



Part of Tomorrow

2016 Tax Transparency Report



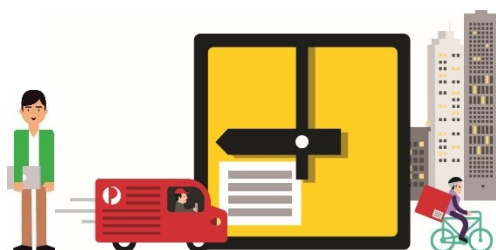
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Introduction

Australia Post is committed to strong tax governance practices. This report is published on a voluntary basis as part of our commitment to improved tax disclosure and includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code.



Overview

Australia Post manages its taxation affairs in accordance with the Enterprise Risk & Compliance Management framework. The Tax Governance Policy outlines the framework and methodology for applying a risk based approach to managing its taxation affairs and relationship with revenue authorities. It maintains a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. Australia Post is committed to providing its stakeholders, customers and communities with transparent disclosure of its tax affairs, including information about tax payments made in various tax jurisdictions. Australia Post has been given a risk rating as a "Key Taxpayer" for Income Tax and GST and a "Lower Risk" taxpayer for excise under the Australian Tax Office (ATO) Risk Differentiation Framework for the 2016 financial year.

Providing Greater Tax Transparency

This is our first Tax Transparency Report and aims to supplement the tax disclosures made in the 2016 Annual Report with a view to progressively comply with all aspects of the standard of disclosure expected of 'large businesses' under the Tax Transparency Code. This report includes information in relation to our approach to tax governance and tax risk management. Additionally, this report provides information on our accounting effective tax rate, international related party dealings and taxes paid to, and collected on behalf of Federal and State governments.

Improving Everyday

We continue to review our tax transparency reporting and implement stakeholder feedback together with industry and regulatory developments. We look to maintain and help develop best practice in tax transparency reporting to better serve the communities in which we operate.

Basis of Preparation

Tax payments are presented on a cash paid basis for the year ended 30 June 2016 for all operations across all countries. However, the report excludes tax payments made by those entities that are accounted for as equity investments within Australia Post's Financial Statements.

Approach to Tax

In pursuing our overall corporate strategy, we abide by our Tax Governance Policy to ensure full and transparent compliance with all taxation obligations.

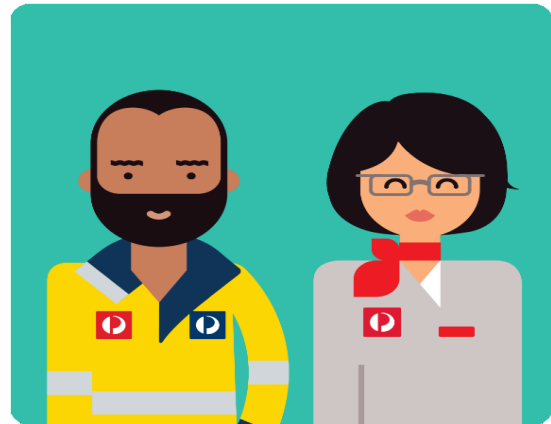
Tax Governance Policy

The Australia Post Tax Governance Policy operates as part of the wider Board-approved Enterprise Risk & Compliance Management Framework.

Tax Governance Principles

The core drivers of our Tax Governance Policy are:

- *Maintain full compliance* – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates;
- *Maximise shareholder value* – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy;
- *Manage risk* – we will maintain documented policies, procedures and positions in relation to tax-risk consequences of business strategy within the Corporation's Enterprise Risk and Compliance Management Framework, taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the Group Chief Financial Officer where material;
- *Maintain openness and transparency* – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with the Tax Code of Conduct;
- *Build assurance* – we will provide the Board, Managing Director & Group CEO, Group Chief Financial Officer & EGM Finance, senior management and other key internal and external stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.



Tax Risk & Compliance Management

Australia Post applies a risk based approach to key activities in the corporate tax function. We adopt a strong control framework to identify, mitigate and control tax risks and refrain from undertaking aggressive tax planning. We proactively manage our business and tax affairs in accordance with the Tax Governance Policy.

In line with the ATO Risk Rating, we strive to maintain collaborative and trusted relationships with the ATO and other revenue authorities and we are committed to full compliance and transparent disclosure with respect to all our tax affairs. We participate in an annual Pre-Lodgement Compliance Review Program (PCR) with the ATO and continue to adopt real-time communication with tax authorities.

International Related Parties

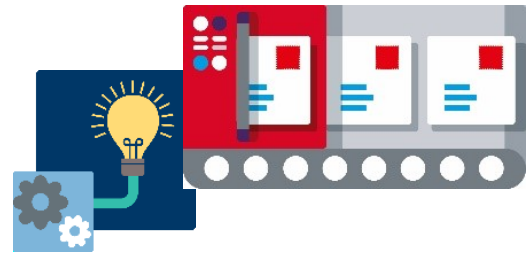
Australia Post has been investing in partnerships that strengthen our warehousing and international freight-forwarding capabilities in various international markets as part of our strategy for future growth as an eCommerce business with a focus on the burgeoning Asian market.

As part of this strategy, some of our subsidiary and joint-venture businesses are based offshore. These offshore businesses generate approximately 0.4 per cent of our consolidated revenue. Australia Post's dealings with these international related parties are conducted in a manner consistent with the arm's length principle and reflects the commercial nature of the transactions. We will continue to cement our capabilities in cross-border logistics and pursue international acquisitions and partnering opportunities to help our customers do business internationally.



Tax Payments & Reconciliations

Australia Post made significant contributions and collections of taxes and duties to Federal and State Governments during the 2016 income year.



Effective Tax Rate

	\$m
Accounting profit / (loss) before income tax	41.0
At the Australian statutory tax rate (30%)	12.3
Adjustment relating to prior years	(3.3)
Property disposals not subject to tax	(3.6)
Sundry items	(0.7)
Income tax expense / (benefit) reported	4.6
Effective Tax Rate	11.2%

Property

Over more than 200 years of operation, we have established one of the largest and most diverse property portfolios in Australia. Given our history, many of our properties were established prior to the introduction of capital gains tax (CGT) in September 1985, and as such, are generally not subject to taxation when disposed. This consequently reduces our effective tax rate.



Research & Development

As our business continues to evolve and we deliver on our corporate strategy, we invest in new and innovative technologies, processes and activities. Some of these activities are eligible for a Research & Development (R&D) tax incentive. The R&D tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset for eligible R&D activities. This offset results in a 10% permanent income tax benefit on eligible expenditure claimed. This consequently reduces our effective tax rate.

Tax Payments & Collections on Behalf of Governments

Taxes & Duties Paid

	\$m
Income Tax	4.0
Payroll Tax	136.5
Fringe Benefits Tax	7.1
Land Tax	16.8
Stamp Duty	1.3
Total	165.7

Taxes Collected on Behalf of Governments

	\$m
GST Collected	592.5
PAYG Withholding Collected	480.5
Total	1,073.0