

A photograph of a modern multi-story building with a glass and wood facade. The word "SUNCORP" is displayed in large, teal, 3D letters on the upper part of the building. To the right, there is a brick building with a white balcony. A large, cylindrical brick pillar is in the foreground. The scene is brightly lit, suggesting daytime.

SUNCORP

Suncorp Master Trust Tax Transparency Report 2020-2021

Building futures and protecting what matters

Suncorp Group Limited
ABN 66 145 290 124

Introduction

As we have faced another year of disruption and uncertainty, Suncorp Master Trust remains committed to helping its customers and members navigate the changing circumstances, challenges and future opportunities they are faced with. This includes providing support and value to members and being accountable through full transparency on our tax payments and policies.

Our 2020-2021 Tax Transparency Report details contributions made by Suncorp Master Trust in Australia for the financial year ended 30 June 2021.

We voluntarily adopted the Tax Transparency Code in 2020 in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Transparency Code. This includes reporting annually on our tax contributions and our approach to tax strategy.

This report continues to reflect our commitment to transparency and open communication with our members and the community.



BRYAN INGRAM
HEAD OF OFFICE OF THE SUPERANNUATION TRUSTEE
SUNCORP PORTFOLIO SERVICES LIMITED

Our superannuation products are issued by Suncorp Portfolio Services Limited, a wholly owned subsidiary of Suncorp Group Limited. We have been delivering superannuation and retirement products for more than 20 years. We currently have 137,000 superannuation members. Through the products and services we provide, our employees strive to give our members the confidence of knowing they are protected and their futures are brighter.

Suncorp Superannuation is currently part of the Suncorp Group. The sale of Suncorp's Wealth business to LGIA Super was announced in April 2021. The transaction is expected to be completed in FY22, subject to regulatory approvals. Together with Suncorp's Wealth business, the combined business will have around \$28 billion in funds under administration and approximately 250,000 members.

Approach to tax strategy, risk and governance

Suncorp Portfolio Services Limited (SPSL) is the trustee for the Suncorp Master Trust (SMT) referred to as the "Fund".

As a Trustee, SPSL has accountability for the activities of the SMT and, under general law and legislation, must act in the best interests of the members of the Fund at all times. From 1 July 2021, legislation requires trustees to act in the best *financial* interests of members.

SMT has a low tolerance for tax risk. This is consistent with the trustee's broader approach to risk, as set out in the Risk Appetite Statement (RAS). The RAS mandates a measured approach to achieve business objectives, targeted returns and good outcomes for members.

The RAS also requires the identification of tax risks and that all business decisions, including those relating to tax, are made in accordance with the RAS principles.

The SPSL Tax Risk Management and Governance Standard was prepared with reference to the Australian Tax Office's (ATO) best practice framework. The standard has been endorsed by the SPSL's Board Audit and Risk Committee.

The purpose of the SPSL Tax Risk Management and Governance Standard is to set out processes, roles, responsibilities and accountabilities to ensure a consistent and compliant approach to all tax matters encountered in the administration of SMT.

The SPSL Board is committed to act in the best interests of members and ensure that the funds under its trusteeship are administered under a system with high standards of corporate governance.

Responsibility for SPSL tax strategy sits with the Board and management. The Board Audit and Risk committee oversees and reviews tax risks, tax compliance and reporting obligations. SPSL as Administrator operationalises tax strategy and manages significant tax matters and risks on a day-to-day basis.

SPSL ensures its tax processes, systems, and controls are robust. SPSL has controls to test the integrity of tax data, a strong focus on technology to support tax compliance, and carries out regular tax due diligence and verification processes.

Formal risk management procedures incorporating tax include the following:

- RAS
- SPSL Governance Statement
- Tax guidelines relating to taxes, tax concessions and relationships with regulators
- SPSL Tax Risk Management and Governance Standard
- Significant Transaction Identification and Tax Risk Escalation Guideline, and
- Quarterly tax compliance papers submitted to the Board Audit and Risk Committee.

These formal mechanisms are complemented by informal, day-to-day procedures to manage tax risk. These include Administrator obligations to:

- provide an appropriately resourced tax function with experienced professionals who manage tax risks through regular tax reporting
- implement mechanisms to measure significant transactions, materiality and risk
- engage external tax advisors where necessary and adhere to the Trustee's and Administrator's governance policies, and
- obtain tax rulings from the relevant regulators on complex or uncertain areas of the law.

Relationships with regulators

SMT values positive and cooperative relationships with all revenue authorities, including the ATO.

In 2019, SMT was a participant in the ATO's Top 1,000 Tax Performance Program for financial years ended 30 June 2015 to 30 June 2018. The purpose of the review was to obtain evidence that SMT is reporting the right amount of tax. The program forms part of the ATO's Justified Trust initiative, and examines the taxpayer's tax governance, its approach to meeting tax compliance and tax accounting obligations, and its management of tax risks arising from transactions and emerging issues affecting the superannuation industry as a whole.

SMT was provided with a Medium Assurance rating which indicates the ATO obtained assurance in relation to some but not all areas reviewed. No "Red Flag" ratings were issued and SMT has not been engaged in the ATO's "Next Actions" program.

SMT is committed to applying tax legislation within the spirit and policy intent of the law and regulations.

SMT continues to work collaboratively with the ATO to enhance market transparency and build confidence within the community that it is paying the right amount of tax. SMT continues to actively assist the ATO towards reaching positions on current tax issues affecting the superannuation industry.

SMT is a holder of a Registrable Superannuation Entity licence and an Australian Financial Services licence. This means that it is regulated by the Australian Prudential Regulation Authority under the *Superannuation Industry (Supervision) Act 1993* (Cth), and the Australian Securities and Investments Commission under the *Corporations Act 2001* (Cth).

Taxes Borne and Collected

SMT collects and pays other taxes in addition to income tax, such as GST. Refer to page 7 for definitions of these taxes.

In addition to taxes borne by SMT, SMT members may pay individual taxes on their superannuation benefits. SMT may be responsible for the collection and remittance of these taxes to the relevant revenue authorities. Taxes borne and collected by SMT for the financial year ended 30 June 2021 are summarised below.

Income Tax	2020-21 (\$m - AUD)
SMT's total income tax contribution	44.6
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Taxes borne by SMT	2020-21 (\$m - AUD)
Australian income taxes	44.6
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Taxes collected and remitted by SMT	2020-21 (\$m - AUD)
Net GST Refund from the ATO ¹	3.7
PAYG Withholding on member benefits	4.4

1. This figure includes input tax credits claimed during the 2021 financial year which are attributable to prior financial years within the 4-year period of review.

The tax rates applied to superannuation funds are different to company and individual tax rates.

Super funds like SMT are required to pay tax on member contributions and earnings as follows*:

Pre-tax or deducted member and employer contributions up to \$25,000, salary under \$250,000 ("Concessional Contributions")	15%
Pre-tax member and employer contributions up to \$25,000, salary over \$250,000 (15% deducted and paid to ATO by SMT, plus additional 15% directly payable to ATO or deducted from account)	30%
After-tax member contributions and account consolidation transfers ("non-concessional contributions")	Nil
Accumulation and Transition to Retirement account investment earnings	15%
Retirement Income account earnings (pension phase)	Nil
Tax on contributions where members do not provide their Tax File Number	47%

*All rates, caps and thresholds are for the 2020-21 financial year. Certain rates, caps and threshold change from 1 July 2021.

Accounting profit-to-income taxes payable reconciliation

The table below outlines the relationship between net income from superannuation activities and income tax expense, and the difference between income tax expense and income tax payable for the 2021 financial year.

Income tax expense is calculated in accordance with accounting standards. It represents accounting profit multiplied by

Australia's superannuation tax rate of 15%, adjusted for what are known as 'non-temporary' differences. A non-temporary difference arises where a business transaction is treated differently for accounting and tax purposes. Non-temporary differences do not reverse over time.

Income tax expense is not the same as income tax paid or payable due to 'temporary' differences. Temporary differences occur when business transactions are recognised at a different time for accounting purposes than they are for tax purposes.

	Suncorp Master Trust		
	Income statement (\$m - AUD)	Change in members' benefits (\$m - AUD)	2020-21 Total (\$m - AUD)
Net income from superannuation activities	1,023,865²	638,531³	1,662,396
Prima facie tax at 15%	153,580	95,780	249,359
Non-taxable member contributions	-	(11,695)	(11,695)
Non-taxable transfers from other superannuation funds	-	(34,170)	(34,170)
Tax deductible Group Life Insurance Premiums	-	(22,594)	(22,594)
Non-deductible expenses	1,121	-	1,121
Movements in fair value of investments	(101,285)	-	(101,285)
Non-assessable pension distributions	(16,580)	-	(16,580)
Other assessable investment income	5420	-	5420
Non-assessable other revenue	49	-	49
Franking and foreign tax credits*	(15,203)	-	(15,203)
Total adjustments between net income and taxable income	(126,478)	(68,495)	(194,937)
Current income tax expense - 30 June 2021	27,102	27,320	54,422
2021 under/over income tax return to provision*	-	-	(9,808) ⁴
Australian income tax payable 2021 ITR	-	-	44,614
Current income tax expense - 30 June 2021	-	-	54,422
Temporary differences - deferred tax expense	61,342 ⁵	-	61,342
Total income tax Expense - 30 June 2021	88,444	27,320	115,764⁶
Over-provisions from prior financial years	(18,324)	-	(18,324)
Total income tax expense - current and prior year	70,120	27,320	97,440
Effective tax rate*	N/A ⁷	4.3%	N/A ⁷

2. Accounting income from investments net of operating expenditure

3. Excludes distributions of superannuation benefits

4. Under/over provision of tax expense due to subsequent availability of member submissions and final administrator reports received after year-end reporting but before tax return completion

5. Deferred tax arises on unrealised taxable capital gains and losses on investments, and operating expenditure accrued but not incurred for tax purposes

6. The effective tax rate is more than 15% of net income due to prior year adjustments and the impact of temporary differences

7. Meaningful effective tax rate unable to be calculated where income tax benefit arises from accounting profit or tax expense arises from accounting loss

*Refer to page 7 for definition

Definitions

GOODS AND SERVICES TAX (GST)

SMT provides products and services that are classified as input taxed. For these products and services, GST is not charged by SMT. SMT is generally not entitled to claim input tax credits in respect of costs associated with providing input taxed products and services, except where entitlement exists under the GST Regulations. Where entitlement exists under the GST Regulations, GST can be claimed at a Reduced Input Tax Credit ('RITC') rate of 75%, 55% or 0% as SMT is a recognised trust scheme as defined by the GST Regulations.

FRANKING CREDITS

Franking credits arise from Australian income tax that has been paid by companies and are passed onto shareholders through the distribution of franked dividends, thereby reducing the incidence of double taxation. Franking credits reduce the total income tax expense for shareholders.

PAY AS YOU GO (PAYG) WITHHOLDING TAX

In 2020-21, Suncorp Master Trust withheld and remitted taxes to the relevant authorities from payments of Superannuation benefits to members and their beneficiaries.

ETR (EFFECTIVE TAX RATE)

This is the rate recognised in the financial statements and is calculated as income tax expense divided by the net income from superannuation activities before income tax.

OVER/UNDER PROVISIONS

Adjustments representing the differences between the current and deferred tax expense recorded in the current and prior years, when compared to the actual tax paid in respect of that year. Such differences generally arise due to additional adjustments made as part of the preparation and lodgement of SMT's income tax return.

TAX RISK MANAGEMENT AND GOVERNANCE (TRM&G) FRAMEWORK

SPSL's internal tax risk management framework provides the basis from which SMT identifies and manages its tax risks. As discussed above in the Approach to Tax strategy, risk and governance section of this report, the TRM&G framework forms part of SMT's wider risk management framework.

TEMPORARY DIFFERENCES

Temporary differences arise from mismatches between the Australian taxation law and the Australian financial accounting rules in determining the timing of when revenue and expenses are recognised. For example, SMT's accounting income for FY21 includes transactions that have already been included in SMT's taxable income for FY20.



Connect

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