

Tax transparency report

FOR THE YEAR ENDED 30 JUNE 2017

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Chant West awarded UniSuper ‘Super Fund of the Year’ in both 2015 and 2016—something no other fund has been able to achieve. UniSuper was also awarded ‘Best Fund: Advice Services’ in 2017. UniSuper’s accumulation products have received a 5 Apples rating. For information about the methodology used, see www.chantwest.com.au. Chant West has consented to the inclusion in this document of the references to Chant West and the inclusion of its logos in the form and context in which they are included.



SuperRatings, a superannuation research company, has awarded UniSuper a Platinum Choice rating for its accumulation products, something only the ‘best value for money’ funds receive. Our Accumulation products have also achieved a ‘10-year platinum performance’ rating. Go to www.superratings.com.au for details of its rating criteria. SuperRatings doesn’t issue, sell guarantee or underwrite this product. SuperRatings has consented to the inclusion in this document of the references to SuperRatings and the inclusion of its logos in the form and context in which they are included.

This document contains more detailed information about how superannuation in your Accumulation 1 or Personal Account is taxed. Where information in this booklet which isn’t materially adverse changes, updated information is available at unisuper.com.au or by calling **1800 331 685**. You can request a paper copy of updated information without charge. You’ll be given notice of any increase in fees (except for indexation) or charges, material changes or significant events within legislated timeframes.

UniSuper, ABN 91 385 943 850, MySuper Authorisation Number 91385943850448 is referred to as ‘UniSuper’ or ‘the Fund’. UniSuper Limited, ABN 54 006 027 121, AFSL No. 492806, is referred to as ‘USL’ or the ‘Trustee’. UniSuper Management Pty Ltd, ABN 91 006 961 799, AFSL No. 235907, is referred to as ‘UniSuper Management’ or ‘USM’. USL has delegated administration of UniSuper to USM, which is wholly owned by USL in its capacity as UniSuper’s Trustee. UniSuper Advice is operated by USM, which is licensed to deal in financial products and provide financial advice.

Introduction

UniSuper is a superannuation fund dedicated to people working in Australia's higher education and research sector. With over 400,000 members and over \$65 billion in net funds under management, we're one of Australia's largest super funds.

The Voluntary Tax Transparency Code (the Code) is a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information. The Code was developed by the Board of Taxation and endorsed by the Government in the Federal Budget 2016–17.

The Code was principally designed to encourage greater tax transparency by large corporate taxpayers, particularly by multinationals to enhance the community's understanding of compliance with Australia's tax laws by the corporate sector. Other large taxpayers, including superannuation funds are also encouraged to voluntarily adopt the Code.

The UniSuper Board supports the Code, and chose to become a signatory to the Code in 2017. The UniSuper Board is committed in maintaining an open and transparent approach in respect to tax. UniSuper as part of its tax philosophy is to meet all of its obligations and pay the appropriate amount of tax applicable to each relevant revenue authority based on a reasonable interpretation of tax laws. This includes any tax obligations which may arise on behalf of its members.

This report meets the set of principles and minimum standards guide in respect to large businesses on public disclosure of tax information recommended under the Code in respect to the year ended 30 June 2017. This report also details UniSuper's approach in relation to its tax strategy and governance.

UniSuper's approach to tax strategy and governance

An objective of the UniSuper Board includes ensuring that UniSuper complies with its regulatory tax obligations.

UniSuper's Tax Governance Policy is approved by the UniSuper Board. The Policy details UniSuper's approach in respect to its tax strategy and governance, as follows:

- The overall responsibility for tax rests with the UniSuper Board via the Audit, Risk and Compliance Committee (ARCC) as the delegated Committee, and UniSuper's CEO.
- UniSuper shall act with truthfulness and the highest of integrity.
- UniSuper will only enter into transactions which are based on commercial considerations. UniSuper will not participate in artificial or contrived tax avoidance schemes or transactions.
- UniSuper will comply with prevailing tax revenue laws in all relevant jurisdictions, whilst also seeking to maximise the after tax investment returns to members.
- UniSuper maintains a robust tax governance framework to effectively manage tax risk. The tax control framework is reviewed regularly to ensure the controls continue to be appropriate and are operating effectively.
- Regular tax reporting is provided to the ARCC by UniSuper's Chief Financial Officer and UniSuper's Tax Manager.
- UniSuper maintains an open and transparent relationship with the Australian Taxation Office, and other tax revenue authorities.

A reconciliation of accounting profit to tax expense and to income tax payable

The information below details a reconciliation of UniSuper's accounting profit to income tax expense, and UniSuper's accounting effective tax rate.

RECONCILIATION OF ACCOUNTING INCOME TO INCOME TAX EXPENSE		
Income tax year ended 30 June 2017	Note	\$million
Net operating result before income tax expense	Note 1	4,648
Tax at the Australian tax rate of 15%		697
+/- Tax adjustments:		
Non-temporary differences		
Difference between investment income recognised for accounting and income tax:		
- Exempt pension investment income	Note 2	(132)
- CGT discount	Note 3	(36)
Franking credits received from franked dividends and trust distributions	Note 4	(286)
Foreign income tax offsets claimed in relation to foreign investment income	Note 5	(23)
Under/(over) provision of investment income relating to prior income tax year (FY2016)		(25)
Income tax expense		195
Effective tax rate		4.2%

NOTES:

Note 1 – Investment income is recognised in UniSuper's Annual Financial Report for the year ended 30 June 2017 in accordance with Australian Accounting Standard *AASB 1056 Superannuation Entities (AASB 1056)*, which requires investments to be recognised at fair value. Investment income for income tax purposes is determined in accordance with Australian income tax legislation.

Note 2 – An exemption is available to a complying superannuation fund in respect its ordinary and statutory investment income which is attributed to the current pension liabilities of the superannuation fund.

Note 3 – AASB 1056 requires any movement in the fair value of assets (realised and unrealised) to be recognised in the Income Statement. Under Australian income tax legislation, capital gains are included in the assessable income of a taxpayer when the capital gain has been realised. It is also noted that a one-third capital gains tax discount is available in relation to capital gains realised in respect to CGT assets held for more than 12 months. The one-third CGT discount in respect to CGT assets held for more than 12 months is only available after prior year and current year capital losses have been applied.

Note 4 – The franking credits arise for shareholders when certain Australian-resident companies pay income tax on their taxable income and distribute their after-tax profits by way of franked dividends. These franked dividends have franking credits attached. Franked dividends are received either directly as a shareholder or indirectly as a beneficiary of certain trusts. UniSuper is taxed on the franked dividend income and trust distributions received which give rise to the franking credits at the 15% tax rate which applies to complying superannuation funds, and receives a credit for the franking credits received. The level of franking credits will vary from fund to fund, and from year to year – depending on the amount which is invested in Australian-resident companies which distribute their after-tax profits by way of franked dividends.

Note 5 – The foreign income tax offset relates to the tax withheld from foreign sourced investment income received. UniSuper is taxed in Australia on the foreign sourced investment income at the 15% tax rate which applies to complying superannuation funds, and claims a credit for the foreign income tax offset subject to certain limitations.

The Net operating result before income tax included in the table above predominantly relates to net investment income. It does not include net superannuation contributions received in relation to members in accordance with Australian accounting standards. The table below provides further details in relation to the income tax payable in respect to taxable contributions.

TAX ON SUPERANNUATION CONTRIBUTIONS	
Income tax year ended 30 June 2017	\$million
Gross superannuation contributions received including rollovers	5,206
Less member contributions and other non-taxable contributions (including rollovers)	(2,332)
Taxable contributions	2,874
Tax on taxable contributions at 15%	431
Effective tax rate on gross superannuation contributions	8.3%

The information below details a reconciliation of UniSuper's income tax expense to income tax payable in relation to the year ended 30 June 2017.

RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAYABLE		
Income tax year ended 30 June 2017	Note	\$million
Income tax expense		195
+/- Contributions and member related deductions (Non-temporary differences)		
Tax on contributions	Note 6	431
Deductible insurance premiums		(20)
Other member tax related adjustments		(7)
+/- Investment income (Temporary differences)		
Increase in unrealised investment income	Note 7	(162)
Under/(over) provision of income tax relating to the current income tax year		(47)
Under/(over) provision of income tax relating to the prior income tax year		25
Income tax payable		415

NOTES:

Note 6 – This amount represents tax payable on superannuation contributions, which based on AASB 1056 is not recognised within the income tax expense. Refer to the tax on superannuation contributions for further details.

Note 7 – This amount represents the increase in the unrealised investment income which is recognised in the Income Statement under AASB 1056, but which is not yet recognised for income tax purposes in accordance with Australian tax legislation.

Summary of taxes paid

The information below details taxes paid by the UniSuper Group in relation to the year ended 30 June 2017.

SUMMARY OF TAXES PAID	
Income tax year ended 30 June 2017	\$million
Australia	
Income tax	395
GST	4
PAYG withholding	44
Fringe benefits tax	<1
Payroll tax	5
	448
Foreign	
Foreign tax – Investments	30
	478

INFORMATION ABOUT INTERNATIONAL RELATED PARTY DEALINGS

UniSuper's international dealings are limited to holding international investments including equities and fixed interest securities on behalf of our members.

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IMPORTANT INFORMATION

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