

Aware Super Tax Transparency Report

For the year ended
30 June 2022



Aware Super

About Aware Super

As one of Australia’s largest profit-for-members superannuation funds, we always remember whose money it is and whose future we’re looking after. Our members. As at 30 June 2022, we held over \$145 billion in retirement savings for more than 1.09 million members, including more than \$30 billion in retirement assets. Our members are the people who inspire what we do and how we do it, every day. We know the impact our work can make for our members, and for the communities in which they live, work and retire.

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Introduction

The taxation of Australia's superannuation system

The Australian superannuation system is a vital component of Australia's retirement income system and supports Australians in saving for their retirement. To encourage Australians to save for retirement and maximise compounding returns to ensure adequate retirement savings, superannuation funds are generally taxed at a concessional tax rate of 15%.

The Australian tax system applies a unique set of rules to tax superannuation entities in the following phases (based on current law):

Contributions paid into Aware Super from an untaxed source, such as employer contributions are generally taxable to Aware Super at 15%.¹ Generally, no contributions tax is applied to member contributions made from after tax sources or rollovers received from other superannuation funds.

Investment earnings are generally taxable to Aware Super at 15% if the investment earnings relate to investments supporting members in the accumulation phase. Tax concessions such as the capital gains tax discount, franking credits and foreign tax offsets generally reduce the effective tax rate for Aware Super. Investment earnings generated by Aware Super for members in the retirement phase are generally not subject to tax, however, franking credits may be claimed in connection with these earnings.

Benefits paid to members are generally not taxable to Aware Super. However, Aware Super may be required to withhold tax on certain benefit payments paid to members. The amount of tax withheld depends on a number of factors specific to each member including the member's age and type of benefit paid.

Tax Transparency Code

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

The Tax Transparency Code was developed by the Board of Taxation in February 2016 at the Government's request to increase tax transparency and community confidence that the largest taxpayers are paying the right amount of tax.

The adoption of the Tax Transparency Code is voluntary and intended to complement Australia's existing transparency measures. As one of Australia's largest superannuation funds, Aware Super is supportive of the Tax Transparency Code and its aim to encourage greater transparency and enhance the community's understanding of the compliance with Australia's tax law by large taxpayers.

Aware Super is a voluntary participant of the Tax Transparency Code and has signed up to the Tax Transparency Code from the income year ended 30 June 2021 (**FY 2021**). We are pleased to issue our report under the Tax Transparency Code for the income year ended 30 June 2022 (**FY 2022**).

Aware Super has prepared this report in accordance with the requirements set out in the Tax Transparency Code published by the Board of Taxation.

As one of Australia's largest superannuation funds, Aware Super is supportive of the Tax Transparency Code and its aim to encourage greater transparency and enhance the community's understanding of the compliance with Australia's tax law by large taxpayers.



¹ Additional tax may be payable on contributions (32%) where members do not provide their Tax File Number (**TFN**) to Aware Super. Additionally, members may be subject to additional tax on contributions of 15% where they earn greater than \$250,000 in an income year.

Aware Super's Tax Contribution

1. Tax strategy, risk management and governance

1.1 Tax strategy

We are committed to putting members first by striving to deliver the strongest possible returns whilst ensuring that Aware Super pays the right amount of tax. Aware Super strives to reflect the values of our members to be a responsible taxpayer and good corporate citizen. We seek to maintain open and honest relationships with the Australian Taxation Office (**ATO**) and other tax authorities by complying with tax laws and filing obligations in all jurisdictions. We do not tolerate any practices that rely on secrecy or concealment of any information from any tax authority. We endeavour to act prudently to maximise members' returns sustainably and strictly within Aware Super's tax risk appetite.

1.2 Tax risk management and governance

To actively identify, manage and monitor tax risks that might impact on a secure source of retirement income for Aware Super's members.

Aware Super's strategic objective for tax risk management.

Aware Super has established a Tax Governance Framework to oversee the tax obligations and tax related decisions of Aware Super. The Tax Governance Framework follows the ATO's public guidance issued on tax risk management and governance.

Aware Super's Tax Governance Framework is approved by the Board of Aware Super Pty Ltd as trustee for Aware Super (**Board**). Aware Super's Audit, Risk and Compliance Committee is responsible for the oversight of tax risk management. To support Aware Super's Tax Governance Framework, we embed risk management principles and practices into our organisational culture and processes.

We believe that the Tax Governance Framework is critical to Aware Super's performance and complying with our tax obligations.

2. Tax contribution

This section details the tax contribution of Aware Super for FY 2022 per tax type and international region.

2.1 FY 2022 tax payments at a glance

Aware Super pays different taxes both to Australian and foreign tax authorities. This includes the relevant federal, state and territorial taxes that are applicable. The below table summarises the Australian and foreign tax contributions of Aware Super.

Tax Contribution per tax type	2022 \$'m (AUD)	2022 Percentage of total tax contribution %	2021 \$'m (AUD)	Driver
Australian income tax	1,115	80.9%	1,975	Australian investment returns, contributions and member-related benefits
Direct foreign taxes	129	9.4%	91	Foreign investment returns
PAYG withholding tax on employee salaries	57	4.1%	60	Employee salaries
PAYG withholding tax on superannuation benefits	51	3.7%	49	Benefit payments paid to members
Payroll tax	12	0.9%	12	Employee salaries
Net Goods & Services Tax paid/not recovered	14	1.0%	13	Acquisition of Goods and Services
Fringe Benefits Tax	1	0.1%	1	Employee benefits
Total	1,379	100%	2,201	

2.2 FY 2022 global tax contributions at a glance

To provide our members with strong long-term returns and manage our risks well, we invest in a broad range of listed and unlisted investment opportunities, both within Australia and offshore.

For our offshore investments, we seek to ensure we pay the right amount of tax in accordance with the tax laws and regulations of the country the investment is held in.

Our offshore investments include worldwide listed equities, managed investments and direct investments in private/consortium opportunities. Some offshore investment structures may include investment vehicles which are located in low tax jurisdictions. These vehicles are usually used for the purposes of pooling capital from Australian and global institutional investors and seek to ensure income from these pooled vehicles is tax neutral in the pooling jurisdictions and not taxed twice. Ultimately, the investment is generally subject to tax in the

country where the investment is located and all foreign income is brought back into the Australian tax net.

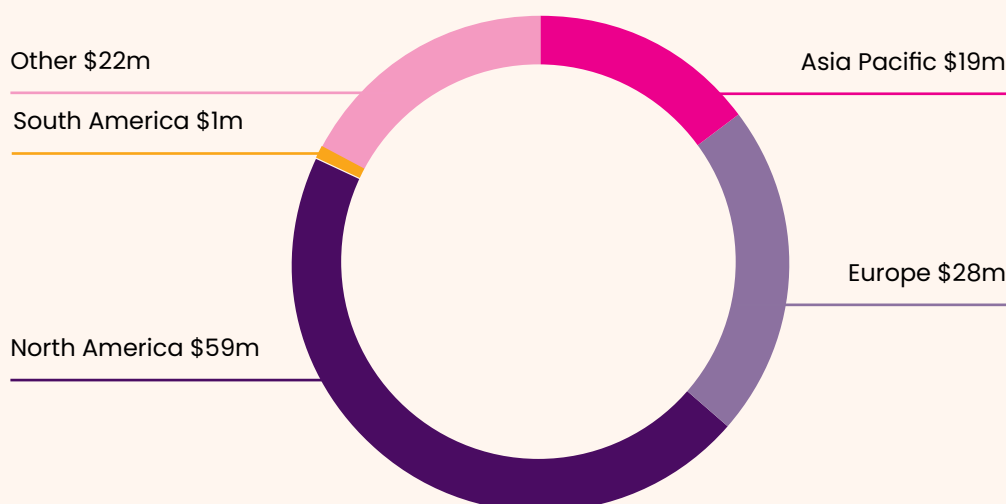
Aware Super is generally subject to tax in Australia on its income from offshore investments and Aware Super may be able to reduce its Australian tax for eligible foreign taxes paid in accordance with Australian tax law, which ensures the same source of income is not taxed twice.

To provide our members with strong long-term returns and manage our risks well, we invest in a broad range of listed and unlisted investment opportunities, both within Australia and offshore.



The graph below details the foreign taxes paid by Aware Super in various global regions for FY 2022.

Global tax contributions (excluding Australia) \$'m (AUD)



Note: The \$22m disclosed in "Other" includes the foreign taxes that were paid through external trust distributions and/ or collective investment vehicles, which are held by Aware Super.

3. A reconciliation of accounting profit to income tax expense and income tax expense to income tax paid

This section details the reconciliation of accounting profit to income tax expense and the reconciliation of income tax expense to income tax paid.

These reconciliations are calculated according to Australian accounting standards issued by the Australian Accounting Standards Board (**AASB**) and form part of Aware Super's financial statements for FY 2022.

The AASB accounting standards require superannuation funds to separately disclose in the financial statements an income statement (which relates to investments) and a statement of changes in member benefits (which relates to members' benefits). In this report, we provide separate tax reconciliations for the income statement and statement of changes in members' benefits.

3.1 Reconciliation of accounting profit to income tax expense

The reconciliation of accounting profit to income tax expense provides insight into Aware Super's accounting profit position, and the income tax expense for FY 2022 (as disclosed in Aware Super's audited financial statements) and sets out what the differences are between them. The reconciliation includes both Aware Super's investment income and changes in members' benefits and shows the effective tax rate.

Effective Tax Rate

The effective tax rate is calculated as total tax (expense)/benefit divided by the operating result before income tax.

Australian superannuation funds are generally taxed at 15%, however there are factors that may cause the effective income tax rate to be different from 15% such as:

- Eligible foreign tax credits (offsets) and franking credits;
- Differences in the treatment of certain items under Australian tax law as compared to Australian accounting standards (for example certain items may be assessable or deductible for tax purposes in a different year to when they are recognised for accounting purposes);
- Investment earnings that support member assets in the pension phase are generally exempt from tax;
- Complying superannuation funds may be eligible for a capital gains tax discount of 1/3 for assets held for at least 12 months. The capital gains tax discount reduces the effective tax rate for those assets to 10%;
- Most rollovers from other superannuation funds to Aware Super are not subject to tax; and
- Additional taxes may apply to contributions made to Aware Super if members have not supplied their TFN by the required timeframe under Australian tax law.

Aware Super's Australian effective tax rate was the same as its global effective tax rate because Aware Super did not maintain any international operations in FY 2022.

To encourage Australians to save for retirement and maximise compounding returns to ensure adequate retirement savings, superannuation funds are generally taxed at a concessional tax rate of 15%.



FY 2022 reconciliation of accounting profit to income tax expense

The table below sets out Aware Super's FY 2022 reconciliation of accounting profit to income tax expense (including any material differences) and the effective tax rate for FY 2022. It also sets out the comparative data for FY 2021.

	2022 Income statement (investments)	2022 Changes in members' benefits	2022 Total	2021 Total
	\$'m (AUD)	\$'m (AUD)	\$'m (AUD)	\$'m (AUD)
Operating (loss)/gain before income tax	(6,750)	12,880	6,130	34,322
Income tax benefit/(expense) calculated at 15%	1,012	(1,932)	(920)	(5,148)
Tax adjustments:				
Non-assessable investment income	(339)	0	(339)	690
Franking credits and foreign tax offsets	651	0	651	249
Tax exempt income supporting pension balances	47	0	47	691
Over/(Under) provision relating to the prior year	(53)	(25)	(78)	(21)
Non-deductible expenses	(208)	(7)	(215)	(118)
Other	49	0	49	8
Non-taxable member contributions	0	345	345	314
Non-taxable transfers in from other superannuation funds (rollovers)	0	599	599	977
Total tax benefit/(expense)	1,159	(1,020)	139	(2,358)
Effective rate of income tax (benefit)/expense (after adjustment for amounts which are not deductible/not taxable)	(17.17%)	7.92%	(2.27%)	6.87%

In FY 2022, Aware Super merged with Victorian Independent Schools Superannuation Fund (**VISSF**). The merger involved the rollover of member benefits from VISSF to Aware Super. The rollover of member benefits reduced Aware Super's effective tax rate as the rollovers from the merger were included in the operating result before income tax in the changes in member benefits but were excluded from the income tax expense because they were not subject to tax. These amounts are included in the adjustment of "Non-taxable transfers in from other superannuation funds (rollovers)" in the table above.

The adjustments of "Non-deductible expenses" and "Other" relates to the differences in the treatment of certain items under Australian tax law as compared to Australian accounting standards. For example, the adjustment includes expenses which were not deductible for tax purposes.

The effective tax rate for FY 2022 was significantly impacted by the periods of sharp market falls experienced in FY 2022 which resulted in net investment losses (as per the Operating (loss)/gain before income tax disclosed above). Higher levels of franking credits for FY 2022 also contributed to a lower effective tax rate for FY 2022 as compared to FY 2021.

3.2 Reconciliation of income tax expense to income tax paid

The reconciliation of income tax expense to income tax paid provides insight into the income tax paid to the ATO by Aware Super in FY 2022. The reconciliation of income tax expense to income tax paid sets out what the differences are between them.

Income tax expense included within the financial statements for a financial year is not the same as tax paid to the ATO for that year. This is because there are differences in the treatment of certain items under Australian tax law as compared to Australian

accounting standards (for example a tax provision is raised on unrealised gains on investments which is included in the income tax expense but generally only paid as income tax to the ATO when those investments are sold and the gains become realised). The reconciliation also includes over/under provisions relating to the prior year and current year as a result of updates to Aware Super's taxable income which Aware Super has been advised of subsequent to the preparation of the financial statements.

FY 2022 reconciliation of income tax expense to income tax paid

The table below sets out Aware Super's FY 2022 reconciliation of income tax expense to income tax paid.

The Australian income tax paid by Aware Super in FY 2022 was \$1,115m. In addition, a further \$0.2m of Australian income tax was paid by other related service entities of Aware Super. Section 2.1 of this report ('FY 2022 tax payments at a glance') discloses the total Australian income tax paid of \$1,115m by the Aware Super Group (inclusive of the tax contribution by related service entities of Aware Super and rounded to the nearest million).

	2022 Income statement (investments)	2022 Changes in members' benefits	2022 Total	2021 Total
	\$'m (AUD)	\$'m (AUD)	\$'m (AUD)	\$'m (AUD)
Income tax benefit/(expense)	1,159	(1,020)	139	(2,358)
Unrealised gains movement	(1,219)	0	(1,219)	574
Accrued income and expenses	(16)	0	(16)	(50)
Over/(Under) provision relating to the prior year	184	25	209	68
Over/(Under) provision relating to the current year	(210)	(18)	(227)	(204)
Income tax paid by Aware Super	(102)	(1,013)	(1,115)	(1,970)
Income tax paid by related service entities ²	0	0	0	(5)
Total income tax paid by Aware Super Group	(102)	(1,013)	(1,115)	(1,975)

² The Australian income tax paid by Aware Super in FY 2022 was \$1,115m and a further \$0.2m of Australian income tax was paid by other related service entities of Aware Super. The total disclosure of Australian income tax paid by the Aware Super Group has been rounded to the nearest million.

We're here to help

Contact us

Phone: 1300 650 873

Online: aware.com.au/contact



Important information

This is general information only and does not take into account your specific objectives, financial situation or needs. Seek professional financial advice, consider your own circumstances, read our product disclosure statement and target market determination before making a decision about Aware Super. Call us or visit our website for a copy. Issued by Aware Super Pty Ltd ABN 11 118 202 672, AFSL 293340, the trustee of Aware Super ABN 53 226 460 365. Financial planning services are provided by our financial planning business, Aware Financial Services Australia Limited ABN 86 003 742 756 AFSL No. 238430. Aware Financial Services Australia Limited is wholly owned by Aware Super.