

Origin Energy Income Tax Transparency Report



Year ended 30 June 2019

Origin Energy (Origin) makes a significant contribution to the Australian economy, 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. We are committed to providing a high level of transparency in relation to our approach to tax. Our **Tax Contribution Report 2019** details the taxes we paid in the 2018 and 2019 financial years, and aligns with the recommendations of the Board of Taxation's voluntary Tax Transparency Code.

Origin has been classified as a 'key taxpayer' by the Australian Taxation Office (ATO) through its Top 100 risk categorisation approach, meaning the ATO considers that we generally have a lower risk level relative to other taxpayers in the top 100 population. 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 tax law.

The ATO is confident that Origin continues to pay the right amount of income tax and has paid the right amount of income tax for the 2019 tax year. The ATO has maintained the high level of assurance for income tax it has obtained in respect of the 2017 and 2018 tax years under its justified trust initiative and undertook a tailored pre-lodgement compliance review (PCR) in respect of the 2019 tax year. To achieve justified trust, the ATO requires organisations to provide objective evidence that would lead a reasonable person to conclude the organisation has paid the right amount of tax. The initiative was introduced to give the community confidence that large businesses are paying the right amount of tax.¹ The ATO stated that: "Origin continues to take an open, transparent and cooperative approach to its tax obligations and proactively engages with the ATO on a regular basis. It also demonstrates a conservative tax risk appetite."

The Origin tax consolidated group

Origin has operations in Australia and 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. Australian Pacific LNG Pty Ltd is not part of the Origin tax consolidated group as it is not wholly owned by Origin.

Our tax return primarily discloses the income derived solely from our Australian operations. 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 taxed under the Controlled Foreign Company provisions, or where the central management and control is in Australia. 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.

In the 2019 financial year, 99.2 per cent of Origin's income was earned from operations in Australia.

Australian Taxation Office tax transparency reporting²

The ATO's report on tax entity information for the Origin tax consolidated group (Origin Energy Limited and its wholly owned Australian subsidiaries) for the 2019 financial year includes income tax payable of \$190 million compared to total income of \$15,895 million and taxable income of \$635 million, as shown in Table 1.



"Origin continues to take an open, transparent and cooperative approach to its tax obligations and proactively engages with the ATO on a regular basis."

The Australian Tax Office

This report doesn't disclose what is invested to earn that income nor the expenses incurred to derive the income.

Origin's total income is comprised predominantly of earnings from our Energy Markets segment. Energy Markets is a low-margin business with high revenues but high energy procurement and network costs. A significant part of revenue received from gas and electricity accounts is a pass-through of regulated network charges invoiced to Origin by the distributor.

Table 1 shows accounting expenses incurred during the year ended 30 June 2019, which are deducted from total income to calculate the accounting statutory profit before tax for the Australian operations of Origin tax consolidated group (accounting profit before tax). FY2019 accounting profit before tax was \$952 million, as compared to a taxable income of \$635 million.

The variance between these amounts arises from a number of adjustments. A summarised reconciliation of these numbers is set out in Table 1.

Due to available tax offsets, our income tax payable of \$190 million (30 per cent - the Australian corporate tax rate - of \$635 million) was reduced to \$180 million. These offsets included:

- a franking credit tax offset of \$2 million (imputation for taxed dividends);
- a foreign income tax offset of \$2 million (foreign taxes paid by Origin); and
- research and development tax offset of \$6 million.

Table 1: FY2019 tax transparency detail

Total Income	\$15,894,540,753
Less Accounting expenses	(\$14,942,761,396)
Accounting profit before tax	\$951,779,357
Tax adjustments, including:	(\$317,126,594)
Unrealised fair value gain on derivative instruments	
Non-assessable APLNG equity income	
Difference between accounting and tax depreciations	
Taxable income	\$634,652,763
Income tax payable	\$190,395,829

¹ For further information on justified trust, please refer to the ATO's website, www.ato.gov.au/business/large-business/justified-trust/

² The information disclosed in this section is for the Origin tax consolidated group as per the tax return. It is not comparable to the information reported for the Origin accounting group in the Annual Report.