



Tax Transparency Report

**FOR THE YEAR ENDED
30 JUNE 2020**

Introduction

UniSuper is the super fund dedicated to people working in Australia's higher education and research sector. With more than 450,000 members and over \$83 billion in net funds under management as at 30 June 2020, 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 Federal Government.

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. UniSuper has paid approximately \$571 million in taxes in relation to the year ended 30 June 2020, most of which relates to tax paid in Australia. The UniSuper Board is committed in maintaining an open and transparent approach in respect to tax.

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.

UniSuper's approach to tax strategy and governance

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.

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.
- UniSuper maintains an open and transparent relationship with the Australian Taxation Office, and other tax revenue authorities.

Reconciliation of accounting income to tax expense and to income tax paid

The information below details a reconciliation of UniSuper's accounting income to income tax expense, and UniSuper's accounting effective tax rate. The information provided below is based on the income tax expense disclosed in UniSuper's Annual Report for the financial year, but prior to completion of UniSuper's income tax return.

RECONCILIATION OF ACCOUNTING INCOME TO INCOME TAX EXPENSE

INCOME TAX YEAR ENDED 30 JUNE		2020	2019
	NOTE	\$M	\$M
Net operating result before income tax expense	1	(1,163)	7,859
Tax at the Australian tax rate of 15%		(174)	1,179
+/- Tax adjustments:			
Difference between investment income recognised for accounting and income tax	2	388	(57)
Exempt pension investment income	3	(152)	(160)
CGT discount	4	(6)	(16)
Franking credits received from franked dividends and trust distributions	5	(310)	(754)
Foreign income tax offsets claimed in relation to foreign investment income	6	-	(33)
Under/(over) provision of income tax relating to prior income tax year		(49)	(43)
Income tax expense / (benefit)		(303)	116
Effective tax rate		26.1%	1.5%

NOTES:

Note 1 - Investment income is recognised in UniSuper's Annual Report in accordance with Australian Accounting Standard AASB 1056 *Superannuation Entities (AASB 1056)*, which requires investments to be recognised at fair value.

Note 2 - Investment income is recognised for accounting purposes in the Income Statement in accordance with Accounting Standard AASB 1056. This includes any movement in the fair value of investments (realised and unrealised) to be included in the Income Statement, whereas investment income is taxed in accordance with Australian income tax legislation. This includes capital gains to be included in the assessable income of a taxpayer when the capital gain has been realised.

Note 3 - An exemption is available to a complying superannuation fund in respect to its ordinary and statutory investment income which is attributed to the current pension liabilities of the superannuation fund.

Note 4 - 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 is only available after prior year and current year capital losses have been applied.

Note 5 - 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 attached. 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 6 - 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 super 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 SUPER CONTRIBUTIONS

INCOME TAX YEAR ENDED 30 JUNE	2020	2019
	\$M	\$M
Gross super contributions received including rollovers	6,849	6,301
Less non-taxable member contributions and other non-taxable contributions (incl rollovers)	(3,328)	(3,033)
Taxable contributions	3,521	3,268
Tax on taxable contributions at 15%	528	490
Effective tax rate on gross super contributions	7.7%	7.8%

The information below details a reconciliation of UniSuper's income tax expense to income tax paid in relation to the year ended 30 June 2020.

RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAX PAID

INCOME TAX YEAR ENDED 30 JUNE	NOTE	2020	2019
		\$M	\$M
Income tax expense / (benefit)		(303)	116
+/- Contributions and member related deductions			
Tax on contributions	7	528	490
Deductible insurance premiums		(22)	(24)
+/- Investment income (Temporary differences)			
(Increase)/decrease in unrealised investment income	8	268	(451)
Under/(over) provision of income tax relating to the current income tax year		(68)	(49)
Under/(over) provision of income tax relating to the prior income tax year		-	43
Income tax paid		403	125

NOTES:

Note 7 - This amount represents tax payable on super contributions, which based on AASB 1056 is not recognised within the income tax expense. Refer to the tax on super contributions table above for further details.

Note 8 - This amount represents the increase/decrease 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.

SUMMARY OF TAXES PAID

INCOME TAX YEAR ENDED 30 JUNE		2020	2019
AUSTRALIA	NOTE	\$M	\$M
Income tax	9	455	129
GST		8	6
PAYG tax withholding - benefit payments (tax liability borne by members)		19	20
PAYG tax withholding - employee salaries (tax liability borne by employees)		34	32
Fringe benefits tax		<1	<1
Payroll tax		6	6
		522	193
FOREIGN			
Foreign tax - Investments	9	49	41
		571	234

NOTES:

Note 9 - The amount of income tax published in the "Reconciliation of income tax expense to income tax paid" table on page 2 only includes income tax payable by the UniSuper Fund. The income tax disclosed in the above "Summary of taxes paid" table also includes income tax paid by other entities within the UniSuper Group, noting that foreign tax is disclosed above as a separate line item.

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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