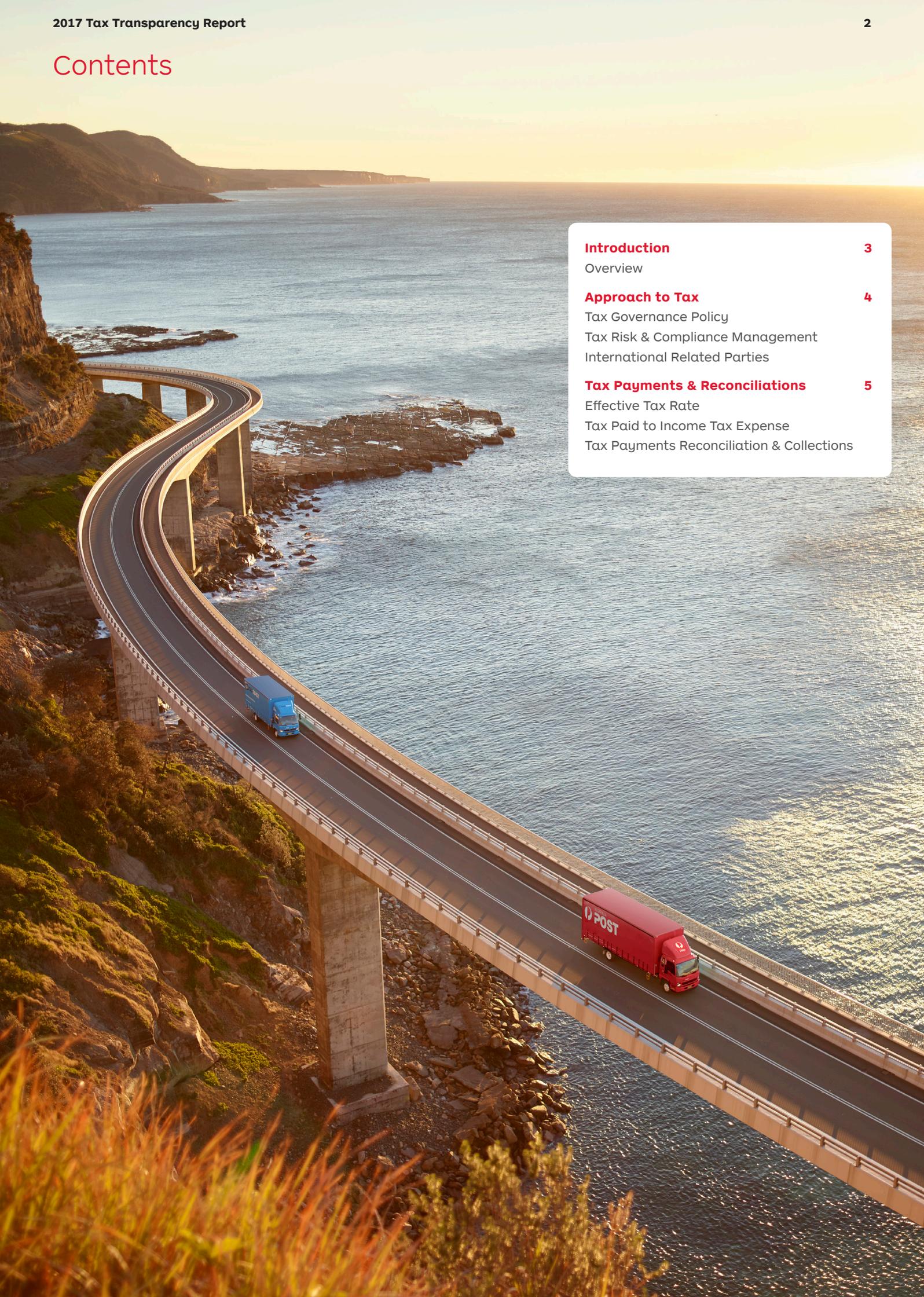




2017 Tax Transparency Report



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Introduction



The Australia Post Group is committed to strong tax governance practices. This Tax Transparency Report is published on a voluntary basis as part of our commitment to improved tax disclosure and includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code (TTC). The TTC is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. The TTC was developed by the Board of Taxation and endorsed by the Government in the 2016-17 Federal Budget.

Overview

We manage our taxation affairs in accordance with the Enterprise Risk & Compliance Management framework. The Australia Post Group Tax Governance Policy outlines the framework and methodology for applying a risk based approach to managing our taxation affairs and relationship with revenue authorities. We maintain a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. We are committed to providing our stakeholders, customers and communities with transparent disclosure of our tax affairs, including information about tax payments made in various tax jurisdictions. We currently have a risk rating as a “Key Taxpayer” for Income Tax and GST and a “Lower Risk” rating for excise under the Australian Tax Office (ATO) Risk Differentiation Framework.

Providing Greater Tax Transparency

This Tax Transparency Report aims to supplement the tax disclosures made in the 2017 Australia Post Annual Report and complies with the standard of disclosure expected of ‘large businesses’ under the TTC. This report includes information in relation to our approach to tax governance and tax risk management. Additionally, this report provides information on our accounting effective tax rate, international related party dealings and taxes paid to, and collected on behalf of Federal and State governments.

Improving Everyday

We continue to review our tax transparency reporting and implement stakeholder feedback together with industry and regulatory developments. We look to maintain and help develop best practice in tax transparency reporting to better serve the communities in which we operate.

Basis of Preparation

Tax payments are presented on a cash paid basis for the year ended 30 June 2017 for all operations across all countries. However, the Tax Transparency Report excludes tax payments made by those entities that are accounted for as equity investments within the Australia Post Group consolidated Financial Statements.



Approach to tax



In pursuing the Australia Post corporate strategy, we abide by our Tax Governance Policy to ensure full and transparent compliance with all taxation obligations.

Tax Governance Policy

The Australia Post Tax Governance Policy operates as part of the wider Board-approved Enterprise Risk & Compliance Management Framework.

Tax Governance Principles

The core drivers of the Australia Post Tax Governance Policy are:

- **Maintain full compliance** – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates;
- **Maximise shareholder value** – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy;
- **Manage risk** – we will maintain documented policies, procedures and positions in relation to tax-risk consequences of business strategy within the Corporation's Enterprise Risk and Compliance Management Framework, taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the Group Chief Financial Officer and EGM Finance and Commercial Services where material;
- **Maintain openness and transparency** – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with Australia Post's Tax Code of Conduct;
- **Build assurance** – we will provide the Board, Managing Director & Group CEO, Group Chief Financial Officer & EGM Finance and Commercial Services, senior management and other key internal and external stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.

Tax Risk & Compliance Management

We apply a risk based approach to key activities in the corporate tax function. We adopt a strong control framework to identify, mitigate and control tax risks and refrain from undertaking aggressive tax planning. We proactively manage our business and tax affairs in accordance with the Tax Governance Policy.

In-line with the ATO Risk Rating, we strive to maintain collaborative and trusted relationships with the ATO and other revenue authorities and we are committed to full compliance and transparent disclosure with respect to all our tax affairs. We participate in an annual Pre-Lodgement Compliance Review Program with the ATO and continue to adopt real-time communication with tax authorities.

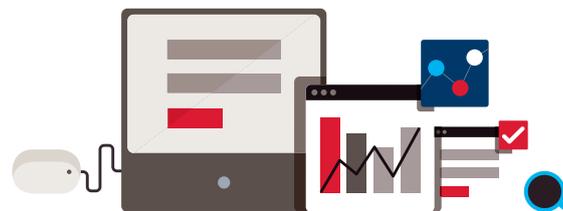
International Related Parties

We have been investing in partnerships that strengthen our warehousing and international freight-forwarding capabilities in various international markets as part of our strategy for future growth as an eCommerce business with a focus on the burgeoning Asian market.

As part of this strategy, some of our subsidiary and joint-venture businesses are based offshore. Our dealings with these international related parties are conducted in a manner consistent with the arm's length principle and reflects the commercial nature of the transactions. We will continue to cement our capabilities in cross-border logistics and pursue international acquisitions and partnering opportunities to help our customers do business internationally.



Tax Payments & Reconciliations



The following contributions and collections of taxes and duties have been made to Federal and State Governments during the 2017 income year.

Income Tax Expense Reconciliation

	\$m
Accounting profit / (loss) before income tax	126.1
At the Australian statutory tax rate (30%)	37.8
Adjustments relating to prior years	1.4
Capital gains and losses	(10.2)
Sundry items	1.7
Income tax expense / (benefit) reported	30.7

Effective Tax Rate

	\$m
Profit from ordinary activities before income tax expense	126.1
Less: Post-tax share of results of equity accounted investments	(6.5)
(A) Adjusted profit before income tax expense	119.6
(B) Income tax expense	30.7
Effective tax rate (B/A)	26%

Reconciliation of income tax expense to current tax liability

	\$m
Income tax expense / (benefit) in the consolidated income statement	30.7
Add/(subtract)	
Deferred tax assets charged to income	(19.3)
Deferred tax liabilities charged to income	28.3
Over/(under) provision in prior years (current and deferred tax)	(1.4)
Current tax expense included in income tax expense / (benefit)	38.3
Add/(subtract)	
Tax payments made to tax authorities	(0.7)
Tax refunds from tax authorities	3.8
Net opening balance carried forward	43.4
Other	0.4
Net current tax liability / (asset)	85.2

Tax Payments & Collections on Behalf of Governments Taxes & Duties Paid

	\$m
Income Tax	1.2
Payroll Tax	139.8
Fringe Benefits Tax	6.6
Land Tax	17.8
Stamp Duty	0.1
Total	165.5

Taxes Collected on Behalf of Governments

	\$m
GST Collected	613.0
PAYG Withholding Collected	480.5
Total	1,093.5

Property

Over more than 200 years of operation, we have established one of the largest and most diverse property portfolios in Australia. Given our history, many of our properties were established prior to the introduction of capital gains tax (CGT) in September 1985, and as such, are generally not subject to taxation when disposed of. This consequently reduces our effective tax rate. In FY17, the effective tax rate would have been 5 percentage points higher if gains on pre-CGT properties were subject to taxation. The difference will vary from year to year depending on the level of pre-CGT disposals.



