Tax Transparency Report

Year ended 31 March 2020

Executive Summary

The Singapore Telecom Australia Investments Pty Ltd group ("Optus") connects more than 10 million services via its world-class mobile and fixed network, with strong customer value propositions and commitment to exceptional service.

Australia experienced one of its worst bushfire seasons on record through the 2019-20 summer. The importance of Optus services in keeping our communities safe and connected through this time was very clear. Further, in response to COVID-19, the Australian Government asked people to stay at home, which meant customers were relying on our network more than ever to work, learn, entertain themselves and even socialise. Our network responded well, and customers are benefitting from our strong, nationwide coverage. You can find out more in our 2020 Sustainability Report, which can be found *here* .

As a Top 100 public and multinational taxpayer, we are categorised as a Key Taxpayer by the Australian Taxation Office (ATO). We maintain a collaborative and constructive relationship with the ATO and recognise that our economic and tax contributions are important to public finances and the social programs they fund.

This Tax Transparency Report sets out Optus' tax contributions and approach to tax for the year ended 31 March 2020.

About Optus

Optus is the second largest provider of telecommunications services in Australia in terms of revenue and employs nearly 7,000 employees.

As a fully integrated telecommunications provider to more than 10 million services, Optus delivers a comprehensive range of telecommunications products and services including:

- mobile and fixed line telephony;
- broadband and internet services;
- multimedia entertainment and technology services;
- satellite services; and
- converged business telecommunications applications and solutions.

The Optus 4G networks provides coverage to 97.35% of the Australian population, and rollout of the 5G network has commenced.

Since October 2001, Optus has been a wholly owned subsidiary of Singapore Telecommunications Limited ARBN 096 701 567 ("Singtel").

Optus is arranged into three main business areas which serve different markets, being Consumer Australia, Optus Wholesale & Satellites, and Optus Business.

Consumer Australia	Consumer Australia delivers a comprehensive range of services and products to the Australian retail telecommunications market and small and medium-sized businesses. These services and products include mobile voice and data, fixed voice, fixed broadband, and content and application services.
Optus Wholesale & Satellite	Optus Wholesale also enables third parties to offer mobile and fixed services using Optus infrastructure. In addition, the Optus satellite fleet provides a full range of services including broadcast services, IP-based satellite data broadcast solutions, handheld or vehicle-mounted mobile services and a range of specialised services.
Optus Enterprise	Optus Enterprise provides advanced communications solutions to corporate and government customers in Australia. It offers a comprehensive solution suite across voice, data, internet, data application management and content and application services. It has a comprehensive managed services capability as well as the ability to deliver on the growing demand for ICT based solutions such as cybersecurity and cloud based services.

Optus is subject to income tax in Australia and other jurisdictions where it has foreign operations. Under Australian tax law, the Optus corporate entities are organised into a tax consolidated group consisting of a head company, Singapore Telecom Australia Investments Pty Ltd ("STAI"), and its wholly owned Australian corporate subsidiaries.

This tax consolidated group is generally treated as a single taxpayer for income tax purposes. Optus also has partly-owned Australian corporate entities that fall outside the tax consolidated group and are taxed separately on a standalone basis.

Optus also operates through branches in New Zealand and has a minority interest in a consortium which conducts operations within the USA. It is subject to the local tax regimes of these countries in respect of those holdings.

For more information about Optus, please visit our *website.*

Tax policy, strategy and governance

Optus is part of the Singtel Group, which aspires to the highest standards of corporate governance and to this end, has in place a set of well-defined policies and processes to enhance corporate performance and accountability, as well as protect the interests of stakeholders. Optus' Board of Directors adheres to the Singtel Group's internal corporate governance standards and policies.

The governance structure comprises Singtel Board, Risk Committee, Audit Committee, Management Committee and Risk Management Committee. This structure for managing risks provides proper segregation of duties, defines risk-taking responsibility and authority and promotes ownership and accountability.

In addition, Singtel has a Management Committee, comprising of the Group CEO and other Chief Officers, including the Optus CEO, who meets every week to review and direct Management on operational policies and activities.

The Optus Advisory Committee (OAC) is one of Singtel's two advisory committees and comprises both Singtel Board and non-Board members. The OAC reviews strategic business issues relating to the Australian business.

Optus' Code of Conduct policy applies to everyone working for and with Optus, including contractors, and sets the standard of personal and corporate integrity our people should follow in everything they do. This includes that, at Optus, we must comply with all laws, regulations, codes of practice, and legal, regulatory and licensing requirements, including directions and orders of any government, or statutory or regulatory authority.

Optus is subject to the tax regulations, or changes in regulations, in the respective jurisdictions in which it operates and is required to adhere to the Singtel Group wide risk management framework approved by the risk committee. This framework includes risk appetite and tolerance levels and risk management approach.

Our Tax Risk Management Policy sets out a defined group tax strategy with a coordinated and consistent approach in the identification, management and mitigation of tax risks.

We are exposed to the risk of regulatory and litigation action by regulators and other parties. Such regulatory matters and litigation actions may have a material effect on our financial condition and results of operations. Examples of such litigation are disclosed as contingent liabilities in the Notes to the Financial Statements.

Material tax disputes and risks (if any) are escalated in accordance with the risk management framework, and appropriate disclosures are made in our financial statements.

Optus is committed to comply with applicable tax laws in countries where we operate. We have skilled staff in in taxation matters and work with external advisors where necessary.

Optus is a Key Taxpayer for income tax under the ATO's Risk Differentiation Framework and is subject to the ATO's annual Pre-lodgement Compliance Review (PCR), working with the ATO under its Justified Trust Approach. At the conclusion of Optus' latest PCR (for the year ended 31 March 2019), the ATO had obtained an overall high level of assurance that Optus had paid the right amount of Australian income tax for the year.

Australian tax contribution summary

Optus paid A$43m in corporate income tax to the federal government in respect of its consolidated income tax return for the year ended 31 March 2020 (FY2019: A$189m). Refer to page 4 for further details. In addition to corporate taxes, Optus pays, collects and remits various taxes (such as payroll tax, withholding tax, stamp duty, fringe benefits tax and GST) to and on behalf of the Federal and State governments.

International related party dealings

The Singtel Group has operations across a large number of jurisdictions, including Singapore, India, Thailand and the Philippines. For the year ended 31 March 2020, all transactions entered into by Optus with entities that are part of the Singtel Group were at normal commercial terms and conditions and at market rates. Optus' key international related party dealings for the year ended 31 March 2020 were in relation to finance and global data and network connectivity services for wholesale and retail internet, voice and data telecommunications connections and services.

Effective tax rates

The Tax Transparency Code effective tax rate (ETR) for Optus for the 2020 income year is 31.03%.

This is based on the disclosures in Optus' 2020 audited financial statements, which comply with the Australian Accounting Standards, the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards board.   The numerator is the current tax expense of A$117m (calculated by taking income tax expense of A$116m less prior year adjustments A($1m), and the denominator is the profit before tax of A$377m. The ETR is higher than the corporate tax rate of 30% due to adjustments for non-temporary differences.

Information regarding the Global ETR can be found in the Singtel Group's financial statements and Management Discussion & Analysis contained in SingTel's 2020 Annual Report which can be found *here*.

Reconciliation of accounting profit to income tax expense and income tax payable

Optus Tax Consolidated Group	FY2019 TTC Report	FY2020 TTC Report
Reconciliation of accounting profit to tax expense	A$M	A$M
Profit Before Tax	712	377
Prima facie income tax at 30%	214	114
Non-temporary differences: (Note 1)		
Research and development claims (a)	-1	-
Share of joint ventures' tax (b)		2
Other (c)	6	1
Prior Year Adjustment (d)	8	-1
Income tax expense (Note 2)	227	116

Optus Tax Consolidated Group	FY2019 TTC Report	FY2020 TTC Report
Reconciliation of income tax payable	**A$M**	**A$M**
Profit Before Tax	712	377
Prima facie income tax at 30%	214	114
Non-temporary differences (as per above table)	5	3
R&D offset		-11
Reversal of joint ventures' tax (as included in non-temp)		-2
Temporary differences: (Note 3)		
Property, plant and equipment	-10	-33
Provisions & accruals	-13	-15
Other	-7	-13
Income taxes payable/paid per income tax return lodged (Note 4)	189	43

Key Notes

Note 1:

There are differences between the accounting standards and the tax law which result in a difference between how accounting profit and taxable income are determined. Accountants classify these differences as temporary (or timing) and non-temporary (or permanent) differences. Non-temporary differences generally reflect policy outcomes such as when the tax law does not assess amounts to tax, applies a different rate of tax or does not allow a tax deduction.

(a) Australian tax law provides a government incentive of an 8.5% additional net tax benefit for qualifying R&D activities undertaken by certain corporates. The R&D claim for FY2020 was not finalised until after at year end and therefore is not included in this line item.

(b) We have foreign investments in certain joint arrangements which are classified as joint ventures under the accounting standards. We are required to pay our share of foreign taxes in respect of these joint ventures.

(c) This includes various items expensed for accounting purposes which are not deductible for tax purposes.

(d) This relates to the adjustment of estimates that were made in the preparation of the Statutory Accounts and subsequently finalised on lodgement of the income tax returns together with under/over provisions for prior years.

Note 2:

Income tax expense for accounting and reporting purposes is calculated by multiplying accounting profit (adjusted for non-temporary differences) by the corporate tax rate of 30%.

Note 3:

Further to our comments under Note 1, temporary (or timing) differences arise when revenue and expense items are recognised for accounting in a reporting period that differs to the period reported for tax.

Note 4:

Income taxes payable is calculated by multiplying accounting profit (adjusted for both temporary and non-temporary differences) by the corporate tax rate of 30%. The income tax payable of $43m agrees to our 2020 lodged consolidated income tax return.

ATO tax transparency disclosures

ATO Disclosures

In December 2020 the Commissioner of Taxation published its Report of Entity Tax information, which discloses the ATO's current record of Optus' tax consolidated group's total income, taxable income and tax payable for the year ended 31 March 2019 – these are included below. The data disclosed below for FY2020 includes information sourced from Optus' consolidated tax return which was lodged in October 2020. The ATO is expected to release the FY2020 data in December 2021.

FY2019 (as published by the ATO, December 2020)

Total income	$9,236,172,184
Taxable income	$652,543,026
Income tax payable	$187,593,678*

** This includes the R&D Claim which was lodged with the ATO after the lodgement of the 2019 income tax return.*

FY2020 (as lodged)

Total income	$9,040,169,962
Taxable income	$181,380,378
Income tax payable	$43,072,333

Reconciliation to Profit Before Tax

Total Income/Revenue

Total income (or revenue) reported in the income tax return represents gross revenue for accounting purposes before taking into account any expenses incurred in deriving that amount, e.g. wages, finance costs, costs of goods sold, etc. Total revenue is not a real indicator in determining how much tax a company should pay. To illustrate this, set out below is a reconciliation of Optus' total revenue to accounting profit for the year ended 31 March 2020.

Total Revenue	$9,040,169,962
Total expenses	$8,663,162,571
Profit before tax	$377,007,391

Reconciliation of Profit to Taxable Income

A reconciliation of Optus' accounting profit to taxable income for the year ended 31 March 2020, as reported in its 2020 consolidated income tax return, is set out below.

Profit before tax	$377,007,391
Tax adjustments	($195,627,013)
Taxable income	$181,380,378

Although there are similarities between how accounting profit and taxable income are determined, they are different concepts. Company tax is levied on taxable income according to tax law, while accounting profit is measured according to accounting standards which are governed by corporations law. The differences between these two concepts result in Optus' tax liability not equalling 30% of accounting profit. Accountants classify these differences as 'permanent' and 'temporary' (or timing) differences – represented by 'Tax adjustments' in the table.

Difference between Income Tax Payable and Cash Tax Paid

Tax payable is the Optus tax consolidated group's income tax liability for 2020. This is different to the amount of income taxes paid as disclosed in our statutory accounts as that amount is the actual cash tax payments made to the ATO during the year, some of which reflects tax relating to previous years.

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