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 2022

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

Yes OPTUS

Optus Tax Consolidated Group

Our Approach to Tax

Tax Governance and Tax Risk Management

Optus is committed to paying tax in compliance with applicable tax laws. As part of the Singtel Group, we endorse and follow strict accountability and transparency in our taxation matters and have in place a Tax Risk Management Framework which is aligned to our Group's risk management philosophy and approach. This framework formalises our tax risk management practices and guides our management and approach to tax matters. It sets a coordinated approach in our identification, management and mitigation of tax risks and promotes responsible tax management. For our approach to Tax Risk Management please refer here: ***approach here***

Tax Transparency

As a leading Australian technology and telecommunications company, we recognise that our contributions help communities by financing the government activities that support a range of important social initiatives. We acknowledge tax transparency improves the community's confidence in the corporate sector. As a signatory to the Board of Taxation's voluntary tax transparency code, we've published Tax Transparency Reports since FY2018.

International related party dealings

The Singtel Group has operations across a large number of jurisdictions, including Singapore, Australia, India, Thailand, and the Philippines. For the year ended 31 March 2022, all international 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 2022 were in relation to finance, global data and network connectivity services for wholesale and retail internet, and voice and data telecommunications connections and services

Dealings with Tax Authorities and Disputes

We seek to maintain a collaborative, constructive relationship with the Australian Taxation Office (ATO) and engage with the ATO under its Action Differentiation Framework. As part of this tailored approach, the ATO partners with us to maintain good compliance, and we are engaged in the ATO's Justified Trust Approach, an ATO initiative based on a global movement to build and maintain community confidence that taxpayers are paying the right amount of tax.

In addition to meeting our corporate tax compliance obligations, 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. We also pay Government annual fees and costs, including annual license fees, universal service obligations and spectrum license fees.

Commercial transactions and application of tax laws can be complex sometimes requiring adjudication to ensure fairness and certainty.

In December 2021, our Australian head company (Singapore Telecom Australia Investments Pty Limited or 'STAI') received an unfavourable judgment from the Federal Court of Australia with respect to its action against the Commissioner of Taxation. See SGX announcement ***here***. The court case relates to the amended assessments from the Australian Taxation Office (ATO) received in 2016 and 2017 for STAI's acquisition financing of Optus in 2001. The amended assessments amounted to A$393 million, comprising primary tax of A$268million, shortfall interest of A$58million and penalties of A$67million, of which STAI has already paid A$134 million. It is estimated that STAI's holding company, Singtel Australia Investment Limited, would be entitled to a corresponding interest withholding tax refund of approximately A$89 million.

STAI lodged an appeal, which was heard by the Full Federal Court in April 2023, and is awaiting the hearing outcome.

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

Reconciliation of accounting profit to tax expense	2022 A$m	2021 A$m
Profit / (Loss) Before Income Tax Expense	**(722)**	**(437)**
Prima facie income tax at 30%	(217)	(131)
Non-temporary differences: (Note 1)		
Research and development claims (a)	(2)	(1)
Share of joint ventures' tax (b)	1	3
ATN asset disposal (c)	(44)	-
ATN intangibles adjustment (c)	175	-
Other (d)	5	2
Federal Court judgement:		
- Primary tax	268	-
- Penalties (tax effected)	20	-
Prior Year Adjustment (e)	-	7
Income tax expense (Note 2)	**206**	**(120)**

Reconciliation of income tax payable	2022 A$m	2021 A$m
Income tax expense as disclosed in financial statements	206	(120)
Amounts relating to Federal Court Judgement (Note 6):		
- Primary tax	(268)	-
- Penalties (tax effected)	(20)	-
Non-temporary differences included in tax expense which are not included in calculating our FY2022 income tax payable:		
Share of join ventures' tax (b)	(1)	-3
Prior Year Adjustment (e)	-	(7)
Research and development claims - deferred tax offset	2	
Non-temporary differences identified for income tax return	2	15
Temporary differences identified for income tax return (Note 3)	(3)	
Current year tax loss (tax effected) (Note 4)	82	115
Income taxes payable/paid per income tax return (Note 5)	0	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) Optus has foreign investments in certain joint arrangements which are classified as joint ventures under the accounting standards. It is required to pay our share of foreign taxes in respect of these joint ventures.
c) On 1 April 2021, Optus sold network assets to Australia Tower Network (ATN) and leased back these assets back for 20 years. This transaction resulted in a net accounting profit on disposal and an intangibles adjustment, giving rise to a non-temporary difference. Further details can be found in Optus' 2022 audited financial statements.
d) This includes various items expensed for accounting purposes which are not deductible for tax purposes.
e) 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 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:
Current year tax loss (tax effected) reflects the amount as disclosed in Optus' income tax return. This will differ to the Tax Loss disclosed in Optus' audited financial statements, as the income tax return is finalised later than the statements.

Note 5:
Income taxes payable is calculated by multiplying accounting profit (adjusted for both temporary and non-temporary differences) by the corporate tax rate of 30%.

Note 6:
Payable upon finalisation of court proceedings.

Corporate Transparency: ATO Report of Entity Tax

In November 2022 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 2021 – this information is included below. The data disclosed below for FY2022 includes information sourced from Optus' consolidated tax return which was lodged in February 2023. The ATO is expected to release the FY2022 data in November 2023.

	FY2022	FY2021
Total income / revenue	$8,036,700,908	$8,429,704,527
Profit/(Loss) before income tax expense	$(722,883,189)	$(436,793,903)
Taxable income	$0	$0
Income tax payable	$0	$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.

Optus continued to report a significant drop in our 2022 profit, which in turn, directly impacts the taxes it pays. The financial result for Optus reflects the decline in NBN migration, equipment sales and leases, roaming and prepaid revenues in another year marked by the COVID-19 pandemic and challenges from the structural shift in the carriage business.

Effective Tax Rate

In 2022, Optus reported an operating loss which, after temporary and non-temporary differences, has resulted in nil tax payable.

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