

# Tax Transparency Report

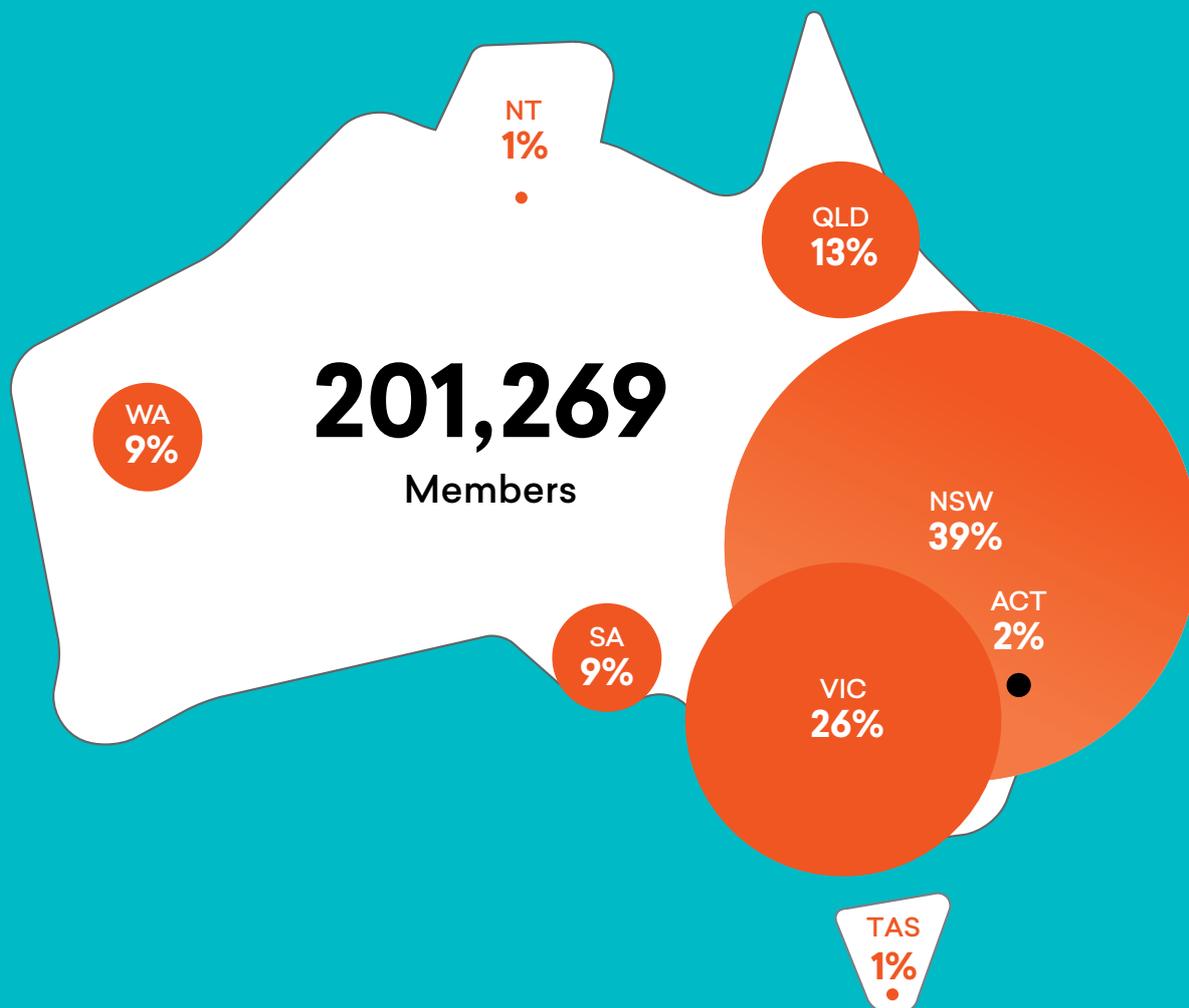
For the year ended June 2020

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# About MTAA Superannuation

MTAA Super is the national super fund for the automotive industry. Since 1989, the Fund has grown to become one of Australia's largest super funds and now drives the financial future of professionals from many trades and industries. Membership is distributed across Australia as detailed below.



## Funds under management

**\$12.5b**  
Funds under  
management

MTAA Super was established as the national super fund for the automotive industry. Since 1989, we've grown to become one of Australia's largest super funds and now drive the financial future of professionals from many trades and industries.

# MTAA Superannuation's approach to tax strategy and governance

## Risk appetite

Tax risk is defined in the ATO Tax Risk Management and Governance Guide 2015 as “the risk that companies may be paying or accounting for an incorrect amount of tax (including both income and indirect taxes), or that the tax positions a company adopts are out of step with the tax risk appetite that the Directors have authorised or believe is prudent”.

In line with the Fund's Risk Appetite Statement, the Fund will minimise tax risks, taking all reasonable measures to minimise exposure. The Trustee has a low to moderate risk appetite.

The Trustee's risk appetite may vary depending upon the type of tax matter and the associated material risk, noting that at a whole of Fund level the Trustee's risk appetite is to minimise risk. For example, the Trustee has zero tolerance for participating in tax avoidance schemes or failure to take reasonable care, reckless or intentional disregard of the law and all possible steps would be taken to avoid exposure to these types of risks. However, taxation matters are not always legally certain (for example investments into some foreign jurisdictions) and the Trustee has some tolerance for tax risk in Investment or Strategic matters that are reasonably arguable and are consistent with the objective to maximise after tax investment returns of the Fund.

## Taxation governance parameters

To assist in ensuring that tax risks are managed within appetite, the Trustee has developed the following governance parameters which must be considered for all taxation activities of the Group:

- Laws and regulations relating to taxation must be adhered to.
- The Trustee will only enter into arrangements which are expected to improve the Fund's post-tax return by unambiguously legal means.
- The Trustee will not enter into arrangements which rely on unintended loopholes in tax legislation for their benefits.
- The Trustee will not enter into arrangements which involve a significant risk that the Fund or any party involved in the arrangement may be subject to adverse public comment. Taxation positions adopted must be no less than 'reasonably arguable'. In adopting a taxation position, the Trustee must take into consideration the impact on member benefits (including equity between members), the Fund's market reputation and the impact of possible penalties imposed by the relevant authorities (including revenue authorities and other regulators where appropriate).

All Officers of the Fund, the Trustee and all Group entities, are required to operate within the Trustee's tax governance parameters. The Australian Taxation Office gave the Fund a provisional stage 2 rating. This rating is given to organisations that have demonstrated that an effectively designed tax control framework exists. The ATO also flagged industry specific risks such as reliance on third party data. The Fund through the tax adviser is proactively working with the ATO on this issue.

## Engagement with tax authorities

This is the first time the fund is preparing the Tax transparency report. The Fund works towards a high level of assurance in the Justified Trust program and is open and transparent in dealing with revenue authorities. The Fund does this by monitoring risks flagged to market by the Australian Taxation Office, independent reviews of tax processes and promptly addressing the feedback provided by the Australian Taxation Office and/or independent reviews by external parties following any risk reviews.

## Tax haven entities

MTAA Super does not have directly controlled entities in tax havens.

## Effective Income Tax rate

The effective tax rate for the financial year ended 30 June 2020 is -21.17% (Tax benefit)

Description	Amount ('000)
Results from superannuation activities before income tax	(244,791)*
Total tax (expense)/benefit based on Income statements (as per financial statements)	51,818
Effective tax rate (Tax benefit)	(21.17%)

\*The tax benefit was as a result of the operating loss incurred during the financial year.

## FY 2020 reconciliation of accounting income to income tax expense

Description	Amount ('000)
Accounting income	(244,791)
<b>Prima facie income tax expense (at the superannuation tax rate of 15%)</b>	<b>(36,719)</b>
Imputation credits	(45,390)
Net unrealised (gains)/losses	43,531
Differences between investment income recognised for accounting and income tax*	(37,119)
(Over)/Under provision in prior years	22,128
Exempt pension income	1,223
Tax allocated to member funds	528
<b>Income tax (benefit)/expense as reported in the financial statements</b>	<b>(51,818)</b>
Effective tax rate of income tax expense (after adjustments for amounts which are not deductible/taxable)	(21.17%)

\*Income in the financial statements was prepared according to the accounting standard AASB 1056. The tax legislation has different treatment for various transactions.

## FY 2020 reconciliation of income tax expense to income tax paid

Description	Amount ('000)
Income tax (benefit)/expense	(51,818)
<b>Add:</b>	
Tax on contributions	120,611
Unrealised (gains)/losses	61,507
Difference between investment income recognised for accounting and income tax purposes*	63,182
<b>Deduct:</b>	
Exempt pension income due to differences in accounting and tax treatments	(4,104)
Difference between expenses recognised for accounting and income tax purposes*	(706)
Deductible insurance premiums	(9,847)
<b>Tax credits:</b>	
Foreign tax credit offsets	(1,973)
Imputation credits	(38,426)
Unders/Overs – Prior year	(22,126)
<b>INCOME TAX PAID</b>	<b>116,300</b>

\*Income in the financial statements was prepared according to the accounting standard AASB 1056. The tax legislation has different treatment for various transactions.

## Tax on super contributions

Income tax year ended 30 June 2020	Amount ('000)
Gross super contribution received including roll overs and government co-contributions	1,176,659
Tax on taxable contributions at 15%	110,363
Effective tax rate on gross super contributions	9.42%

## Summary of taxes paid in FY 2020

Tax	Amount ('000)
Income tax	116,300
Fringe Benefits Tax	105
Non recoverable GST***	1,948
Payroll tax	491
PAYG withholding payment (staff)**	2,832

\*\*PAYG withholding tax remitted to the Australian Taxation Office in accordance with legislative requirements as an employer.

\*\*\*Superannuation funds can claim GST refunds on expenses at a reduced rate. This number is the amount of GST that the Fund cannot recover from the Australian Taxation Office.

## FY 2020 Payroll taxes paid by state

State	Amount ('000)
ACT	390
NSW	52
Victoria	0*
South Australia	14
Queensland	23
Western Australia	8

\*The Victorian government implemented a coronavirus payroll tax relief allowing a deferral of the FY 2020-21 payroll tax liabilities.

## International related party dealings

MTAA Super did not enter into any international related party dealings in the financial year ended 30 June 2020.

## Material tax risks or at-risk tax positions

MTAA Super has not identified any material risks or at-risk tax positions for the financial year ended 30 June 2020.

## Glossary

**Investment income:** Investment income is recognised in MTAA Superannuation's financial statements in accordance with Australian Standard AASB 1056 Superannuation Entities, which requires investments to be recognised at fair value.

## Basis of preparation

This report has been prepared in accordance with the Tax Transparency Code. MTAA Super has adopted disclosures on the proposed minimum standards as recommended in the Board of Taxations 2019 Consultation Paper on the Post-Implementation review of the Tax Transparency Code.

This report has not been audited and does not form part of the financial statement.

Reporting currency	Reporting currency is Australian dollars.
Accounting standard	The relevant accounting standard is AASB 1056.
Accruals	Accruals are designed to improve the usability of financial statements by providing reasonable estimation of the value of transactions. These are typically not deductible for tax purposes.
Superannuation Licenses	MTAA Super is a Registerable Superannuation Entity and an Australian Financial Services Licensee.
CGT discount	The CGT discount is a reduction in the taxable amount available in Australian tax system. This is available when the asset has been held for at least 12 months.
Effective tax rate	The effective tax rate is the percentage of tax paid per dollar of income.
Foreign Income Tax Offset	In order to avoid double taxation, the Australian Government provides offsets for taxes paid in foreign jurisdictions.
Franking credits/ Imputation credits	Australian tax legislation provides credits for taxes which have already been paid by companies on behalf of the tax payer. These are transferred to shareholders as franking credits.
Regulators	Australian Taxation Office; Australian Prudential Regulation Authority; Australian Securities and Investments Commission; ACT Revenue Office; State Revenue Office of Victoria; Revenue SA; Revenue NSW; Office of State Revenue Queensland; Office of State Revenue Western Australia; Australian Border Force.
Reporting period	The reporting period is from 1 July 2019 to 30 June 2020.
Temporary difference	This occurs as a result of a disparity between the values of assets or liabilities for accounting and tax purposes. These differences occur as a result of a mismatch between accounting and taxation rules and would normally revert during the course of business.

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