

Tax Transparency Report 2019



This is NBN Co's first Tax Transparency Report. The voluntary disclosures in this report reflect 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 programme, NBN Co is considered a "Top 100" taxpayer. In practical terms, this means that NBN Co is a "Key Taxpayer" in the context of the ATO's risk differentiation framework. NBN Co's commitment to a high standard of tax governance reflects this rating.

Achieving Transparency

This Tax Transparency Report aims to provide our shareholder, stakeholders and the public with tax information complementing that published in the 2019 Annual Report. As a government business enterprise (GBE), NBN Co is subject to tax in the same way as any other large corporate taxpayer. The evolution of NBN Co's development as a commercial enterprise means that, for the foreseeable future, NBN Co will not pay corporate income tax. This is because, since the inception of the Company, our focus has been on building the Australian Broadband network. The excess of costs in meeting construction and roll-out activities over NBN Co's current revenue stream from operating the Broadband network, has resulted in taxable losses. This situation is expected to continue until NBN Co becomes profitable subsequent to the completion of the initial network build. In preparing our disclosures for this first 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 and 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 time, as well as be transparent in providing full and accurate disclosure to the revenue authorities;
- 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; and
- External tax advice and private binding rulings are sought in accordance with this Policy.

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

	2019 \$m	2018 \$m
1. Loss before income tax	(4,879)	(4,779)
2. Income tax benefit/(expense)	1	(1)
3. Effective tax rate	0%	0%

Reconciliation of Accounting profit to Taxable income/(loss)

	2019 \$m	2018 \$m
Loss before income tax	(4,879)	(4,779)
Tax at the Australian tax rate of 30%	1,464	1,434
Current year tax losses not recognised	(1,276)	(1,214)
Temporary differences not recognised	(187)	(221)
Income tax benefit/(expense)	1	(1)

Taxes paid

	2019 \$m	2018 \$m
GST paid	887	914
Payroll tax paid	48	47
Fringe benefit tax	0	0

Contributions and collection of taxes

	2019 \$m	2018 \$m
GST collected	289	201
PAYG withholding	263	260

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