



## Australia Pacific LNG Pty Limited ('APLNG') Income Tax Transparency Report

Year ended 30 June 2015

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

Australia Pacific LNG Pty Limited is open and transparent about its tax arrangements and undertakes all required tax compliance and reporting obligations. All of Australia Pacific LNG Pty Limited and its subsidiaries's activities are Australian based.

Australia Pacific LNG Pty Limited has been classified as a key taxpayer by the ATO under its risk-differentiation framework, meaning the ATO considers that it would be unlikely that Australia Pacific LNG Pty Limited 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 Australia Pacific LNG Pty Limited's operations are assessed as having a significant effect on the tax system and accordingly Australia Pacific LNG Pty Limited is continually engaging with the Australian Taxation Office on a rolling review basis to confirm compliance with the tax law.

### 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 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 Australia Pacific LNG Pty Limited for the year ended 30 June 2015:

|                    |               |
|--------------------|---------------|
| Total income       | \$415,273,848 |
| Taxable income     | Nil           |
| Income tax payable | Nil           |

The accounting loss for Australia Pacific LNG Pty Limited for the year ended 30 June 2015 was \$151,625,638, as compared to tax loss of \$2,178,321,830. The variance between these amounts arises from a number of adjustments. One of the most material adjustments is the tax deduction of approximately \$820 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 \$1,050 million.

### The Australian tax consolidated group

Australia Pacific LNG Pty Limited and its subsidiaries only have operations in Australia. Australia Pacific LNG Pty Limited 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/Business/Large-business/In-detail/Tax-transparency/>). This should be referred to in detail. However, the following extracts are particularly relevant to Australia Pacific LNG Pty Limited and its subsidiaries:

### Tax transparency: reporting of entity tax information

...

#### **Tax return labels:**

...

##### **Total income**

...

*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**

...

*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:**

...

#### **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).*

#### **Factors affecting tax payable**

*The tax system provides for a range of deductions and offsets affecting final tax payable figures [such as ... R&D offsets].*