

Origin Energy Income Tax Transparency Report

Year ended 30 June 2017



Origin Energy (Origin) makes a significant contribution to the communities in which it operates, including the payment of income tax, payroll tax, rates and royalties. We are open and transparent about our tax arrangements and comply with all applicable tax laws and regulations.

Origin's effective income tax rate¹ for the 30 June 2017 tax year on the statutory accounting loss was 3 per cent and on underlying net profit² was 34 per cent. The variance from the corporate tax rate of 30 per cent, is primarily due to the tax treatment of the Australia Pacific LNG equity income.³

Origin has been classified as a key taxpayer by the Australian Taxation Office (ATO) pursuant to its risk-differentiation framework, meaning the ATO considers that it would be unlikely that Origin would lodge tax returns that would apply an interpretation of the tax law that is inconsistent with that of the ATO. As a key taxpayer, our operations are assessed as having a significant effect on the tax system and we proactively engage with the ATO on a regular basis to confirm compliance with the tax law.

The Origin tax consolidated group

Origin has operations in Australia as well as several overseas countries which are all subject to tax. We lodge a single Australian income tax return with the ATO that consolidates the results of our wholly-owned Australian resident companies, known as the Origin tax consolidated group.

Our tax return primarily discloses the income derived solely from our Australian operations as total income. Origin's subsidiaries that have operations outside of Australia are not required to lodge an Australian tax return, however, their activities are included within the tax return, as an addition to the total income disclosed, to the extent they are either concessionally taxed or derive passive income or income from transactions with the Origin tax consolidated group. These companies comply with the tax laws applicable to the countries in which they operate, are legitimate operating businesses and are not vehicles to minimise tax.

Australian Taxation Office tax transparency reporting

The ATO's report on tax entity information for the 2017 income year includes details of tax paid as compared to total income. This report doesn't disclose what is invested to earn that income nor the expenses incurred to derive the income.

The ATO report includes the following information in respect of the Origin tax consolidated group for the year ended 30 June 2017:

Total income	\$14,831,085,653
Taxable income	\$188,035,752
Income tax payable	nil

Due to prepayments of tax and available tax offsets, our income tax payable of \$56.4 million (30 per cent of \$188 million) was reduced to nil. These prepayments and offsets included:

- a franking deficit tax credit of \$37.2 million (Origin prepaid income tax before the lodgment of the 2017 income tax return)
- a research and development tax incentive offset of \$13.2 million (tax concession for research and development activities in the 2017 income year)
- a franking credit tax offset of \$4.5 million (imputation for taxed dividends)
- a foreign income tax offset of \$1.5 million (foreign taxes paid by Origin).

The accounting statutory loss for the Australian operations of Origin tax consolidated group for the year ended 30 June 2017 was \$2,295.6 million, as compared to a taxable income of \$188 million. The variance between these amounts arise from a number of adjustments. A summarised reconciliation of these numbers is set out in the table below and further details are discussed on pages 8 and 9 of our *2017 Tax Contribution Report*.

Total Income	\$14,831,085,653
Less Accounting expenses	(\$17,126,708,133)
Accounting loss before tax	(\$2,295,622,480)
Tax adjustment – additions including:	\$4,485,887,744
APLNG equity loss	
Non-deductible impairment of assets	
Accounting depreciation	
Tax adjustment – reductions including:	(\$2,002,229,512)
Tax depreciation	
Unrealised fair value gain on derivative instruments	
Utilisation of tax losses	
Taxable income	\$188,035,752

¹ Effective income tax rate is calculated as income tax benefit divided by loss before income tax.

² Underlying net profit is derived from statutory net profit by excluding items that do not align with the manner in which the management reviews the financial and operating performance of the business. These items are categorised as 1) fair value and foreign exchange movements, 2) LNG related items before revenue recognition, and 3) disposals, impairments and business restructuring.

³ Origin's share of Australia Pacific LNG's net profit/loss is included in our pre-tax accounting profit or loss in accordance with equity accounting principles, however, only dividends received from Australia Pacific LNG are subject to income tax and not the equity accounted share of net income or loss (i.e. equity income). For a more detailed explanation, please refer to page 7 of our *2017 Tax Contribution Report*.