



Australian Government

Commonwealth Superannuation Corporation

# Tax Transparency Report

For the year ended  
30 June 2022



Commonwealth  
Superannuation  
Corporation

ISSN: 2204–3837

© Commonwealth of Australia 2023

All material presented in this publication is provided under a Creative Commons Attribution 3.0 Australia ([creativecommons.org/licenses/by/3.0/au/](https://creativecommons.org/licenses/by/3.0/au/)) licence.

For the avoidance of doubt, this means this licence only applies to material as set out in this document.



The details of the relevant licence conditions are available on the Creative Commons website (accessible using the links provided) as is the full legal code for the CC BY 3.0 AU licence ([creativecommons.org/licenses/by/3.0/au/legalcode](https://creativecommons.org/licenses/by/3.0/au/legalcode)).

Commonwealth Superannuation Corporation (CSC)

Website: [csc.gov.au](https://csc.gov.au)  
Postal address: GPO Box 2252  
Canberra ACT 2601  
Phone: 02 6275 7000  
Fax: 02 6263 6900  
ABN: 48 882 817 243  
RSEL: L0001397

Superannuation schemes

CSS ABN: 19 415 776 361  
RSE: R1004649  
USI: 19415776361001

PSS ABN: 74 172 177 893  
RSE: R1004595  
USI: 74172177893001

MilitarySuper ABN: 50 925 523 120  
RSE: R1000306  
USI: 50925523120001

PSSap ABN: 65 127 917 725  
RSE: R1004601  
USI: 65127917725001

ADF Super ABN: 90 302 247 344  
RSE: R1077063

For information on each scheme visit [csc.gov.au](https://csc.gov.au)

# Contents



## **Introduction**

Page 4



## **About CSC**

Page 5



## **Tax strategy**

Page 6



## **Engagement with tax authorities**

Page 8



## **Attitudes to tax planning**

Page 8



## **Reliance on third party tax information**

Page 9



## **Tax contribution**

Page 10



## **Effective income tax rate**

Page 12



## **Reconciliation of accounting profit and income tax expense**

Page 13



## **Foreign tax**

Page 15



## **International related party dealings**

Page 15



## **Material tax risks or at risk tax positions**

Page 15



## **Appendix A - Tax contribution**

Page 16



## **Appendix B - Glossary**

Page 17



## **Appendix C - Basis of preparation**

Page 18

# Introduction

I am pleased to provide the Commonwealth Superannuation Corporation's (CSC) Tax Transparency Report for the year ended 30 June 2022 (FY22). CSC is a signatory to the Board of Taxation's (BoT) Voluntary Tax Transparency Code (TTC) and has prepared this report on this basis.

CSC was established on 1 July 2011 to meet the superannuation needs of Australian Government employees and members of the Australian Defence Force (ADF). CSC's purpose and vision is to build, support and protect better retirement outcomes for all our customers and their families.

CSC is committed to meeting its Australian and overseas tax obligations. Our organisation supports transparency within the Australian taxation landscape and is committed to contributing to the TTC initiative for future years. This report is an example of CSC's ongoing work to maintain strong tax governance and transparency.

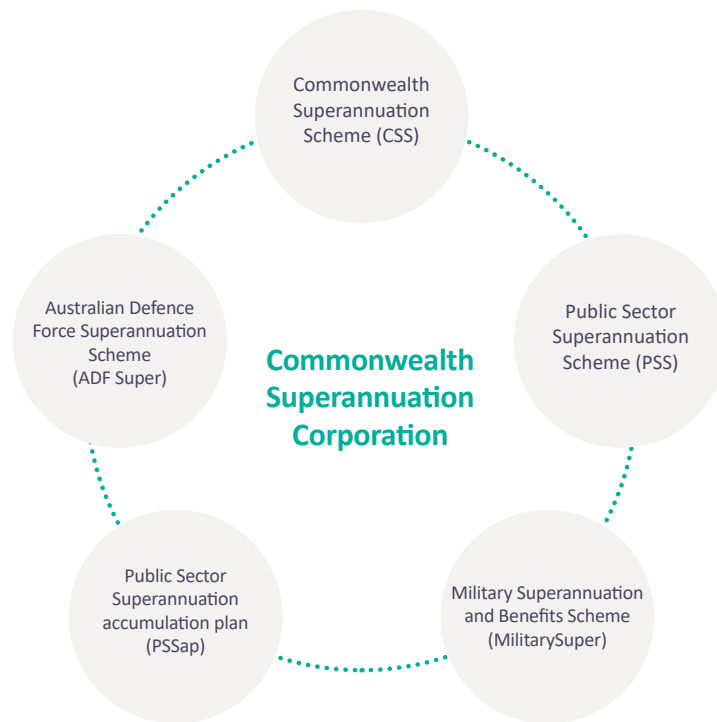


**Andy Young**  
Chief Operating Officer  
16 February 2023

# About CSC

CSC operates within the Australian superannuation industry, regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). For the purposes of this report, CSC comprises of five regulated public sector and ADF superannuation funds, as well as a single pooled vehicle (known as the ARIA Investments Trust or the AIT) that is used to make investments. The AIT is a pooled superannuation trust (PST) for tax purposes. The AIT had \$56.61 billion in funds under management as at 30 June 2022.

The five APRA and ASIC regulated public sector and ADF superannuation funds are:



*For further information on CSC and its regulated funds, please refer to the Basis of Preparation in **Appendix C**.*

# Tax strategy

Given the inherent complexities of Australian and international tax laws, a systematic approach is required to manage tax risk. CSC has developed a tax strategy that maintains a high level of diligence and accountability through the implementation and execution of tax policies and procedures that reflect 'best practice' standards as determined by the Australian Tax Office (ATO). As the superannuation provider for Australian government and ADF employees, CSC is required to maintain its reputation as a model taxpayer. CSC therefore must ensure that it not only operates within the confines of Australian and international tax laws, but it also avoids adopting aggressive tax positions and structures as determined by tax authorities (including the ATO). CSC considers that its focus on acting with integrity and achieving strong tax compliance is consistent with its long-held objective of building, supporting and protecting better retirement outcomes for its customers and their families. A negative impact in relation to CSC's management of tax risk can also give rise to severe implications on its reputation, as well as its relationship with the ATO and other regulators.

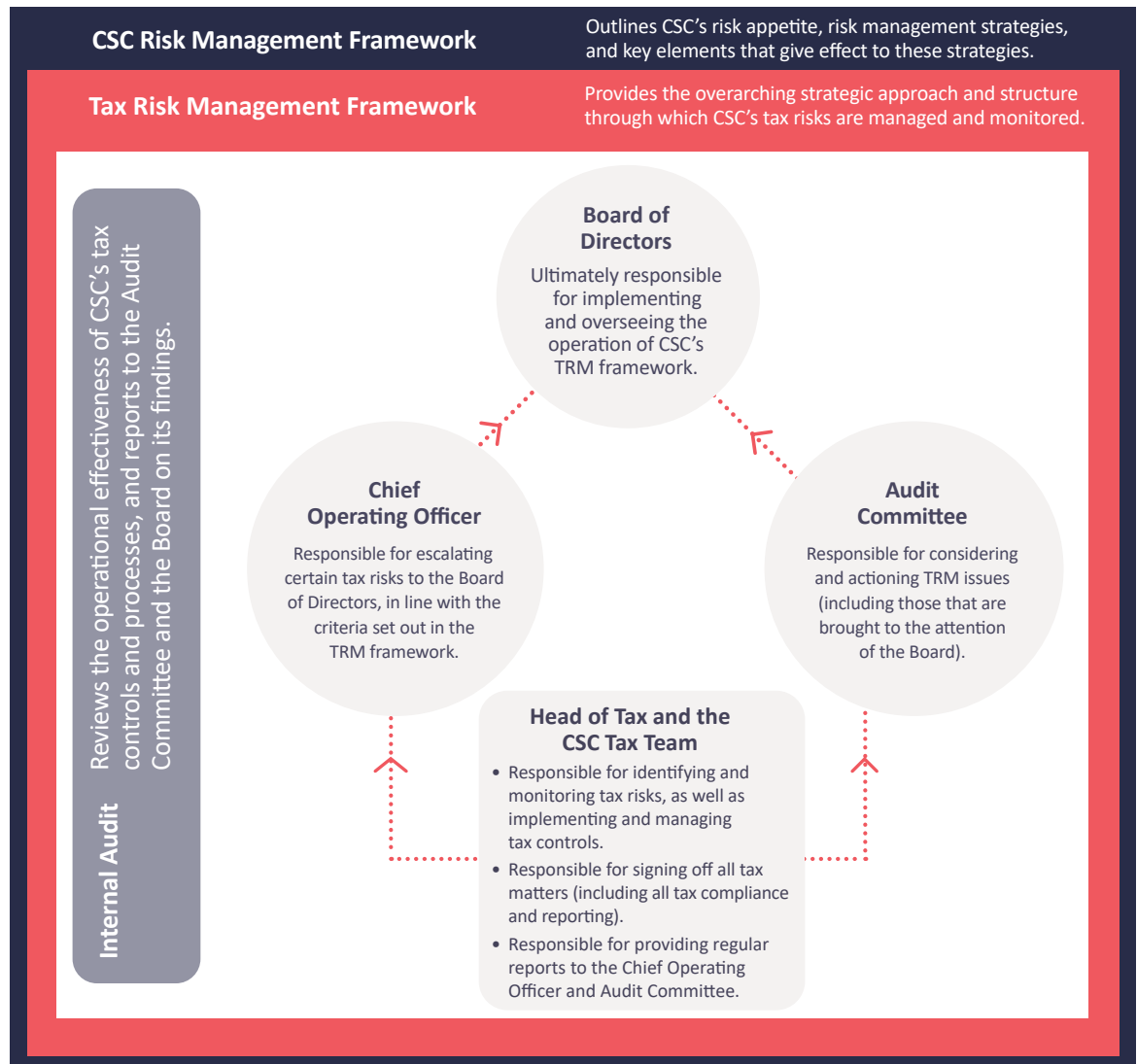


CSC's tax strategy is implemented through a tax risk management (TRM) framework that ensures a high degree of transparency and accountability. Regular testing of all tax controls (including through independent external review) ensures CSC's TRM framework is designed and operating effectively. Tax risk extends beyond CSC's relationship with tax authorities, and affects almost every area of the organisation, including: investments, investment operations, finance, customer innovation and services, people and legal and compliance.

CSC's TRM framework forms part of a wider risk management framework that incorporates clear risk management procedures and responsibilities across all of CSC's staff members. This is reflected in CSC's internal risk and compliance functions, as well as its Board. In line with this wider risk management framework, CSC's TRM framework is supported by:

- Documented tax controls that facilitate the appropriate management and oversight of tax risks and issues. This includes streamlined reporting and sign-off procedures for all transactions involving tax, and for all tax compliance and reporting obligations;
- Regular engagement on significant and complex tax matters and risks with the Audit Committee and/or the Board. This includes ongoing updates on tax issues and developments (including legislation and case law) impacting CSC and its investments;
- Annual reviews (undertaken as part of CSC's internal audit program) of the effectiveness of CSC's tax policies, procedures and controls. Internal audit findings and recommendations are reported to both the Audit Committee and the Board;
- Engagement with external advisers (where appropriate) and regulatory authorities to ensure that complex tax issues (including those that arise from changes in tax legislation) are proactively managed; and
- Investment in technology solutions to ensure a high level of integrity and efficiency in CSC's tax reporting. This includes the use of tax data analytics to ensure the integrity of disclosures.

The following diagram illustrates the relationship between CSC's TRM framework and its wider Risk Management Framework.



CSC's TRM framework, as last approved by the CSC Board on 21 April 2022, includes both board level and management level controls, and is subject to annual independent review. The latest review concluded that CSC's TRM framework is consistent with the ATO's tax corporate governance expectations, as set out in its 'Tax Risk Management and Governance Review Guide.'

As a matter of best practice, CSC continually reviews its TRM framework and incorporates any external feedback received from our auditors / tax authorities. This includes engagement in the past year with the ATO to incorporate the ATO's recently released 'Governance over third-party data' supplementary guide.

# Engagement with tax authorities

CSC proactively engages with its external tax advisers and tax authorities (including the ATO) to ensure that tax positions adopted accord with CSC's stated objectives. CSC considers that a proactive approach to tax risk management supports its robust tax strategy, and has a strong relationship with the ATO that is built on integrity and transparency.

CSC is an ongoing participant in the ATO's 'Top 1,000 Combined Assurance Program', having undergone reviews for the PSS International Investments Fund, PSSap and the AIT. The ATO has advised that it has obtained assurance that these entities had paid the right amount of Australian income tax for all the periods for which reviews have been completed.

CSC continues to assist the ATO to achieve its objectives by working collaboratively with the ATO to enhance market transparency and build confidence within the community that the largest Australian businesses are paying the right amount of tax. CSC ensures strong lines of communication are maintained and continues to actively assist the ATO towards reaching positions on current tax issues affecting the superannuation industry.

# Attitudes to tax planning

In accordance with CSC's TRM framework, CSC maintains a low tax risk appetite. This means that CSC will only adopt tax positions where the application of the tax law is straightforward or where there is clear authority to support the position.

CSC holds investments in Australia and various overseas jurisdictions. To access large-scale international opportunities, CSC may invest in collective investment vehicles such as limited partnerships, which are funded by investors around the world. These pooled investment vehicles may be situated in low or no tax rate jurisdictions, in line with the commercial, legal and investment strategies of the pooled vehicles. In doing so:

- CSC does not shift or accumulate untaxed profits in low tax jurisdictions, nor does it use the laws of overseas jurisdictions to shelter its income or assets. That is, investment returns remain taxable in both the underlying source country and within Australia;
- CSC reviews all unlisted investments (prior to commitment) to ensure it remains compliant with all Australian anti-avoidance tax rules, overseas tax laws and compliance obligations;
- Investment income and gains are repatriated back to Australia and are subject to Australian income tax. To the extent Australia's controlled foreign entity laws apply, CSC ensures the appropriate amount of taxes are paid for its controlled foreign entities; and
- CSC fully complies with overseas tax laws and compliance obligations.



By investing through collective investment vehicles, CSC does not engage in profit shifting or tax evasion. Where investments are made through a jurisdiction with no tax (such as the Cayman Islands), CSC pays tax on any earnings in Australia (directly to the ATO).

CSC has a fiduciary obligation to act in the best financial interests of all its customers in accordance with the provisions of the various legislation and trust deeds that govern the schemes. Accordingly, CSC pursues tax strategies consistent with that obligation. CSC has a statutory obligation to consider the expected tax consequences when developing investment strategies, including a 'best reasonable efforts' approach in considering optimal tax structures that prevent double taxation. At the same time, CSC also expects its investment managers to use their best efforts not to engage in aggressive tax planning practices and to follow the spirit of the law. CSC defines aggressive tax planning as the exploitation of technicalities in a tax regime for the primary purpose of reducing tax.

To facilitate the above strategy, CSC sets out its TRM principles for CSC's unlisted investment managers in the form of a Tax Code of Conduct (TCC). The aim of the TCC is to help CSC's investment managers understand its approach to TRM.<sup>1</sup> CSC expects that its investment managers will give appropriate consideration to CSC's TRM framework in managing the tax affairs of CSC's unlisted investments. CSC also regularly engages with its investment managers to ensure their compliance with CSC's TCC.

## Reliance on third party tax information

CSC is reliant on tax information received from its custodian and investment managers ('third party tax information') to fulfil its tax obligations. Accurate third party tax information is important in allowing CSC to validate that the correct amount of investment income derived from its investments has been reported, as well as the claiming of any associated tax offsets and deductions.

CSC's TRM framework requires an assessment of the controls and processes in place to reduce the risks of reliance on third party tax information. This is aligned with the ATO's recently released '*Governance Over Third-Party Data*' supplementary guide, which recommends testing of tax controls over third party tax information, including the direct receipt of investment tax information. CSC's TRM framework has been reviewed both internally and externally to ensure compliance with this guide.

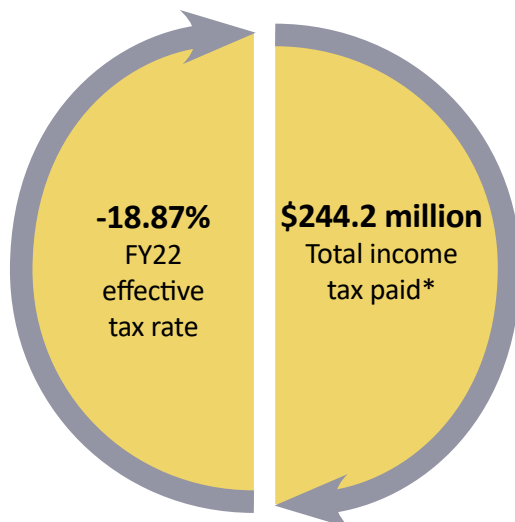
CSC undertakes testing to ensure that it obtains comfort that its investment managers are acting on CSC's behalf in accordance with CSC's low appetite to tax risk, and that the tax reporting provided to CSC is accurate and reliable. Specifically, CSC recognises the role of a strong tax governance framework in managing third party tax information, as it ultimately ensures accuracy over information reported in CSC's income tax returns.

An independent third party reviews the operating and design effectiveness of CSC's tax control framework annually. CSC's in-house tax team also conducts periodic testing of all tax controls to identify any improvements required. Where any gaps are identified, CSC will introduce new tax controls and communicate the ongoing management of tax risks to the Audit Committee where appropriate.

<sup>1</sup> CSC's Tax Code of Conduct can be accessed here: [csc.gov.au/Members/About-CSC/Corporate-governance](https://csc.gov.au/Members/About-CSC/Corporate-governance).

# Tax contribution

## CSC's tax contribution at a glance



*\*Total of Australian federal income tax paid and income tax paid in foreign jurisdictions. A further breakdown of foreign tax paid is contained in "Foreign tax" section.*

CSC is subject to Australian income tax at a rate of 15%, which is the standard income tax rate for superannuation funds in Australia. However, differences can arise depending on the nature of the income. For example, CSC's effective tax rate is reduced below 15% by tax exempt superannuation contributions received, long-term capital gains subject to a reduced tax rate, and franking credits and foreign income tax offsets (representing amounts of tax on income and gains that have already been paid).

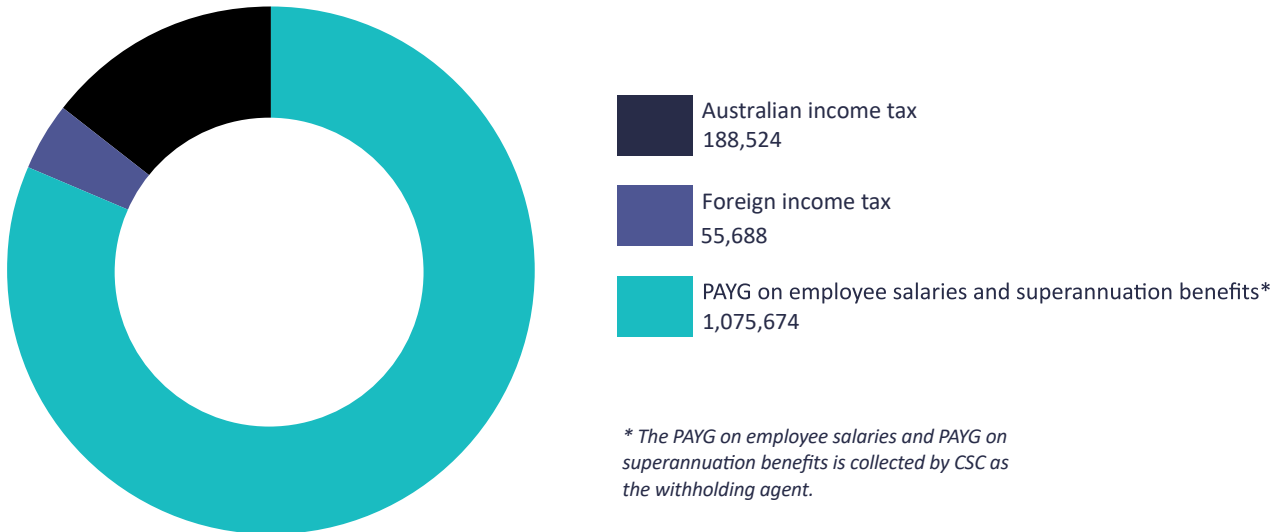
In addition, CSC pays foreign taxes on its overseas investment income. The rate of foreign tax paid may vary from the standard 15% tax rate in Australia for superannuation entities. As this foreign income is also subject to Australian income tax, CSC's foreign investments may give rise to a risk of double taxation. To mitigate this risk, CSC may be entitled to claim a foreign income tax offset (FITO) in Australia for these foreign taxes paid. Please refer to the "Foreign tax" section of this report for a further breakdown of foreign taxes paid.

CSC's negative effective tax rate in FY22 is largely due to the investment loss position in the year (driven by unfavourable market conditions) and an increase in franking credits on income received during the period. The negative effective tax rate does not mean that CSC did not pay tax in FY22, as a large portion of the investment losses in FY22 remain unrealised and available to offset against future investment gains. The difference between CSC's effective income tax rate and the standard 15% tax rate is illustrated below in the "Effective income tax rate" section of this report.

CSC is also subject to Goods and Services Tax (GST) and employment taxes (including Fringe Benefits Tax (FBT) where applicable). In addition, CSC collects and remits Pay-As-You-Go (PAYG) withholding tax from superannuation benefit payments to our customers and PAYG withholding tax deducted from employee salaries.

The following diagram provides a summary of CSC's total taxes paid in FY22. Note that the diagram below excludes amounts relating to GST (\$11,496,025 net refund) and FBT (\$15,610 paid). Please refer to the tax contribution breakdown in **Appendix A** for further details.

## Taxes paid in FY22 (\$'000)



# Effective income tax rate

CSC's effective income tax rate is calculated as total income tax expense, divided by the sum of net investment and contribution income (after subtracting related expenses). This calculation is not based on accounting profit, as superannuation funds exclude certain revenue and expense items from the income statement (such as superannuation contributions and other items affecting customer liabilities). These items may be regarded as assessable income or deductible expenses for tax purposes and as such, are included in calculating CSC's effective tax rate.

Taxpayers often report both an Australian effective income tax rate (which covers the tax expense on Australian operations), as well as a 'global' effective income tax rate that also includes the tax expense for overseas operations. While CSC has international investments that affect its financial performance, these foreign interests are of a passive nature. CSC also does not maintain any international operations. Therefore, CSC's Australian effective income tax rate is the same as its global effective income tax rate. CSC's effective income tax rate (excluding foreign income tax expense) is set out below.

	CSC (\$'000)	
	FY22	FY21
Benefits accrued as a result of operations before income tax	1,438,936	12,756,688
Total tax expense (based on the Profit and Loss Statements of CSC entities)	(271,467)	1,139,459
<b>CSC's effective income tax rate under the TTC requirements</b>	<b>(18.87%)</b>	<b>8.93%</b>

The difference between CSC's effective tax and the standard 15% tax rate is largely due to the following:

	Percentage difference	
	FY22	FY21
<b>Investments</b>		
Franking credits and foreign income tax offsets	31.46%	1.1%
Investment revenue already taxed	1.53%	0.2%
Capital gains adjustment	(16.8%)	2.77%
<b>Subtotal difference arising from investments</b>	<b>16.19%</b>	<b>4.07%</b>
<b>Contributions</b>		
Contributions not subject to tax*	16.38%	1.7%
Other adjustments	1.3%	0.3%
<b>Subtotal difference arising from contributions</b>	<b>17.68%</b>	<b>2%</b>
<b>Total difference from the standard income tax rate of 15%</b>	<b>33.87%</b>	<b>6.07%</b>

\*The percentage difference between FY21 and FY22 is driven by the decrease in investment performance in FY22, which has substantially reduced the overall income tax expense and resulted in the contributions not subject to tax making up a larger component of the total ETR percentage difference. As noted in the table in "Reconciliation of accounting profit and income tax expense" section below, the total amount of contributions and transfers not subject to tax in FY22 is relatively consistent with the FY21 amount.

A further breakdown of CSC's effective income tax rate between investments and contributions is provided below:

	CSC (\$'000)	
	FY22	FY21
<b>Investments</b>		
Investment income	(2,276,377)	9,381,061
Initial income tax (calculated at 15%)	(341,457)	1,407,159
Non-temporary differences	(251,719)	(558,985)
<b>Total income tax expense/(benefit) from investments</b>	<b>(593,175)</b>	<b>848,174</b>
Effective tax rate on investments	(26.06%)	9.04%
Proportion of investment income over total income	(158.20%)	73.56%
<b>Effective tax rate on investments (over total income)</b>	<b>(41.22%)</b>	<b>6.65%</b>
<b>Contributions</b>		
Superannuation contributions	3,715,313	3,373,505
Initial income tax (calculated at 15%)	557,297	506,344
Non-temporary differences	(235,588)	(215,059)
<b>Total income tax expense from contributions</b>	<b>321,709</b>	<b>291,285</b>
Effective tax rate on contributions	8.66%	8.63%
Proportion of contributions over total income	258.20%	26.44%
<b>Effective tax rate on contributions (over total income)</b>	<b>22.36%</b>	<b>2.28%</b>
<b>Total effective tax rate</b>	<b>(18.87%)</b>	<b>8.93%</b>



## Reconciliation of accounting profit and income tax expense

In determining CSC's current tax expense, differences arise between 'benefits accrued as a result of operations before income tax' (as determined under accounting standards) and 'taxable income' (which is used to determine income tax expense). These differences are referred to as temporary and non-temporary differences, and arise from the mismatch in Australian tax and financial accounting rules.

The table below provides a reconciliation of CSC's aggregated accounting profit against CSC's total income tax expense and current income tax expense. As mentioned above in the "Effective income tax rate" section of this report, CSC's calculation of income tax expense includes taxes paid on CSC's accounting profits on investments and superannuation contributions (net of related expenses).

	CSC (\$'000)	
	FY22	FY21
<b>Benefits accrued as a result of operations before income tax</b>		
Superannuation contributions	3,715,313	3,375,627
Investment income	(2,276,377)	9,381,061
<b>Total</b>	<b>1,438,936</b>	<b>12,756,688</b>
Initial income tax expense calculated at 15%	215,840	1,913,503
<b>Non-temporary differences (investments)</b>		
Investment revenue already taxed <sup>A</sup>	(22,089)	(24,992)
Franking credits and foreign income tax offsets <sup>B</sup>	(452,691)	(134,255)
Capital gains adjustments <sup>C</sup>	241,751	(353,906)
Under / (over) provision for income tax relating to prior income years <sup>D</sup>	(9,930)	(45,783)
Other items <sup>E</sup>	(8,760)	(49)
<b>Non-temporary differences (contributions)</b>		
Contributions and transfers not subject to tax <sup>F</sup>	(243,141)	(221,069)
Transfers and contributions subject to tax <sup>G</sup>	7,554	5,131
No-TFN-quoted contributions subject to additional tax	(1)	6
Under / (over) provision for income tax relating to prior income years	0	873
<b>Income tax expense (current income tax and deferred income tax)</b>	<b>(271,467)</b>	<b>1,139,459</b>
<b>Temporary differences:</b>		
Unrealised net taxable capital gains and revenue income/losses <sup>H</sup>	460,856	(448,790)
Accrued expenses <sup>I</sup>	(6,440)	1,832
Deferred franking credits and foreign income tax offsets	7,981	2,936
Adjustments recognised in the period for current tax of prior periods	(23,917)	1,446
Other items <sup>J</sup>	21,511	108,695
<b>Current tax expense (income tax paid and payable in respect of the current income year)</b>	<b>188,524</b>	<b>805,578</b>

<sup>A</sup> This amount largely represents movements in the fair value of units of the AIT that are held by CSC's five regulated public sector and ADF superannuation funds and trust distributions that have already been subject to income tax in prior income years. An adjustment is made to prevent them from being taxed twice.

<sup>B</sup> Franking credits arise from Australian income taxes that have been paid by companies. These are passed onto shareholders through franked dividends. Franking credits reduce the total income tax expense, thereby reducing the incidence of double taxation. CSC also pays various foreign taxes in relation to its overseas investment income. This income is also subject to Australian income tax. To prevent double taxation, Australian tax law permits CSC to claim a tax offset in Australia for these foreign taxes paid.

<sup>C</sup> This amount represents the portion of CSC's total capital gains which have been reduced due to the capital gains tax concession (discount) together with any movement in unrealised profits/losses on CSC's assets. Under Australian tax law, Australian tax residents (including superannuation funds such as CSC) are entitled to reduce the total capital gain arising on the sale, realisation or transfer of certain assets, provided they are held by the same Australian tax resident for at least 12 months.

<sup>D</sup> These adjustments relate to differences between the current and deferred tax expense recorded in the current and prior years, when compared against the actual tax paid in respect of that year. These differences generally arise due to additional adjustments made as part of preparing and lodging CSC's income tax returns.

<sup>E</sup> These amounts represent other adjustments which are required under Australian tax law, but are not recognised for accounting purposes.

<sup>F</sup> Under Australian tax law, certain forms of contributions received by superannuation funds are not subject to tax (including personal superannuation contributions where the customer has not claimed an income tax deduction, contributions made on behalf of a spouse, government co-contributions and rolled-over superannuation benefits). Amounts that have been transferred from other superannuation funds are generally not recognised as 'superannuation contributions' and are therefore not subject to tax. However, if these amounts have not yet been subject to tax, an adjustment is required to increase the income tax expense.

<sup>G</sup> This amount includes transfers from other funds that are subject to tax and superannuation contributions paid as part of income protection claim payments to our customers. For completeness, we note there was no differences arising from any anti-detriment deductions for FY21 and FY22.

<sup>H</sup> This amount represents unrealised net capital gains and revenue income/losses on investments held in the AIT. Under Australian tax law, this amount is not subject to tax until the investment is realised. As such, an adjustment is required to reduce current tax expense. However, because unrealised net gains and revenue losses give rise to tax/deductions in the future, there is no impact on total income tax expense.

<sup>I</sup> These adjustments represent investment expenses that have been recognised for accounting purposes, but are not yet recognised for tax purposes (either because the revenue has not yet been received, or because the expenses have not yet been paid). These amounts are not immediately reflected in current tax expense, but will be reflected for tax purposes in later income years (therefore, there is no change to total income tax expense).

<sup>J</sup> Other temporary differences include interest receivable, insurance premiums that are deductible or charged to customer's accounts, foreign exchange gains and foreign income.

# Foreign tax

In FY22, CSC paid \$55,688k in foreign tax in the following regions:

Region	CSC (\$000)	
	FY22	FY21
North America	40,460	8,599
Europe	9,338	3,535
Asia and Middle East	4,675	7,679
South America	398	122
Oceania	732	479
Other	85	473
<b>Total <sup>A</sup></b>	<b>55,688</b>	<b>20,887</b>

<sup>A</sup>This amount is net of any foreign taxes reclaimed from foreign tax authorities, according to the relevant double tax treaty. The FITO claimed in CSC's Australian income tax return is \$55,437K (after exempt current pension income) for FY22.

## International related party dealings

CSC may establish investment vehicles outside of Australia to allow international investments to be held on behalf of our customers, in line with CSC's wider investment objectives. Any such international related party dealings of CSC are entered into strictly for commercial reasons only.

## Material tax risks or at risk tax positions

CSC has not identified any material tax risks or at risk tax positions for FY22. This is consistent with CSC's audited financial statements which disclose no uncertain tax treatments in accordance with the International Financial Reporting Standards Foundation and Australian Accounting Standards Board (AASB) Interpretation 23.



# Appendix A - Tax contribution

	Total taxes paid by CSC		Total taxes collected by CSC		Total
	Income tax paid and payable to the ATO and to overseas tax authorities <sup>A</sup>	FBT paid by CSC to the ATO <sup>B</sup>	GST remitted to/(refunded by) the ATO	PAYG withholding remitted to the ATO (from employee salaries and member benefits)	
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>FY22</b>					
Australian federal taxes	188,524	16	(11,496)	1,075,674	1,252,718
Other jurisdictions	55,688				55,688
<b>Total (FY22)</b>	<b>244,212</b>	<b>16</b>	<b>(11,496)</b>	<b>1,075,674</b>	<b>1,308,406</b>
<b>FY21</b>					
Australian federal taxes	805,578	13	(11,910)	1,031,846	1,825,527
Other jurisdictions	20,887				20,887
<b>Total (FY21)</b>	<b>496,496</b>	<b>13</b>	<b>(11,910)</b>	<b>1,031,846</b>	<b>1,846,414</b>

<sup>A</sup> The decrease in Australian federal taxes is driven by CSC's investment loss position for the year.

<sup>B</sup> This includes FBT paid by CSC on non-cash benefits provided to its employees for the FBT years ended 31 March 2022 and 31 March 2021.





# Appendix B - Glossary

## Accrued income and expenses

Investment income and expenses that have been recognised for accounting purposes, but not for tax purposes. This may arise because either revenue has not yet been received, or expenses have not yet been paid. These amounts are not immediately reflected in CSC's current tax expense, but will be captured for tax purposes in subsequent income years. Therefore, these amounts do not impact CSC's total income tax expense calculation.

## Effective income tax rate

The average tax rate paid by CSC for FY22. CSC's effective income tax rate is calculated as total income tax expense, divided by the sum of net investment and contribution income (after subtracting related expenses).

## Franking credits

Franking credits arise from Australian income taxes that have 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.

## FY21

The financial year ended 30 June 2021.

## Material tax risks or at-risk tax positions

CSC's TRM framework generally identifies material tax risks as situations where the potential tax at risk is greater than 3% of CSC's total funds under management.

## Non-temporary differences

Non-temporary differences refer to differences between the Australian taxation law and Australian financial accounting rules that do not arise from differences in the timing of when revenue and expenses are recognised. These differences may arise because Australian taxation law may include (or exclude) an item in (or from) taxable income that does not follow the same treatment for accounting purposes. For example, some expenses are never deductible for tax purposes.

## 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 CSC's income tax returns.

## 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, CSC's accounting income for FY22 includes transactions that have already been included in CSC's taxable income for FY21.

## TRM framework

CSC's internal TRM framework which provides the basis from which CSC identifies and manages its tax risks. As discussed above in the "Tax strategy" section of this report, the TRM framework forms part of CSC's wider risk management framework.

## Unrealised net taxable capital gains and revenue losses

Amounts representing unrealised net capital gains and revenue income/losses on investments held in the AIT. Under Australian tax law, such amounts are not subject to tax until the relevant investment is realised. As such, an adjustment is required to reduce current tax expense amounts. However, because unrealised net gains and revenue losses give rise to tax and/or deductions in the future, there is no impact on the total income tax expense.

# Appendix C - Basis of preparation

As a signatory to the BoT's Voluntary TTC, CSC has prepared this report in accordance with the TTC, together with the AASB's draft guidance in relation to presentation of effective tax rates in its 2017 *'Draft Appendix to the Tax Transparency Code'*. CSC has also adopted disclosures on proposed new minimum standards as recommended in the BoT's 2019 Consultation Paper on the *'Post-Implementation Review of the Tax Transparency Code'*.

All information utilised to prepare this report has been sourced internally and from CSC's financial statements for FY22. This report and any associated disclosures do not form part of any financial statements and have not been subject to independent external audit assurance.

## Reporting currency

All amounts are specified in Australian dollars unless otherwise stated.

## Approach to materiality

Materiality for disclosures has been set at the nearest thousand dollars. CSC has engaged its external tax adviser to review disclosures contained in this report.

## Reporting period

This report has been prepared for CSC's financial year ended 30 June 2022.



## Assurance regimes applicable to CSC

CSC 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)*.

## Further information on CSC

This Tax Transparency Report should be read together with CSC's 2021-22 Annual Report, and can be accessed at [csc.gov.au](https://www.csc.gov.au).

Further information on all of CSC's regulated funds can be found at [csc.gov.au](https://www.csc.gov.au).

-  Facebook link [facebook.com/CommonwealthSuperannuationCorporation](https://facebook.com/CommonwealthSuperannuationCorporation)
-  Instagram link [instagram.com/commsupercorp](https://instagram.com/commsupercorp)
-  LinkedIn link [linkedin.com/company/commonwealth-superannuation-corporation](https://linkedin.com/company/commonwealth-superannuation-corporation)



Commonwealth  
Superannuation  
Corporation