrealised capital gains and losses on investments, and operating expenditure accrued but not incurred for tax purposes.

⁵ Meaningful effective tax rate unable to be calculated where income tax benefit arises from accounting profit or tax expense arises from accounting loss.

Definitions

Goods and Services Tax (GST)

SMT provides products and services that are classified as input taxed. For these products and services, GST is not charged by SMT. SMT is generally not entitled to claim input tax credits in respect of costs associated with providing input taxed products and services, except where entitlement exists under the GST Regulations. Where entitlement exists under the GST Regulations, GST can be claimed at a Reduced Input Tax Credit ('RITC') rate of 75%, 55% or 0% as SMT is a recognised trust scheme as defined by the GST Regulations.

Franking Credits

Franking credits arise for shareholders when certain Australian-resident companies pay income tax on their taxable income and distribute their after-tax profits by way of franked dividends. Franking credits attached to franked dividends are passed to shareholders to reduce the incidence of double taxation.

Franking credits arising from franked dividends received by SMT (either directly, or through interposed holding trusts) ensure SMT is only exposed to tax on the taxable income of those companies at the rate SMT would be exposed if it carried on those businesses directly. As SMT's tax rate is lower than the corporate tax rate, franking credits will generally result in a reduction to SMT's total income tax expense.

PAYG Withholding Tax

In 2021-22, SMT withheld and remitted taxes to the relevant authorities from payments of superannuation benefits to members and their beneficiaries.

ETR (Effective Tax Rate)

This is the rate recognised in the financial statements and is calculated as income tax expense divided by the net income from superannuation activities 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 SMT's income tax return.

Temporary Differences

Temporary differences arise from mismatches between the Australian taxation law and the Australian financial accounting rules in determining the timing of when revenue and expenses are recognised. For example, SMT's accounting income for FY22 may include transactions that have already been included in SMT's taxable income for FY21.