

# TAX TRANSPARENCY REPORT 2021 - 2022

# Overview

We are pleased to present our Tax Transparency Report (Report) for the income year ended 30 June 2022.

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

Our 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.

In our establishing legislation, the *Air Services Act 1995*, we are subject to all Commonwealth taxes, but are exempt from all State and Territory Taxes other than Payroll Tax. We must also comply with withholding tax obligations and any applicable taxes in foreign jurisdictions. We are proud of the contribution we make to the Australian community through the payment of taxes and dividends.

Over two years on from the start of the COVID-19 pandemic, the income year ended 30 June 2022 saw continued disruption to air travel, with rebounding domestic air traffic and the beginnings of the return of international commercial air traffic. As the industry continues to recover, we relied on cost saving efforts implemented earlier in the COVID-19 pandemic and financial support provided by the Federal Government in June 2021 to offset our reduced revenue in the income year ended 30 June 2022.

For the income year ended 30 June 2022 we recorded an accounting loss before income tax of \$496 million. This allowed us to continue to deliver on our purpose and invest in the necessary transformational activities to meet the future needs of the industry.

While we made a tax loss for income tax purposes, we contributed \$36 million in Federal, State and Territory taxes incurred on our own behalf and \$186 million in taxes collected on behalf of employees and other entities for the income year ended 30 June 2022.

For further information about us and our plans for Australia's aviation future you can read [Airservices 2022-23 Corporate Plan](#) and [Airservices Annual Report 2021-22](#).

## Basis of preparation

This Report has been prepared in accordance with the requirements set out in the Australian Board of Taxation's Voluntary Tax Transparency Code issued in May 2016. It also considers the Post Implementation Review of the Tax Transparency Code Consultation Paper issued in February 2019 and the Draft Appendix to the Code issued by the Australian Accounting Standards Board. This Report should be read in conjunction with the [Airservices Annual Report 2021-2022](#).

The Report is for the income year ended 30 June 2022 and the comparative period 30 June 2021. All figures are presented in Australian dollars.

The Report is prepared internally within our Corporate Finance function. The information in the Report is sourced from our audited financial statements and the information lodged with the relevant revenue authority. Our audited financial statements are subject to materiality in accordance with the relevant Auditing Standards. From a tax perspective, the concept of materiality is not applied to our lodgement obligations with revenue authorities.

The Report has undergone an internal review process through the Chief Financial Officer before it is tabled to the Board Audit and Risk Committee prior to publication.

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.

# Tax Governance

Our tax governance and strategy is aligned to our wider corporate safety culture. Consistent with the *Commonwealth Government Business Enterprises - Governance and Oversight* guidelines issued by the Department of Finance, we engage in normal tax planning activities that are within the intent and spirit of the law. We do not engage in aggressive tax planning strategies and we proactively manage our tax obligations to ensure that we pay the correct amount of tax.

We connect key functions across the organisation to deliver cost efficient best practice tax management. This supports our capacity to make sound financial and commercial decisions and to develop and enhance processes and procedures to ensure compliance with policy and internal controls. To facilitate this, we maintain a robust tax governance framework built on our tax governance principles. We periodically review 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:

Tax governance principle	Description
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 our tax is being managed in accordance with our tax policies.
Integrity in systems and reporting	The financial records, including tax reporting, reflect a true and fair view of our business.
Tax compliance	We are fully compliant 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

The tables below disclose our total tax contributions, including Australian corporate income tax, other taxes and impost paid and taxes collected and paid by us to the ATO on behalf of others.

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

Tax Obligation	2022			2021		
	Federal (\$'000)	State or Territory (\$'000)	Total (\$'000)	Federal (\$'000)	State or Territory (\$'000)	Total (\$'000)
Corporate Income Tax <sup>1</sup>	-	-	-	\$155,719	-	\$155,719
Fringe Benefits Tax <sup>2</sup>	\$2,868	-	\$2,868	\$3,164	-	\$3,164
Payroll Tax <sup>3</sup>	-	\$33,183	\$33,183	-	\$30,526	\$30,526
<b>Total Taxes Borne by Airservices</b>	<b>\$2,868</b>	<b>\$33,183</b>	<b>\$36,051</b>	<b>\$158,883</b>	<b>\$30,526</b>	<b>\$189,409</b>

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

Tax Obligation	2022 (\$'000)	2021 (\$'000)
Goods and Services Tax <sup>4</sup>	\$15,829	(\$11,358)
Fuel tax credits <sup>5</sup>	-	(\$19)
PAYG Withholding from payments to employees	\$170,171	\$154,082
Foreign Resident Withholding	-	-
<b>Total Other Taxes Remitted / Credited</b>	<b>\$186,000</b>	<b>\$142,704</b>

We do 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 2022 or 30 June 2021.

<sup>1</sup> The figures for both the income year ended 30 June 2022 and 30 June 2021 is the tax liability for the relevant income year in accordance with the income tax return lodged with the ATO.

<sup>2</sup> For the Fringe Benefits Tax year ended 31 March 2022 and 31 March 2021.

<sup>3</sup> Due to the impact of COVID-19 some States and Territories allowed entities to defer the payment of payroll tax to a later date or reduce their payroll tax liability where certain eligibility criteria was met. We met the relevant eligibility criteria in certain States and Territories. The figure for the income year ended 30 June 2021 is our total payroll tax liability for the period, including payments that have been deferred and will be paid at a later date.

<sup>4</sup> This is the net of GST paid to us by our customers, GST paid by us to our suppliers and GST deferred on imported goods.

<sup>5</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.

# Tax Reconciliations

**Table 3: Reconciliation of Aircservices accounting profit/(loss) to income tax (benefit) / expense and income tax payable and income tax paid**

	2022 (\$'000)	2021 (\$'000)
<b>Profit/(loss) from continuing operations before income tax (benefit) / expense</b>	<b>(\$496,604)</b>	<b>\$458,851</b>
Prima facie income tax (benefit) / expense at 30%	(\$148,980)	\$137,656
Non-deductible legal costs	\$8	\$1
Prior year over provision of tax (deferred tax (benefit) / expense) <sup>6</sup>	\$48	(\$16)
Prior year over provision of tax (current tax (benefit) / expense) <sup>7</sup>	(\$208)	(\$430)
Other non-deductible / (assessable) expenditure	\$90	\$464
<b>Income tax (benefit) / expense (current income tax and deferred income tax)</b>	<b>(\$149,042)</b>	<b>\$137,675</b>
<b>Accounting effective tax rate</b>	<b>30.01%</b>	<b>30.00%</b>
Depreciation	\$7,747	\$8,223
Provision for doubtful debts	(\$5,142)	\$1,733
Employee benefits	(\$6,731)	\$5,687
Provision for legal costs	(\$71)	(\$315)
Other provisions	\$6,765	\$2,901
Accruals	(\$116)	(\$386)
Government grants	(\$158)	(\$37)
Tax losses	\$146,588	-
Adjustment for prior year over provision of tax (deferred tax (benefit) / expense)	(\$48)	\$16
<b>Current income tax (benefit) / expense</b>	<b>(\$208)</b>	<b>\$155,497</b>
Prior year over provision of tax (current tax (benefit) / expense)	\$208	\$430
Pay-As-You-Go Instalments <sup>8</sup>	-	-
<b>Income tax payable in respect of the current income year per audited financial statements</b>	<b>-</b>	<b>\$155,927</b>
Current year over provision of tax (current tax (benefit) / expense)	-	(\$208)
Pay-As-You-Go Instalments	-	-
Other adjustments	-	-
<b>Income tax paid</b>	<b>-</b>	<b>\$155,719</b>

<sup>6</sup> This adjustment relates to the difference between the deferred income tax (benefit) / expense calculated for the financial statements and the deferred tax (benefit) / expense calculated during the preparation of the income tax return.

<sup>7</sup> This adjustment relates to differences between the current income tax (benefit) / expense recorded in prior years, against the tax actually paid in respect of those years.

<sup>8</sup> No Pay-As-You-Go Instalments (PAYGI) were made in relation to the income year ended 30 June 2021 or 30 June 2022.

## Tax Losses

We utilised \$0.1 million in carry forward capital losses in 30 June 2022 (2021: \$0.01 million). We continue to carry forward capital losses of \$4.8 million (2021: \$4.9 million) that are available indefinitely for offset against future capital gains.

We have \$487 million (2021: Nil) of carry forward tax losses that are available indefinitely for offset against future taxable income.

We have \$0.99 million (2020: Nil) of non-refundable carry forward tax offsets that are available indefinitely for offset against future taxable income.

## International related party dealings

We did not have any international related party dealings during the income years ended 30 June 2022 or 30 June 2021.

## Tax risks and at risk positions

We have not identified any material tax risks or at risk tax positions for the income years ended 30 June 2022 or 30 June 2021.

# ATO Public Disclosures

The ATO releases the “Report of Entity Tax Information” annually, disclosing the Total income, Taxable income and Tax payable of certain taxpayers based on their lodged company tax return. The table below is a reconciliation between the ATO disclosures and the figures within this Report.

**Table 4: Reconciliation to ATO public data disclosures<sup>9</sup>**

	2022 (\$'000)	2021 (\$'000)
<b>Total income<sup>10</sup></b>	<b>\$578,457</b>	<b>\$1,482,283</b>
Total expenses	(\$1,075,058)	(\$1,023,433)
Profit/(loss) before income tax	(\$496,601)	\$458,850
Add/(less) permanent non-taxable differences (gross)	\$327	\$1,550
Add temporary tax timing differences (gross)	\$496,274	\$59,356
Current year over provision (current tax (benefit) / expense) (gross) <sup>11</sup>	-	\$2,034
Utilisation of carried forward tax losses (gross)	-	-
<b>Taxable income</b>	<b>-</b>	<b>\$521,790</b>
Gross tax payable at 30%	-	\$156,537
Non-refundable carry forward tax offsets utilised	-	(\$818)
<b>Income tax paid</b>	<b>-</b>	<b>\$155,719</b>

<sup>9</sup> At the time of publishing the Report, the ATO had not yet released the 2021-22 Report of Entity Tax Information. The above table has been prepared on what we anticipate the ATO should disclose in its 2021-22 Report of Entity Tax Information.

<sup>10</sup> The total income figure in the ATO's Report of Entity Tax Information is sourced from our income tax return for the relevant period. The total income figure in our income tax return is prepared in accordance with the ATO's instructions and may differ from the total income figure disclosed in our financial statements for the same financial period.

<sup>11</sup> This figure does not include the Non-refundable carry forward tax offset.