



# Tax Transparency Report

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2018 - 2019



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## Introduction

Airservices Australia (Airservices) is pleased to present its Tax Transparency Report (Report) for the income year ended 30 June 2019.

In its establishing legislation, the *Air Services Act 1995*, Airservices is subject to all Commonwealth taxes. Airservices is exempt from all State and Territory Taxes other than Payroll Tax. Airservices must also comply with withholding tax obligations and any applicable taxes in foreign jurisdictions.

Airservices purpose is to provide safe, secure, efficient and environmentally responsible air navigation and aviation rescue firefighting services that are valued by the aviation industry and community on behalf of our owner the Australian Government. Airservices is proud of the contribution it makes to the Australian community through the fulfilment of this obligation and through the payment of dividends and taxes.

During the income year ended 30 June 2019, Airservices delivered on our core purpose while also working towards our vision for Australia's technology enabled aviation future. Airservices continued to execute on our capital investment program and worked with innovators in the aviation industry, including managing the introduction of remotely piloted and unmanned aircraft systems to accommodate the rapidly changing landscape of low altitude airspace. Airservices also continued to support essential services in rural and remote areas by waiving approximately \$2.5 million in annual service charges to Australia's not-for-profit aeromedical providers. In addition, Airservices announced a 2% price reduction to customers effective from 1 July 2019.

Airservices delivered a strong financial performance in the income year ended 30 June 2019, and, following the recoupment of all carried forward tax losses in 30 June 2017 and 30 June 2018, Airservices paid total Federal, State and Territory taxes of \$74.616 million.

## Basis of preparation

This Report has been prepared to meet the requirements set out in the Australian Board of Taxation's Voluntary Tax Transparency Code issued in May 2016, the Draft Revised Tax Transparency Code issued in February 2019 and the Appendix to the Code issued by the Australian Accounting Standards Board. This Report should be read in conjunction with the [Airservices 2018-19 Annual Report](#).

The Report is for the income year ended 30 June 2019 and the comparative period 30 June 2018. All figures are presented in Australian dollars.

The information in the Report is sourced from Airservices audited financial statements and the information lodged with the relevant revenue authority. Airservices engages external consultants to review its income tax return and Fringe Benefits Tax (FBT) return on an annual basis, and engages external consultants on a periodic basis to undertake process reviews for all other taxes. Airservices undertakes both an internal and external review process to verify the figures within the Report. Additional information on specific figures in the Report can be found in the footnotes. The terms used have been defined throughout the Report, where applicable.

## Overview of Airservices

Airservices was established by the *Air Services Act 1995 (Cth)*, and is an Australian government-owned organisation. Airservices is designated as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013 (Cth)*.

Airservices functions under the *Air Services Act 1995* include:

- providing facilities for the safe navigation of aircraft within Australian-administered airspace;
- promoting and fostering civil aviation in Australia and overseas; and
- providing air traffic services, aviation rescue firefighting services, aeronautical information, radio navigation and telecommunication services.

Safety is Airservices number one priority, with global benchmarking consistently placing Airservices as one of the top air navigation service providers for safety in the world.

Airservices is governed by a Board whose members are appointed by the Minister for Infrastructure, Transport and Regional Development. The Board is committed to best practice in corporate governance.

The Board decides the objectives, strategies and policies to be followed by Airservices and ensures that it fulfils its statutory functions in a proper, efficient and effective manner.

Airservices is funded through levies on our customers and capital raised from debt markets. Our prices are set by the Airservices Board after extensive consultation with industry and are subject to oversight by the Australian Competition and Consumer Commission (ACCC). Airservices does not receive any government funding.

The aviation industry continues to change and Airservices is well positioned to meet industry challenges as we optimise the services that we offer today and develop new and innovative services to meet emerging longer-term industry requirements. For further information about Airservices and our plans for Australia's aviation future you can read [Airservices 2019-20 Corporate Plan](#).

## Tax Governance and Strategy

Airservices tax governance and strategy is aligned to its wider corporate safety culture. Consistent with the *Commonwealth Government Business Enterprises - Governance and Oversight* guidelines issued by the Department of Finance, Airservices engages in normal tax planning activities that are within the spirit of the law. Airservices does not engage in aggressive tax planning strategies and proactively manages its tax obligations to ensure that it pays the correct amount of tax.

Airservices connects key functions across the organisation to deliver cost efficient best practice tax management. This supports the organisation's capacity to make sound financial and commercial decisions and to develop and enhance processes and procedures to ensure compliance with policy, procedures and internal controls. To facilitate this, Airservices maintain a robust tax governance framework built on our tax governance principles. Airservices periodically reviews our tax governance framework to ensure it continues to reflect the expectations of the Australian Taxation Office (ATO) and broader community's attitudes to tax management.

The core elements of our tax governance principles include:

Responsible and accountable managerial oversight	The responsibilities and accountabilities for tax administration and decision-making are in place and are clearly defined and understood.
Risk management and decision making	Strong controls and clearly articulated processes are in place to support tax compliance and to identify, assess and mitigate tax risk. The Board, Chief Executive Officer, Chief Financial Officer and other key internal and external stakeholders have assurance that Airservices tax is being managed in accordance with its tax policies.
Integrity in systems and reporting	The financial records, including tax reporting, reflect a true and fair view of Airservices business.
Tax compliance	Airservices has full compliance with all statutory tax obligations including paying the correct amount of tax and meeting our reporting and payment obligations.
Professional and collaborative relationships	A professional and collaborative relationship is maintained with the ATO, State and Territory Revenue Authorities and other stakeholders to enable an efficient and collaborative hearing of tax issues as well as maintaining transparency through open and honest dialogue.
Ethical behaviour	All decision-making as it relates to tax is done in an ethical and responsible manner and in line with the organisation's wider corporate values and frameworks.

## Tax Contribution

Airservices does not have a taxable presence in any jurisdictions outside of Australia and did not pay any foreign taxes in the income years ended 30 June 2019 or 30 June 2018.

**Table 1: Taxes paid by Airservices to the ATO and State and Territory Revenue Authorities on its own behalf**

Tax Obligation	2018-19 (\$'000)			2017-18 (\$'000)		
	Federal	State or Territory	Total	Federal	State or Territory	Total
Corporate Income Tax <sup>a</sup>	\$40,602	-	\$40,602	\$1,048	-	\$1,048
Fringe Benefits Tax <sup>b</sup>	\$3,623	-	\$3,623	\$4,423	-	\$4,423
Payroll Tax	-	\$30,391	\$30,391	-	\$31,616	\$31,616
<b>Total Taxes Borne by Airservices</b>	<b>\$44,225</b>	<b>\$30,391</b>	<b>\$74,616</b>	<b>\$5,471</b>	<b>\$31,616</b>	<b>\$37,087</b>

**Table 2: Taxes collected and paid by Airservices to the ATO on behalf of employees and other entities**

Tax Obligation	2018-19 (\$'000)			2017-18 (\$'000)		
	Federal	State or Territory	Total	Federal	State or Territory	Total
Goods and Services Tax <sup>c</sup>	\$84,723	-	\$84,723	\$79,361	-	\$79,361
Fuel tax credits <sup>d</sup>	(\$32)	-	(\$32)	(\$31)	-	(\$31)
PAYG Withholding from payments to employees	\$159,397	-	\$159,397	\$158,702	-	\$158,702
Foreign Resident Withholding	\$15	-	\$15	\$19	-	\$19
<b>Total Other Taxes Remitted / Credited</b>	<b>\$244,103</b>	<b>-</b>	<b>\$244,103</b>	<b>\$238,051</b>	<b>-</b>	<b>\$238,051</b>

<sup>a</sup> The figures for both the income year ended 30 June 2019 and 30 June 2018 is the amount of tax paid by Airservices for the relevant income year in accordance with the income tax return lodged with the ATO. In Airservices Tax Transparency Report for the income year ended 30 June 2018 the figure of \$1,133,000 was the estimated tax payable by Airservices. This figure was based on Airservices 30 June 2018 financial statements. The difference between Airservices estimated tax payable and the tax paid for the income year ended 30 June 2018 has been included in Table 3.

<sup>b</sup> For the Fringe Benefits Tax year ended 31 March 2018 and 31 March 2019.

<sup>c</sup> This is the net of GST paid to Airservices by its customers, GST paid by Airservices to its suppliers and GST deferred on imported goods.

<sup>d</sup> Fuel tax credits provide businesses with a credit for the fuel tax (excise or customs duty) that's included in the price of fuel used in heavy vehicles travelling on public roads.

## Reconciliation of accounting profit to income tax expense and income tax payable and income tax paid

Differences between Airservices accounting profit and taxable income are due to both temporary and non-temporary differences. Non-temporary (or permanent) differences arise where amounts recognised as income or expenses under the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board do not give rise to equivalent taxable or deductible amounts under the Australian tax law (or vice versa).

For Airservices, these include:

Non-deductible legal costs / Other non-deductible expenditure	This relates to expenditure which is specifically denied tax deductibility under the tax law.
Non-refundable carry forward tax offsets	This represents the concessions available to Airservices from its research and development (R&D) activities. Airservices is committed to using cutting edge technology where safety is paramount.

Temporary or timing differences arise where amounts are recognised as income or expenses under the accounting standards in a different period to which they are taxable or deductible under the tax law.

For Airservices, these include:

Depreciation	The tax law allows Airservices to depreciate its property, plant and equipment assets on a different basis to the accounting standards.
Allowance for impairment	This relates to changes to the accounting carrying value of assets for which there is no corresponding income tax deduction in the current year.
Employee benefits / Provisions / Accruals	These adjustments represent income and expenses that have been recognised for accounting purposes, for which there is no corresponding income tax recognition in the current year. This is either because the income has not yet been derived, or because the expenses have not yet been incurred for tax purposes.
Utilisation of carry forward tax losses	The tax law allows Airservices to apply the tax losses it incurred in prior years to offset its taxable income in the current year.

**Table 3: Reconciliation of Airservices accounting profit to income tax expense and income tax payable and income tax paid**

	<b>2018-19</b>	<b>2017-18</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Profit from continuing operations before income tax expense</b>	<b>\$87,821</b>	<b>\$106,871</b>
Prima facie income tax expense at 30%	\$26,346	\$32,061
Non-deductible legal costs	\$25	\$11
Prior year over provision of tax (deferred tax expense) <sup>e</sup>	\$877	(\$249)
<b>Prior year over provision of tax (current tax expense)<sup>f</sup></b>	<b>(\$85)</b>	<b>(\$2)</b>
Other non-deductible / (assessable) expenditure	(\$1,749)	\$556
<b>Income tax expense (current income tax and deferred income tax)</b>	<b>\$25,414</b>	<b>\$32,377</b>
Depreciation	\$9,202	(\$453)
Allowance for impairments	(\$341)	\$438
Employee benefits	\$5,755	(\$8,503)
Provision for revenue to be returned to customers	\$31	\$40
Provision for legal costs	\$294	\$135
Other provisions	\$1,485	\$10,729
Accruals	(\$1,297)	\$655
Adjustment for prior year over provision of tax (deferred tax expense)	(\$877)	\$251
<b>Current income tax expense</b>	<b>\$39,666</b>	<b>\$35,669</b>
Utilisation of carried forward tax losses	-	(\$33,261)
Non-refundable carry forward tax offsets	-	(\$1,275)
Prior year over provision of tax (current tax expense)	\$85	-
<b>Income tax payable in respect of the current income year per audited financial statements</b>	<b>\$39,751</b>	<b>\$1,133</b>
<b>Current year over provision of tax (current tax expense)</b>	<b>\$851</b>	<b>(\$85)</b>
<b>Income tax paid</b>	<b>\$40,602</b>	<b>\$1,048</b>

Additional information in relation to Airservices tax position, including its deferred tax liability can be found in the [Airservices 2018-19 Annual Report](#).

<sup>e</sup> This adjustment relates to the difference between the deferred income tax expense calculated for the financial statements and the deferred tax expense calculated during the preparation of the income tax return.

<sup>f</sup> This adjustment relates to differences between the current income tax expense recorded in prior years, against the tax actually paid in respect of those years.

## Tax Losses

During the income year ended 30 June 2018 Airservices utilised tax losses it incurred in the income years ended 30 June 2015, 30 June 2016 and 30 June 2017, as well as non-refundable R&D tax offsets carried forward from prior years to reduce its income tax liability. As Airservices utilised all its carried forward tax losses in the income year ended 30 June 2018 no tax losses were utilised to reduce its income tax liability in 30 June 2019.

Airservices did not utilise any carry forward capital losses in 30 June 2019. Airservices continues to carry forward capital losses of \$5.0 million that are available indefinitely for offset against future capital gains.

## Effective Tax Rate

The effective tax rate (ETR) is calculated as income tax expense divided by accounting profit. As Airservices does not have overseas operations the Australian effective income tax rate and the worldwide effective income tax rate are the same.

**Table 4: Effective Tax Rate**

	2018-19 (\$'000)	2017-18 (\$'000)
Profit from continuing operations before income tax expense	\$87,821	\$106,871
Income tax expense	\$25,414	\$32,377
<b>Effective income tax rate<sup>9</sup></b>	<b>28.94%</b>	<b>30.30%</b>

## International Related Party Dealings

Airservices did not have any international related party dealings during the income years ended 30 June 2019 or 30 June 2018.

## Material Tax Risks and At Risk Tax Positions

Airservices has not identified any material tax risks or at risk tax positions for the income years ended 30 June 2019 or 30 June 2018.

<sup>9</sup> The effective tax rate is based on Airservices financial statements.

## Reconciliation to ATO public data disclosures

The ATO is required to produce an annual report of information about certain corporate tax entities. This is known as the "Report of Entity Tax Information." As part of this report the ATO releases an entities Total income, Taxable income and Tax payable. The information reported by the ATO is taken from the income tax return lodged for the relevant period. A reconciliation between the information released by the ATO and the figures included within this Report can be found in Table 5.

**Table 5: Reconciliation to ATO public data disclosures**

	2018-19	2017-18
	(\$'000)	(\$'000)
<b>Total income<sup>h</sup></b>	<b>\$1,127,494</b>	<b>\$1,111,345</b>
Total expenses	(\$1,039,673)	(\$1,004,474)
Profit before income tax	\$87,821	\$106,871
Add/(less) permanent non-taxable differences (gross)	(\$5,746)	\$1,890
Add/(less) temporary tax timing differences (gross)	\$50,427	\$10,137
Current year over provision of tax (current tax expense) (gross) <sup>i</sup>	\$12,059	\$2,193
Utilisation of carried forward tax losses (gross)	-	(\$110,870)
<b>Taxable income</b>	<b>\$144,561</b>	<b>\$10,221</b>
Gross tax payable at 30%	\$43,368	\$3,066
Non-refundable carry forward tax offsets <sup>j</sup>	(\$2,766)	(\$2,018)
<b>Income tax paid</b>	<b>\$40,602</b>	<b>\$1,048</b>

At the time of publishing Airservices 2018-19 Report the ATO has not yet released the 2018-19 Report of Entity Tax Information. The above table has been prepared on what Airservices anticipates the ATO should disclose in its 2018-19 Report of Entity Tax Information.

<sup>h</sup> The total income figure in the ATO's Report of Entity Tax Information is sourced from Airservices income tax return for the relevant period. The total income figure in Airservices income tax return is prepared in accordance with the ATO's instructions and may differ from the total income figure disclosed in Airservices annual report for the same financial period.

<sup>i</sup> This figure does not include the Non-refundable carry forward tax offset.

<sup>j</sup> This figure includes the increase in the Non-refundable carry forward tax offset of approximately \$743,000 which was not included in the calculation of the 30 June 2018 tax provision calculation for Airservices 2017-18 financial statements.