

# 2021 Voluntary Tax Transparency Report

Across the countries in which we operate, we contribute directly to the economy by paying taxes, money which is then used by governments to provide public services and amenities for the benefit of the wider community.

ANZ's tax disclosures meet the requirements of the Australian Board of Tax, Voluntary Tax Transparency Code (TTC). We have prepared our tax transparency disclosures in this report in conformance with the TTC.

In 2021, ANZ global net taxes borne amounted to \$3,235 million (2020: \$2,303 million). ANZ also directly remitted an additional \$3,654 million (2020: \$3,643 million) in taxes which were collected (primarily relating to GST/VAT and employee remuneration) on behalf of and paid to the governments of the countries in which we operate.

## Total taxes borne by ANZ Group (A\$ million)

	2021	2020
<b>Income Tax Expense Consisting of:</b>		
Australia	1,890	1,063
New Zealand	692	499
APEA	167	226
	<b>2,749</b>	<b>1,788</b>
Unrecovered GST/VAT	283	294
Employee related taxes	167	181
Other taxes/duties	36	40
<b>Total tax payments borne<sup>1</sup></b>	<b>3,235</b>	<b>2,303</b>

<sup>1</sup> Includes discontinued operations.

ANZ operates in 32 markets globally through branches and subsidiaries. We have nine subsidiaries in countries which the Australian Taxation Office (ATO) classifies as 'specified countries' (i.e. tax havens). These subsidiaries operate in countries in which ANZ holds a banking licence and are used as part of banking activities. They have been fully disclosed to the ATO.

*The Major Bank Levy Act 2017* (the levy) was introduced in 2017, effective from 1 July 2017. We have determined that the levy represents a finance cost for the bank and is included as a component of net interest income. This is presented within interest expense in the Income Statement, available in the 2021 Annual Report at [anz.com/annualreport](http://anz.com/annualreport) and amounts to \$346 million.

## OUR TAX STRATEGY AND GOVERNANCE FRAMEWORK

ANZ operates under a global tax governance policy which is overseen by the Board Audit Committee and states that our tax affairs are managed in accordance with the Group's low-risk appetite and a philosophy based on an open and transparent relationship with revenue authorities. The policy covers all taxes, associated credits and tax attributes. Under the policy, the Board Audit Committee ensures that there is a framework in place to keep them informed about tax risk matters, the effectiveness of the tax control framework and whether tax paid aligns with business results.

As part of our tax governance framework, we have implemented compliance policies, procedures and programs to ensure continued adherence with the tax laws in all the countries in which we operate. Tax compliance is a fundamental part of business practices of ANZ and our controlled entities. ANZ undertakes periodic internal tax control testing and reports this to the Board Audit Committee.

ANZ's tax culture and business practices are consistent with ANZ's values and aspirations. ANZ does not enter into any arrangements that are designed to avoid or reduce the tax that we or our customers and partners owe. The tax governance and tax transfer pricing governance policies are publicly available at [anz.com/corporategovernance](http://anz.com/corporategovernance).

In our two largest markets we have been party to an Annual Compliance Arrangement (ACA) and Cooperative Compliance Arrangement (CCA) with the Australian and New Zealand Federal Tax Regulators respectively for a number of years. Where possible, ANZ has sought to agree Advanced Pricing Arrangements (APAs) regarding the tax treatment of our International Related Party Dealings. These arrangements continue to be effective in demonstrating ANZ's focus on corporate governance standards, tax risk management processes and comprehensive disclosure.

## AUSTRALIAN TAX TRANSPARENCY

In line with Australian legislation requiring the ATO to publish specific income tax return data of corporate tax entities that report a total income of \$100 million or more, the following table provides further transparency on our 2020 Australian income tax return data.

	Total <sup>2</sup> (A\$ million)
<b>30 September 2020</b>	
Total Income <sup>3</sup>	21,742
Taxable Income <sup>4</sup>	5,375
Tax payable <sup>5</sup>	1,580

<sup>2</sup> As expected to be reported by the ATO when published. <sup>3</sup> Total Australian income before all expenses (e.g. Interest expense, employee costs, depreciation etc). This amount includes exempt income, other non-assessable income and foreign source income. <sup>4</sup> Taxable income represents assessable income derived from all sources less allowable deductions incurred in gaining that income. <sup>5</sup> The 2020 tax liability includes tax offset reductions of \$33M relating to foreign income tax offsets.

## INTERNATIONAL RELATED PARTY DEALINGS

ANZ provides a broad range of banking and financial products and services to individual and business customers in multiple geographic markets. In the course of serving our customers across the markets in which we operate, transactions take place which give rise to International Related Party Dealings (IRPDs) with offshore branches and subsidiaries.

The main IRPDs that impact ANZ are set out below.

- **Funding** – To support normal business operations, namely to facilitate customer lending and to meet regulatory capital requirements, ANZ related parties may undertake cross-border short and long-term funding transactions.
- **Service Centre support** – To obtain cost, risk management and enhanced customer service advantages, ANZ locates Service Centres in India, the Philippines, China and Fiji to provide support services to other ANZ related parties.
- **Support and Technology Services** – Business support, operations and technology functions are centralised principally in Australia, and provide support to multiple ANZ related parties.
- **Derivatives and related activities** – ANZ's Markets line-of-business operates in a truly global derivative market, and consequently, ANZ related parties will engage in derivative sale and trading arrangements with other ANZ related parties.

Consistent with the principles of the ANZ Tax Transfer Pricing Governance Policy, ANZ's IRPDs are conducted in a manner consistent with Australian taxation law and international taxation norms, including applying the 'arm's length principle'.<sup>6</sup> ANZ does not use transfer pricing as a means to shift income, costs or profits to/from tax-preferred countries.

The main counterparties ANZ Australia deals with are branches and subsidiaries located in New Zealand, Singapore, the United Kingdom, Hong Kong, the United States and India. Each counterparty has its own significant local country business presence, a large workforce of employees and economic substance.

ANZ maintains contemporaneous documentation supporting the pricing of international related party dealings, which complies with local country documentation requirements. International requirements for transfer pricing reporting under Country by Country Reporting legislation are also followed, supporting the global exchange of information between Australia and other countries.

## VOLUNTARY TAX TRANSPARENCY

	2021 AU\$ million			
	Australia	New Zealand	APEA	Total
<b>Profit before income tax (PBT) from continuing operations<sup>7</sup></b>	5,624	2,492	820	<b>8,936</b>
Prima Facie income tax expense based on local statutory tax rate	1,687	698	208	<b>2,593</b>
<b>Permanent differences</b>				
Share of associates' profit/(loss)	53	0	0	<b>52</b>
Disposal of ANZ share investing	75	0	0	<b>75</b>
Interest on convertible instruments	44	0	0	<b>44</b>
Other	(15)	1	(17)	<b>(30)</b>
<b>Income tax expense relating to current year liability</b>	<b>1,844</b>	<b>699</b>	<b>191</b>	<b>2,734</b>
<b>Temporary differences (movement)</b>				
Collectively assessed allowances for expected credit losses	(221)	(24)	0	<b>(245)</b>
Individually assessed allowances for expected credit losses	(47)	(14)	(4)	<b>(65)</b>
Other provisions	(13)	(18)	3	<b>(28)</b>
Software	130	42	0	<b>172</b>
Other	(5)	65	39	<b>99</b>
<b>Total temporary differences (movement)</b>	<b>(156)</b>	<b>51</b>	<b>38</b>	<b>(67)</b>
Other adjustments impacting current tax payable <sup>8</sup>	(50)	(1)	0	<b>(51)</b>
<b>Current year income tax payable from continuing operations<sup>9</sup></b>	<b>1,638</b>	<b>749</b>	<b>229</b>	<b>2,616</b>
<b>Total income tax expense (ITE)</b>				
Income tax expense relating to current year liability	1,844	699	191	<b>2,734</b>
Prior year adjustments to amounts provided	4	(4)	(16)	<b>(16)</b>
Other	49	(3)	(8)	<b>38</b>
<b>Total income tax expense from continuing operations<sup>7</sup></b>	<b>1,897</b>	<b>692</b>	<b>167</b>	<b>2,756</b>
Effective Tax Rate (ITE/PBT)	33.7%	27.8%	20.4%	<b>30.8%</b>
Statutory Tax Rate	30.0%	28.0%	Various	

<sup>6</sup>. All IRPDs must be priced as if the related parties were acting at arm's length. In essence the pricing determined should be equivalent to that found in a normal commercial pricing arrangement between non-associated parties. <sup>7</sup>. Consistent with the Income Statement of 2021 Annual Report which is reported on a continuing basis. Geography split is based on a legal view. <sup>8</sup>. Represents estimated tax offsets. <sup>9</sup>. Australian current tax payable including discontinued operations is expected to amount to \$1,631 million.