



# TAX TRANSPARENCY REPORT

2023

ASC



## Introduction

ASC Pty Ltd (ASC) has adopted the Board of Taxation's voluntary Tax Transparency Code (TTC) issued in February 2016. This Tax Transparency Report provides:

- an overview of ASC's business operations and its wholly-owned subsidiaries (the ASC Group);
- ASC's approach to tax strategy, risk management and tax planning; and
- information on tax payments made by ASC during the financial year.

ASC is subject to various taxes across its Australian locations, including Corporate Income Tax, Payroll Tax, Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). ASC also collects Pay As You Go (PAYG) withholding in respect of personal income tax on employees' behalf.

Consistent with last year's report, ASC has provided both:

- the minimum disclosures required as a "large business" under the TTC; and
- the optional disclosures in relation to other Australian taxes and imposts paid to Government, and Government imposts collected by ASC on behalf of others, which are contained in the "Taxes paid" section of the Australian tax contribution summary in this document.



# 1. Summary of Tax Policy, Tax Strategy and Governance

## Overview of business operations

ASC has proudly served as Australia's sovereign submarine builder and sustainer for more than 35 years. The company's naval design, project management, supply chain, construction and engineering resources are unparalleled within Australia's defence industry.

With a highly skilled workforce of more than 1,900 employees in South Australia and Western Australia, ASC is a trusted partner to the Royal Australian Navy, its suppliers and original equipment manufacturers.

ASC is a proprietary company limited by shares registered under the *Corporations Act 2001 (Cth)* and is subject to the *Public Governance Performance and Accountability Act 2013 (Commonwealth)* (PGPA Act). All the shares issued in the capital of ASC are owned by the Commonwealth of Australia (through the Minister for Finance).

ASC and its wholly-owned Australian subsidiaries formed an income tax consolidated group under the tax consolidation legislation effective from 1 July 2002. As a consequence, these entities are subject to income tax as a single entity and the company lodges a consolidated income tax return with the Australian Taxation Office (ATO).

## Tax strategy

ASC's approach to taxation aligns with the ASC Group's business strategy, code of conduct and values. As a Government Business Enterprise, ASC is governed by the PGPA Act and Guidelines.

Strongly held corporate values are an important element of the strategic framework that underpins ASC. The company promotes its "PRIDE" values of Protect, Respect, Integrity, Discipline and Excellence, and this supports ASC's open and honest communication with its stakeholders and the public on financial reporting and taxation matters.

ASC is committed to conducting its tax affairs in line with these corporate values through the application of the following tax principles:

- To comply with tax laws, tax filing and tax payment obligations in all jurisdictions.
- To pay tax in all jurisdictions of operation as required by legislation.
- To act with a high standard of integrity as a responsible taxpayer and good corporate citizen.
- To maintain open, honest, and cooperative relationships with all tax authorities.
- To not tolerate any practices that rely on secrecy or concealment of any information from any tax authorities.
- To embed risk management principles and practices into its organisational culture and processes.
- To focus on what is good for ASC and its stakeholders, not only for today but for the future.

## Approach to risk management and governance arrangements

ASC has developed a Board approved Tax Risk Governance Framework to guide the way in which the ASC Group manages its taxation obligations. The ASC Board is responsible for corporate governance, which is monitored against performance at each Board meeting. The Board is committed to risk management as an integral part of ASC's business and has established an Audit Committee to ensure that financial compliance is effective. Tax risks are managed by the Board and the Audit Committee as part of this overall Tax Risk Governance Framework.

ASC seeks to comply with and observe all applicable rules and regulations of all the jurisdictions it operates in and to maintain open, honest and cooperative relationships with all tax authorities.

### **Attitude towards tax planning**

Tax decisions will be made at all times in a manner consistent with ASC's overall strategy.

ASC will apply due professional care and judgement when considering tax planning or initiatives. Transactions will only be undertaken which relate to the commercial needs of the ASC Group. Due consideration is given to ASC's reputation, brand and corporate social responsibilities when considering tax planning or tax initiatives. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from external advisers to support the decision-making process.

### **Accepted level of risk in relation to taxation**

The Board adopts a conservative approach when considering different tax options in order to mitigate any potential taxation risks.

ASC has a tax governance and risk management system in place, which manages tax risk in line with the enterprise-wide risk management framework. Tax risks are identified, assessed and managed in accordance with Board-defined thresholds and risk appetite.

ASC complies with and observes all applicable tax laws and regulations of all the jurisdictions in which it operates.

### **Approach to engagement with the ATO**

ASC maintains a professional, collaborative and transparent relationship with the ATO. It is this relationship that has allowed ASC to successfully undertake various ATO early-engagement reviews and Top 1000 tax performance program assurance reviews in prior years.

Where management considers appropriate, ASC will engage with the ATO to obtain formal guidance (including private binding rulings) in relation to the tax consequences of complex or non-routine transactions, or where there is uncertainty in the application of tax legislation.

### **International related party dealings summary**

ASC has no dealings with international related parties.







## 2. Australian Tax Contribution Summary

### Taxes paid

	<b>June 2023 \$'000</b>	<b>June 2022 \$'000</b>
Corporate tax <sup>1</sup>	17,074	6,840
Indirect taxes net of recoveries <sup>2</sup>	44,605	31,625
Employer payroll taxes <sup>3</sup>	14,255	11,804
Employee withholding taxes <sup>4</sup>	73,951	58,376
FBT <sup>5</sup>	155	126
<b>Total taxes paid</b>	<b>150,040</b>	<b>108,771</b>

All amounts above relate to the ASC Group, which includes ASC Pty Ltd, ASC AWD Shipbuilder Pty Ltd and ASC OPV Shipbuilder Pty Ltd.

<sup>1</sup> Corporate income tax paid to the ATO.

<sup>2</sup> Net amount of GST paid to the ATO.

<sup>3</sup> Payroll taxes paid to State Revenue Authorities.

<sup>4</sup> PAYG withholding from employee remuneration paid to the ATO.

<sup>5</sup> FBT paid to the ATO.

### Australian corporate income tax payable

The following table reconciles the current income tax expense account as reported in the Profit and Loss to the income tax payable disclosed in the Balance Sheet.

	<b>June 2023 \$'000</b>	<b>June 2022 \$'000</b>
Income taxes payable at the beginning of the financial year	9,087	(127)
Less: income tax paid during the year as per cash flow	(17,074)	(6,840)
Prior year adjustments	76	(38)
Income taxes payable (i.e. current income tax expense) for current financial year	14,811	16,092
<b>Total tax payable as reported in the Balance Sheet</b>	<b>6,900</b>	<b>9,087</b>

The net income tax paid during the financial year includes:

- monthly instalments paid in accordance with legislation to the ATO for the 2022-23 financial year of \$17,146,000<sup>6</sup> (2022: \$8,797,000);
- no final estimated balancing payment for the 2022-23 financial year upon lodgement of ASC's consolidated tax return (2022: nil final balancing payment); and
- a final payment/(refund) of (\$72,000) for the 2021-22 financial year (2021: (\$1,957,000)).

<sup>6</sup> Comprised of the June 2022 monthly income tax instalment relating to the 2021-22 financial year (paid in July 2022, totaling \$9,235,000) and the July 2022 to May 2023 monthly income tax instalments relating to the 2022-23 financial year (paid in August 2022 - June 2023, totaling \$7,911,000).

Total tax payable as reported in the Balance Sheet of \$6,900,000 reflects:

- ASC's estimated income tax liability for the 2022-23 financial year of \$6,900,000. This will be settled by paying the June 2023 income tax instalment (which was paid in July 2023) and paying a balancing payment (if required), which is due on 1 December 2023 in respect of the 2023 consolidated income tax return.

## Reconciliation of accounting profit to income tax expense

ASC's consolidated accounting profit for the 2022-23 financial year attributable to the shareholders was \$21,524,000 (2022: \$20,293,000), after provision for income tax expense of \$9,295,000 (2022: \$8,761,000). This is reconciled to profit before tax in the table below:

	<b>June 2023 \$'000</b>	<b>June 2022 \$'000</b>
Profit from continuing operations before income tax expense	30,819	29,054
Income tax expense	(9,295)	(8,761)
Profit attributable to shareholders	<u>21,524</u>	<u>20,293</u>
Income Tax calculated at 30%	9,246	8,716
Tax effect of non-temporary adjustments	49	45
<b>Income tax expense</b>	<b><u>9,295</u></b>	<b><u>8,761</u></b>
Represented by:		
Current tax expense	14,887	16,054
Deferred income tax expense	(5,592)	(7,293)
<b>Income tax expense</b>	<b><u>9,295</u></b>	<b><u>8,761</u></b>

## Reconciliation of income tax expense to income tax payable

ASC's consolidated income tax expense for the 2022-23 financial year was \$9,295,000 (2022: \$8,761,000). This is reconciled to income tax payable in the table below:

	<b>June 2023 \$'000</b>	<b>June 2022 \$'000</b>
<b>Income tax expense</b>	<b>9,295</b>	<b>8,761</b>
Movements in temporary differences	5,592	7,293
<b>Expected income tax payable</b>	<b>14,887</b>	<b>16,054</b>
Tax payments during the year	(7,911)	(7,005)
Adjustments to current tax of prior periods	(76)	38
Income tax payable – current year	<b>6,900</b>	<b>9,087</b>
Income tax payable / (refundable) – prior year	-	-
<b>Total income tax payable</b>	<b><u>6,900</u></b>	<b><u>9,087</u></b>

## Material temporary and non-temporary differences

### Temporary differences

ASC's material temporary differences mainly relate to:

- right-of-use assets;
- lease liabilities;
- contract balances;
- employee benefits;
- project-recognised profit; and
- property, plant and equipment.

### Non-temporary differences

ASC's non-temporary differences relate to:

- non-deductible entertainment expenses; and
- non-deductible expenditure in relation to overseas permanent establishments.

### 3. Effective Company Tax Rate

ASC's effective corporate tax rate has been calculated by dividing the income tax expense by profit before tax, as set out in the table below:

	<b>June 2023 \$'000</b>	<b>June 2022 \$'000</b>
Profit from continuing operations before income tax expense	30,819	29,054
Income tax expense as reported in the Profit and Loss	9,295	8,761
<b>Effective corporate tax rate</b>	<b>30.16%</b>	<b>30.15%</b>

ASC's 2023 Australian effective corporate tax rate is 30.16% (2022: 30.15%). This is different to the corporate tax rate due to tax adjustments arising from the impact of non-deductible entertainment, novated leases non-deductible depreciation, and expenditure in relation to overseas permanent establishments.

ASC's 2022 effective corporate tax rate of 30.15% was different to the corporate tax rate due to tax adjustments arising from the impact of non-deductible entertainment and consulting expenses.





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