



## Australia Pacific LNG Pty Limited Income Tax Transparency Report

Year ended 30 June 2016

Australia Pacific LNG Pty Limited ('APLNG') makes a significant contribution to the communities in which it operates, including by paying rates and royalties.

APLNG is open and transparent about its tax arrangements and undertakes all required tax compliance and reporting obligations. All of APLNG and its subsidiaries' activities are Australian based.

APLNG has been classified as a key taxpayer by the Australian Taxation Office ('ATO') under its risk-differentiation framework. This means that APLNG's operations are assessed as having a significant effect on the tax system and the ATO considers that it would be unlikely that APLNG 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 APLNG continually engages with the ATO on a rolling review basis to confirm compliance with the tax law.

### ATO tax transparency reporting

The ATO's report on tax entity information for the 2016 income year includes details of tax paid as compared to revenue. This report doesn't disclose what is invested to earn that income nor the expenses incurred to derive the revenue.

The ATO report includes the following information with respect to APLNG for the year ended 30 June 2016:

Total income	\$911,614,514
Taxable income	Nil
Income tax payable	Nil

The accounting loss for APLNG for the year ended 30 June 2016 was \$827,029,548, as compared to a tax loss of \$3,430,793,842. The variance between these amounts arises from a number of adjustments. One of the most material adjustments is the tax deduction of approximately \$996 million for interest and financing costs that have been capitalised for accounting purposes. Two other significant adjustments are described below in the ATO Guidance and relate to tax depreciation and exploration deductions of approximately \$2,238 million.

### The Australian tax consolidated group

APLNG and its subsidiaries only have operations in Australia. APLNG lodges a single Australian tax return which consolidates the results of all of its wholly owned Australian resident companies.

## 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/printfriendly.aspx?url=/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information/>). This should be referred to in detail. However, the following extracts are particularly relevant to APLNG and its subsidiaries in relation to the year ended 30 June 2016:

### Tax transparency: reporting of entity tax information

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#### *Producing the report*

...

#### **Total income**

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*Total income does not include accounting expenses - the total income figure is similar to gross accounting revenue, not profit and it makes no allowances for the costs of earning income.*

#### **Taxable income**

...

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

#### **Tax and report data**

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#### **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, including:*

- *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 as they are incurred under tax law, and may result in deductions in years before a mine or well becomes operational and produces income.*
- ...

#### **Tax payable**

*The tax system provides for a range of deductions and offsets affecting final tax payable figures:*

...

- *R&D tax offsets...*