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# VOLUNTARY TAX TRANSPARENCY REPORT. FY 2016.





In this document you'll find detailed information about Frasers Property Australia's tax affairs including our attitude towards managing tax, our tax governance processes and how much tax we paid during the year ended September 2016.

# About Frasers Property Australia

Frasers Property Australia Pty Limited (FPA) is one of Australia's leading diversified property groups and is the Australian division of Frasers Centrepoint Limited. We have over 90 years' heritage in Australia, with our current activities covering the development of residential land, housing and apartments, commercial, retail and industrial properties, investment property ownership and management, and property management.

Frasers Centrepoint Limited (FCL) is a full-fledged international real estate company and one of Singapore's top property companies with total assets above S\$25 billion as at 31 December 2016. FCL is listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) and is also a sponsor and manager of four REITs listed on the SGX-ST.

Driven by a highly experienced team of people committed to delivering real places for real people, the core values of Frasers Property Australia and its people are passionate, authentic, dynamic and respectful

## Our contribution to the Australian economy

Frasers Property Australia's heritage began in 1924 with TM Burke Group, which evolved into the land and housing division of Hooker Corporation and then into Australand. In 2015 Australand adopted the Frasers Property brand, and began sharing the benefits of being part of a global property group with its customers.

Property touches the lives of all Australians, creating prosperity, jobs and strong communities. In our long history in Australia, we have delivered over 130,000 homes, and over 2 billion sqm of commercial, industrial and retail space. Property is Australia's largest industry and the nation's second largest employer. We currently have just over 650 staff, located in NSW, Victoria, Western Australia and Queensland, and we're quietly proud to play our part.

Naturally, sustainability is at the heart of our operations. We're proud to create places where resources are re-used, recycled and restored. We foster new ideas to support people and the planet, and undertake tangible initiatives to help people lead happier, healthier lives.

**FPA tax risk appetite & tolerance**

FPA's Risk Appetite & Tolerance Statement is a Statement endorsed by the Board and sets out the level of risk – including tax risk – which the group is prepared to accept. Overall, the statement provides that the group has no tolerance for a material tax risk.

FPA Board is also committed to ensuring that any non-routine transactions or arrangements undertaken by the group will be:

- ◆ Not tax driven and supported by genuine commercial activity;
- ◆ Supported by a reasonably arguable position where it is unclear how tax legislation would apply;
- ◆ Assessed in terms of the likelihood of contravening any tax anti-avoidance rules.

The FPA Board also has no tolerance for transfer pricing benefits to arise in respect of significant international related party dealings with any other Frasers Property group entities.

**FPA tax governance**

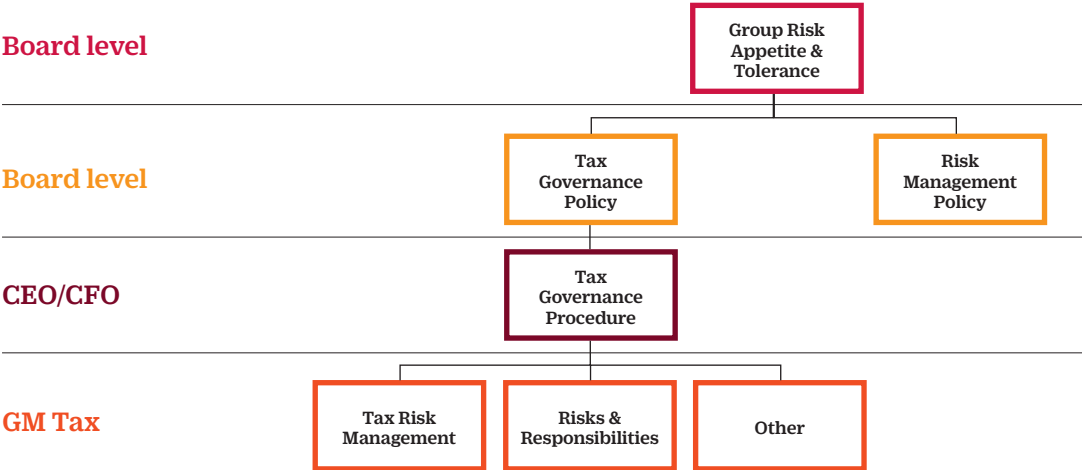
Our Board Tax Governance Policy sets out our tax strategy as follows:

- ◆ To comply with all State and Federal tax obligations and pay or account for the correct amount of tax
- ◆ To ensure that the tax positions that FPA adopts are consistent with what the FPA Directors authorised or believe is prudent
- ◆ To assess tax effective opportunities but ensure they are in line with the commercial objectives of the business and within the boundaries outlined in our Risk Appetite and Tolerance Statement
- ◆ To foster good relationships with State and Federal tax authorities through proactive management of FPA's tax affairs in 'real time' (where possible)
- ◆ To collaborate with our related parties in relation to international reporting obligations.

**Tax risk management**

FPA Board is also committed to the identification, assessment, monitoring and management of risks across the organisation – this process includes tax risk as one of the elements. The overall risk management process is governed by the Risk Management Policy and specific to tax, Senior Management developed the Tax Risk Management Procedure.

FPA's tax risk management and governance is depicted in the following diagram:



## Engagement with the ATO

Consistent with FPA's Tax Governance Procedure, we seek to engage with the Australian Taxation Office (ATO) on a 'real time' basis by actively engaging and being transparent.

## International related party dealings

FPA is part of a global group. Our related party dealings predominantly comprise of inbound loans.

FPA also sold interests in approximately AUD \$1.7bn portfolio of income producing real estate assets to FLT Australia Trust which is part of Frasers Logistics and Industrial Trust – a Singaporean Real Estate Investment Trust (REIT) listed on the Main Board of the Singapore Stock Exchange (SGX). The FLT portfolio sale was negotiated on an arm's-length basis with reference to multiple independent valuations.

All international related party dealings between FPA and its overseas related parties are risk assessed in accordance with the internationally recognised 'arm's-length principle' and in compliance with Australian transfer pricing laws supported by contemporaneous transfer pricing documentation.

## FPA Effective Tax Rate

FPA prepares consolidated financial account information in accordance with standards issued by the Australian Accounting Standards Board (AASB) and audited annually by an external independent auditor.

A high level summary of FPA's FY 2016 results is presented below:

	<b>\$m</b>
<b>A. Total Income</b>	1,217
<b>B. Total Expenses</b>	(885)
<b>C. Accounting Profit</b>	331
Add/Less: Adjustments required under Australian tax laws*	(121)
Permanent Differences	
♦ Tax consolidation	(21)
Temporary Differences	
♦ Net Property Dealings	(26)
♦ Depreciation	(46)
♦ Other	(28)
<b>D. Taxable Income/(Loss)</b>	210
<b>E. Accumulated losses applied</b>	(192)
<b>F. Adjusted Taxable Income/(Loss)</b>	18
<b>G. Tax Payable @ 30%</b>	5.4
<b>Effective Tax Rate – Note 1 below</b>	2%
<b>Adjusted Effective Tax Rate – Note 2 below</b>	19%

\* These adjustments represent the difference between accounting and tax treatment of various property developers' revenues and expenses. Permanent differences arise for example where there is no tax deduction but the expense may still be recognised for accounting purposes or vice versa. Temporary differences are created due to timing differences between accounting and tax treatment such as with depreciation whereby for tax purposes the depreciation may be recognised earlier than for accounting purposes. These differences contribute to the difference in the ETR and the AETR.

### Note 1: FPAs Effective Tax Rate (ETR)

The ETR is calculated in respect of tax payable (G) which relates to corporate taxes divided by accounting profit (C). FPAs ETR of 2% takes into account income tax deductions available under Australian income tax law and also a large amount of losses (E) accumulated throughout the Global Financial Crisis (GFC) that we applied in the current year to offset against taxable income (D).

**Note 2: FPAs Adjusted Effective Tax Rate (AETR)**

The AETR of 19% is the effective tax rate that would apply to FPA if we did not have such a significant amount of accumulated losses (E) to offset against our taxable income amount (D) on which the corporate tax rate of 30% applies.

**Total taxes paid**

During FY 2016 the FPA group paid over \$100.6 million in various taxes and levies in Australia at the State and Federal level.

A summary of the taxes paid by FPA is summarised below:

<b>Taxes Paid</b>	<b>\$m</b>
Corporate Taxes (refer to Note 1 below)	10.6
Employment Taxes (refer to Note 2 below)	46.7
State Taxes (refer to Note 3 below)	20.2
Net Goods & Services Tax (refer to Note 4 below)	15.4
Council Rates (refer to Note 5 below)	7.7
<b>Total Taxes Paid</b>	<b>100.6</b>

**Note 1: Corporate Taxes**

Corporate taxes in Australia are paid by companies on 'taxable profits' at the rate of 30%. The term 'taxable profits' refers to the accounting profit (i.e. total income less expenses) adjusted in accordance with the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 to arrive at the 'taxable income' that is taxed at the corporate rate of 30% (i.e. 'income tax'). This amount represents the Australian group's payments made in respect of the financial year from 1 October to 31 September 2016. This figure also includes withholding tax paid.

**Note 2: Employment Taxes**

Employment taxes include Payroll Tax, Pay-As-You-Go withholding, superannuation guarantee and Fringe Benefits Tax payments made by FPA on behalf of employees.

**Note 3: State Taxes**

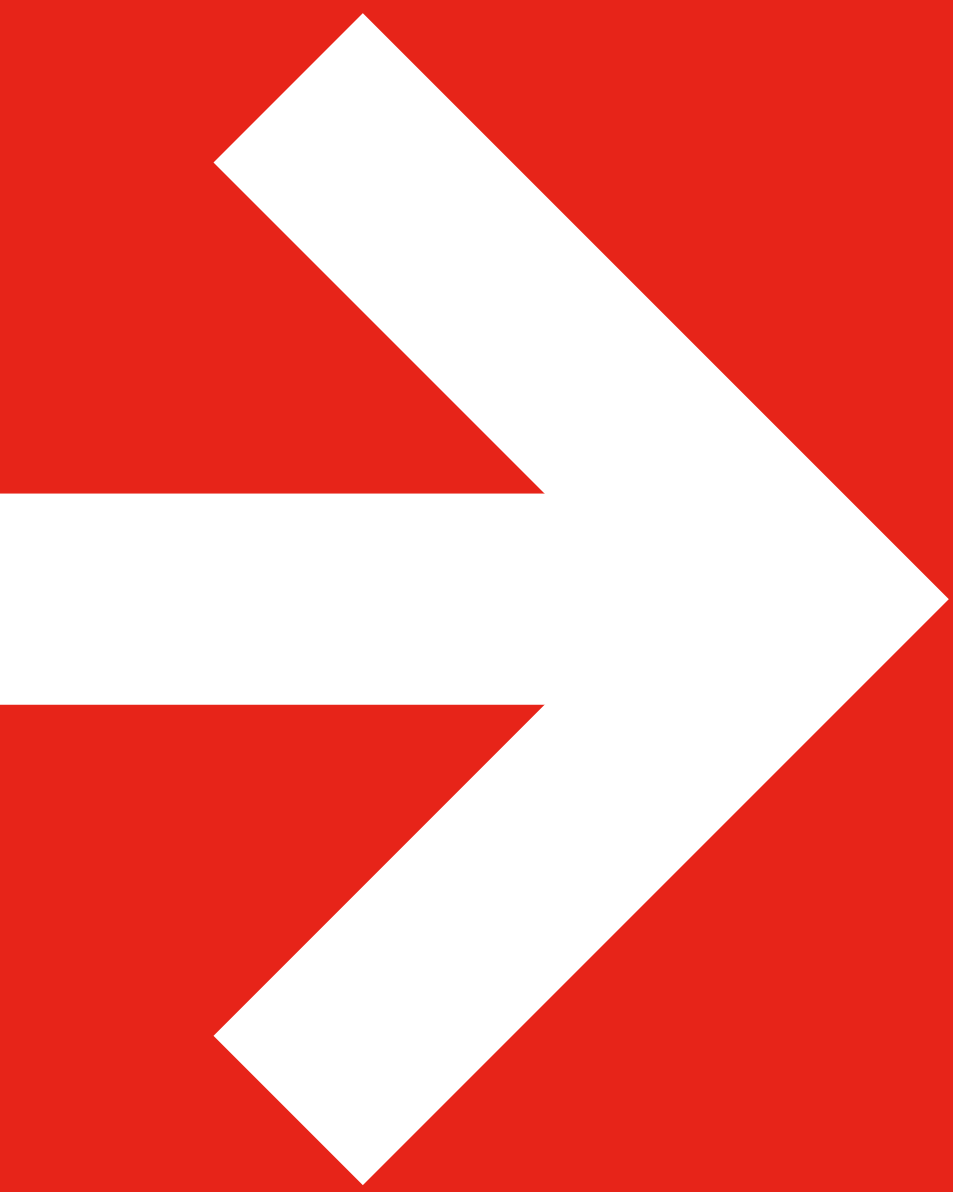
State taxes include Land Tax and Stamp Duty payable by FPA in each Australian State.

**Note 4: Net Goods & Services Tax (GST)**

The GST figure shown is the net GST amount paid by FPA. Net GST amount represents the GST collected on outputs (i.e. sales) less GST claimed on expenses.

**Note 5: Council Rates**

Council Rates are local government charges payable by FPA in respect of each development held around Australia.



## **FURTHER INFORMATION.**

If you require further information, please contact Corporate Communications:

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