Cbus Tax Transparency Report

For the year ended 30 June 2022



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Introduction

This Tax Transparency Report covers the 2021/2022 financial year (FY2022).

The Voluntary Tax Transparency Code (the Code) is a set of principles and minimum standards to guide medium and large business on the public disclosure of tax information.

The Code was developed by the Board of Taxation and endorsed by the Federal Government. This report meets the set of principles and minimum standards guide in respect to large businesses on public disclosures of tax information recommended under the Code.

As a large taxpayer, Cbus understands the importance of acting in a transparent manner and to help educate the public about its compliance with Australian and international tax laws.

Accordingly, Cbus is a voluntary participant in this disclosure regime.

About Cbus

Cbus has a proud history as one of Australia's first industry funds. We were formed in 1984 when construction and building workers won the right to superannuation and established BUSS and AUST, which later merged to form Cbus.

Leveraging our expertise in the construction and building industry, we have expanded to other sectors, including Electricity and Utilities, Transport, Manufacturing and Mining. In April 2022, Cbus and Media Super merged following a Successor Fund Transfer. Our funds under management increased by $6 billion through this merger and we welcomed 75,000 Media Super members to the fund.

During the 2022 financial year, Cbus invested over $70 billion on behalf of more than 840,000 members and 210,000 employers.

First and foremost, we invest to maximise returns for our members and maximise their retirement outcomes. Where it makes sense to do so, we also invest back into our members' industries. An example of this is supporting the building and construction industry through our wholly-owned group, Cbus Property[1], supporting job creation for our members and new business opportunities for our employers.

At Cbus, we believe responsible investment is important for our members' long-term returns and their quality of life in retirement, so we work to integrate Environmental, Social and Governance (ESG) factors across our portfolio as one input into our investment decision-making process. One key area of focus is climate change and we have invested in projects that support the energy transition, including Bright Energy Investments in Western Australia and Star of the South, Australia's most progressed offshore wind project.

We provide insurance that is designed to meet the specific needs of our members' industries and occupations, including insurance cover for members working in high risk jobs. This cover helps to provide financial protection for our members and their families during their working lives. We also help them make informed decisions to create financial security for their retirement by offering education and guidance.

Our members are at the heart of everything we do and the decisions we make are designed to maximise their future retirement outcomes, with all profits going to members, not to shareholders.



* Cbus Property is a wholly-owned group of United Super Pty Ltd and has responsibility for the development and management of Cbus' direct property investments.

Cbus' approach to tax strategy, risk and governance

Cbus' approach to Tax Strategy, Risk and Governance aims to support its objective of achieving the best retirement outcomes for its members. In accordance with Cbus' Tax Risk Governance Framework, Cbus maintains either a conservative or neutral tax risk appetite. The following principles guide Cbus in managing tax risks and making decisions in relation to its tax affairs:

- **Full compliance** – Cbus will ensure it is compliant with all statutory tax obligations and seek to pay the legally correct amount of tax in all jurisdictions in which it operates on time.
- **Optimising tax efficiency** – Cbus will manage its tax affairs in a proactive and structured manner, drive tax efficiencies and identify opportunities to optimise after-tax member outcomes in the course of carrying out Cbus' business activities.
- **Prudent assessment of tax risk** – Cbus will not engage in tax avoidance and evasion schemes or aggressive tax positions that have a material risk of an adverse finding in court or an erosion of public trust and the reputation of Cbus. Cbus will maintain documented tax positions and procedures.
- **Transparent, productive and cooperative** – Cbus will seek to maintain a transparent, productive and cooperative relationship with revenue authorities locally and abroad.
- **Continuous improvement** – Cbus will seek to continually improve its tax governance and risk management practices in line with leading industry practice.

Cbus' engagement with tax authorities

Cbus is a participant in the ATO's Top 1,000 Tax Performance Program. During FY2022, Cbus was also a participant in the ATO's Top 1,000 Next Actions Program. These ATO compliance programs form part of the ATO's 'Justified Trust' initiative which seeks to obtain greater confidence that Australia's largest taxpayers are paying the right amount of tax. Cbus continues to engage with the ATO, maintaining a transparent and consultative relationship with tax authorities in all relevant jurisdictions.

Australia's superannuation tax regime

The income tax rates applied to superannuation funds are different to company and individual tax rates.

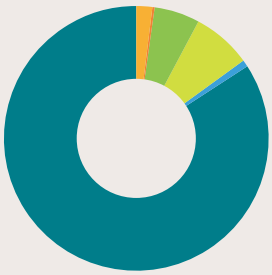
Super funds like Cbus are required to pay tax on member contributions and earnings as follows:

Pre-tax member and employer contributions up to $27,500, salary under $250,000	**15%**
Pre-tax member and employer contributions up to $27,500, salary over $250,000 *(15% deducted and paid to ATO by Cbus, plus additional 15% directly payable to ATO or deducted from account)*	**30%**
After-tax member contributions and account consolidation transfers	**Nil**
Accumulation and Transition to Retirement account earnings	**15%**
Retirement Income account earnings	**Nil**
Contributions tax rate for members who don't provide their TFN by 30 June *(15% deducted and paid to ATO by Cbus, plus additional 32% directly payable to ATO or deducted from account)*	**47%**

Tax paid in FY2022

The chart below shows the different types and amounts of taxes paid by Cbus in FY2022. For comparative purposes, the table below also shows the different types and amounts of taxes paid in FY2021.

Taxes paid in FY2022 ($000)



	FY2022	FY2021
Goods and services tax	$15,971	$12,824
Fringe benefits tax	$375	$372
PAYG on employee salaries	$35,734	$30,508
PAYG on superannuation benefits	$44,386	$37,845
Payroll tax	$6,287	$5,275
Income tax	$546,462	$905,590

Reconciliation of accounting profit/income tax expenses

FY2022 reconciliation of accounting income to income tax expense ($,000)	FY2022			FY2021 total
	Income statement	Change in members' benefits	FY2022 total	
Accounting income	**-3,965,879**	**12,930,465**	**8,964,586**	**15,517,003**
Prima facie income tax expense (at the superannuation tax rate of 15%)	-594,882	1,939,570	1,344,688	2,327,550
Adjusted for tax effect of the following items:				
Tax deductible Group Life insurance premiums	-53,830	–	-53,830	-48,092
Capital gains tax concession and tax exempt capital gains	115,067	–	115,067	-408,554
Tax exempt income supporting pension balances	16,049	–	16,049	-73,171
Franking credits and foreign tax offsets	-322,616	–	-322,616	-143,712
Non-taxable member contributions	–	-98,040	-98,040	-72,478
Non-taxable transfers in from other superannuation funds	–	-1,221,075	-1,221,075	-164,371
Other	–	706	706	638
Over-provision for tax in the prior year	15,610	–	15,610	-8,338
Income tax expense / (benefit)*	**-824,602**	**621,161**	**-203,441**	**1,409,472**
Effective rate of income tax expense (after adjustment for amounts which are not deductible/not taxable)	20.8%	4.8%	-2.27%	9.08%

* Cbus' effective rate of income tax expense is calculated as: "FY2022 total income tax expense / (benefit)" divided by total "FY2022 total accounting income".

Reconciliation of income tax and income tax paid

FY2022 reconciliation of income tax expense to income tax paid ($,000)	FY2022			FY2021 total
	Income statement	Change in members' benefits	FY2022 total	
Income tax expense / (benefit)	**-824,602**	**621,161**	**-203,441**	**1,409,473**
Under-provision for tax in the current year*	70,878	–	70,878	15,610
Net unrealised investment losses	694,635	–	694,635	-527,831
Accrued income and expenses	–	–	0	0
Impact of over-provision for tax in the prior year	-15,610	–	-15,610	8,338
Income tax paid for FY2022	**-74,699**	**621,161**	**546,462**	**905,590**

* Largely relates to lower amount of foreign tax offsets applied and higher assessable trust distribution income for components provided to the Fund after completion of the financial statements.

Cbus' international investments

Cbus invests in many different jurisdictions around the world, including developed and emerging markets. Cbus also invests across a wide range of different assets, including listed equities, fixed interest instruments, property, private equity and infrastructure.

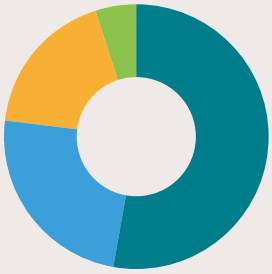
As part of our due diligence process, when investing into these different countries, we ensure that we comply with the relevant tax laws in those jurisdictions, paying the appropriate amount of foreign tax under a reasonable reading of the law.

Where tax is paid in those foreign jurisdictions, Cbus is generally, unless otherwise denied under Australian tax law, allowed an appropriate amount of foreign tax credits in Australia which offsets that foreign tax paid against any Australian tax payable on that same income. This effectively prevents double taxation on income.

Due to commercial reasons, Cbus does have some investments in pooled entities that are in certain low or no tax jurisdictions. These pooled entities aggregate funds from investors all over the world and invest into various sectors and jurisdictions.

Investing into global pooled entities allows for commercial and business efficiencies. For example, it allows Cbus to invest with other foreign institutional investors into quality assets (and projects) that Cbus might not necessarily have the opportunity or capacity to invest in alone. Aggregating funds in this way permits tax to be paid where those investments are located as well as when the income is returned to investors (in Australia for Cbus).

Foreign tax paid by region



Region	($m)
Americas	35.34
Asia	16.17
Europe	12.10
Other	3.25
Total	**66.86**

Foreign taxes paid by country

Country	$,000,000s (AUD)	Country	$,000,000s (AUD)
United States	31.89	Sweden	0.79
India	5.78	New Zealand	0.73
Germany	3.46	Denmark	0.63
China	3.06	Italy	0.56
Japan	2.73	Belgium	0.52
South Korea	2.12	Chile	0.43
France	2.10	Mexico	0.41
Taiwan	1.94	Spain	0.36
Russia	1.84	Norway	0.32
Brazil	1.33	Indonesia	0.30
Canada	1.28	United Kingdom	0.28
Netherlands	1.24	Thailand	0.24
South Africa	0.95	Other	1.05
		Sub-total	**66.34**
Foreign taxes paid through pooled vehicles			**0.52**
Total			**66.86**



Cbus' trustee

United Super Pty Ltd ABN 46 006 261 623 is trustee for the Construction and Building Unions Superannuation Fund (Cbus) ABN 75 493 363 262. United Super Pty Ltd provides trustee services to Cbus and in doing so incurs operating costs in fulfilling its trustee obligations. United Super Pty Ltd recovers those operating costs through charging a trustee service fee to Cbus.

In FY2022 United Super Pty Ltd's trustee fee income was $2,896,004 and its operating costs were $1,925,770 resulting in a net accounting income for FY2022 of $970,234. United Super Pty Ltd was required to make a payment of income tax of $242,832 to the ATO for FY2022.

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This information is about Cbus. You should read the relevant Cbus Product Disclosure Statement to decide if Cbus is right for you. Call 1300 361 784 or visit cbussuper.com.au for a copy.