



Tax Contribution Report 2019

Year ended 30 June 2019

How we report

At Origin Energy Limited (Origin), our 2019 corporate reporting suite is comprised of our Annual Report and Sustainability Report. As a signatory to the Board of Taxation's voluntary Tax Transparency Code, this year we have published our fourth Tax Contribution Report.

We describe our non-financial performance in our Sustainability Report.

Our 2019 reporting suite is available on our website:

- [Annual Report](#)
- [Sustainability Report](#)

Our previous tax contribution reports can also be found on our website, see below for links to the previous two reports:

- [2018 Tax Contribution Report](#)
- [2017 Tax Contribution Report](#)

Following the release of the Australian Taxation Office's (ATO) yearly corporate tax transparency report in December each year, we provide a statement that explains our taxable income and income tax payable positions as published in the ATO's report. See below for links to the previous two Tax Transparency Reports:

- [2018 Income Tax Transparency Report](#)
- [2017 Income Tax Transparency Report](#)

While disclosures relating to Australia Pacific LNG Pty Ltd (Australia Pacific LNG) are included in our reporting suite, Australia Pacific LNG is excluded from the Origin Group for this report as it is not wholly owned by Origin. Therefore, this report does not include the taxes paid by Australia Pacific LNG (and its wholly owned subsidiaries). Origin's controlled entities, referred to as Origin Group, can be found in our *2019 Annual Report* on pages 145–147.



Message from the Chief Financial Officer

I am pleased to present Origin's 2019 Tax Contribution Report, detailing the taxes we paid in the 2018 and 2019 financial years.

Our disclosure in this report aligns with the recommendations of the Board of Taxation's voluntary Tax Transparency Code, which aims to increase transparency around how much tax businesses pay and why.

This report details how the Origin Group meets its taxation obligations. Origin is open about our tax arrangements and how we comply with all applicable tax laws and regulations.

In the 2019 financial year, we paid \$168 million to federal and state governments in income tax, payroll tax, excise and fringe benefit tax. This has increased by \$54 million from the previous year due to an increase in income tax paid associated with higher taxable income, partly offset by the reduction in royalties resulting from our sale of Lattice Energy during the 2018 financial year.

Origin creates significant economic value through the performance of our Integrated Gas and Energy Markets divisions. In addition to paying taxes, our business contributes to Australia's economic growth through employment, procurement of goods and services and community and infrastructure investments.

Our purpose of getting energy right for our customers, communities and planet is at the centre of everything we do, committing us to making a positive contribution to the communities in which we operate and the broader Australian economy. I am proud to share our fourth voluntary report.

A handwritten signature in black ink, appearing to read 'Lawrie Tremaine'.

Lawrie Tremaine
Chief Financial Officer



Who we are

We are one of Australia's leading energy companies. Since listing on the Australian Stock Exchange in 2000, Origin has grown to become the largest energy retailer by customer accounts¹ in Australia, one of the country's most significant energy power generators and a major contributor to the economy, with more than 5,300 employees.²

We have an important role to play in providing energy, including electricity, natural gas, solar and LPG, to more than 4 million customer accounts and we work every day to make energy more affordable, more sustainable, smarter and easier.

We believe our company, and the energy industry more broadly, should be at the forefront of action to reduce carbon emissions. Origin was the first Australian company to set an emissions reduction target endorsed by the Science Based Targets initiative — aiming to halve our direct carbon emissions and reduce our indirect emissions by 25 per cent by 2032.

As well as providing energy, we contribute to local, regional and national communities by paying taxes, providing jobs, purchasing from local suppliers and investing in local infrastructure. We support community initiatives and help to build community skills and employment opportunities through activities such as apprenticeship schemes.

Through the Origin Energy Foundation, our philanthropic foundation, we support programs that use education to help break the cycle of disadvantage and empower young Australians to reach their potential. Since the Foundation's inception in 2010, it has contributed more than \$25 million to the Australian community to meet this objective.

For further information on how Origin contributes more broadly to our community, including the work of the Origin Energy Foundation, please see our *2019 Sustainability Report* for more information at originenergy.com.au/sustainability.

¹Based on data available as at 31 December 2019.

²Employee numbers as at 30 June 2019.

Origin's tax policy and risk management framework

Origin is open and transparent about our tax arrangements and complies with all tax laws and regulations applicable in the countries in which we operate. We seek to mitigate tax risks associated with our activities in line with the ATO's Risk Management and Governance Review Guide.

Tax risks are identified and managed as part of Origin's risk management framework. The Origin Board reviews the framework annually and material risks are reported to the Board Risk Committee on a quarterly basis. Further details of our risk management framework and our material risks are in our *2019 Annual Report*.

The Origin Board does not support activities that seek to aggressively structure the company's tax position. Tax results in our financial reporting, uncertain tax positions and significant legislative change or court decisions affecting our tax affairs must be reported to the Board during each half year financial reporting period at a minimum. Tax payments and forecasts are also included in monthly finance reports provided to the Board.

Our tax function reviews any new or non-recurring transaction above a determined threshold, any transaction that has a material non-financial impact, any transaction that impacts the Origin Group's equity and any change in processes involving financial transactions. For major transactions with tax implications that will have a material financial impact on the company, we seek to obtain binding rulings from revenue authorities. If we rely on public rulings, transactions must comply with the conditions of these rulings so that Origin is assured of the appropriate tax treatment. Where we hold a joint venture interest, the company's representatives on joint venture boards and operating committees seek to align the joint venture entity approach with our position.

Origin's engagement with the Australian Tax Office

The ATO has classified Origin as a key taxpayer pursuant to 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 and state and territory revenue offices on a regular basis to confirm compliance with the tax law.

The ATO has also issued Origin with an overall high level of assurance for income tax in respect of the 2017 and 2018 financial years under its justified trust initiative.³ In particular, the ATO stated that it: "obtained an overall high level of assurance (justified trust) that Origin paid the right amount of Australian income tax for the 2017 income year and this was continued in respect of the review of 2018 income year...Origin takes 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."



“Origin takes an open, transparent and cooperative approach to its tax obligations and proactively engages with the ATO on a regular basis.”

The Australian Tax Office
in respect to the 2018 income tax year

³The justified trust initiative involves a comprehensive review of a taxpayer by the ATO with objective evidence that would lead a reasonable person to conclude that the taxpayer paid the right amount of tax. This is a higher level of assurance than confirming that certain risks do not arise. For further information on justified trust, please refer to the ATO's website, www.ato.gov.au/business/large-business/justified-trust/

The Australian 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 tax return that consolidates the results of our wholly-owned Australian resident companies, known as the Origin tax consolidated group.

Origin's tax return primarily discloses the income derived solely from our Australian operations as total income. The Origin Group subsidiaries that have operations outside of Australia are not required to lodge an Australian tax return. However, their activities are included within Origin's 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 Group's income was earned from operations in Australia.

International operations

All of the Origin Group's cross-border related party dealings are conducted on an arm's length basis and are supported by contemporaneous documentation. These dealings can be classified into the following two key categories:

1. Sale of LPG and associated appliances by the Origin Group to our group entities in American Samoa, Cook Islands, Fiji, Papua New Guinea (PNG), Samoa, Solomon Islands, Vanuatu and Vietnam, which operate LPG sale businesses in those countries;⁴ and
2. Insurance obtained by the Origin Group from our captive insurer subsidiary company in Singapore.

In addition to meeting the transfer pricing requirements under the Australian tax law, income generated from our international subsidiaries in Fiji, Cook Islands, American Samoa, Samoa, PNG, Singapore, Bermuda, Botswana, Chile, the Netherlands, New Zealand and the United States of America are generally taxable in Australia pursuant to the operation of Australia's Controlled Foreign Company tax rules or due to the fact that the central management and control of some of these entities is in Australia.

The Origin Group includes entities based in Bermuda and Singapore. The entity in Bermuda and entities in Singapore (other than the Singapore captive insurer subsidiary noted above) act as holding companies that the Origin Group acquired or established to undertake development activities in Southeast Asia and South America. To date, these entities have not generated any income. Following a significant reduction in oil prices, we discontinued our international exploration and geothermal activities related to these entities and will wind up these entities.

⁴ Origin sold its interest in LPG operations in Vietnam during the 2019 financial year.

Origin's effective tax rate

Effective tax rate is calculated as income tax expense divided by profit before tax. We show the effective tax rates on both statutory profit and underlying profit before tax in Table 1.

The variance from the corporate tax rate of 30 per cent is primarily due to the accounting recognition of the Australia Pacific LNG equity income.

Origin holds a 37.5 per cent interest in Australia Pacific LNG. Origin's share of Australia Pacific LNG's net profit or loss after tax (NPAT) 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). The higher Australia Pacific LNG equity income is as a proportion of profit, the greater the impact on Origin's effective tax rate. Of \$1,278 million statutory net profit before tax for Origin in the 2019 financial year, \$632 million was attributable to Australia Pacific LNG equity income.

In the 2018 and 2019 financial years, Origin did not receive any dividends from Australia Pacific LNG.⁶

Table 1: Effective income tax rate

	2019	2018
Statutory profit	5%	0% ⁵
Underlying profit	11%	25%
Underlying Profit (excluding equity accounted Australia Pacific LNG NPAT)	23%	29%

Table 2: Taxes paid by Origin

	2019 (\$million)	2018 (\$million)
Income tax	108	35
Payroll tax	35	42
Royalties	0	13
Excise	22	21
Fringe benefits tax	3	3
Total	168	114

Taxes paid by Origin

During the 2019 financial year, we paid \$168 million in income tax, payroll tax, excise, and fringe benefits tax to the ATO and state and territory revenue offices. These amounts are shown in Table 2 and exclude taxes paid by Australia Pacific LNG.

We also collect and remit taxes such as GST and PAYG withholding to the ATO.

Taxes paid by Origin 2019 (\$million)

- Income tax \$108m
- Payroll tax \$35m
- Excise \$22m
- Fringe benefits tax \$3m



⁵ Based on income tax benefit of \$20 million (negative tax expense) and statutory profit before tax of \$201 million, Origin prima facie has an effective tax rate of negative 10 per cent. Because effective tax rate is formula based, the result can be misrepresentative when one of the inputs is negative. We have shown zero per cent as it would be inaccurate to suggest that Origin is receiving tax from the government.

⁶ Origin received dividends from Australia Pacific LNG on mandatorily redeemable cumulative preference shares which are characterised as interest for accounting and tax purposes.

Reconciliation of accounting profit to income tax expense and income tax payable

Our 2019 Annual Report details the reconciliation of accounting profit before tax to income tax expense and income tax payable. A summary table is provided below and is based on Note E to our audited financial statements for 2019.

Table 3: Reconciliation of accounting profit to income tax expense and income tax payable

	2019 (\$million)	2018 (\$million)
Accounting profit before income tax	1,278	201
Prima facie income tax expense on Australian tax rate of 30%	383	60
Adjust for tax exempt charity and difference between Australian and overseas tax rates	(1)	(19)
<i>Adjust for non-temporary differences</i>		
Share of results of equity accounted investees	(188)	(60)
Capital loss recognition	(68)	-
Recognition of tax benefit for acquired out-of-the money financial instruments	(29)	-
Lattice Disposal	-	55
Acumen Disposal	-	(72)
Other	(12)	15
(Over)/under provided in prior years	(21)	1
Total income tax (benefit)/expense	64	(20)
<i>Adjust for temporary differences</i>		
Exploration and evaluation assets	69	136
Provisions	56	44
Financial instruments at fair value	(26)	10
Other	(4)	5
Reversal of temporary differences relating to entity disposals	-	(66)
Temporary and non-temporary differences relating to prior years	49	23
Other items	-	(7)
Estimate of current year tax payable as at 30 June	208	125
Changes to temporary and non-temporary differences per lodged income tax return	(12)	(48)
Current year tax payable	196	77

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