

# 2023 Tax Transparency Code

# Tax Transparency Code

Commonwealth Bank of Australia (the Group) is pleased to provide our annual tax transparency report for the financial year ended 30 June 2023 (FY23).

The Group is one of the largest taxpayers in Australia. Our commitment is to comply with all prevailing tax laws in all jurisdictions that we operate and to maintain transparent and collaborative relationships with all tax authorities.

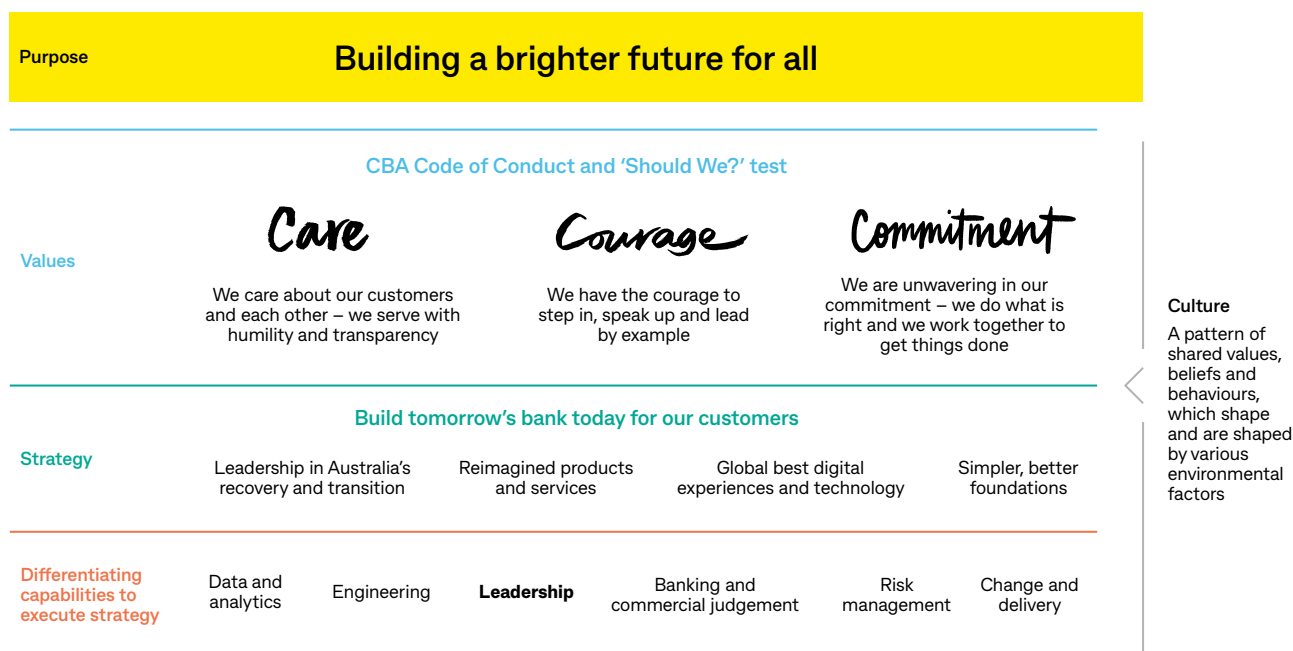
In FY23, the Group's total tax contribution was approximately **\$6.5 billion** in Australia and **\$7.7 billion** globally, comprised of:

- Taxes Paid – **\$4.2 billion** in Australia and a total of **\$5.0 billion** globally; and
- Taxes Collected – **\$2.3 billion** in Australia and a total of **\$2.7 billion** globally (i.e. customer and employee taxes).

## Our Business

The Group was established in 1911 to be a bank for all Australians and to help Australia's economy flourish and its people prosper. The Group remains committed to this principle and our purpose of building a brighter future for all.

Our approach to managing our tax affairs is in accordance with our corporate purpose, strategy, priorities and culture which are set out below. We always act responsibly and transparently in respect to managing our tax affairs.



## Our Leadership Principles

CBA's Leadership Principles are designed to help leaders understand what is required to lead successfully at the Bank.



### Obsess over customers

- Prioritise the customer above all else
- Relentlessly improve our customers' experience
- Anticipate and solve unmet customer needs



### Lead as an owner

- Create clarity, remove complexity and build alignment
- Apply good judgement to take smart risks and focus on value
- Seek out obstacles and find solutions



### Be curious and humble

- Seek feedback, reflect and improve
- Ask questions and never stop learning
- Set ambitious goals and persevere



### Create exceptional teams

- Attract and develop great people and unleash their potential
- Inspire confidence, openness and trust
- Deliver better outcomes, sooner and safer

# Tax Transparency Code (continued)

## Our Tax Approach

### Tax Risk Appetite

The Group takes a conservative approach to managing its tax affairs. This includes complying with all tax laws in the jurisdictions in which the Group operates, and includes ensuring that all tax lodgements, payments, reporting, disclosures and other obligations are adhered to.

The Group applies the following principles in its assessment of tax outcomes:

- Only enter into transactions that have a clear business rationale, before taking into account any tax consequences;
- Not participate in or promote aggressive tax planning or tax avoidance arrangements (either for the Group's own tax affairs or for its customers);
- Pay the appropriate amount of tax in accordance with the prevailing tax laws; and
- Claim any deductions, credits, offsets or concessions that are legitimately available.

As tax laws can be very complex and open to interpretation, the Group acknowledges at times tax regulators may interpret tax laws differently to the Group.

### Relationship with tax authorities

The Group aims to maintain transparent and collaborative relationships with all tax regulators, which includes:

- Providing any information required on a timely basis;
- Engaging proactively on significant tax issues; and
- Where disputes arise, working openly and constructively to resolve the issues.

Most of the tax paid by the Group is to the Australian Taxation Office (ATO). In FY23, the Group had an Annual Compliance Arrangement (ACA) with the ATO, which sets out a compliance and risk management relationship framework based on openness and trust. Under the ACA, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive and efficient manner. The Group continues to engage with the ATO under the Justified trust program.

### Arm's Length Pricing

The Group ensures that international related party and intra-group transactions are in compliance with the Organisation for Economic Co-operation and Development (OECD) guidelines and arm's length principles. The Group does not artificially divert profits to low tax jurisdictions or tax havens.

The Group does not participate in arrangements where transfer pricing outcomes are not consistent with value creation. Transfer pricing outcomes of the Group are consistent with the functional activities undertaken, risks assumed and assets utilised in each jurisdiction.

### International Related Party Dealings

The Group has an international presence through its shareholdings in foreign retail banks, banking investments, and banking branches in international financial services hubs.

The key international related party dealings for the Group which have a material impact on the Group's Australian taxable income are:

Key International Related Party Dealing	Description	Significant Jurisdictions
Loans	Loans to/from offshore CBA branches and subsidiaries.	United Kingdom, United States of America, Singapore, Japan, Hong Kong, New Zealand, China and Netherlands.
Derivative arrangements	Derivative arrangements (including swaps, options, FX and commodity contracts) with offshore CBA branches and subsidiaries.	New Zealand, United Kingdom, United States of America, Hong Kong, Singapore, Japan and Indonesia.
Dividends	Dividends from offshore subsidiaries	New Zealand
Insurance premiums	Insurance premiums for insurance cover provided by offshore subsidiary	Singapore
Service Centre support	Information Technology and Information Technology enabled business support services from offshore subsidiary	India

The Group maintains contemporaneous documentation supporting the pricing of international related party dealings, which are conducted in accordance with the arm's length principle.

# Tax Transparency Code (continued)

## Combatting Tax Evasion

The Group supports regulator initiatives aimed at supporting the integrity of tax systems. The introduction of customer information reporting regimes such as the Foreign Account Tax Compliance Act (FATCA) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS) have enabled customer data to be shared between tax authorities on a global basis. The Group is committed to 'doing what is right' and complying with all such measures.

## Our Tax Transparency Information

### Taxes Paid

The total taxes paid by the Group in FY23 are as follows:

	FY23 \$M				FY22 \$M
	Australia	New Zealand	Other	Group Total	Group Total
<b>Total Tax Contribution by the Group<sup>1</sup></b>					
Corporate Income Taxes Paid	3,202	555	114	3,871	3,530
Net Unrecoverable GST/VAT	288	49		337	326
Employee Taxes Paid/Other Taxes (including Payroll Tax and FBT)	350	14	14	378	337
Major Bank Levy	376	-	-	376	340
<b>Total</b>	<b>4,216</b>	<b>618</b>	<b>128</b>	<b>4,962</b>	<b>4,533</b>

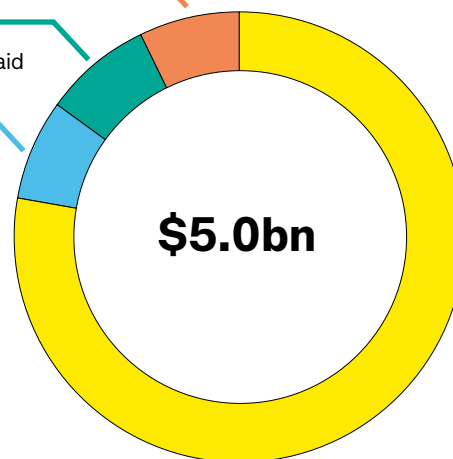
1 Represents payments made during the financial year.

### Taxes Paid by type

7% Major Bank Levy

8% Other Taxes and Employee Taxes Paid (including Payroll Tax)

7% Net Unrecoverable GST/VAT



78% Corporate Income Taxes Paid

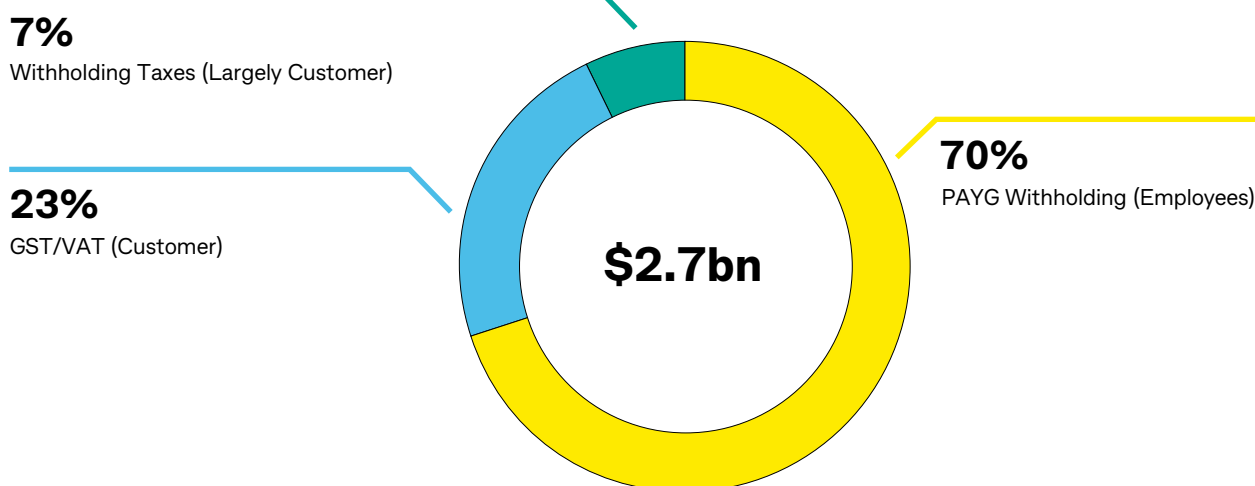
# Tax Transparency Code (continued)

## Taxes Collected

The total taxes collected by the Group in FY23 are as follows:

Total Tax Collected by the Group on behalf of Government	FY23 \$M				FY22 \$M
	Australia	New Zealand	Other	Group Total	Group Total
GST/VAT (Customer)	597	24	14	635	636
Withholding Taxes (Largely Customer)	129	52	6	187	70
PAYG Withholding (Employees)	1,613	191	74	1,878	1,782
<b>Total</b>	<b>2,339</b>	<b>267</b>	<b>94</b>	<b>2,700</b>	<b>2,488</b>

## Taxes Collected by type



## Effective Tax Rate (on a Statutory Basis)

Jurisdiction	Profit before income tax	Income tax expense	Effective income tax rate
Australia	11,871	3,465	29.2%
New Zealand	2,057	585	28.4%
Other	415	105	25.3%
<b>Total</b>	<b>14,343</b>	<b>4,155</b>	<b>29.0%</b>

The Group's effective tax rate for FY23 was 29.0%. This is the rate recognised in the financial statements included in our 2023 Annual Report and is calculated as total income tax expense divided by profit before income tax (on a continuing operations basis).

The effective tax rate is below the Australian company tax rate of 30% primarily as a result of the profits earned by the offshore banking unit (subject to a 10% tax rate) and profits earned in offshore jurisdictions that have lower corporate tax rates. The corporate tax rates in the Group's main countries of operation outside Australia as at 30 June 2023 was as follows: New Zealand (28%), United States (21%), United Kingdom (25% – exclusive of bank corporation tax surcharge), India (25%), Singapore (17%) and Hong Kong (16.5%).

# Tax Transparency Code (continued)

## Reconciliation of accounting profit to income tax expense

A reconciliation of the Group's accounting profit to income tax expense for continuing operations is disclosed in the Group's 2023 Annual Report (Note 2.5 of the Financial Report). Income tax expense is calculated in accordance with Australian accounting standards and represents accounting profit multiplied by Australia's corporate tax rate of 30%, adjusted for the "non-temporary" differences between accounting and tax as shown in the table below.

	FY23 \$M	FY22 \$M
<b>Profit before income tax expense</b>	<b>14,343</b>	<b>13,684</b>
Prima facie income tax at 30%	4,303	4,105
<b>Tax effect of amounts not deductible/(assessable)</b>		
Offshore tax rate differential	(63)	(47)
Offshore banking unit	(52)	(47)
Effect of changes in tax rates	(6)	17
Income tax (over)/under provided in previous years	(178)	(40)
Gain/(loss) on disposals	19	60
Hybrid capital distributions	112	53
Other	20	(90)
<b>Total income tax expense</b>	<b>4,155</b>	<b>4,011</b>
<b>Effective tax rate</b>	<b>29.0%</b>	<b>29.3%</b>

## Reconciliation of income tax expense to income tax payable

The table below reconciles income tax expense to income tax payable. Temporary differences represent the differences between the time transactions are recognised for accounting purposes and when they are recognised for income tax purposes.

	FY23 \$M	FY22 \$M
<b>Total income tax expense</b>	<b>4,155</b>	<b>4,011</b>
<b>Temporary differences (movement)</b>		
Provisions	43	(339)
Lease financing	52	(20)
Unearned income	(25)	(34)
Intangibles	(22)	61
Other timing differences	77	93
Other adjustments <sup>2</sup>	8	40
<b>Current Year Income Tax Payable</b>	<b>4,288</b>	<b>3,812</b>

<sup>2</sup> Predominantly prior year adjustments that do not impact current year income tax payable.

# Tax Transparency Code (continued)

## Australian Tax Return Information

The ATO publishes tax return information annually for a number of large public companies. The FY23 amounts disclosed below reconcile to the ATO's 2022–23 Report of Entity Tax Information.

The following FY23 information will be disclosed by the ATO in respect of the Australian Tax Consolidated Group:

Australian Tax Consolidated Group	FY23 \$M	FY22 \$M
Total Revenues	45,733	29,832
Total Taxable Income	11,829	9,926
Tax Payable in Australia (after offsets)	3,496	2,975

The tax payable above relates to income tax payable by the CBA Tax Consolidated Group for the FY23 year. It differs from "Corporate Income Taxes paid in Australia" on page 4 as tax return information is not prepared on a cash basis. It also differs from the tax payable disclosed in the "Reconciliation of income tax expense to income tax payable" on page 5 as it does not include tax payable for foreign entities and Australian entities that are not wholly owned.

## Basis of Preparation

This report covers the year ended 30 June 2023 and comparative period 30 June 2022 and provides an overview of the tax contributions made by the Group and its approach to tax responsibilities. The information disclosed in this report meets the requirements of the Australian Board of Taxation's voluntary Tax Transparency Code (TTC) and has been prepared in accordance with the Appendix to the Code issued by the Australian Accounting Standards Board.

Amounts disclosed in this report are in Australian dollars, which is the Group's functional currency. Amounts disclosed in the report have either been sourced from the financial statements in the Group's 2023 Annual Report, financial records or submitted tax returns.



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Bank