Tax Transparency Reporting

Singapore Telecom Australia Investments Pty Limited group ("Optus")

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

Year ended 31 March 2021

Please note that Tax Transparency Reporting is also included in our Sustainability Report which can be found at https://www.optus.com.au/about/sustainability/reporting

Optus Tax Consolidated Group

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

Reconciliation of accounting profit to tax expense	FY2020 A$M	FY2021 A$M
Profit / (Loss) Before Income Tax Expense	**377**	**-437**
Prima facie income tax at 30%	114	-131
Non-temporary differences: (Note 1)		
Research and development claims (a)	0	-1
Share of joint ventures' tax (b)	2	3
Other (c)	1	2
Prior Year Adjustment (d)	-1	7
Income tax expense (Note 2)	**116**	**-120**

Reconciliation of income tax payable	FY2020 A$M	FY2021 A$M
Income tax expense as disclosed in financial statements	**116**	**-120**
Reversal: amounts included in tax expense which are not included in our income tax return		
Share of joint ventures' tax (b)	-2	-3
Prior Year Adjustment (d)	1	-7
Temporary differences (Note 3)	-61	15
R&D offset	-11	
Current year tax loss (tax effected)		115
Income taxes payable/paid per income tax return (Note 4)	**43**	**0**

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.

(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. Adjustments include movement in accruals or provisions, amortisation and depreciation

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%. In 2021, Optus reported an operating loss which, after temporary and non-temporary differences, has resulted in nil tax payable.

Effective Tax Rate
The Tax Transparency Code effective tax rate (ETR) for Optus for FY2021 is 29.06% (FY2020: 31.03%). This is based on the disclosures in Optus' 2021 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 used is the current tax expense of -A$127m (calculated by taking income tax expense of -A$120m less prior year adjustments of A$7m, and the denominator used is the profit before tax of -A$437m. Information regarding the Singtel group global ETR can be found in the Singtel Group's financial statements and Management Discussion & Analysis contained in SingTel's 2021 Annual Report which can be found *here*.

Corporate Transparency: ATO Report of Entity Tax

In December 2021 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 2020 – these are included below. The data disclosed below for FY2021 includes information sourced from Optus' consolidated tax return which was lodged in October 2021. The ATO is expected to release the FY2021 data in December 2022.

	FY2020 Published by the ATO in Dec 2021	FY2021 (as lodged) To be published by ATO in Dec 2022
Total income / revenue	$9,040,169,962	$8,429,704,527
Taxable income	$181,380,378	$0
Income tax payable	$43,072,333	$0

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. Like many companies, FY2021 has been a challenging year for Optus. We experienced a significant drop in our FY 2021 profit, which in turn, will directly impact the taxes we pay.

Reconciliation of Profit to Taxable Income

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 'non-temporary' and 'temporary' (or timing) differences.

Our Approach to Tax

For more information on tax contributions and transparency, please refer to our 2021 Sustainability Report *here* and further information on Tax Transparency *here*.

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