



# Taxes Paid Report 2020



Helping people reach their destination

# Taxes Paid Report 2020

## Introduction

It is my pleasure to present this Taxes Paid Report for Viva Energy for the 2020 year. The report is prepared in accordance with the Tax Transparency Code. It sets out a reconciliation of accounting profit to tax expense and tax paid, and a summary of the accounting effective tax rate for the year ended 31 December 2020. In addition, we have included information on Viva Energy's approach to tax planning and governance, details of our total tax contribution, including both taxes paid and taxes paid and collected on behalf of others, and information about our international related party dealings.



Viva Energy is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. With a workforce of more than 1,400 employees, we make a significant annual investment in local wages and services. Our local presence has important flow-on impacts for the broader Australian economy, with the vast majority of our suppliers and contractors being Australian based. Our business also contributes to the economies of a number of regional centres, with 41% of our employees being based in regional locations.

**Viva Energy makes a significant annual tax contribution to the Australian economy via income tax payments and the taxes we collect in the form of fuel excise and GST. In spite of the significant impact on our business resulting from the COVID-19 pandemic during 2020, Viva Energy's total contribution by way of taxes, duties and excise during the year exceeded \$5 billion.**

While Viva Energy performed well under the difficult trading conditions, taxes calculated by reference to revenue and profits were lower with the group suffering an income tax loss for the year. Due to the non-deductibility of certain transaction costs associated with the acquisition of Westside Petroleum during 2020, and the revision and extension of the Alliance agreement with Coles Express in 2019, our effective tax rate benefit for the year was 28.3%. This means that we expect to recover tax benefits below the statutory corporate tax rate of 30% on the losses we suffered during the year.

At Viva Energy, we recognise that taxes are central to fiscal policy and macroeconomic stability and a key mechanism by which we can contribute as an organisation to the Australian economy. In that regard, we also recognise the prominent role we play in the Australian tax system so we operate consistently with the ATO's Justified Trust methodology by working positively, proactively and transparently with the ATO to minimise disputes and achieve certainty wherever possible.

**In recognition of the Company's ongoing transparent relationship with the ATO, during the 2020 year the ATO confirmed that it has a high level of assurance that the right amount of tax has been paid by Viva Energy. This was a pleasing reward for the proactive and open relationship we have established with the ATO over a number of years.**

In addition to being transparent with fiscal regulators, we are also transparent to the Australian community about the taxes which we pay. We were an early adopter of Australia's voluntary tax transparency code, filing our first report for the year ended 31 December 2016 and welcome the continued opportunity to present the information in this year's report.

If you have any questions or feedback on our report, please do not hesitate to contact us via [www.vivaenergy.com.au](http://www.vivaenergy.com.au).

**Jevan Bouzo**  
Chief Financial Officer

15 March 2021

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## Summary



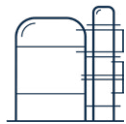
In recognition of the Company's ongoing transparent relationship with the ATO, during the 2020 year, the ATO obtained an overall high level of assurance (justified trust) that the right amount of tax has been paid by Viva Energy. In the 2021 year, we will continue to work with the ATO to agree a periodic internal testing program to enable the Company to maintain that high assurance rating.



Viva Energy makes a significant contribution to Federal and State taxes in Australia. Our total tax contribution by way of taxes, duties and excise during the 2020 year was over \$5 billion. Over the last five years, that contribution has been approximately \$27 billion.



Viva Energy recognised an income tax benefit during the year at an underlying effective tax rate of 28.3%. This means that we expect to recover tax benefits below the statutory corporate tax rate of 30% on the losses we suffered during the year.



Viva Energy is an independent and locally managed business and all of its operations are subject to income tax in Australia. Viva Energy's debt is all provided by unrelated third party banks and more than 99% of Viva Energy's international dealings involve sales and purchases of crude and refined oil products which are undertaken with entities that hold a non-majority shareholding in Viva Energy.

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## Tax transparency

Viva Energy Group Limited (Viva Energy or Company) is committed to working positively, proactively and transparently with the Australian Taxation Office (ATO) to minimise disputes and achieve certainty, wherever possible. As a result of this transparent and constructive relationship, the ATO regularly reviews the tax treatment of transactions entered into by the Company.

In recognition of the Company's ongoing transparent relationship with the ATO, during the 2020 year, the ATO obtained an overall high level of assurance (justified trust) that the right amount of tax has been paid by the Company. In the 2021 year, we will continue to work with the ATO to agree a periodic internal testing program to ensure that the Company can maintain that high assurance rating.

Viva Energy also recognises the importance of the wider community having confidence that our largest taxpayers are paying the right amount of tax.

Consistent with that, Viva Energy continues to adopt the Tax Transparency Code (TTC) to increase transparency and promote trust and credibility in the tax system. This report has been published on a voluntary basis, and has been prepared in accordance with the TTC's disclosure requirements in order to help promote understanding of the company's tax position and general approach in relation to tax.

## Approach to tax planning and governance

The Viva Energy Board is committed to the Company conducting its business with high standards of corporate governance. The Company's growth and success depend on its ability to understand and respond to the challenges of an uncertain and changing environment. This uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risk, Viva Energy is able to provide greater certainty and confidence for all its stakeholders.

Viva Energy has a comprehensive governance framework, including corporate governance policies and practices, relevant internal controls and risk management processes designed to promote the responsible management and conduct of the Company.

Identifying, understanding, monitoring and managing risks across our operations are critical for our business to operate effectively. We systematically and comprehensively assess the consequence of risk in areas such as health and safety, environment, finance, reputation and brand, legal and compliance, and social and cultural impacts.

Viva Energy's Tax Management Policy is approved by the Company's Board and sets out the Company's approach to tax planning and governance.

The Tax Management Policy supports Viva Energy's strategy to operate responsibly and mitigate risks wherever possible. Key components of the policy are:

- the submission of accurate tax returns, and payment of tax liabilities, in accordance with the tax rules, regulations and accepted practices, within the timeframes set;
- a clear articulation of how personnel with tax responsibilities, or whose business activities have a tax impact, are to work together to identify, assess, report and manage tax risks;
- the escalation of key tax risks to the Board of the Company where appropriate;
- a requirement that all transactions entered into have a commercial rationale, meaning that all tax decisions are made in response to that commercial reality; and
- a priority to work positively, proactively and transparently with the ATO to minimise disputes and achieve certainty, wherever possible. As a result of this approach, during the 2020 year the ATO obtained an overall level of high assurance that the right amount of tax has been paid by the Company.

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## Reconciliation of accounting profit to tax expense and income tax payable

The following table reflects income tax expense and income tax payable disclosed in the financial report for the year ended 31 December 2020 for Viva Energy Group Limited and controlled entities.

	\$M
<b>Reconciliation of accounting profit to income tax (expense)/benefit</b>	
Accounting (loss) before income tax (expense)/benefit	(186.5)
Tax benefit at the Australian tax rate of 30%	56.0
<b>Tax effect of permanent differences:</b>	
Non-deductible transaction costs	(6.6)
Reversal of deferred tax liability on sale of REIT	112.3
Capital gains adjustment on sale of REIT	(12.7)
Adjustments relating to prior periods	0.6
Sundry items	0.7
<b>Income tax benefit reported in the statement of profit or loss</b>	<b>150.3</b>
<b>Reconciliation of income tax benefit to current income tax (payable)/receivable</b>	
Income tax benefit reported in the statement of profit or loss	150.3
<b>Tax effect of temporary differences:</b>	
Inventories	27.4
Capital allowances	22.4
Finance leased assets and liabilities	(29.5)
Provisions, financial assets and sundry items	12.5
Reversal of deferred tax liability on sale of REIT not subject to tax	(112.3)
<b>Carried forward income tax loss for the year</b>	<b>70.8</b>
2020 year tax instalments paid during 2020	21.0
<b>Current income tax receivable at 31 December 2020</b>	<b>21.0</b>

## Material differences

The most significant tax differences in the reconciliation result from the impact of the disposal of securities in Viva Energy REIT, now called Waypoint REIT (Viva Energy REIT), during the year, along with various temporary differences.

In relation to disposal of the Viva Energy REIT securities, there are two key adjustments in the reconciliation:

- The actual taxable gain on disposal of the Viva Energy REIT securities was higher than the accounting profit recognised on the sale. The effect is that a total of \$46.9M capital gains tax will be payable on the sale, which is \$12.7M more tax than is reflected in the accounting gain.
- At the same time, a Deferred Tax Liability of \$112.3M, which was based on the expected tax outcomes if Viva Energy continued to hold the securities, was able to be released once the securities were sold. As is evident in the overall reconciliation, this entry does not impact current tax payable/receivable but does impact income tax expense as it reflects an income tax benefit associated with de-recognising additional tax which had been estimated to be payable in the future.

Temporary differences are items which are assessable or deductible for both tax and accounting purposes. However, the temporary difference arises as the point in time at which the amounts are assessable or deductible for tax purposes is not aligned with when the sums are recorded as income or expenses for accounting purposes.

During the 2020 year, the most material temporary differences recognised by Viva Energy which affected the tax payable during the year were:

- Trading stock on hand at year end was recognised at a lower value for tax purposes than accounts purposes.
- Higher depreciation deductions were recorded for tax purposes during the year than for accounts purposes.
- Tax deductions for actual lease payments were lower than the finance cost component of leased payments and depreciation on the right of use asset which was charged to profit or loss.

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## Accounting effective company tax rates

The effective company tax rate is calculated as underlying income tax expense divided by accounting profit before income tax expense. The underlying income tax expense removes material once-off tax items. Their removal is considered to provide users with a better reflection of the Company's sustainable tax rate.

The material once-off item which has been removed for this purpose is the impact of disposal of the Viva Energy REIT securities. The pre-tax gain on disposal was \$113.9M, and the total tax benefit associated with the sale was a net \$65.4M, representing the reversal of the \$112.3M deferred tax liability offset against the \$46.9M total capital gains tax paid.

Viva Energy recognised an income tax benefit during the year at an underlying effective tax rate of 28.3%. This means we expect to recover tax benefits below the statutory corporate rate of 30% on the losses we suffered during the year. This is due to the non-deductibility of certain transaction costs associated with the acquisition of the Westside Petroleum group during the year, along with the annual amortisation of the payment made to Coles Express when the Alliance agreement was revised and extended in 2019.

All operations of Viva Energy are subject to tax in Australia. Accordingly, the global effective tax rate and Australian effective tax rate of Viva Energy are the same.

<b>Effective tax rate</b>	<b>\$M</b>
Income tax (expense)/benefit reported in the statement of profit or loss	150.3
Less once off tax expense/(benefits)	(65.4)
<b>Underlying income tax (expense)/benefit</b>	<b>84.9</b>
Accounting (profit)/loss before income tax expense	186.5
Less once off profit/(loss)	113.9
Accounting (profit)/loss before income tax expense	300.4
<b>Effective tax rate</b>	<b>28.3%</b>

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## Tax contribution summary

Viva Energy makes a significant contribution to Federal and State taxes in Australia. Our total tax contribution by way of taxes, duties and excise during the 2020 year was over \$5 billion. Over the last five years, that contribution has been approximately \$27 billion. The ATO has categorised Viva Energy as a key taxpayer for the purposes of income tax, excise and GST which illustrates the importance of Viva Energy's contribution to the broader tax system.

The following table details the total tax contribution by way of cash paid during the 31 December 2020 year. Due to the impact of the COVID-19 pandemic, taxes calculated by reference to revenue and profits were lower during the year. This included income tax for which no net payment was made during the year.

Total tax contribution	\$M
Fuel excise	4,102.2
Customs duties	19.8
Payroll tax	10.4
Fringe benefits tax	0.8
Land tax	22.9
Government imposts collected by the business on behalf of others:	
GST	852.0
PAYG withholding	60.3
<b>Total tax contribution</b>	<b>5,068.4</b>

As a company that manufactures and stores fuel products, Viva Energy is required by law to hold various excise licences. As a licence holder, Viva Energy has an obligation to lodge an excise return and pay excise duty on a weekly basis after delivery of fuel products into the Australian domestic market. At the end of 2020, excise rates on the most commonly consumed grades of petrol and diesel were set at 42.3 cents per litre, with those rates (other than aviation fuels) indexed twice a year.

Excise taxes are passed on to consumers through the prices charged to them. However, given excise taxes are paid weekly, depending on the payment terms with customers, this can create a working capital burden for the Company.

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## International related party dealings

Viva Energy is an independent and locally managed business listed on the Australian Securities Exchange and all of its operations are subject to income tax in Australia. More than 99% of Viva Energy's international dealings involve sales and purchases of crude and refined oil products which are undertaken with entities that hold a non-majority shareholding in Viva Energy.

In addition to equity from its investors, Viva Energy is funded with external debt from a consortium of unrelated third party banks. There are no debt funding arrangements in place between Viva Energy and related parties.

## Nature of related party transactions

99.7%

Purchase of crude and refined products, and sale of refined products

0.3%

Hedging, procurement services and freight related cost

During the year, Viva Energy engaged in certain transactions with international parties that are related to it. By jurisdiction these were:

### Singapore

- The purchase of crude and oil products and the sale of oil products, along with associated procurement services.
- Freight-related costs associated with the transportation of crude and oil products.

Almost all of the above transactions (over 99%) involved purchases of crude for our Geelong Refinery and purchases and sales of refined oil products imported around the country through our national terminal network.

Due to insufficient local supply of both crude and refined products, local Australian demand is met by a combination of Australian crude and refined products together with imported crude and refined products. Supply of imported products is often via Singapore, which is the region's main trading and refining hub. The involvement of the Singaporean entities is not for the marketing of Australian-sourced product.

Trading in oil commodities is one of the most actively traded markets internationally with the effect that there is a deep and standard pricing methodology for commodity transactions in the open market. Price is usually based on a marker as adjusted by a premium or discount, both of which are independently assessed by agencies such as Platts or Argus.

These transactions are undertaken with entities that hold a non-majority shareholding in Viva Energy and who themselves are purchasing products from non-related third parties. Therefore, such transactions take place on arm's length commercial terms.

## Basis of preparation of report

The disclosures in this report are taken from the disclosures in the audited financial report for the 31 December 2020 year.

Viva Energy's income tax return for the 31 December 2020 year will be completed and filed after the publication of this Taxes Paid Report. Accordingly, the tax positions disclosed in this report reflect current estimates of tax payable. Actual tax payable may vary from the estimates in the financial report due to further clarifications in the course of preparation of the tax return.

The ATO produces a report of entity tax information annually. The information in the ATO report is taken from tax returns and includes tax payable by the entity. The next ATO report is expected to be produced in December 2021 and will include tax payable by Viva Energy for the 31 December 2019 year. The actual tax paid by Viva Energy in respect of the 2019 financial year will be disclosed as tax paid by Viva Energy Group Limited equal to \$54.5 million. This compares to the estimated income tax payable of \$64.4 million disclosed in the 2018 Taxes Paid Report.