

# Tax Transparency Report – 2023

McMillan Shakespeare Limited



McMillanShakespeareGroup

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## 1. Introduction

This report provides information on McMillan Shakespeare Limited (the “Company”) and its subsidiaries’ (the “Group” or “MMS”) approach to Tax Governance and Strategy and details tax-related payments made in respect of the year ended 30 June 2023. The Company has chosen to voluntarily disclose this information consistent with the Australian Government’s efforts to promote Tax Transparency.

## 2. Our business

Collectively, the Group’s business divisions provide expertise in novated leasing, salary packaging, associated Fringe Benefits Tax administration and management, fleet leasing and asset management for ‘tools of trade’ vehicles and other business assets, plan management and support co-ordination services to participants of the National Disability Insurance Scheme.

The Company has formed an Australian tax consolidated group for its 100% owned Australian tax resident subsidiaries. The Company also own subsidiaries in the United Kingdom & New Zealand. The overseas subsidiaries comply with the respective tax legislation of those countries.

## 3. Tax Governance & Strategy

Tax risk management is seen as an integral part of good corporate governance at MMS.

MMS manages its tax framework and strategy in accordance with the Group’s Tax Corporate Governance Policy (‘Tax Policy’), which has been approved by the Board. The Tax Policy is reviewed and updated as required, and at a minimum, annually. In the absence of any material changes, the Tax Policy will be formally re-approved by the Board upon recommendation by the Audit, Risk and Compliance Committee on a triennial basis.

The Tax Policy outlines the appropriate course of action required to ensure that all tax risks are managed appropriately and promptly. MMS’s tax risk appetite is “low” – the Group does not engage in any tax avoidance schemes or aggressive tax positions. The Group is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates.

The Company maintains a productive and transparent relationship with revenue authorities, as reflected by the voluntary disclosure of tax information contained in this report.

## 4. Income Tax Disclosures

### Effective Tax Rate (ETR)

The ETR for MMS is calculated by dividing the Group’s income tax expense by its accounting profit before tax, noting that this report is based on the Annual Report which includes overseas entities which are not part of the Australia tax consolidated group.

The ETR is calculated by reference to corporate income tax and does not include other types of taxes such as GST, payroll tax, FBT, land tax, superannuation contributions and PAYG withholding remitted to the ATO on behalf of McMillan Shakespeare’s employees/eligible personnel. For 2023, the Group’s ETR is 30% (see table below).

As the ETR is a concept based on accounting tax expense divided by accounting profit rather than tax payable over taxable income, it necessarily differs from a corporation’s income tax liability, which is calculated based on Australian tax legislation that reflects government policies and intent with respect to the

taxation of corporations. In most cases, the difference between tax expense and tax payable are of temporary nature as the tax and accounting concepts align over time.

Income Tax Expense from the 2023 MMS Annual report:

	2023 \$'000	2022 \$'000
Current Tax	27,180	10,131
Adjustments for current tax of prior years	(174)	(1,014)
Deferred Tax	(1,727)	18,301
Tax expense in respect of assets held for sale	2,075	(330)
<b>Total Income Tax Expense</b>	<b>27,354</b>	<b>27,088</b>

### Reconciliation of accounting profit to income tax expense

MMS's ETR will vary from the Australian corporate tax rate of 30% due to a number of adjustments that may arise as set out below:

	2023 \$'000	2022 \$'000
Profit for the year before income tax expense	91,803	93,962
Tax at Australian Corporate Rate – 30%	27,542	28,189
Non-deductible costs	45	309
Loss on disposal of business	-	174
Overseas tax rate differential of subsidiaries	(59)	(67)
Over-provision of tax from prior year	(174)	(1,014)
Other	-	(503)
<b>Total Income Tax Expense</b>	<b>27,354</b>	<b>27,088</b>
<b>ETR</b>	<b>30%</b>	<b>29%</b>

The ETR of MMS's global operations is 30% which is in line with the Australian corporate tax rate of 30%, primarily due to the non-deductible costs in Australia off-setting the lower tax rate benefit from non-Australian operations.

Below is a description of the key adjustments:

- Non-deductible costs – relates to non-deductible expenses such as entertainment.
- Overseas tax rate differential – difference between the corporate tax rate in Australian and the UK and NZ applied on the profits of the overseas subsidiaries.

- Over-provision of tax from prior year – this relates to the overprovision of tax from prior years which was reversed during the 2023 year.

### Reconciliation of income tax expense to income tax payable

The table below reconciles income tax expense per the financial statements to the income tax payable for the Australian tax consolidated group. Temporary differences represent the differences between the timing of when transactions are recognised for accounting and tax purposes.

	2023 \$'000	2022 \$'000
<b>Total Income Tax Expense</b>	<b>27,354</b>	<b>27,088</b>
Exclude tax expense relating to Overseas entities	(2,075)	2,268
Exclude tax expense relating to assets held for sale	(6,906)	-
<u>Temporary differences:</u>		
Depreciation and amortization	(19,257)	(16,534)
Provisions & accruals	(1,583)	5,849
Section 40-880 deductions	20	335
Share based payments	182	482
Property leases	(1,253)	(255)
Other	1,394	-
Current year tax losses carried forward, not recognised for accounting	2,124	-
<b>Current Year Australian Income Tax Payable</b>	<b>0</b>	<b>19,233</b>

## 5. Tax Contribution Summary

The following is a list of tax payments and collections the Group makes on behalf of Governments within Australia (for year ended 30 June 2023):

<b>Taxes and Duties Paid</b>	2023 \$m	2022 \$m
Income Tax	0	19.2
GST (paid on expenses and claimed as input tax credits)	56.4	46.5
Payroll Tax	6.9	6.0
Fringe Benefits Tax	0.6	0.5
<b>Total</b>	<b>63.9</b>	<b>72.2</b>

<b>Taxes Collected on Behalf of the Government</b>	<b>2023</b>	2022
	<b>\$m</b>	<b>\$m</b>
PAYG Withholding	31.2	27.5
GST (collected on revenue and remitted)	69.2	64.0
<b>Total</b>	<b>100.4</b>	<b>74.0</b>

## 6. International Related Parties

McMillan Shakespeare Limited is an Australian public company, listed on the Australian Stock Exchange. The Group has subsidiaries in the UK and NZ. The related party dealings between the Australian Group and offshore subsidiaries do not have a material impact on the Australian taxable income of the Group.