



# Taxation Transparency Report

For the year ended 30 June 2023

# Introduction

CareSuper is the leading fund for life for people who value high performance and a smoother ride over the longer term.

Established in 1986, CareSuper is a profit for member fund which manages over \$21bn in assets for over 222,000 members throughout Australia.

The Voluntary Tax Transparency Code (the Code) is a set of principles and 'minimum standards' developed by the Board of Taxation and administered by the Australian Taxation Office (ATO) to guide the public disclosures of tax information. While the Code's requirements are designed for large and medium companies, CareSuper supports the principles of the code and therefore is pleased to publish this report to provide our members and other interested parties with our:

- approach to tax governance and tax risk management;
- taxes paid; and
- accounting to tax reconciliation.

This is the third Tax Transparency Report (TTR) for CareSuper and we are proud to be a signatory to the Code, continuing the transparency of our superannuation fund for our members which covers the 2022/23 financial year.

# Taxation of Superannuation Funds Generally

To assist in understanding our disclosures it is useful to understand the Australian tax regime as it applies to complying superannuation funds. A complying superfund, like CareSuper, remits tax based on different tax rates depending on the category of income and types of contributions and also as a result of the composition of superannuation fund members and the investment portfolio. The rates applicable to a complying superannuation fund are set out in the diagram below:

<b>Contributions</b>	<b>Investment Earnings Accumulation Phase</b>	<b>Investment Earnings Pension Phase</b>	<b>Benefit payment to members</b>
<p>Contributions made by employers on behalf of members are generally taxable at 15%<sup>1</sup></p> <p>Contributions that members make from their after-tax income, and member asset roll-ins from other super funds, are generally not taxable</p>	<p>Investment earnings that support member assets in accumulation phase are generally taxable at 15%<sup>2</sup></p> <p>Franking credits and offsets for foreign tax paid on investment earnings are applied to offset tax payable</p>	<p>Investment earnings that support member assets in pension phase are generally not taxable</p> <p>Franking credits are applied to increase pension member assets</p> <p>Foreign tax paid on earnings that support member assets in pension phase is generally not creditable</p>	<p>Benefits paid to members are generally not taxed by the fund, however the fund may be required to withhold tax when paying a benefit. The amount of tax withheld depends on the type of benefit, and the age and circumstance of the recipient</p>

1. Members that earn over \$250,000 generally are required to pay an additional 15% tax on their contributions (to a total of 30%). Contributions are taxed at 47% where a member has not supplied their TFN.

2. Investment gains made on long-term capital assets are taxed at an effective rate of 10%.

## Other Taxes

The fund also pays other taxes as part of its operations, which includes the following:

- Pay as you go withholding / Salaries and Wages - Tax is required to be withheld from employment related salaries paid to employees.

The tax withheld is based on withholding schedules issued by the Australian Taxation Office.

- Goods and Services Tax (GST)
  - The Fund as part of its operations pays GST and claims GST input tax credits where available.
- Other employment taxes – This includes fringe benefits tax payable in respect to certain fringe benefits provided to employees as part of their employment, payroll tax and workcover.

# CareSuper's Approach to Tax Strategy and Governance

Our taxation objective is to ensure that CareSuper complies with its statutory taxation reporting obligations and is managed in accordance with all applicable laws and regulations. This also reflects the members' expectations that the Fund is being prudently managed.

We meet all of our tax obligations and pay the appropriate amount of tax to the relevant authorities. This includes the obligations which arise on behalf of our members.

Our tax risk management framework is built to ensure the integrity of the management of our overall tax position, including compliance with legislative requirements and tax planning, to maximise the after-tax returns to members without engaging in aggressive tax planning practices.

We have identified tax as a material risk to the operation of CareSuper and have assigned a low level of risk that we are prepared to accept in relation to tax.

Our taxation philosophy is to:

- manage our tax risk;
- maximise the after-tax returns to members; and
- comply with the prevailing revenue laws in all relevant jurisdictions.

Officers of the Fund and the Directors act with the highest integrity in relation to all taxation matters affecting the Fund and the Trustee. All transactions entered into:

- have a commercial basis. We do not participate in artificial or contrived tax avoidance schemes or sham transactions;
- reflect our fiduciary duties to our members; and
- take into consideration the requirements of the *Superannuation Industry (Supervision) Act 1993*.

# Objectives of the Tax Risk Management Framework and Governance

To meet all of our taxation obligations, including income tax, employment taxes, GST, PAYG withholding, provision for tax in unit pricing, member related taxes, stamp duty and foreign tax.

Pay the appropriate amount of tax to relevant authority, taking into consideration that we are required to reasonably minimise the Fund's tax liability without engaging in any aggressive tax planning opportunities

To manage our tax exposures to legally ensure that the effective after-tax investment returns are maximised in relation to both local and foreign taxes.

The key governance parameters of our tax activities include:

- laws and regulations relating to tax must be adhered to;
- we only enter into arrangements which are expected to improve the Fund's post-tax return by unambiguously legal means;
- we do not enter into arrangements which rely on unintended loopholes in tax legislation;
- Taxation positions adopted must be no less than 'reasonably arguable'; and in adopting a taxation position, we take into consideration the impact on members' benefits (including equity between members), the Fund's market reputation and the impact of possible penalties imposed by the relevant authorities (including revenue authorities and other regulators where appropriate).

All Officers of the Fund, the Trustee and all outsourced service providers, shall act with the highest integrity in relation to all taxation matters affecting the Fund or the Trustee.

Our Taxation Policy outlines clearly the roles and responsibilities of the board, the Compliance, Audit and Risk Management Committee, management and third-party suppliers (that include the administrator, custodian and tax agent) and a process for reporting and escalating tax risk.

Our Taxation Policy is supported by a number of policy and procedural documents that ensure tax risk arising in relation to investments and other significant transactions is appropriately managed. Our tax risk management framework, controls and processes are periodically tested independently as part of our internal audit program.

# Financial Year 2023 Tax Payments

CareSuper paid approximately \$170.3 million in Australian and foreign taxes last year.

Tax paid	\$m	Primarily as a result of:
Income tax	137.2	Contributions and investment returns
Direct foreign taxes	14.7	Foreign investment returns
Withholding tax on Benefits	9.8	Benefit payments to Members
Withholding tax on Salaries	8.4	Employee salaries
GST	0.1	Acquisition of goods and services
Employment taxes	0.1	FBT and associated taxes on salaries and benefits

# Financial Year 2023 Income Tax Expenses

Reconciliation of accounting profit before tax to income tax expense

	Change in Member Benefits (\$000)	Income Statement (\$000)	Total (\$000)
<b>Accounting profit before tax</b>	<b>1,649,942</b>	<b>1,705,176</b>	<b>3,355,118</b>
Notional income tax expense (superannuation tax rate of 15%)	247,491	255,776	503,267
<b>Adjusted for the following items:</b>			
Non-assessable contributions	(27,809)		(27,809)
Non-taxable transfer from other superannuation funds	(48,309)		(48,309)
Non-assessable group life insurance proceeds	(10,928)		(10,928)
Other	3,937		3,937
<b>Net non-assessable income / (losses)</b>		<b>(38,979)</b>	<b>(38,979)</b>
Franking credits and foreign tax offsets		(87,558)	(87,558)
Prior year under / (over) provision for income tax		(13,918)	(13,918)
Exempt current pension income		(9,584)	(9,584)
<b>Total</b>	<b>164,382</b>	<b>105,737</b>	<b>270,119</b>
<b>Effective rate of income tax (post adjustment for items non-taxable and non-deductible)</b>			<b>8.05%</b>

Reconciliation of income tax and income tax paid

	Members (\$000)	Investments (\$000)	Total (\$000)
<b>Income Tax Expense / (Benefit)</b>	<b>164,382</b>	<b>105,737</b>	<b>270,119</b>
<b>Under / (Over) provision for tax in the current year</b>	<b>(3,335)</b>	<b>(1,980)</b>	<b>(5,315)</b>
<b>Unrealised gains on investments</b>		<b>(127,564)</b>	<b>(127,564)</b>
<b>Income receivables</b>		<b>(5)</b>	<b>(5)</b>
<b>Tax Paid – 2023 Income year</b>	<b>161,047</b>	<b>(23,812)</b>	<b>137,235</b>

## International Dealings

CareSuper's international dealings involve our foreign investments. Our transactions are limited to dealing with offshore investment vehicles as part of our global investment strategy to provide diversified investment options and deliver optimal investment returns for our members. The investments are in many different countries and across many of our asset classes.

We take our responsibility as a corporate global tax citizen very seriously. We invest in foreign investments only after undertaking appropriate and detailed tax due diligence, to ensure that we pay the appropriate amount of tax in the jurisdictions in which we invest, based on a sound and reasonable application of their tax laws.

In addition to this due diligence, we also ensure that all investment transactions are conducted at arm's length and that income returned to tax authorities globally and expenses incurred by CareSuper, are commercial.