2017 QANTAS VOLUNTARY TAX TRANSPARENCY CODE REPORT

QANTAS

INTRODUCTION

The Qantas Group is committed to transparent corporate reporting, and is pleased to publish a summary of its tax affairs for 2016/17.

Qantas is a major part of the Australian economy, both in terms of our direct impact as an employer of 30,000 people and purchaser of local goods and services, as well as our broader impact on national trade and tourism. A study by Deloitte Access Economics estimated our total economic impact at 0.7 per cent of Australia's GDP, or $11.6 billion.

There is a tax component to virtually all of the millions of transactions that the Qantas Group undertakes every year – from GST, FBT, payroll tax and company tax through to sector-specific taxes like the passenger movement charge.

Our primary focus on all tax matters is compliance. We are committed to paying what we owe and have a robust governance framework to manage our tax affairs.

In total, the Qantas Group paid and collected a combined total of $3.2 billion in 2016/17. This was 14 per cent higher than the prior year. These figures are broken out in detail in the following pages.

Due to our carry forward tax losses, Qantas was not required to pay any company tax in 2016/17. This stems from almost $3 billion in accumulated tax losses from prior years, which now sit at $951 million due to the company's strong financial performance more recently. Once these losses are exhausted, Qantas will return to paying company tax among the other taxes we pay and collect.

This document forms part of Qantas' broader corporate reporting suite, and should be read in conjunction with our Annual Report and Annual Review for 2017 for a full picture of our activities.

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	
	2016 $M	2017 $M
Statutory profit/(loss) before income tax expense/(benefit)	**1,424**	**1,181**
Income tax (expense)/benefit using the domestic corporate tax rate of 30 per cent	(427)	(354)
Adjusted for non-temporary differences:		
Non-assessable dividends from controlled entities	1	2
Non-deductible share of net loss for investments accounted for under the equity method	–	(4)
Non-deductible losses for foreign branches and controlled entities	(6)	(1)
Utilisation of previously unrecognised foreign branch and controlled entity losses	6	4
Recognition and utilisation of previously unbooked capital losses	8	–
Non-assessable gain on disposal of property, plant and equipment	30	–
Write-down of investments	–	–
Other net (non-deductible)/non-assessable items	7	18
Prior period differences	(14)	7
Income tax (expense)/benefit	**(395)**	**(328)**
Accounting effective company tax rate	**27.74%**	**27.75%**
Adjusted for temporary differences:		
Inventories	1	15
Property, plant and equipment and intangible assets	18	92
Payables	(28)	19
Revenue received in advance	(64)	16
Interest-bearing liabilities	(16)	1
Other financial assets/(liabilities)	40	(6)
Provisions	(26)	(11)
Other items	49	35
Prior period differences	8	6
Temporary differences	**(18)**	**167**
Tax losses utilised @ 30%	**413**	**157**
Income tax payable – foreign	**–**	**(4)**

Qantas Group Tax Losses:

	2016 $M	2017 $M
Tax loss brought forward	(2,850)	(1,474)
Current year taxable income/(loss)	1,376	523
Tax loss carried forward	(1,474)	(951)

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

Focusing on corporate income tax in isolation is an overly narrow view to economic contribution.

Significant fleet investment by the Qantas Group has proven to deliver substantial economic benefits to Australia through domestic and international tourism, employment, export facilitation and aviation's broader economic value.

The Qantas Group contributes significantly to the Australian economy (representing approximately 0.7% of Australia's GDP) as highlighted in the Deloitte Access Economics report released in November 2017 relating to the economic contribution of the Qantas Group for the 2016/17 year by way of $11.624 billion ($6.976 billion direct and $4.648 billion indirect) while facilitating an additional $10.716 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 $2.7 billion.

Taxes Paid/Collected – Tax Contribution Summary

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

	2016 $M	2017 $M
Australian Taxes		
Paid		
Corporate Tax – Australia	–	–
Payroll Tax	163	173
Fringe Benefits Tax	21	22
Other [1]	66	69
Collected		
GST (collected and remitted)	1,251	1,107
GST (paid but reclaimed)	(1,002)	(919)
Personal Income Tax – Employees	787	838
Withholding taxes	–	2
Ticket Taxes, Fees and Charges [2]	1,243	1,366
Sub-total	2,529	2,658
Foreign Taxes		
Paid		
Corporate Tax – Foreign	3	4
Fringe Benefits Tax	1	1
Other	1	–
Collected		
VAT/GST (collected and remitted) [3]	29	31
VAT/GST (paid but reclaimed) [3]	(167)	(51)
Personal Income Tax – Employees	18	21
Ticket Taxes, Fees and Charges [2]	432	509
Sub-total	**317**	**515**
TOTAL	**2,846**	**3,173**

1 Comparative adjusted to reflect $62m of other taxes

2 Passenger ticket taxes/fees/charges levied by domestic and international Government authorities and Airports

3 Overseas VAT/GST including New Zealand, United Kingdom, Singapore and Japan