



2023 Tax transparency report



About this report

This report discloses the taxes paid by Spirit Super for the financial year ended 30 June 2023. It includes details about the types and amounts of taxes paid (such as income tax and taxes withheld in respect of the tax liabilities of employees and superannuation fund members). It also summarises the principles that guide Spirit Super's tax governance.

The report was prepared in line with the voluntary *Tax Transparency Code*.

Voluntary Tax Transparency Code

The *Tax Transparency Code* is a set of principles and minimum standards that were developed by the Board of Taxation to guide medium and large businesses, including superannuation (super) funds, on the public disclosure of tax information.

Adopting the *Tax Transparency Code* is currently voluntary and is intended to complement Australia's existing tax transparency measures.

The *Tax Transparency Code* is designed to encourage greater transparency by the corporate sector, including large Australian Prudential Regulation Authority (APRA) regulated super funds, and to enhance the community's understanding of how businesses comply with Australia's tax laws.

Role of the Australian Taxation Office (ATO)

The *Tax Transparency Code* is administered by the ATO.

Notwithstanding that the *Tax Transparency Code* is voluntary, the Government and the ATO expect that all responsible large and medium sized businesses operating in Australia, including super funds, adopt the *Tax Transparency Code*.

In delivering its findings to large APRA regulated super funds as part of its 'justified trust' reviews, the ATO states that:

'The Tax Transparency Code is an important tool to assist our joint efforts in increasing tax transparency and community confidence that the largest taxpayers are paying the right amount of tax.'

Registration with the Board of Taxation

To adopt the *Tax Transparency Code*, a corporation, including a super fund, must register with the Board of Taxation.

Although the *Tax Transparency Code* is voluntary, we're committed to providing this information to members and other interested parties to help them understand what taxes we pay as a super fund, and to show how we ensure we pay the right amount of tax in line with relevant tax laws.

We first registered for the year ended 30 June 2020.

Information to disclose

The minimum standard of information required under the *Tax Transparency Code* depends on business size.

As a large APRA regulated super fund, Spirit Super must adopt both Part A and Part B.

The minimum standards are described in the table below:

| Tax transparency code disclosure | Minimum standard of information |
|----------------------------------|---|
| Part A | <ul style="list-style-type: none">• A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable.• Identification of material temporary and non-temporary differences.• Accounting effective company tax rates for Australian and global operations [under Australian Accounting Standards Board (AASB) guidance]. |
| Part B | <ul style="list-style-type: none">• Approach to tax strategy and governance.• Tax contribution summary for corporate taxes paid.• Information about international related-party dealings. |

This report adopts the minimum disclosure standards recommended by the Board of Taxation.

It hasn't been audited and doesn't form part of Spirit Super's financial statements.

Summary of terms

Unless otherwise stated, throughout this report:

- references to 'Spirit Super', 'the Fund' 'we', 'us', and 'our' refer to Spirit Super (ABN 74 559 365 913) and its controlled entities (where applicable)
- references to a 'year' or 'financial year' are to the 12 months ended 30 June 2023
- all dollar figures are Australian dollars (AUD).

About Spirit Super

Motor Trades Association of Australia Superannuation Fund Pty Ltd (ABN 14 008 650 628, AFSL 238718) is the trustee of Spirit Super (ABN 74 559 365 913).

We're regulated by APRA.

We're a 'complying super fund' for Australian tax purposes.

We're a public offer, profit-for-members industry super fund.

We have approximately \$29.5 billion in funds under management and over 348,000 members Australia-wide.



Part A

- A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable.
- Identification of material temporary and non-temporary differences.
- Accounting effective company tax rates for Australian and global operations (under AASB guidance).



Accounting Standard AASB 1056

As a 'superannuation entity', Spirit Super applies *Accounting Standard AASB 1056*.

As is relevant here, this standard requires us to prepare the following:

- a statement of changes in member benefits for the period
- an income statement for the period.

Statement of changes to member benefits

The statement of changes in member benefits shows the tax on contributions.

The income tax expense disclosed in the statement of changes to member benefits on contributions is \$246,317,000. This may be reconciled as follows:

| Income year ended 30 June 2023 | Amount (\$'000) |
|--|-----------------|
| Total contributions | |
| Including employer contributions, member contributions, rollovers and co-contributions | 2,225,906 |
| Prima facie income tax expense/(benefit) on contributions (at the super tax rate of 15%) | 333,886 |
| Adjusted for tax effect of the following items: | |
| Non-assessable member contributions | (26,438) |
| Non-assessable government co-contributions | (258) |
| Non-assessable rollovers from tax-free and taxable sources | (45,840) |
| No-tax file number (TFN) contributions (net of refund) | 226 |
| Deductible insurance premiums | (15,258) |
| Income tax expense/(benefit) | 246,317 |

Income statement

The income statement shows the tax on investment income.

The income tax expense disclosed in the income statement was an income tax expense of \$138,153,000.

The table below reconciles the differences between the accounting income at 15% and the income tax expense reported in our financial statements.

| Income year ended 30 June 2023 | Amount (\$'000) |
|---|-----------------|
| Accounting income/(loss) | (2,436,684) |
| Prima facie income tax expense (at the super tax rate of 15%) | 365,503 |
| Adjusted for tax effect of the following items: | |
| Imputation credits and foreign income tax offsets | (116,270) |
| Differences between investment income recognised for accounting and income tax including capital gains tax (CGT) discount, unrealised gains and unrealised losses | (68,775) |
| Overprovision in prior year | (19,887) |
| Exempt pension investment income | (22,412) |
| Tax allocated to member funds | (6) |
| Income tax expense/(benefit) | 138,153 |

Reconciliation of income tax expense to income tax paid

The actual income tax we pay annually differs from the income tax expense shown in our annual financial statements.

This is mainly driven by how accounting standards and income tax law require us to recognise some items of income and expenses in different years.

The table below shows the difference between the amount of income tax expense in our financial statements and the income tax we paid for the 2023 financial year.

| Income year ended 30 June 2023 | Amount ('000) |
|---|----------------|
| Income tax expense as per the financial statements | 138,153 |
| Adjusted for tax effect of the following items: | |
| Tax on assessable contributions | 261,603 |
| Deductible insurance premiums | (15,258) |
| (Increase)/decrease in unrealised investment income | (212,122) |
| Increase in net accrued expenses | 477 |
| Add under provision of income tax relating to the current income year | 4,633 |
| Add over provision of income tax relating to the prior income year | 19,887 |
| Income tax paid as per the income tax return | 197,373 |

Identification of material temporary and non-temporary differences

Spirit Super is a complying super fund and is subject to the provisions of *Division 295* of the *Income Tax Assessment Act 1997*.

The material differences between the accounting treatment of an item and the tax treatment may be summarised as follows:

| Material items | Explanation |
|--|---|
| After-tax member contributions | Member contributions where a member doesn't claim an income tax deduction aren't included in the assessable income of the super fund. This is a permanent difference. |
| Benefits | Benefits paid by a complying super fund to members are non-deductible to the fund. |
| Rollover of tax-free and elements taxed in the fund | Rollover of components that consist of tax free and/or elements taxed in the fund aren't subject to tax in the transferee fund. |
| CGT discount | Complying super funds are entitled to claim a one-third CGT discount in relation to capital gains from CGT assets held for over 12 months. |
| Unrealised capital gains | A CGT event doesn't occur for income tax purposes until a complying super fund has disposed of the CGT asset (ie realisation). Accordingly, any movement in the unrealised gain (or loss) isn't subject to tax. |

| Material items | Explanation |
|----------------------------|--|
| Imputation credits | Complying super funds are entitled to refundable tax offsets for franking credits attached to franked dividends. |
| Foreign income tax offsets | Complying super funds may be entitled to non-refundable tax offsets for foreign tax withheld from foreign income, subject to a reduction to the extent the foreign tax relates to the one-third CGT discount, exempt current pension income or is reduced by the fund's foreign income tax offset cap. |

Accounting effective company tax rates for Australian and global operations (under AASB guidance)

Effective income tax rate

Our effective tax rate is calculated as total income tax expense divided by the sum of net investment income.

The effective tax rate for net investment income is 5.67% for the year ended 30 June 2023.

Many factors can impact the effective tax rate, including long-term capital gains, franking credits, foreign income tax offsets and exempt current pension income.

| Income year ended 30 June 2023 | Amount (\$'000) |
|--|-----------------|
| Results from super investment activities before income tax expense | 2,436,684 |
| Total income tax expense based on income statement (as per financial statements) | 138,153 |
| Effective tax rate | 5.67% |

Tax on super contributions

The table below shows income tax expense on taxable contributions and the associated effective tax rate.

| Income year ended 30 June 2023 | Amount (\$'000) |
|---|-----------------|
| Gross super contributions received, including rollovers and government co-contributions | 2,225,906 |
| Total tax expense/(benefit) based on statement of member benefits (as per financial statements) | 246,317 |
| Effective tax rate (after adjustments for amounts that aren't tax deductible/non-assessable) | 11.07% |



Part B

- Approach to tax strategy and governance.
- Tax contribution summary for corporate taxes paid.
- Information about international related-party dealings.



Approach to tax strategy and governance

ATO guidance on tax risk management and governance

The ATO has released guidance to taxpayers in relation to their expectations of how trustees of complying super funds manage tax risk management and governance.

This guidance includes:

- The ATO *Tax risk management and governance review guide* (ATO Guide) (last updated 25 August 2022).
- The ATO *Governance over third-party data review guide* (ATO Supplementary Guide) (last updated 25 August 2022).

Our tax risk

In the case of Spirit Super, 'tax risk' is the risk that:

- we may be paying or accounting for an incorrect amount of tax (including both income and indirect taxes)
- the tax positions we adopt are out of step with the tax risk appetite that the Trustee Board of Directors (Board) have authorised or believe is prudent.

The Board is responsible for tax risk governance.

Ultimately, the Board is responsible for being aware of significant and complex tax matters and tax risks. The Board delegates this function to the *Finance, Audit and Compliance Committee*.

Our tax governance framework

In response to this ATO guidance, we have a documented tax governance framework in the *Tax Policy* and *Tax Risk Management Framework*.

To support the tax risk management, we have a *Tax Policy* and *Tax Risk Management Framework* that sets out how we apply, implement and manage tax practices and issues, including our objectives, strategic principles, and risk culture.

The tax risk management and governance framework has been implemented as part of the wider Spirit Super risk management framework. It adheres to the general risk management principles set out by Spirit Super.

Our Tax Policy

Spirit Super has a documented *Tax Policy* (latest version 23 November 2023).

The *Tax Policy* defines and communicates the approach to tax risk management and governance of Spirit Super, including risk appetite, governance parameters in relation to tax, and the key persons and their responsibilities in relation to tax risk management.

Our Tax Risk Management Framework

Spirit Super has a documented *Tax Risk Management Framework* (latest version 23 November 2023).

The *Tax Risk Management Framework* sets out the process to identify tax risks and the responsibilities and criteria for assessing and escalating tax risk.

Our tax management principles

As outlined in the above policy documents, Spirit Super has endorsed the following strategic tax principles, we:

- abide by all applicable tax laws, tax filing and tax payment obligations
- sustainably maximise returns within the risk appetite set by the Board
- achieve a high standard of integrity as a responsible taxpayer and good corporate citizen
- maintain open, honest, and cooperative relationships with all tax authorities
- sufficiently resource tax advisory and tax compliance activities
- strive to comply with the letter and 'spirit' of all applicable tax laws and regulations
- embed tax risk management into organisational culture and processes.

Our tax objectives

Our key objectives for tax governance are to:

- meet all our taxation obligations and compliance requirements in every jurisdiction we operate in
- pay the right amount of tax to relevant authorities for each form of taxation, noting we're required to reasonably minimise our tax liabilities without engaging in aggressive tax planning practices
- manage tax exposures to ensure after-tax investment returns (to the extent applicable) are maximised in relation to local and foreign taxes
- manage our tax affairs consistent with our risk appetite
- obtain a high level of assurance from the ATO for any reviews and assurance activities.

Engagement with tax authorities

Spirit Super is a participant in the ATO's top 1,000 combined assurance program.

This program forms part of the ATO's 'justified trust' initiative, which seeks to obtain greater confidence that Australia's largest taxpayers (including super funds) are paying the right amount of tax.

Tax contribution summary for corporate taxes paid

Income tax paid

As a complying super fund, we're subject to tax on Australian taxable income.

| | |
|---|----------------------|
| Income tax paid for the year ended 30 June 2023 | \$197,373,000 |
|---|----------------------|

Foreign tax paid

We have investments in offshore jurisdictions. We may be subject to tax in these jurisdictions, typically by withholding on income and/or gains.

| | |
|--|---------------------|
| Foreign tax paid for the year ended 30 June 2023 | \$22,145,000 |
|--|---------------------|

PAYG withholding tax withheld

We're required to withhold pay-as-you-go (PAYG) withholding tax from certain payments made, including certain payments made to employees and certain benefits paid to members.

| | |
|--|---------------------|
| PAYG withholding tax withheld for the year ended 30 June 2023 – in relation to employees | \$10,031,000 |
| PAYG withholding tax withheld for the year ended 30 June 2023 – in relation to benefits paid to members | \$16,229,000 |

Other taxes – FBT, GST and payroll tax

In addition to the above Australian and foreign income taxes, we're also subject to the following:

- fringe benefits tax (FBT) – in relation to the provisions of fringe benefits to employees
- goods and services tax (GST) – in relation to the making of taxable supplies
- state and territories payroll tax (payroll tax) – in relation to the employment of employees in various states and territories.

| | | |
|--|--------------------------------|-------------------------|
| FBT paid for the year ended 30 June 2023 | \$206,000 | |
| GST paid for the year ended 30 June 2023 | \$2,394,000¹ | |
| Payroll tax paid for the year ended 30 June 2023 | State or territory | Payroll tax paid |
| | Australian Capital Territory | \$234,000 |
| | New South Wales | \$160,000 |
| | Victoria | \$276,000 |
| | South Australia | \$33,000 |
| | Queensland | \$114,000 |
| | Western Australia | \$9,000 |
| | Tasmania | \$1,485,000 |
| | Northern Territory | \$5,000 |
| | Total | \$2,316,000 |

¹**Note:** We pay GST on taxable supplies and receive input taxed credits or reduced input taxed credits on GST incurred. This total is the net of these two amounts.

Information about international related-party dealings

Non-investment international related parties

Spirit Super doesn't have any non-investment related international related parties.

Investment international related parties

Spirit Super may establish investment vehicles outside of Australia to allow international investments to be held on behalf of members.

Some of these vehicles are considered to be international related parties for income tax purposes. Any such international related-party dealings are entered into strictly for commercial reasons only.



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