

QSuper Group Tax Transparency Report

For the year ended 30 June 2021



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Introduction

The QSuper Board is committed to the highest standards of governance.

This year, the QSuper Group¹ contributed approximately \$1.5 billion of taxes on behalf of our members in Australia. In addition, the QSuper Group pays taxes all over the world through our global investment activities.

The Tax Transparency Code (TTC) is a set of principles and 'minimum standards' developed by the Board of Taxation to guide the public disclosure of tax information. For large organisations such as the QSuper Group, it is designed to:

1. Encourage public disclosure of our tax affairs and in particular, highlight that we are paying our fair share; and
2. Ensure we are transparent and help educate the public about our compliance with Australia's tax laws.

The QSuper Group supports the TTC and is pleased to publish its fifth Tax Transparency Report in respect of the year ended 30 June 2021. While adoption of the TTC is voluntary, QSuper recognises the importance of transparent disclosure and welcomes the opportunity to provide our members and other interested parties with insight into:

- The tax strategy that the QSuper Board pursues
- The governance arrangements that the QSuper Board has implemented and follows in pursuit of that strategy
- The substantial extent to which QSuper and its members contribute to taxes paid in Australia and elsewhere.

We have prepared this report in accordance with the TTC and have also adopted disclosures on the proposed new minimum standards as recommended in the Board of Taxation's 2019 *Consultation Paper – Post-Implementation Review of the Tax Transparency Code*. All information is sourced from internal and external data, such as Custodian reports and QSuper's audited *Annual Report 2021*. Disclosures contained in this report have been reviewed by an external tax adviser and endorsed by the QSuper Board.

Above all, this report provides a clear picture of how much tax we pay in Australia and overseas. All amounts are specified in Australian dollars and are set to the nearest million dollars.

About the QSuper Group

QSuper is an Australian regulated superannuation fund with more than \$133 billion in funds under administration. From humble beginnings over a century ago, today we manage the retirement savings of more than 620,000 members, making us one of the largest superannuation funds in Australia.² The Australian Prudential Regulation Authority (APRA) approved QSuper's application for a Registrable Superannuation Entity (RSE) Licence on 9 July 2009 and for a MySuper authorisation on 12 July 2013.

Prior to 1 July 2017, membership in QSuper was restricted to current and former Queensland Government employees and their spouses. However, following State legislation changes, QSuper is now open to everyone. QSuper is a profit-for-member fund and exists solely for the benefit of its members. Our members are at the heart of everything we do and our values are at the heart of our organisation. As an organisation, the QSuper Group is united by our values and driven to support QSuper members' financial wellbeing through to retirement and beyond. Our values and culture underpin decisions we make and guide our behaviours. Our differentiating values drive our performance, enhance our reputation, build on our heritage and position us for the future.

We strive to help each of our members make the most of today, because we know what we do creates an impact for 620,000 lifetimes. We do this through access to our financial education and advice, personal member services, unique investment philosophy, and award-winning products (see qsuper.qld.gov.au/awards).

The QSuper Group includes a range of diverse superannuation fund services, including the financial advice business QInvest. We manage much of our end-to-end administration and investments in-house, and five years ago we launched QInsure, our own registered life insurance company, providing QSuper members with a tailored insurance offer.

We are proud of our heritage and the contribution we make to public finances through the appropriate payment of tax, not only in Australia, but in all countries in which we invest.

For the year ended 30 June 2021, the QSuper Group paid approximately \$1.5 billion in taxes and duties to governments, with the vast majority paid here in Australia.

¹ When we say 'we' or 'us' or 'our' and 'the QSuper Group', we're referring to the QSuper Board, QInvest Limited (QInvest) (ABN 35 063 511 580, AFSL and Australian Credit Licence 238274), QInsure Limited (QInsure) (ABN 79 607 345 853, AFSL 483057) and QSuper Limited (ABN 50 125 248 286, AFSL 334546), unless the context we're using it in suggests otherwise. QInvest, QInsure and QSuper Limited are ultimately owned by the QSuper Board as trustee for QSuper.

² Australian Prudential Regulation Authority (APRA), Annual Fund-level Superannuation Statistics, June 2020 edition (reissued 26 March 2021).

Tax strategy and governance

Tax strategy

The QSuper Board has a fiduciary obligation to act in the best financial interest of the members of the Fund and pursues organisational strategies consistent with that obligation. In addition, the QSuper Board has a statutory obligation to have regard to expected tax consequences when developing investment strategies. Therefore, our tax strategy seeks to ensure that we pay the right amount of tax due under a reasonable interpretation of tax laws. The QSuper Board considers this approach meets its regulatory obligations as a taxpayer, as well as its fiduciary obligation to maximise the value of members' superannuation account balances over time. The Fund's tax strategy balances these two elements.

QSuper invests members' money across a diverse range of asset classes, geographic locations, and structures. Legal structures adopted can vary depending on asset type and location, and are implemented to manage risk and maximise post-tax returns for our members. Typically, QSuper will establish an entity or entities in a foreign location in order to acquire investment assets in that location. For example, QSuper has established a considerable number of entities in the United States of America in respect of its extensive real estate and infrastructure assets in that country. QSuper has also established or invested in entities located in countries with low effective income tax rates, including Jersey, Guernsey, and Luxembourg.

The QSuper Board does not sanction tax structures that are not supportable under the law. When undertaking offshore investments, QSuper does not seek to shift profits to low tax rate jurisdictions or rely on secrecy provisions in any foreign locations to hide income or gains. QSuper typically invests in a limited number of entities in low tax rate jurisdictions, in order to access investments offered by collective investment vehicles. These vehicles are common investment structures established by overseas investment managers to aggregate equity capital from investors around the world and invest for a specific purpose. Aggregating funds in these locations means that no income tax is paid in the location where the funds are aggregated, but tax will generally be payable where the underlying asset and economic activity is located, as well as in the investor's home country, which in QSuper's case is Australia.

Tax governance

In line with the ATO's best practice framework, the QSuper Board has established and endorsed a Tax Governance Policy.

The purpose of the Tax Governance Policy is to establish a framework within which the QSuper Group's tax liabilities are managed from an operational and risk management perspective. The Tax Governance Policy has, at its heart, the objective of ensuring the tax positions that the QSuper Group takes are valid and supportable, and that we undertake appropriate levels of third party review, including consultation with revenue authorities. In line with the QSuper Board's desired level of tax risk appetite, the QSuper Group undertakes all reasonable efforts to ensure that tax positions taken provide at least a Reasonably Arguable Position (RAP), which provides significant protection against tax shortfall penalties.

The QSuper Group's Tax Governance Policy clearly defines tax risk identification, escalation, and mitigation processes, including appropriate levels of opinion and sign-off for particular tax matters, and the situations when external advice should be sought. The QSuper Board is regularly consulted on tax matters in line with the Tax Governance Policy.

The QSuper Group regularly reviews its Tax Governance Policy to ensure our processes and procedures operate effectively to manage tax risk.

Relationship with regulators

QSuper seeks to maintain an open and transparent relationship with its regulators by:

- Proactively engaging regulators on significant tax issues
- Providing regulators with required information on a timely basis
- Working with regulators in an open and constructive manner to resolve any issues.

Due to QSuper's size, contribution to Australia's tax system, and an increased focus on specific tax issues, the ATO has categorised QSuper as a Top 100 taxpayer. QSuper is also a participant in the ATO's Top 100 Justified Trust Program. Under the Top 100 program, QSuper works closely with the ATO to provide objective evidence that would lead a reasonable person to conclude that a particular taxpayer paid the right amount of tax.

International related party dealings

QSuper's international related party dealings are limited to transactions between investment entities set up to facilitate investments made on behalf of our members. These related party transactions are either debt or equity, and are always structured on arm's length terms. QSuper has no other international related party transactions.

Tax contribution

The QSuper Group is a significant contributor to government revenue in Australia. QSuper pays over \$900 million of tax annually in respect of superannuation contributions we receive from members. We also pay significant levels of income tax and duties in respect of investment returns and insurance premiums.

Summary of taxes paid – Australia

The following table outlines taxes paid or payable for the 2021 financial year by the QSuper Group in Australia:

Tax type	\$ million
Income tax – Fund	1,222.2
Income tax – Corporate	6.0
GST (non-recoverable)	9.3
FBT	0.04
Payroll tax	9.6
Duties	27.1
Levies	4.8
PAYG withholding tax (benefits – on behalf of members)	82.2
PAYG withholding tax (salaries – on behalf of employees)	48.5
Total	1,409.7

Summary of taxes paid – by region

In addition to the taxes paid in Australia, the following table also outlines taxes paid or payable for the 2021 financial year by the QSuper Group in relation to investments held directly in overseas entities or through overseas investment structures described in the Tax Strategy on page 2:

Regions	\$ million (AUD)
Australia	1,409.7
North America	38.1
Europe	21.1
Asia	10.1
South America	3.8
Other	0.7
Total	1,483.5

Income tax reconciliations

Reconciliation of accounting profit to income tax expense

The TTC requires a reconciliation of accounting profit to the income tax expense disclosed in QSuper's financial statements for the year ended 30 June 2021. The reconciliation is outlined below:

	\$ million (AUD)
Results from superannuation activities	14,080
Prima facie income tax expense/(benefit) at the tax rate of 15%	2,112
Imputation and foreign income tax offsets	(154)
Exempt pension income	(472)
Difference between accounting and taxation treatment on investment income	(412)
Notional deduction for self-insurance	(22)
Non-deductible expenditure/Other	(18)
Income tax expense/(benefit)	1,034
Effective tax rate	7.34%

Key items to note are:

1. Effective tax rate has been calculated as income tax expense/(benefit) divided by results from superannuation entities.
2. The effective tax rate of 7.34% relates mainly to tax on net investment revenue. It includes tax exempt earnings on assets supporting Income Accounts, tax offsets for franking credits received and the 1/3rd capital gains tax discount applicable to capital gains derived from assets held for more than 12 months.
3. The Net Contribution Revenue is no longer included in the income statement (above), as Australian Accounting Standards no longer require it be included. As such, we have separately calculated the effective tax rate in respect of contributions below, as follows:

	\$ million
Gross contributions	9,865
Less: Member and other non-taxable contributions (incl. deductions relating to contributions)	(3,750)
Taxable contributions	6,115
Tax on taxable contributions at 15%	917
Effective tax rate on gross contributions	9.3%

Reconciliation of income tax expense to income tax payable and income tax paid

The TTC also requires participants to disclose a reconciliation of the differences between income tax expense disclosed in the 2021 financial statements and actual tax paid in the 2020-21 financial year. The reconciliation for QSuper is as follows:

	\$ million (AUD)
Income tax expense	1,034
Add tax effect of:	
Taxable contributions	917
Taxable contributions (prior year)	5
Unrealised capital (gains)/losses on investments	(1,058)
Unrealised income (gains)/losses on investments	316
Accrued franking credits and foreign income tax offsets	8
Income tax payable in the 2021 financial year	1,222
Balance of 2020 income tax liability paid	218
Balance of 2021 income tax liability to be paid	(415)
Income tax paid in the 2021 financial year	1,025



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The information in this report and QSuper products are issued by the QSuper Board (ABN 32 125 059 006, AFSL 489650) as trustee for QSuper (ABN 60 905 115 063).

When we say 'we', 'us', 'our', 'QSuper', or the 'QSuper Group' we are referring to the QSuper Board, QSuper Limited (ABN 50 125 248 286) ("QSL"), and QSuper Asset Management Pty Ltd (ABN 67 608 694 471) ("QAM"). QSL and QAM are ultimately owned by the QSuper Board in its capacity as trustee for QSuper, unless the context we are using it in suggests otherwise.

We have put this information together as general information only so keep in mind that it does not take into account your personal objectives, financial situation or needs. You should consider whether the product is appropriate for you by reading a copy of the product disclosure statement (PDS) and the Target Market Determination (TMD) before making a decision. You can download the PDS and the TMD from qsuper.qld.gov.au or call us on 1300 360 750 to request a copy.

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