

TelstraSuper is Australia's largest corporate profit-for-members superannuation fund, with a proud history of providing quality products and services for members. It is open to current and former employees of the Telstra group and Telstra approved employers and eligible members of their families. The Telstra Group includes Telstra, Foxtel, Sensis and other associated Telstra companies.

The Tax Transparency Code (TTC) is a set of principles and 'minimum standards' developed by the Board of Taxation to guide the public disclosures of tax information. They are mainly designed for large corporate, multinational taxpayers to enhance the public's understanding of their tax contribution and compliance to Australia's tax laws. However, it is also open to other large taxpayers on a voluntary basis.

The TelstraSuper Board is committed to the highest standard of tax governance and takes governance, disclosure and transparency seriously. It has chosen to elect into the regime voluntarily. This report for the period ended 30 June 2019 makes the disclosures recommended within the TTC.

We welcome the opportunity to provide this report to detail the amount and types of taxes TelstraSuper contributes. We consider tax transparency and governance to be vital in delivering best practice service to our members.

The financial information included in the report is the total of taxes across the TelstraSuper entities.

About TelstraSuper

TelstraSuper was established in 1990 and in 2019 had approximately \$21b in assets invested on behalf of over 95,000 members. The fund has defined benefit, accumulation and allocated pension divisions within the fund.

It offers a broad range of investment options including MySuper, diversified options, and single asset class options. The fund also offers a direct investment platform that enables members to invest in term deposits and shares on the ASX 300.

The fund owns a subsidiary financial planning business which is able to provide a range of financial advice services to the fund's 95,000 members.

At TelstraSuper we value showing:

- Integrity and respect
- One team
- For our members
- Empowerment with Accountability
- Community focus

in everything we do. We are keen to demonstrate this in the tax strategy and governance detailed in the sections below.

TelstraSuper's approach to tax strategy and governance

At TelstraSuper we consider tax risks from a legislative, compliance and business management perspective.

We strive to:

- Identify tax risks
- Establish and maintain an effective tax control environment
- Comply with taxation law in all relevant jurisdictions
- Ensure tax positions are reasonably arguable
- Consider market reputation and tax consequences when setting investment strategy and making investment decisions
- Consider the after-tax returns to members
- Communicate with relevant stakeholders

We manage our tax risk under our Tax management policy (the 'Policy'). This identifies the fund's key tax processes, risks, and controls. It is based on our current operations and tax profile and documents our tax policies and processes.

The Policy notes that our tax risk appetite is rated as 'Undesirable'. This means that preventative controls are in place to ensure potential errors and omissions are identified before they are finalised, processed or submitted. As an example, the income tax return of the fund is reviewed by an external tax agent prior to lodgement each year. Our policy is to seek external taxation advice on any uncertain matters identified during the year.

The Policy is approved by the Board, and the tax controls framework is overseen by the Audit Risk and Compliance Committee (ARCC) as the delegate of the Board.

TelstraSuper is committed to maintaining an open and transparent relationship with revenue authorities, and does not enter into positions that are tax driven, artificial or contrived.

TelstraSuper, like many other institutional investors in Australia, invests in a wide range of countries. It also invests through low or nil tax jurisdictions. The fund uses a variety of vehicles such as multi-investor collective investment vehicles. These structures are a very common part of global investing. It allows us to build a diversified portfolio and access opportunities alongside other investors in an efficient way.

TelstraSuper uses these structures in a conservative way for legal, tax and commercial reasons to enhance the fund's efficiency, investment performance and to satisfy our risk management policies. In doing so, TelstraSuper explicitly rejects tax avoidance or evasion.

When investing in any entity, including entities established in these jurisdictions, the Trustee undertakes strict due diligence. This ensures that the structures utilised are efficient, legal, and that the fund pays all taxes that it is obliged to pay.

At the same time, this ensures that TelstraSuper meets its obligations to members by ensuring that the fund does not pay more tax than necessary (e.g. though double taxation or inefficient structures).

As of 30 June 2019, TelstraSuper invested in a number of entities located in the Cayman Islands, as well as a smaller number located in the British Virgin Islands, Bermuda or Guernsey. These included investments in hedge funds and private equity entities.

Tax contribution

The following table details the amount of taxes paid by TelstraSuper entities in relation to the 2019 tax year in Australia.

Tax Type	\$ million
Income Tax	33
Goods and Services Tax	5
PAYG withholding	14
Fringe benefits tax (under 1m)	
Total	52

The following table includes the taxes that were paid by TelstraSuper in the 2019 tax year in foreign countries.

Tax Type	\$ million
Income Tax — investments	16

Reconciliation of accounting profit to income tax expense

The table on the following page details a reconciliation of TelstraSuper's accounting profit to income tax expense showing the effective tax rate of the fund in relation to its operations/ investment activities.

	\$ million
Profit from operating actives	1,341
Income tax at 15%	201
Add/(Subtract) tax adjustment	
Net imputation and foreign tax offsets	-119
Exempt pension investment income	-42
CGT discount impact	-33
Other differences accounting to tax	-6
Adjustments in respect to the previous years income tax	-9
Income Tax expense (refund)	-8
Effective tax rate	-0.6%

In addition to the tax on investments, the fund also paid tax on contributions per the table below.

	\$ million
Gross contributions financial statements	1,488
Less internal transfers	-438
Gross contributions – external	1,050
Less member and other non-taxable contributions	-512
Taxable contributions	538
Tax on taxable contributions	81
Effective tax rate on external contributions	7.7%

Reconciliation of income tax expense to income tax paid

	\$ million
Income tax expense	-8
Add: Tax on contributions	81
Deductible insurance premiums	-6
Other member related (under 1m)	
Unrealised income and gains/losses on investments	-39
Over provision from current year	-10
Under provision from prior year	15
Income tax paid/payable for 2018-19	33

International related party dealings

TelstraSuper's international related party dealings are limited to owning and transacting in international investments including equities, private equity and fixed interest securities on behalf of our members. All transactions are completed on an arm's length basis.



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