

Report



Tax transparency report 2021



Financial year ended
30 June 2021

About this report

This tax transparency report discloses the tax contribution paid by Spirit Super for the financial year ended 30 June 2021. It includes the different types and amounts of taxes paid as well as the principles that guide our tax governance.

The report has been prepared in accordance with the *Tax Transparency Code* (the Code). The Code was developed by the Board of Taxation and administered by the Australian Taxation Office (ATO). It aims to encourage greater transparency and improve the public's understanding of how businesses comply with Australian tax legislation.

While the Code's requirements don't extend to super funds, we recognise the importance of transparent disclosure and would like to provide this information to members and other interested parties.

This report adopts the minimum disclosure standards recommended by the Board of Taxation's 2019 *Consultation Paper on the Post-Implementation Review of the Tax Transparency Code*. It hasn't been audited and doesn't form part of Spirit Super's financial statements.

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This Tax transparency report is issued by Motor Trades Association of Australia Superannuation Fund Pty. Limited (ABN 14 008 650 628, AFSL 238 718) the trustee of the Spirit Super (ABN 74 559 365 913).

Summary of terms

Unless otherwise stated, throughout this report:

- References to 'Spirit Super', 'the Fund', 'the Group', 'we', 'us', and 'our' refer to Spirit Super (ABN 74 559 365 913) and its controlled entities.
- References to a 'year' or 'financial year' are to the 12 months ended 30 June 2021.
- All dollar figures are expressed in Australian dollars (AUD).

About Spirit Super

Spirit Super is a profit-for-members industry super fund. We have approximately \$25 billion in funds under management and over 326,000 members Australia-wide.

As a public offer fund, we welcome members from all industries, jobs and life stages and take pride in providing outstanding service and great value for your super.

Spirit Super was born out of a merger between MTAA Super and Tasplan Super in April 2021.

MTAA Super was the successor fund in the merger, and all Tasplan Super assets and members were transferred to MTAA Super effective 1 April 2021. Additionally, all administration functions were insourced and transferred to Spirit Super's contact centre and member administration services in Hobart.

Spirit Super has over 250 employees across Australia, with offices in Canberra, Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Launceston, and Devonport.

Tax strategy and governance

Our board of directors is ultimately responsible for managing tax risk and governance. To assist them, we've established a *Tax policy* and *Tax risk management framework* to govern and manage the risk of non-compliance with tax law.

Our policy and framework set out our approach to the application, implementation and management of tax practices and issues, including our objectives, strategic principles, and risk culture.

Tax objectives

Our key objectives for tax governance are:

- To meet all relevant taxation obligations of the Group and satisfy its compliance requirements in all jurisdictions of operation.
- To pay the right amount of tax to relevant authorities for each form of taxation, noting we're required to reasonably minimise our tax liabilities without engaging in aggressive tax planning practices.
- To manage tax exposures to ensure the effective after-tax investment returns of the Fund are maximised in relation to both local and foreign taxes.
- To manage the Group's tax affairs consistent with our risk appetite.
- To obtain a high level of assurance from the ATO for any reviews and assurance activities.

To underpin our core tax objectives, we endorse the following strategic tax principles:

- Abide by all applicable tax laws, tax filing and tax payment obligations.
- Sustainably maximise returns within the risk appetite set by the Board.
- Achieve a high standard of integrity as a responsible taxpayer and good corporate citizen.
- Maintain open, honest, and cooperative relationships with all tax authorities.
- Sufficiently resource tax advisory and tax compliance activities.
- Strive to comply with the letter and 'spirit' of all applicable tax laws and regulations.
- Embed tax risk management into organisational culture and processes.

Tax risk culture and appetite

We believe risk management is an integral part of our governance processes. We aim to foster behaviour that supports tax risk awareness and value effective tax risk management.

We achieve this by:

- Promoting awareness of tax risk management responsibilities and commitment to embed tax risk management within processes and staff competencies.
- Fostering an environment where staff are empowered to raise tax issues and risks.
- Ensuring staff undertake induction, ongoing education, and training.
- Assessing prospective staff for the tax function and broader external advisors for cultural fit.
- Promoting Spirit Super's values.

We aim to minimise tax risk by taking all reasonable measures to minimise risk exposure.

Spirit Super has a low-risk appetite for anything that would compromise the achievement of its tax objectives. However, as outlined in our *Tax policy*, our risk appetite may vary depending upon the type of tax matter and the associated material risk.



Engagement with tax authorities

We proactively engage with external tax advisers and the Australian Taxation Office (ATO) to ensure that our adopted tax positions align with our objectives. We believe that an active approach to tax risk management supports our tax strategy and allows for a strong relationship with the ATO built on integrity and transparency.

We're participants in the ATO's *Top 1,000 Tax Performance Program*. This program forms part of the ATO's 'Justified Trust' initiative, which seeks to obtain greater confidence that Australia's largest taxpayers are paying the right amount of tax.

We aim for a high level of assurance in this program and are open and transparent in dealing with tax authorities. We do this by monitoring risks flagged to market by the ATO, independent reviews of tax processes, and promptly addressing the feedback provided by the ATO and/or independent reviews by external parties following any risk reviews.

Spirit Super's global investments

To help us achieve target returns for members, we invest globally across a broad range of assets and markets, both developed and emerging. We pay tax according to the tax rates and laws in countries where we hold investments.

Global investments include a wide range of assets, including listed equities, fixed interest securities, property, private equity, and infrastructure.

We also invest in pooled entities to help us access global unlisted assets. This enables us to invest in assets that might not be accessible if investing alone and provides benefits such as increased diversification, scale, desired commercial outcomes and co-investment with other global institutional investors.

For commercial reasons, we hold some investments in pooled entities in low or no-tax jurisdictions. These pooled entities aggregate funds from investors worldwide and invest across many sectors and jurisdictions. All income made through low or no-tax jurisdictions is brought to account in Australia and is taxed in Australia.

When investing in foreign countries, we ensure that we comply with the relevant tax laws in those jurisdictions. This includes paying the right amount of foreign tax under a reasonable reading of the law.

Where tax is paid in foreign jurisdictions, we can generally claim foreign tax credits in Australia against any Australian tax payable on that same income. This prevents us from paying double taxation on income.

Spirit Super didn't enter into any international-related party dealings in the financial year ended 30 June 2021.



Naranjan
Spirit Super member



Tax contribution

The tax that Spirit Super pays depends on the type of income we generate and the retirement savings phase of members (accumulation or pension).

We must pay tax on contributions that we receive from or on behalf of members, investment earnings, and benefits we pay to members. As such, Spirit Super is a significant contributor to government revenue in Australia.

Summary of taxes paid

The information below details taxes paid by Spirit Super Group.

| Tax | 2021 (\$'000) |
|--|---------------|
| Income tax | 289,343 |
| Fringe benefits tax | 161 |
| GST (non-recoverable) | 1,334 |
| Payroll tax | 1,009 |
| PAYG withholding tax (salaries – on behalf of employees) | 4,696 |
| PAYG withholding tax (benefits – on behalf of members) | 8,406 |

Payroll taxes paid by state

| State | 2021 (\$'000) |
|------------------------------|---------------|
| Australian Capital Territory | 535 |
| New South Wales | 70 |
| Victoria | 68 |
| South Australia | 15 |
| Queensland | 29 |
| Western Australia | 11 |
| Tasmania | 282 |
| Total | 1,009 |



Effective income tax rate

| Description | 2021 (\$'000) |
|---|---------------|
| Results from super activities before income tax | 2,829,399 |
| Total tax (expense)/benefit based on income statements (as per financial statement) | (251,853) |
| Effective tax rate (tax benefit) | 8.90% |

Reconciliation of accounting income to income tax expense

Income tax expense shown in our financial statements is calculated based on accounting standards. As a super fund, our taxable income is taxed at 15%. However, some income for accounting purposes isn't treated as income for tax purposes.

For example, investment income from assets that support members in the pension phase is exempt from tax. We're also entitled to offset our tax payable using imputation (franking) credits and foreign tax credits. As a result, the income tax expense is lower than the 15% of our accounting income.

The table below reconciles the differences between our accounting income at 15% to the income tax expense as reported in our financial statements.

| Income tax year ended 30 June | 2021 (\$'000) |
|---|------------------|
| Accounting income | 2,829,399 |
| Prima facie income tax expense (at the superannuation tax rate of 15%) | 424,410 |
| Adjusted for tax effect of the following items: | |
| Imputation credits and foreign income tax offset | (53,261) |
| Differences between investment income recognised for accounting and income tax | (89,403) |
| Under provision in prior years | 29,322 |
| Exempt pension investment income | (29,490) |
| Tax allocated to member funds | (50) |
| Income tax expense | 251,853 |
| Effective tax rate of income tax expenses (after adjustments for amounts which aren't tax deductible) | 8.90% |

Reconciliation of income tax expense to income tax paid

The actual income tax paid by Spirit Super annually is different to the amount of income tax expense shown in our annual financial statements.

This is mainly driven by how accounting standards and income tax law require us to recognise some items of income and expenses in different years.

The table below shows the difference between the amount of income tax expense in our financial statements compared to the income tax that we paid for the 2021 financial year.

| Income tax year ended 30 June | 2021 (\$'000) |
|---|----------------|
| Income tax expense | 251,853 |
| Tax on assessable contributions | 149,879 |
| Deductible insurance premiums | (10,668) |
| Net unrealised investment income | (90,174) |
| Accrued income and expenses | (315) |
| Under-provision for tax in the current year | 18,090 |
| Impact of under-provision for tax in the prior year | (29,322) |
| Income tax paid | 289,343 |

Tax on super contributions

| Income tax year ended 30 June | 2021 (\$'000) |
|--|----------------|
| Gross super contribution received, including rollovers and government co-contributions | 1,557,480 |
| Less non-taxable member contributions and other non-taxable contributions | (558,284) |
| Taxable contributions | 999,195 |
| Tax on taxable contributions at 15% | 149,879 |
| Effective tax rate on gross super contributions | 9.42% |

Dylan
Spirit Super member



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