

# **Tax Transparency Report 2021**

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## Chief Financial Officer Message

Incitec Pivot Limited's (IPL) Tax Transparency Report for the financial year ended 30 September 2021 brings together details of payments made by IPL to Governments in countries where IPL operates. It outlines our Board approved strategy with regards to tax and reflects IPL's ongoing commitment to tax transparency.

## Corporate Governance

IPL is committed to high standards of corporate governance for the benefit of its various stakeholder groups. Since IPL's listing on the Australian Securities Exchange (ASX) in July 2003, the Board has implemented and operates in accordance with a set of corporate governance principles which are fundamental to the Company's continued growth and success.

IPL's tax governance framework, which is reviewed by the Board's Audit and Risk Management Committee (ARMC) and approved by the IPL Board, provides the foundation by which taxes are managed within the IPL Group. It defines our strategy and risk management approach as well as how we comply with our tax obligations within our businesses at an operational level.

The following governance parameters are considered in relation to all taxation activities:

1. All applicable laws and regulations relating to taxation must be adhered to.
2. IPL's tax approach supports our business and reflects commercial and economic activity. We do not engage in artificial tax arrangements.
3. IPL aims to develop and foster constructive working relationships with tax authorities and will be transparent in providing full and timely disclosure to tax authorities.
4. In adopting a taxation position, IPL must take into consideration the potential impact on shareholder value, its market reputation and the impact of possible penalties imposed by the relevant Authorities (including revenue authorities and other regulators where appropriate).

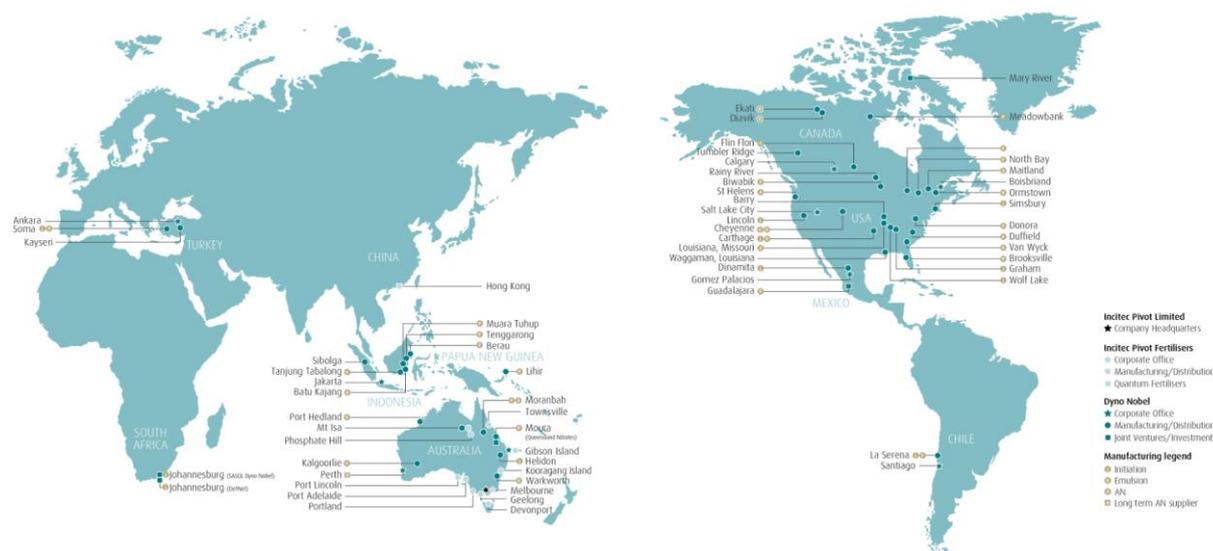
The Chief Financial Officer (CFO) has oversight responsibility over the tax risk management framework. Operational and governance responsibility for the execution of the Group's tax strategy rests with the Group Tax Manager, who is supported by a team of tax professionals and external tax expertise where required.

The Board, through the ARMC is updated regularly on material tax matters.

IPL is regularly subject to review by the Australian Taxation Office (ATO) through the Justified Trust process. IPL will, where appropriate seek out the ATO's views on tax technical matters through the early engagement process.

## Where we operate

As a global industrial chemicals manufacturer and marketer of commercial explosives and fertilisers, IPL is contributing to the production of the infrastructure, food, clothing, shelter and energy people need every day. We play an essential role in the mining and agricultural industries which produce many of life's daily essentials.



IPL is a recognised world leader in the resources and agricultural sectors. With 60 manufacturing facilities and joint ventures across five continents, including Australia, North America, Europe, Asia, Latin America and Africa, we manufacture ammonium nitrate based explosives and initiating systems, nitrogen and phosphorous fertilisers, and nitrogen related industrial and specialty chemicals.

We have two customer facing businesses, Dyno Nobel based in the Americas and in Asia Pacific and the largest fertiliser business in Australia, Incitec Pivot Fertilisers.

Through these two businesses, we make people's lives better by unlocking the world's natural resources through innovation on the ground.

Our advanced and premium technology, manufacturing excellence and world class services are focused on the diverse needs and aspirations of our customers, ensuring IPL's continuing key role in developing the efficiency and sustainability of the world's resource and agricultural sectors.

*Operations in Low Tax Jurisdictions*

IPL's operations are located where value is created by both IPL and its customers. In addition to its Australian operations, IPL also has operations in overseas jurisdictions whose corporate tax rate is different to the Australian corporate tax rate.

The table below summaries the applicable tax rate for each jurisdiction in which we operate.

<b>Jurisdiction</b>	<b>Applicable corporate tax rate</b>
Aust/PNG Mexico	30.00%
South Africa	28.00%
Canada	26.75%
USA	26.00%
Indonesia	22.00%
Turkey	22.00%
Chile	16.50%
Hong Kong	16.50%
Singapore	0.00%

In reviewing IPL's operations in the context of operating in low tax jurisdictions we have applied the European Union's (EU) list of non-cooperative jurisdictions for tax purposes. In compiling this list the EU assesses countries against agreed criteria for good governance, consistent with standards of the EU member states. These criteria relate to tax transparency, fair taxation, implementation of OECD base erosion and profit shifting measures and entity substance requirements.

The EU has published a list of non-cooperative jurisdictions, IPL does not operate in any of the jurisdictions listed as non-cooperative.

With regard to IPL's Singapore operations, IPL manages its global insurance program through a Singapore based captive insurance company which is eligible for specific tax incentives offered by the Singapore government to attract business investment in Singapore. By operating through this structure, IPL is able to access a wide insurance/reinsurance market that delivers competitive pricing which is passed back to our business through lower insurance premiums.

It should be noted that IPL's overseas companies (including our operation in Singapore) are subject to Australia's international tax rules (Controlled Foreign Corporations rules), the purpose of which are to ensure profits generated by overseas operations in low tax jurisdictions are appropriately taxed in Australia.

## **Related party transactions**

IPL operates in the global market through locally incorporated subsidiaries or via joint ventures, serving local mining and agricultural businesses. The nature of the products and services produced by IPL require the bulk of our manufacturing and servicing capabilities to be within close proximity of our external customers.

Product flows between Australia and offshore related parties relate primarily to the supply of explosives components (which are assembled in Australia and sold to customers within the Asia Pacific region). These transactions are minimal, relative to dealings with external customers.

Services between Australia and offshore related parties include funding and other centralised services such as technology, treasury, engineering and insurance services.

Any related party dealings are governed by IPL's global transfer pricing policies which stipulate that products and services transacted between related parties are charged to the recipient at an arm's length fee in accordance with OECD guidelines.

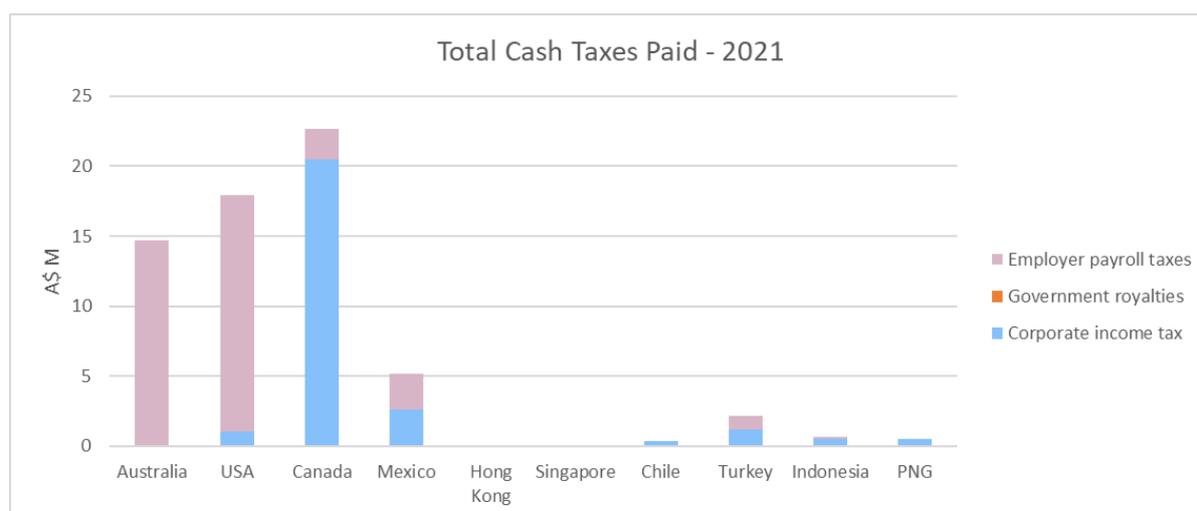
## Taxes paid

IPL incurs and pays taxes in each jurisdiction in which it operates, it is also legally obligated to collect and remit various taxes on behalf of the local revenue authority. The graphs below provide further details of the nature of the taxes borne and collected by IPL globally.

### Total Cash Taxes Paid

Total taxes paid comprise any tax that IPL is obliged to pay a government directly or indirectly on its own behalf. IPL includes employer taxes (such as payroll tax), corporate income tax and royalties paid to governments of jurisdiction in which we operate.

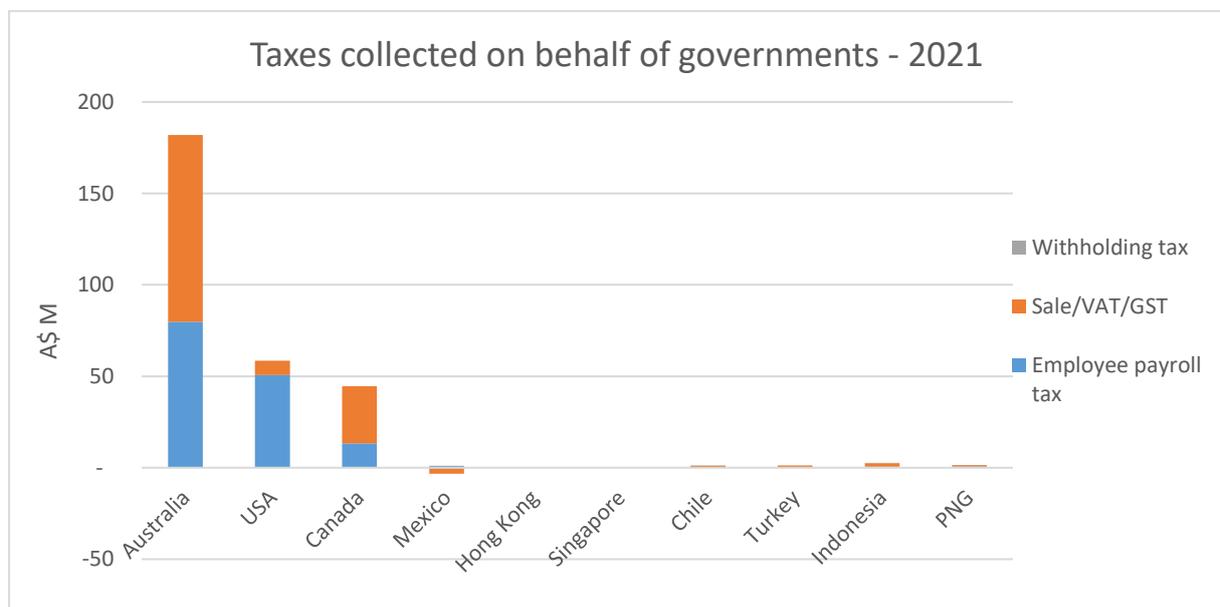
With regards to the corporate income tax paid, it should be noted that the accounting for a corporate tax liability and actual payment of that liability will differ due to timing of when the liability is booked and when the actual tax payment occurs. The graphs below reflect actual cash taxes paid during the relevant year.

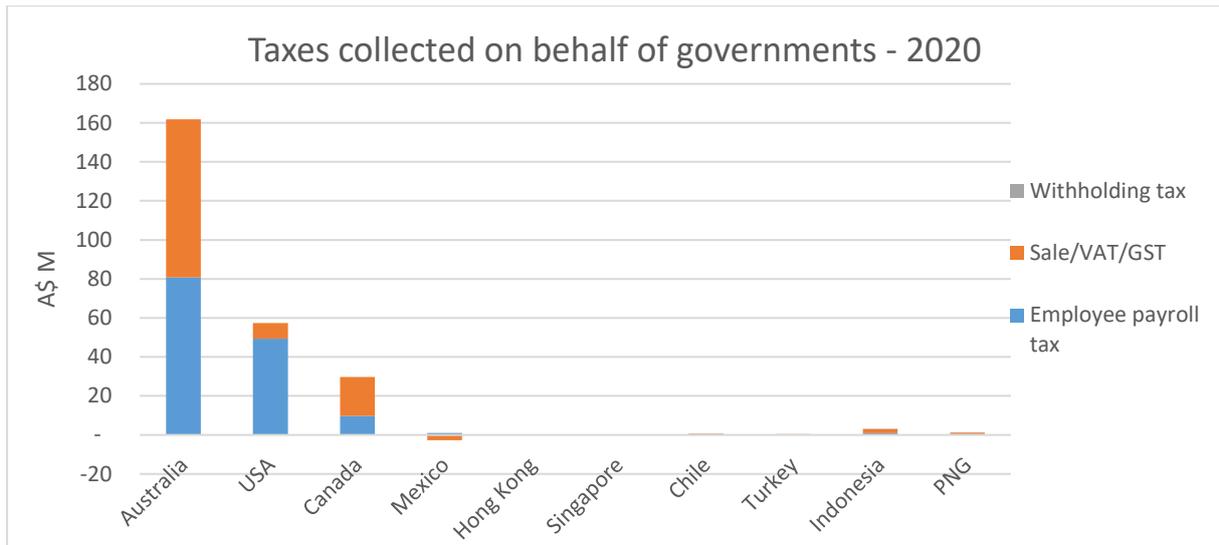




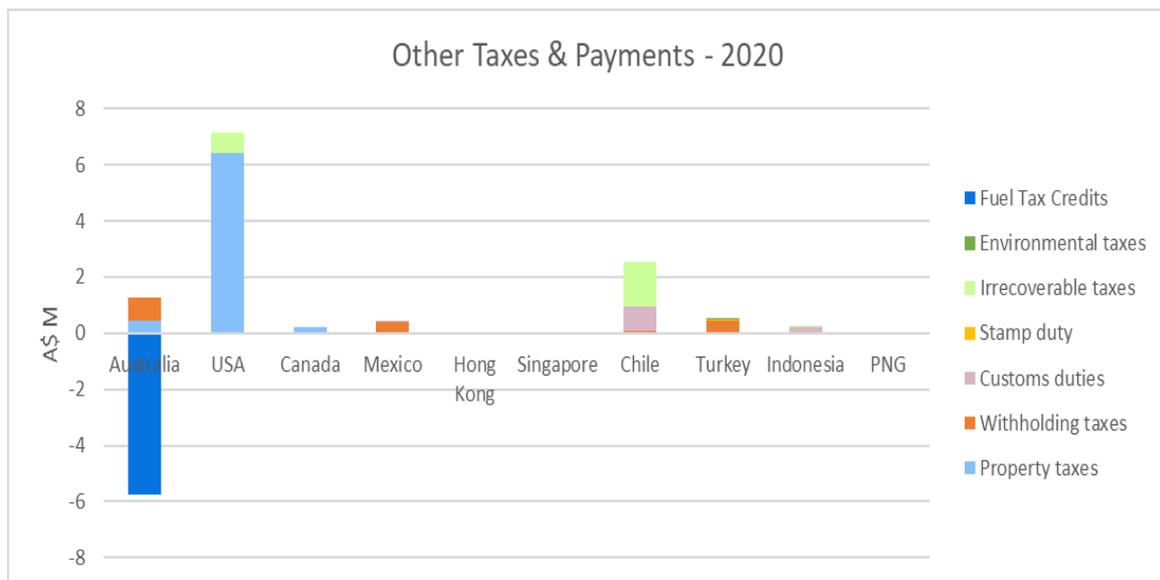
### Taxes collected

Taxes collected are taxes that IPL is obliged to withhold from payments to third parties and remit these amounts to local governments on behalf of other people. Such taxes include withholding taxes on interest and dividend, sales/VAT/GST and employee salary and wages tax.





Other Taxes and Payments



## Income tax reconciliation to tax payable

Income tax expense comprises current tax (amount payable or receivable within 12 months) and deferred tax (amounts payable or receivable after 12 months). Tax expense is recognised in the profit or loss statement, unless it relates to items that have been recognised in equity. In this instance, the related tax expense is recognised in equity.

The following table is a reconciliation of accounting profit to income tax payable for Incitec Pivot global and Australian Tax Group at 30 September 2021.

### Income tax reconciliation to tax payable

	2021 Global A\$mill	2021 Australia A\$mill	2020 Global A\$mill	2020 Australia A\$mill
<b>Profit before income tax</b>	160.2	195.8	150.9	44.1
<b>Total profit before tax</b>	160.2	195.8	150.9	44.1
Tax exempt Intercompany dividend eliminated on consolidation <sup>1</sup>	-	(103.1)	-	(1.5)
<b>Total profit/(loss) before tax excluding intercompany dividend</b>	160.2	92.7	150.9	42.5
Tax at the Australian tax rate of 30%	48.1	27.8	45.3	12.8
<b>Non temporary differences</b>				
Joint venture income	(11.7)	-	(8.1)	0.1
Sundry items	(17.7)	3.0	(4.2)	9.8
Difference in overseas tax rates	(9.4)	-	(3.8)	-
Adjustment to tax expenses relating to prior years	1.8	-	(1.7)	-
<b>Income tax expense attributable to profit</b>	11.1	30.8	27.5	22.7
<b>Temporary differences</b>				
Provisions	42.5	27.2	7.6	5.5
Property, Plant and Equipment	6.3	16.9	(47.0)	(14.8)
Tax Losses	3.5	(42.7)	42.0	(13.7)
Intangible Assets	4.1	-	3.4	-
Capitalised inventory cost	(2.2)	-	3.8	-
Financial instruments	(5.2)	(9.1)	(4.5)	16.3
Prepayments	2.9	-	-	-
Tax payments on matters in dispute with tax authorities	20.3	-	-	-
Other	15.2	19.2	(9.4)	(2.6)
<b>Total origination and reversal of temporary differences</b>	87.4	11.5	(4.1)	(9.3)
<b>Tax liabilities</b>	98.5	42.3	23.4	13.4
<b>Less:</b>				
Franking credits		(9.4)		(7.9)
Withholding tax credits		(0.5)		(0.6)
R & D tax offset		(4.4)		(4.9)
<b>Tax payable/(refundable)</b>	98.5	28.0	23.4	-
<b>Effective Tax Rate</b>	2021 Global percentage	2021 Australia percentage	2020 Global percentage	2020 Australia percentage
Effective tax rate <sup>2</sup>	6.9%	33.2%	18.2%	53.3%

<sup>1</sup>Dividends received from overseas operations are exempt from Australian tax. All dividends received from related parties are eliminated at the Group Level

<sup>2</sup>Effective tax rate is calculated as income tax expense divided by accounting profit/loss before tax excluding intercompany dividends

IPL's global effective tax rate is impacted by the profit/loss contributions to the Group results of its subsidiaries operating in their respective jurisdictions. Given the different corporate tax rates applicable across the Group and that legislative requirements are unique in each jurisdiction it is not uncommon for a company the size of IPL to experience variability in its effective tax rate year-on-year. The table below highlights this variability over the past 5 years.

	2021	2020	2019	2018	2017
Profit before tax	160.2	150.9	159.6	192.7	392.5
Tax Expense	-11.1	-27.5	-7.5	18.1	-70.9
Profit after tax	149.1	123.4	152.1	210.8	321.6
Effective tax rate	6.9%	18.2%	4.7%	-9.4%	18.1%

## ATO Public Disclosure

The ATO is required to publicly report information about Australian public companies (and other companies, including those which are foreign owned) with total income of \$100 million or more.

In December 2021, the ATO disclosed the following information about IPL, as reported by the company in its Australian tax return for the 2020 tax year. In December 2022, the ATO will disclose the comparative 2021 data for IPL. The tax return for IPL is a consolidated tax return and comprises the results of its wholly owned, Australian tax resident entities (IPL Tax Group).

<b>Incitec Pivot Limited ABN 42 004 080 264</b>		
	2021 A\$M	2020 A\$M
Total Income	3,200.0	2,594.8
Taxable Income	141.4	44.5
Income Tax Payable	28.0	nil

The amount disclosed as Total Income in the tax return is the total accounting revenue of the IPL Tax Group. Accounting revenue is the gross receipts of the IPL wholly owned Australian group before any expenses are taken into account, and therefore does not represent the real, economic or taxable profits of an organisation.

Operating Profit before Tax (which is also reported to the ATO) is the basis upon which taxable income is determined. It is from this amount that various non-temporary and temporary adjustments are made to arrive at taxable income. These adjustments are detailed in the Income Tax Reconciliation to tax payable section of this report.

A summary reconciliation is provided below.

	<b>A\$M 2021</b>	<b>A\$M 2020</b>
Total Income (as reported by ATO) <sup>1</sup>	3,200.0	2,594.8
Total expenses	3,004.2	2,550.7
Operating profit before tax	195.8	44.1
Non-temporary & temporary adjustments	87.9	46.1
Prior year tax losses recouped	(142.3)	(45.7)
Taxable income (as reported by ATO) <sup>1</sup>	141.4	44.5
Tax payable on taxable income	42.4	13.4
Less Franking and other Credits	(14.4)	(13.4)
<b>Income tax payable (as reported by ATO)</b>	<b>28.0</b>	<b>nil</b>

<sup>1</sup> 2021 data to be reported by ATO in December 2022

## **Basis of preparation**

Data disclosed in this report is drawn primarily from the Group's consolidated financial reporting system and global tax reporting platform which is subject to audit scrutiny by both our external and internal auditors.

Where possible, financial data disclosed in this report is agreed back to relevant tax data disclosed in the Group's audited financial statements.

The group follows International Financial Reporting Standards and guidance issued by the ATO and the Organisation for Economic Co-operation and Development (OECD).

Additional data is provided from other sources where required such as local accounting records and human resources records.

All values are in Australian dollars.