



## Origin Income Tax Transparency Report

Year ended 30 June 2015

Origin makes a significant contribution to the communities in which it operates, including the payment of income tax, payroll tax, rates and royalties.

Origin is open and transparent about its tax arrangements and undertakes all of its required tax compliance and reporting obligations. All of Origin's operations in Australia and overseas are subject to tax and all of the overseas entities are legitimate operating businesses and are not vehicles to minimise tax.

The Origin Group's effective income tax rate<sup>1</sup> for the 30 June 2015 tax year on the statutory accounting loss was 8 per cent and on underlying net profit<sup>2</sup> was 31 per cent. The variance from the corporate tax rate of 30 per cent, primarily arose from some non deductible foreign asset accounting impairments.

Origin has been classified as a key taxpayer by the ATO pursuant to the their 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 which is inconsistent with that of the ATO. As a key taxpayer Origin's operations are assessed as having a significant effect on the tax system and accordingly Origin is continually engaging with the Australian Taxation office on a rolling review basis to confirm compliance with the tax law.

### The Australian tax consolidated group

Origin has operations in Australia as well as a number of overseas countries. Origin Energy Limited lodges a single Australian tax return which consolidates the results of all of its wholly owned Australian resident companies other than Origin Energy Uranquinty Power Pty Ltd, which lodges a separate Australian income tax return. The Origin Energy Limited tax return discloses the income derived solely from Australian operations as total income. The Origin group subsidiaries which have operations outside of Australia are not required to lodge an Australian tax return and their activities are included within the Origin Energy Limited 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 Australian group. These companies also comply with the tax laws applicable to the countries in which they operate.

### Australian Taxation Office tax transparency reporting

The ATO's report on tax entity information for the 2015 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 Origin Energy Limited for the year ended 30 June 2015:

Total income	\$12,201 million
Taxable income	Nil
Income tax payable	Nil

<sup>1</sup> Effective income tax rate is calculated as income tax expense/profit before income tax

<sup>2</sup> Underlying net profit is derived from statutory net profit by excluding items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business. These items are categorised as fair value and foreign exchange movements, LNG related items pre revenue recognition and Disposals, impairments and business restructuring



The accounting statutory loss for the Australian operations of Origin Energy Limited tax consolidated group for the year ended 30 June 2015 was \$140 million, as compared to a tax loss of \$207 million. The variance between these amounts arise from a number adjustments. The nature of the most significant of these adjustments are described below in the ATO Guidance Information section.

The ATO report also includes the following information in respect of the Origin Energy Limited wholly owned subsidiary, Origin Energy Uranquinty Power Pty Ltd, for the year ended 30 June 2015:

Total income	\$191 million
Taxable income	\$21 million
Income tax payable	\$6 million

The accounting profit for the operations of Origin Energy Uranquinty Power Pty Ltd for the year ended 30 June 2015 was \$29 million. The variance between accounting profit and taxable income primarily arose from a higher depreciation expense for income tax purposes.

Origin Energy Uranquinty Power Pty Ltd owns and operates the Uranquinty Power Station in New South Wales, all of its activities are based in Australia and its financing is undertaken with Australian resident entities.

#### ATO Guidance Information

The ATO has also published guidance to assist in interpreting the tax entity information that it will publish (see: <https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/>). This should be referred to in detail. However, the following extracts are particularly relevant to Origin and its subsidiaries.

#### *Tax transparency: reporting of entity tax information*

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#### *Tax return labels*

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#### *Total income*

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*The company tax return instructions explain the amount to be written at the income label in the tax return is an accounting system amount and corresponds to the relevant amount in the entity's financial statements for the income year. This amount may vary from taxpayer to taxpayer, depending on how their accounting system is set up. It is a gross revenue figure and may include exempt income, other non-assessable income and foreign source income. The inclusion of such amounts increases total income relative to taxable income and accounting profit.*

***Importantly, total income does not take into account expenses. The total income figure is similar to gross accounting revenue, not profit. It makes no allowances for the costs of earning income. (emphasis added)***



### **Taxable income**

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*An entity's taxable income may include franking credits and non-deductible items that increase accounting profit, but will also reflect available concessions or adjustments allowable for income tax purposes such as tax losses utilised from prior years. The inclusion of such assessable amounts and/or allowable deductions to arrive at the taxable income reported, and the omission of expenses from the total income reported, means it is not a simple equation between 'Total income' and 'Taxable income'.*

### **Background information**

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#### **Factors affecting taxable income**

*Variations between an entity's tax expense as recorded in its statutory accounts and tax payable as recorded in a tax return can arise for a number of reasons:*

- *Timing in the depreciation of capital assets will cause differences in the accounting and tax position of an entity. Generally tax is more concessional to provide business with incentives to invest.*
- *Deductions for exploration expenditure are allowed under tax law and may result in large deductions for depreciating assets in development years before a mine or well becomes income producing (ie years of losses).*