

Tax Transparency Code 2022

Tax Transparency Code

Commonwealth Bank of Australia (the Group) is pleased to provide our annual tax transparency report for the financial year ended 30 June 2022 (FY22).

The Group is one of the largest taxpayers in Australia. Our commitment is to comply with all prevailing tax laws in all jurisdictions that we operate and to maintain transparent and collaborative relationships with all tax authorities.

In FY22, the Group's total tax contribution was approximately **\$6.0 billion** in Australia, and **\$7.0 billion** globally, comprised of:

- Taxes Paid – **\$3.8 billion** in Australia and a total of **\$4.5 billion** globally; and
- Taxes Collected – **\$2.2 billion** in Australia and a total of **\$2.5 billion** globally (i.e. customer and employee taxes).

Our Business

Our approach to managing our tax affairs is in accordance with our corporate purpose, strategy, priorities and culture which are set out below. We always act responsibly and transparently in respect to managing our tax affairs.

Purpose Building a brighter future for all

Values CBA Code of Conduct and 'Should We?' Test

Care

We care about our customers and each other – we serve with humility and transparency

Courage

We have the courage to step in, speak up and lead by example

Commitment

We are unwavering in our commitment – we do what's right and we work together to get things done

Strategy Build tomorrow's bank today for our customers

Leadership in Australia's recovery and transition

Reimagined products and services

Global best digital experiences and technology

Simpler, better foundations

Differentiating capabilities to execute strategy

Data and analytics

Engineering

Leadership

Banking and commercial judgement

Risk management

Change and delivery

Ways of working to execute strategy

Structures

Processes and frameworks

Practices

Metrics and scorecards

Culture

A pattern of shared values, beliefs and behaviours, which shape and are shaped by various environmental factors

Tax Transparency Code (continued)

Our Tax Approach

Tax Risk Appetite

The Group takes a conservative approach to managing its tax affairs. This includes complying with all tax laws in the jurisdictions in which the Group operates, and includes ensuring that all tax lodgements, payments, reporting, disclosures and other obligations are adhered to.

The Group applies the following principles in its assessment of tax outcomes:

- Only enter into transactions that have a clear business rationale, before taking into account any tax consequences;
- Not participate in or promote aggressive tax planning or tax avoidance arrangements (either for the Group's own tax affairs or for its customers);
- Pay the appropriate amount of tax in accordance with the prevailing tax laws; and
- Claim any deductions, credits, offsets or concessions that are legitimately available.

As tax laws can be very complex and open to interpretation, the Group acknowledges at times tax regulators may interpret tax laws differently to the Group.

Relationship with tax authorities

The Group aims to maintain transparent and collaborative relationships with all tax regulators, which includes:

- Providing any information required on a timely basis;
- Engaging proactively on significant tax issues; and
- Where disputes arise, working openly and constructively to resolve the issues.

Most of the tax paid by the Group is to the Australian Taxation Office (ATO). In FY22, the Group had an Annual Compliance Arrangement (ACA) with the ATO, which sets out a compliance and risk management relationship framework based on openness and trust. Under the ACA, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive and efficient manner. The Group continues to engage with the ATO under the Justified trust program.

Arm's Length Pricing

The Group ensures that international related party and intra-group transactions are in compliance with the Organisation for Economic Co-operation and Development (OECD) guidelines and arm's length principles. The Group does not artificially divert profits to low tax jurisdictions or tax havens.

The Group does not participate in arrangements where transfer pricing outcomes are not consistent with value creation. Transfer pricing outcomes of the Group are consistent with the functional activities undertaken, risks assumed and assets utilised in each jurisdiction.

International Related Party Dealings

The Group has an international presence through its shareholdings in foreign retail banks, banking investments, and banking branches in international financial services hubs.

The key international related party dealings for the Group which have a material impact on the Group's Australian taxable income are:

Key International Related Party Dealing	Description	Significant Jurisdictions
Loans	Loans to/from offshore CBA branches and subsidiaries.	United Kingdom, United States of America, Singapore, Japan, Hong Kong, New Zealand, China and Netherlands.
Derivative arrangements	Derivative arrangements (including swaps, options, FX and commodity contracts) with offshore CBA branches and subsidiaries.	New Zealand, United Kingdom, United States of America, Hong Kong, Singapore, Japan and Indonesia.
Dividends	Dividends from offshore subsidiaries	New Zealand
Insurance	Insurance policies entered into with offshore subsidiary	Singapore
Service Centre support	Information Technology and Information Technology enabled business support services from offshore subsidiary	India

The Group maintains contemporaneous documentation supporting the pricing of international related party dealings, which are conducted in accordance with the arm's length principle.

Tax Transparency Code (continued)

Combatting Tax Evasion

The Group supports regulator initiatives aimed at supporting the integrity of tax systems. The introduction of customer information reporting regimes such as the Foreign Account Tax Compliance Act (FATCA) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS) have enabled customer data to be shared between tax authorities on a global basis. The Group is committed to 'doing what is right' and complying with all such measures.

Our Tax Transparency Information

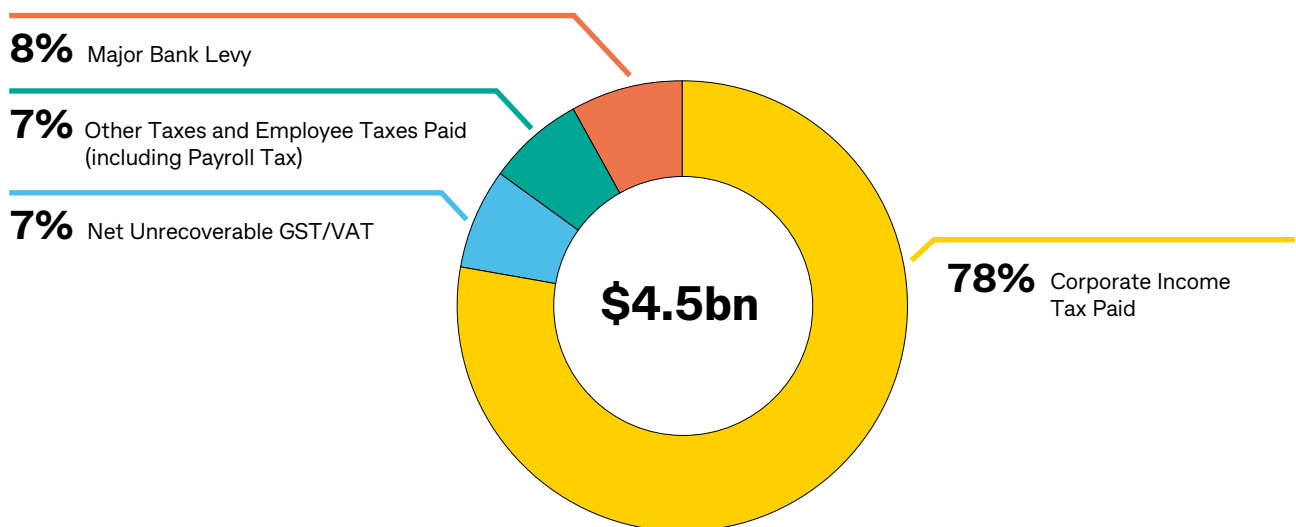
Taxes Paid

The total taxes paid by the Group in FY22 are as follows:

	FY22 \$M				FY21 \$M
	Australia	New Zealand	Other	Group Total	Group Total
Total Tax Contribution by the Group¹					
Corporate Income Taxes Paid	2,876	462	192	3,530	3,672
Net Unrecoverable GST/VAT	283	42	1	326	299
Employee Taxes Paid/Other Taxes (including Payroll Tax and FBT)	312	12	13	337	308
Major Bank Levy	340	–	–	340	338
Total	3,811	516	206	4,533	4,617

1 Represents payments made during the financial year.

Taxes Paid by type



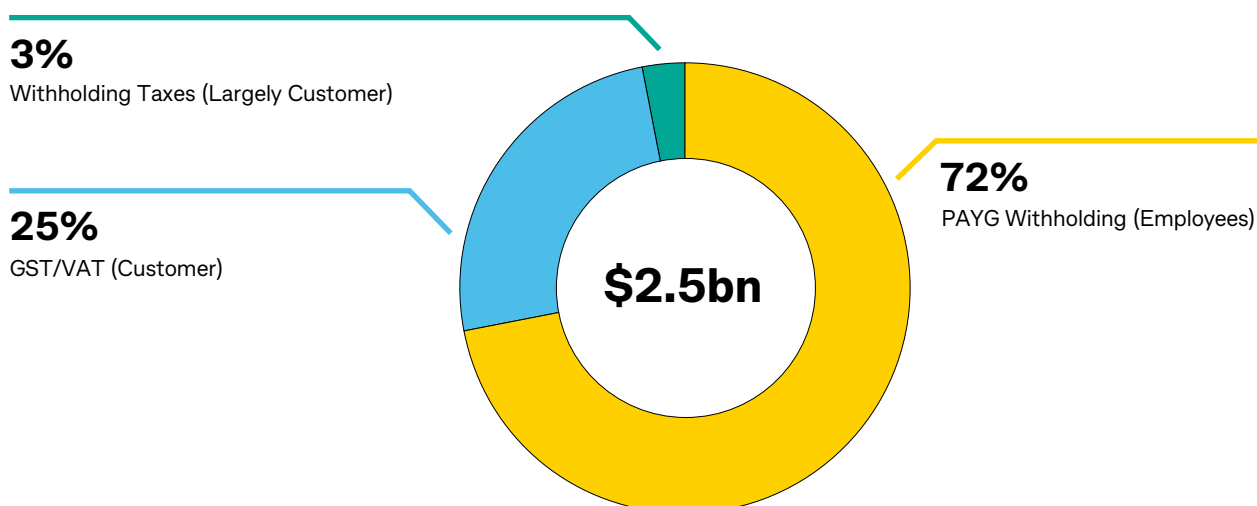
Tax Transparency Code (continued)

Taxes Collected

The total taxes collected by the Group in FY22 are as follows:

Total Tax Collected by the Group on behalf of Government	FY22 \$M				FY21 \$M
	Australia	New Zealand	Other	Group Total	Group Total
GST/VAT (Customer)	604	23	9	636	716
Withholding Taxes (Largely Customer)	10	54	6	70	126
PAYG Withholding (Employees)	1,536	188	58	1,782	1,624
Total	2,150	265	73	2,488	2,466

Taxes Collected by type



Effective Tax Rate (on a Statutory Basis)

Jurisdiction	Profit before income tax	Income tax expense	Effective income tax rate
Australia	10,926	3,222	29.5%
New Zealand	1,885	532	28.2%
Other ²	873	257	29.4%
Total	13,684	4,011	29.3%

² Includes gain on sale of a 10% shareholding in Bank of Hangzhou Co.

The Group's effective tax rate for FY22 was 29.3%. This is the rate recognised in the financial statements included in our 2022 Annual Report and is calculated as total income tax expense divided by profit before income tax (on a continuing operations basis).

The effective tax rate is below the Australian company tax rate of 30% primarily as a result of the profits earned by the offshore banking unit (subject to a 10% tax rate) and profits earned in offshore jurisdictions that have lower corporate tax rates. The corporate tax rates in the Group's main countries of operation outside Australia as at 30 June 2022 was as follows: New Zealand (28%), United States (21%), United Kingdom (19% – exclusive of bank corporation tax surcharge), Singapore (17%) and Hong Kong (16.5%).

Tax Transparency Code (continued)

Reconciliation of accounting profit to income tax expense

A reconciliation of the Group's accounting profit to income tax expense for continuing operations is disclosed in the Group's 2022 Annual Report (Note 2.5 of the Financial Report). Income tax expense is calculated in accordance with Australian accounting standards and represents accounting profit multiplied by Australia's corporate tax rate of 30%, adjusted for the "non-temporary" differences between accounting and tax as shown in the table below.

	FY22 \$M	FY21 \$M
Profit before income tax expense	13,684	12,375
Prima facie income tax at 30%	4,105	3,713
Tax effect of amounts not deductible/(assessable)		
Offshore tax rate differential	(47)	(43)
Offshore banking unit	(47)	(2)
Effect of changes in tax rates	17	11
Income tax (over)/under provided in previous years	(40)	24
Gain/(loss) on disposals	60	(122)
Other	(37)	(49)
Total income tax expense	4,011	3,532
Effective tax rate	29.3%	28.5%

Reconciliation of income tax expense to income tax payable

The table below reconciles income tax expense to income tax payable. Temporary differences represent the differences between the time transactions are recognised for accounting purposes and when they are recognised for income tax purposes.

	FY22 \$M	FY21 \$M
Total income tax expense	4,011	3,532
Temporary differences (movement)		
Provisions	(441)	246
Lease financing	(20)	2
Unearned income	(34)	(15)
Intangibles	61	(10)
Other timing differences	93	(65)
Other adjustments ³	40	(24)
Current Year Income Tax Payable	3,710	3,666

³ Predominantly prior year adjustments that do not impact current year income tax payable.

Tax Transparency Code (continued)

Australian Tax Return Information

The ATO publishes tax return information annually for a number of large public companies. The FY21 amounts disclosed below reconcile to the ATO's 2020–21 Report of Entity Tax Information.

The following FY22 information will be disclosed by the ATO in respect of the Australian Tax Consolidated Group:

Australian Tax Consolidated Group	FY22 \$M	FY21 \$M
Total Revenues	29,832	29,362
Total Taxable Income	9,926	10,664
Tax Payable in Australia (after offsets)	2,975	3,136

The tax payable above relates to income tax payable by the CBA Tax Consolidated Group for the FY22 year. It will differ from the tax payable disclosed in the "Reconciliation of income tax expense to income tax payable" on page 6 as it does not include tax payable for foreign entities and Australian entities that are not wholly owned.

Basis of Preparation

This report covers the year ended 30 June 2022 and comparative period 30 June 2021 and provides an overview of the tax contributions made by the Group and its approach to tax responsibilities. The information disclosed in this report meets the requirements of the Australian Board of Taxation's voluntary Tax Transparency Code (TTC) and has been prepared in accordance with the Appendix to the Code issued by the Australian Accounting Standards Board.

Amounts disclosed in this report are in Australian dollars, which is the Group's functional currency. Amounts disclosed in the report have either been sourced from the financial statements in the Group's 2022 Annual Report, financial records or submitted tax returns.



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