

# Managing our tax affairs: for 2020–2021

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## Our approach to tax strategy and governance

We are committed to the highest standards of tax governance and compliance with the tax laws and obligations in the jurisdictions in which we operate. We pay tax consistent with our business presence and operations.

Our Tax Risk Management and Assurance Policy is reviewed and approved on a three-year cycle by the Audit and Risk Committee of the Board. It is also reviewed annually by the Policy Governance Committee as part of Telstra's group-level suite of policies. In accordance with this policy, we maintain a conservative tax risk profile. All transactions we enter into are based on commercial considerations. We do not take positions that are tax-driven, artificial or contrived, or that interpret a tax law beyond its spirit and intent. In keeping with this approach, we may contest tax rulings or interpretations of tax law where we believe we are correct (even if a revenue authority expresses a different view). Where appropriate, we minimise tax risk and uncertainty by obtaining sign-offs from revenue authorities. Material tax matters are regularly reported to the Audit and Risk Committee.

We seek to undertake real-time reviews of tax risks on all material transactions and are committed to continuous improvement of our tax compliance systems, processes and practices. We regularly provide tax training and seminars to relevant personnel and keep up to date with the latest tax developments and tax law changes.

We are committed to full transparency and disclosure in our dealings with revenue authorities. This open and cooperative approach includes regular interactions with the Australian Tax Office (ATO) pursuant to its annual Pre-lodgement Compliance Review process. The ATO categorises Telstra Corporation Limited as a "key taxpayer" for income tax and GST as part of its risk rating of the Top 100 public and multinational taxpayers.

In FY21, we had the following interactions with the ATO under the Top 100 Justified Trust program:

- We received our FY18 and FY19 Monitoring and Maintenance Assurance Report for income tax which maintains the "High" level of Justified Trust obtained in our FY17 Tax Assurance Report.
- We commenced our FY20 Tax Assurance Review, which will also include a review of our GST governance, including any enhancements made since our "Medium to High" rating in our first GST Streamlined Tax Assurance Report (for the period May 2017 to April 2018).

We apply the Australian Board of Taxation's Voluntary Tax Transparency Code and provide the recommended disclosures in this document, as well as in Note 2.4 of the Financial Statements in the [2021 Annual Report](#).

## Our Australian tax contribution

Telstra makes a significant contribution to Australian federal, state and local government tax revenues. During FY21, we:

- paid \$0.7 billion in Australian income tax<sup>1</sup>, \$0.2 billion in state payroll taxes and \$0.1 billion in other Australian federal, state and local government taxes
- remitted \$1.0 billion in net GST (after claiming input tax credits)
- remitted \$0.8 billion in Pay As You Go withholding tax deducted from salaries paid to employees.

### Our international related party dealings

We utilise our international telecommunications network (including submarine cables) to deliver telecommunications connectivity services and solutions to customers in 22 countries. Our substantial overseas operations are located in Hong Kong, Singapore, the Philippines, India, the UK and the US.

During FY21, our material transactions with our offshore subsidiaries included:

- paying and receiving fees for international connectivity
- paying for customer and network support services
- paying for global business services (i.e. information technology, data analysis and software engineering)
- paying and charging interest on cash balances used to fund our subsidiaries' day to day operations.

Our international related party transactions are based on commercial considerations and are undertaken in accordance with the Organisation for Economic Co-operation and Development (OECD) arm's length principles, supported by regular benchmarking.

We seek to comply with Australian and foreign transfer pricing tax laws and have met our filing obligations to the ATO, including country-by-country reporting.

<sup>1</sup> Income tax paid by Telstra Corporation Limited on behalf of the Australian tax consolidated group (Telstra Corporation Limited and its wholly owned Australian subsidiaries).