

2022
Tax Transparency
Report



Lifting
the digital
capability
of Australia

This is NBN Co's Tax Transparency Report for the year ended 30 June 2022. The voluntary disclosures in this report continue 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 Controls Self-Assessment programme across financial and tax related controls.

Pursuant to the ATO's Justified Trust Program, NBN Co is part of the "Top 1000" Tax Performance Program, covering GST and Income Tax.

During the year the ATO completed a Combined Assurance Review (CAR) of NBN Co for income tax years ended 2019-2021. This review was performed as part of the ATO's Justified Trust Program which NBN Co is subject to as part of the "Top 1000" Tax Performance Program.

In June 2022 the ATO reported that the outcome of the CAR was that the ATO had obtained a HIGH level of assurance that the right Australian tax outcomes were reported in NBN Co's income tax returns in respect of the years reviewed.

NBN Co remains committed to continuing to work with the ATO in respect of its obligations under the "Top 1000" Tax Performance Program, or as otherwise directed by the ATO under this program.

Achieving Transparency

This Tax Transparency Report aims to provide our shareholder, stakeholders and the public with tax information complimenting that published in the 2022 Annual Report. As a government business enterprise (GBE), NBN Co is subject to tax in the same way as any other large corporate taxpayer. However, in light of the current stage of the Company's lifecycle, NBN Co will not pay corporate income tax in the foreseeable future.

This is due to the fact that the Company has generated historical tax losses as a result of the significant up-front investment in the construction and rollout of the National Broadband Network prior to the Company generating taxable profits. This situation is expected to continue until NBN Co becomes profitable which is forecast to occur in future years.

In preparing the disclosures for this TTC report, NBN Co have followed the guidelines recommended by the Board of Taxation for large and medium taxpayers.

Tax Risk Policy

In pursuing its corporate strategy, NBN Co abides by its 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 or behaviors 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 times, as well as be transparent in Reconciliation of Accounting profit to Taxable income/(loss) providing full and accurate disclosure to the revenue authorities; and
- 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.

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

	2021 \$m	2022 \$m
Loss before income tax	(3,838)	(1,867)
Income tax benefit	1	399 ¹
Effective tax rate	0%	0%

Reconciliation of Accounting profit to Taxable income/(loss)

	2021 \$m	2022 \$m
Loss before income tax	(3,838)	(1,867)
Tax at the Australian tax rate of 30%	1,151	560
Current year tax losses not recognised	(1,040)	(492)
Temporary differences not recognised	(111)	(68)
Temporary differences recognised	1	399 ¹
Income tax benefit	1	399

Taxes paid

	2021 \$m	2022 \$m
GST paid	643	565
Payroll tax paid	44	44
Fringe benefit tax	0	0

Contributions and collection of taxes

	2021 \$m	2022 \$m
GST collected	476	486
PAYG withholding	272	253

Tax Losses

	2021 \$m	2022 \$m
Unused Tax Losses for which no deferred tax asset has been recognised	(27,585)	(29,226)

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

1. The Company has recognised a deferred tax benefit of \$399 million for the period. This relates to the recognition of previously unrecognised deductible temporary differences as a deferred tax asset. NBN Co recognises this asset to offset the deferred tax liability associated with the movement in the cash flow hedge reserve and cost of hedging reserve. The opposing side of the recognition of the deferred tax liability is recognised directly in the reserves to which it relates.