Qantas Group

Voluntary Tax Transparency Code Report

Part A

Reconciliation of statutory profit to income tax expense & income tax payable

RECONCILIATION BETWEEN STATUTORY PROFIT/(LOSS) BEFORE INCOME TAX & INCOME TAX EXPENSE/(BENEFIT)	**Qantas Group**	
	2015 $M	**2016 $M**
Statutory profit/(loss) before income tax expense/(benefit)	**789**	**1,424**
Income tax (expense)/benefit using the domestic corporate tax rate of 30 per cent	**(237)**	**(427)**
Adjusted for non-temporary differences:		
Non-assessable dividends from controlled entities	10	1
Non-deductible share of net loss for investments accounted for under the equity method	(14)	-
Non-deductible losses for foreign branches and controlled entities	(7)	(6)
Utilisation of previously unrecognised foreign branch and controlled entity losses	5	6
Recognition and utilisation of previously unbooked capital losses	-	8
Non-assessable gain on disposal of property, plant and equipment	-	30
Write-down of investments	(2)	-
Other net (non-deductible)/non-assessable items	(4)	7
Prior period differences	20	(14)
Income tax (expense)/benefit	**(229)**	**(395)**
Accounting effective company tax rate	***29.02%***	***27.74%***
Adjusted for temporary differences:		
Inventories	(1)	1
Property, plant and equipment and intangible assets	247	18
Payables	2	(28)
Revenue received in advance	(25)	(64)
Interest-bearing liabilities	(14)	(16)
Other financial assets/liabilities	(49)	40
Provisions	41	(26)
Other items	(97)	49
Prior period differences	8	8
Temporary differences	**112**	**(18)**
Tax losses utilised @30%	**117**	**413**
Income tax payable	**-**	**-**

Qantas Group Tax Losses:

	2015 $M	**2016 $M**
Tax loss brought forward	(3,240)	(2,850)
Current year taxable income/(loss)	390	1,376
Tax loss carried forward	(2,850)	(1,474)

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Part B

The Qantas Group is committed to embedding risk management practices to support the achievement of compliance objectives and fulfil corporate governance obligations. Tax risk management is governed by both the Qantas Group Risk Management Policy and the Qantas Group Tax Risk Management Policy, ensuring corporate governance obligations with respect to tax risks are met.

The Qantas Group has paid all taxes that it owes and all tax compliance obligations are up to date. The Australian Taxation Office (ATO) has advised that the Qantas Group is a key taxpayer continuing to have a “low” likelihood of non-compliance. The ATO also acknowledged Qantas’ continued commitment to engage cooperatively and transparently to mitigate tax risks, including obtaining tax certainty on key transactions through the use of binding Private Rulings and entering into a multi-tax Annual Compliance Arrangement (ACA).

Tax treaties

Due to the operation of income tax treaties and specific rules dealing with airlines, the Qantas Group appropriately reports the majority of its income in Australia with only a small component being reported in foreign jurisdictions (for the purpose of determining liability to company tax). This effectively results in more than 99% of the Qantas Group profit being subject to taxation in Australia.

Corporate Taxes Paid

Income tax payable was less than 30% of the Qantas Group’s Statutory Profit Before Tax due to:

- Utilisation of carry forward tax losses that reduce taxable income; and
- Temporary differences which result in differences between taxable income which will reverse in future periods and Statutory Profit Before Tax, such as accelerated tax depreciation on aircraft (timing difference due to the Qantas Group making a significant investment in renewing its fleet in recent years that will reverse in future tax periods).

Contribution to Australia

While deductions for accelerated tax depreciation have lowered taxable income and consequently tax payments, the accelerated tax depreciation rules have operated as intended by encouraging significant capital and fleet investment by the Qantas Group over recent years. This has delivered substantial economic benefits to Australia through domestic and international tourism, employment, export facilitation and aviation’s broader economic value.

Furthermore, focusing on corporate income tax in isolation is an overly narrow view to economic contribution. The Qantas Group contributes significantly to the Australian economy (representing approximately 1% of Australia’s GDP) as highlighted in the Deloitte Access Economics report released in November 2016 relating to the economic contribution of the Qantas Group for the 2015/16 year by way of $11.5 billion ($6.8 billion direct and $4.7 billion indirect) while facilitating an additional $10.4 billion of tourism expenditure across Australia. The Qantas Group also collects and pays a range of taxes in Australia on its products and services totalling approximately $2.5 billion.

Taxes Paid/Collected – Tax Contribution Summary

The table below highlights the significant taxes paid/collected in both Australia and overseas:

	2015 $M	2016 $M
Australian Taxes		
Paid		
Corporate Tax – Australia	-	-
Payroll Tax	155	163
Fringe Benefits Tax	19	21
Other	4	4
Collected		
GST (collected and remitted)	1,270	1,251
GST (paid but reclaimed)	(1,036)	(1,002)
Personal Income Tax - Employees	712	787
Ticket Taxes, Fees and Charges [1]	1,157	1,243
Sub-total	**2,281**	**2,467**
Foreign Taxes		
Paid		
Corporate Tax - Foreign	2	3
Fringe Benefits Tax	1	1
Other	1	1
Collected		
VAT/GST (collected and remitted) [2]	28	29
VAT/GST (paid but reclaimed) [2]	(55)	(167)
Personal Income Tax - Employees	17	18
Ticket Taxes, Fees and Charges [1]	390	432
Sub-total	**384**	**317**
TOTAL	**2,665**	**2,784**

1 Passenger ticket taxes/fees/charges levied by domestic and international Government authorities and Airports
2 Overseas VAT/GST including New Zealand, United Kingdom, Singapore and Japan

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