

Tax Transparency Report

30 June 2020



Introduction to the Code

The Voluntary Tax Transparency Code (the Code) is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. The Code was developed by the Board of Taxation and endorsed by the Federal Government.

Adoption of the Code is voluntary and intended to encourage greater transparency and to enhance the community's understanding of the corporate sector's compliance with Australia's tax laws.

Although superannuation funds are not companies, they are significant taxpayers. As such, superannuation funds have also been encouraged to voluntarily adopt the Code.

State Super has adopted a corporate governance framework and the State Super Board upholds the highest standards of tax governance. In this light, State Super has chosen to support the principles of the Code through voluntary adoption of the Code and to publish a Tax Transparency Report every three years.

This report for the period ended 30 June 2020 makes the disclosures recommended in the Code (Part A and Part B).

State Super is a "large taxpayer" for the Code

State Super is one of Australia's largest superannuation schemes with 100,000 members and \$42 billion in assets (as at 30 June 2020).

State Super is the Trustee of the State Authorities Superannuation Scheme (SASS), State Superannuation Scheme

(SSS), Police Superannuation Scheme (PSS) and State Authorities Non-contributory Superannuation Scheme (SANCS). The assets of all four schemes have been combined into the STC Pooled Fund. The STC Pooled Fund is a single taxpayer and lodges one income tax return for the STC Pooled Fund.

State Super is considered a "large taxpayer" for the purposes of the Code.

Part A of the Code

Reconciliation of accounting profit to income tax expense

The table provides a reconciliation of accounting profit to income tax expense for the year end 30 June 2020.

	\$ million
Profit/(loss) from operating activities	(1,770)
Prima facie income tax expense / (benefit) at 15%	(266)
Change in tax expense/(benefit)	
Assessable investment income	285
Pension related investment income	(405)
Tax credits	(101)
Net change in defined benefit member liabilities	363
Under/(over) provision of tax benefit in prior years	(7)
Income tax expense	(131)

Source: State Super Financial Statements

Reconciliation of income tax expense to income tax paid

Actual income tax paid in respect of the financial year ended 30 June 2020 was \$232 million with the differences set out in the below table.

	\$ million
Income tax expense	(131)
Add: Tax on contributions	335
Deductible insurance premiums	(24)
Unrealised income and gains/losses on investments	43
Over provision from current year	3
Over provision from prior year	7
Income tax paid	233

Effective tax rate

Superannuation funds are subject to tax on their taxable income at the flat rate of 15%.

The effective tax rate will differ to the 15% due to the following differences between the accounting treatment and the tax treatment of the following items:

- Non-assessable member contributions;
- Non-assessable investment income relating to pension members;
- Deductions for insurance premiums;
- CGT discounting;
- Refundable franking credits; and
- Non-deductible benefits paid to members.

The effective tax rate for State Super for the year ended 30 June 2020 was 7.4%.

Part B of the Code

Approach to tax strategy and governance

The Board is ultimately responsible for the management of tax risks and understands the importance of good tax governance.

The Board has approved and upholds the principles of State Super's Tax Risk Management Policy (TRMP). The purpose of the TRMP is to ensure tax positions taken are in line with State Super's risk

appetite as compliant and supportable by tax law.

The key principles set out in the policy include:

- Compliance with tax legislation, ATO requests and tax related obligations in a timely manner.
- Maintaining a tax risk profile in relation to tax matters and tax authorities that is consistent with State Super's risk appetite.
- Management of third-party service providers to ensure oversight and responsibility of tax matters rests with State Super.
- Management of State Super's reputational risk in respect of tax positions adopted.
- Only "reasonably arguable" tax positions are implemented.

State Super manages its tax obligations with the relevant authorities, including the ATO in an open and compliant manner.

State Super continues to be committed to paying all tax liabilities and meeting all tax related obligations, including withholding tax obligations, in a timely manner.

Reliance on third party tax information

As is typical for a superannuation fund, State Super is reliant on third party data to meet its various tax obligations.

State Super relies on its custodian, investment managers and administrator and understands that accurate and timely third-party information is important in determining the correct amounts of contribution income, investment income and gains, deductions and tax offsets are reported to the appropriate authorities.

The State Super TRMP sets out controls and processes designed to reduce the risks associated with reliance on third party data.

Tax contribution

Summary of taxes paid – Australia

The below table outlines taxes paid or payable for the 2020 financial year by State Super in Australia.

Tax type	\$ million
Income tax	232.7
GST	0.684
FBT	0.011
PAYG Withholding Tax - Benefits	25.9
PAYG Withholding Tax - Salaries	2.4
Total	261.7

The below table includes taxes paid by State Super in foreign countries for the 2020 financial year.

Regions	\$ million
Australia	261.7
International	17.4
Total	279.1

International related party dealings

State Super's international related party dealings are limited to investment in international assets including equities and fixed interest securities on behalf of our members.

End.