

Tax Transparency Report 2020-21

Digital report

An electronic version of this report is available at data.gov.au.

Contact details

We welcome any feedback about this report. Please direct feedback to:

Financial Policy and Tax Director

Defence Housing Australia

35 Hinder Street Gungahlin ACT 2912

E. tax@dha.gov.au

P: 178 537

www.dha.gov.au

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Overview

We are pleased to present Defence Housing Australia's ("DHA") first Tax Transparency Report. This report comprises our tax position for the income year ended 30 June 2021.

DHA was established in 1988 via the *Defence Housing Australia Act 1987 (DHA Act)* to provide housing for, and related services to Defence members and their families. Under the DHA Act, DHA is subject to taxation under the law of the Commonwealth which includes income tax, Goods and Services Tax (GST) and Fringe Benefits Tax (FBT). DHA is exempt from State and Territory taxation however are required to make state tax equivalent payments to the Commonwealth so as to not enjoy any net competitive advantage over competitors.

Tax Governance and Policy

DHA has developed a board approved tax corporate governance policy to set out the approach and outline the framework by which the tax obligations of DHA are met from an operational and risk management perspective.

DHA's approach to taxation is ultimately determined by the risk tolerance established by the Board and its delegated responsibility to the Board Audit and Risk Committee.

DHA pursues an approach to tax that is principled, transparent and sustainable in the long term.

The core principles governing the tax policies are:

- › Commitment to ensure full compliance with all statutory obligations, and full disclosure to revenue authorities.
- › Maintenance of documented policies and procedures in relation to tax risk management and completion of thorough risk assessments including escalation and reporting to the Board where prescribed.
- › Sustaining engagement with revenue authorities, and actively considering the implications of tax planning for DHA's wider reputation.
- › Management of tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law.

Taxation Risk and Tax Planning

DHA's overall taxation compliance risk tolerance is low with the overall objective being that all tax liabilities properly due under tax legislation are correctly recorded.

DHA does not engage in tax planning that may be considered artificial or contrived and that goes beyond the context or support for genuine business and commercial activities.

Depending on the nature and size of certain matters, DHA will adhere to the documentation and processes set out in the Tax Operations Manual which includes obtaining professional opinions from external advisors and/or engaging with the ATO through private binding rulings. At all times DHA will only adopt a tax position that is at least a Reasonably Arguable Position (RAP).

Assurance Regimes

DHA is subject to an annual internal audit as well as an annual audit by the Australian National Audit Office under section 98 of the *Public Governance, Performance and Accountability Act (2013)*.

DHA is not currently under any other assurance or review regimes.

Basis of Preparation

This Report has been prepared in accordance with the requirements set out in the Australian Board of Taxation's Voluntary Tax Transparency Code issued in May 2016, it also considers the Post Implementation Review of the Tax Transparency Code Consultation Paper issued in February 2019 and the Draft Appendix to the Code issued by the Australian Accounting Standards Board.

This Report should be read in conjunction with the DHA Annual Report 2020–21.

The Report is prepared internally within the finance department. The information in the report is sourced from the audited financial statements and the information lodged with the relevant revenue authorities. The audited financial statements are subject to materiality in accordance with the relevant Auditing Standards.

From a tax perspective, the concept of materiality is not applied to the lodgement obligations with revenue authorities.

The report undergoes an internal review process through the Chief Financial Officer before it is tabled to the Board Audit and Risk Committee prior to publication.

Tax Contribution

The table below details DHA's total tax contributions, including corporate income tax, fringe benefits tax and taxes collected and paid by us to the ATO on behalf of others.

Tax Contributions	2021
	\$'000
Taxes paid by DHA to the ATO on its own behalf	
Corporate Income Tax	18,492
Fringe Benefits Tax	559
Total tax paid	19,051
Taxes collected and paid by DHA to the ATO on behalf of employees and other entities	
GST collected	21,987
Employee PAYG Withholding Tax	15,869
Total tax collected	37,856

Although DHA is not required to pay state taxes, outlined below are the amounts paid to the Commonwealth that are considered state tax equivalents in accordance with section 63A of the DHA Act.

State Tax Equivalent Contributions	2021
	\$'000
State tax equivalent payments paid by DHA on its own behalf	
Payroll Tax Equivalent	3,910
Land Tax Equivalent	32,095
Stamp Duty Equivalent	1,848
Total state tax equivalent paid	37,853

Reconciliation of accounting profit to income tax expense

A reconciliation of DHA's accounting profit (before tax) to income tax expense is disclosed in the 2021 annual report (note 12.b). Income tax expense is calculated in accordance with Australian Accounting Standards and represents the accounting profit before tax multiplied by the current corporate tax rate of 30%, adjusted for permanent tax differences. This is reproduced below:

Reconciliation of Accounting Profit to Income Tax Expense	2021
	\$'000
Profit from continuing operations before income tax expense	108,619
Prima facie income tax expense at 30%	32,585
<i>Tax effect of adjustments for non-taxable items</i>	
Tax cost base adjustment to investment valuations	(2,260)
Adjustments in respect of prior periods	10
Other	(266)
Income Tax expense per Financial Statements	30,069

Reconciliation of income tax expense to income tax payable

Temporary differences represent the difference between how transactions are recognised for accounting purposes and when they are recognised for income tax purposes (generally referred to as deferred tax movements). The table below reconciles the income tax expense as per the financial statements and the actual tax payable per the income tax return.

Reconciliation of Income Tax Expense to Income Tax Payable	2021
	\$'000
Income Tax expense per Financial Statements	30,069
<i>Movements in Temporary differences recognised in deferred tax expense</i>	
Prepayments	211
Investment Properties	(1,085)
Inventory Properties	2,497
Depreciation – Property, Plant & Equipment	65
Right of use assets	28,896
Lease liabilities	(36,250)
Unearned income	(5)
Employee benefits	(1,679)
Make good provisions	(6,169)
Other provisions	1,870
Other	(3)
Accruals	(34)
Adjustment for prior year over provision of tax (deferred tax expense)	(789)
Current income tax expense	17,595
Prior year over provision of tax (current tax expense)	779
PAYG Instalments	(14,900)
Income tax payable per the financial statements	3,474
Current year under provision of tax	118
PAYG Instalments	14,900
Franking credits received	–
Income tax paid	18,492

Effective Tax Rate

The effective tax rate ("ETR") is calculated as income tax expense divided by accounting profit before tax. DHA has no foreign operations and as such, the Australian ETR is also the global ETR.

Effective Tax Rate	2021
	\$'000
Profit/(loss) from continuing operations before income tax expense	108,619
Income tax expense/(benefit)	30,069
Effective income tax rate	27.68%

Reconciliation to ATO corporate tax transparency disclosures

Under Section 3C of the Tax Administration Act 1953 the ATO is required to publicly report certain tax information for corporate tax entities which meet the turnover test for the specific type of entity. This report, known as the 'Corporate Tax Transparency Report', publishes an entities total income, taxable income and tax payable as per the lodged income tax return of specified entities. The below table is a reconciliation between what is disclosed by the ATO and the figures reported above.

Please note that at the time of publishing this report, the ATO has not yet released the 2020–21 Corporate Tax Transparency Report. The above table has been prepared on what DHA anticipates the ATO will disclose in the report.

Reconciliation to ATO public data disclosures	2021
	\$'000
Total income	837,936
Total expenses	(729,317)
Accounting Profit/loss before income tax	108,619
Less permanent non-taxable differences	(8,409)
Less temporary timing differences	(38,570)
Taxable income	61,639
Gross tax payable at 30%	18,492
Less franking credits received	–
Income tax paid	18,492