



Tax Transparency Report

2017 - 2018



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Introduction

Airservices Australia (Airservices) is pleased to present its first Tax Transparency Report, for the income year ended 30 June 2018.

This report has been prepared to meet the required standards of tax transparency and recommendations set out in the Board of Taxation's Voluntary Tax Transparency Code issued in May 2016. This report should be read in conjunction with the Airservices 2018 Annual Report which can be found on our [website](#).

Whilst Airservices is a government owned organisation, its establishing legislation, the *Air Services Act 1995*, makes it subject to all Commonwealth taxes. Airservices is exempt from all State and Territory Taxes other than Payroll Tax. Airservices must also comply with withholding tax obligations and any applicable taxes in foreign jurisdictions.

Airservices purpose is to provide safe, secure, efficient and environmentally responsible air navigation and aviation rescue firefighting services that are valued by the aviation industry and community on behalf of our owner the Australian Government. Airservices is proud of the contribution it makes to the Australian community through the fulfilment of this obligation and through the payment of dividends and taxes.

Recently Airservices was transformed to become a match-fit organisation for the future. Through the impact of the fast paced emergence of technology and other global disruptors, this was a necessary transformation to ensure future operation for promoting and fostering civil aviation with the utmost importance of safe air navigation.

The cost of this transformation resulted in a net operating loss in the year ended 30 June 2016. Similarly, Airservices incurred a tax loss in the year ended 30 June 2016.

Airservices delivered a strong financial performance in the years ended 30 June 2017 and 2018 which have recouped its tax losses. Airservices expects to be in a tax payable position when it lodges its tax return for the year ended 30 June 2018.

Overview of Airservices

Airservices was established by the *Air Services Act 1995 (Cth)*, and is an Australian government-owned organisation. Airservices is designated as a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013 (Cth)*.

Airservices functions under the *Air Services Act 1995* include:

- providing facilities for the safe navigation of aircraft within Australian-administered airspace
- promoting and fostering civil aviation in Australia and overseas
- providing air traffic services, aviation rescue firefighting services, aeronautical information, radio navigation and telecommunication services

Safety is our number one priority, with global benchmarking consistently placing Airservices as one of the top air navigation service providers for safety in the world.

Airservices is governed by a Board whose members are appointed by the Minister for Infrastructure and Transport and Regional Development. The Board is committed to best practice in corporate governance.

The Board decides the objectives, strategies and policies to be followed by Airservices and ensures that it fulfils its statutory functions in a proper, efficient and effective manner.

Airservices is funded through levies on our customers and capital raised from debt markets. Our prices are set by the Airservices Board after extensive consultation with industry and are subject to oversight by the Australian Competition and Consumer Commission (ACCC). Airservices does not receive any government funding.

Airservices recently embarked on the most complex transformation of air traffic management in its aviation history, with the OneSKY Australia Program. This is a joint Airservices and Department of Defence program focused on aligning the needs of civil and military aviation to deliver a new harmonised air traffic management system. This joint approach is enabling us to introduce cutting edge air traffic management technology that will improve safety and efficiency for civil and military air traffic while catering for significant forecast growth in the aviation sector.

Tax Governance and Strategy

Airservices tax governance and strategy is aligned to its wider corporate safety culture. Consistent with the Commonwealth Government Business Enterprises - Governance and Oversight guidelines issued by the Department of Finance, Airservices engages in normal Tax planning activities that are within the spirit of the law. Airservices does not engage in aggressive Tax planning strategies and proactively manages its tax obligations to ensure that it pays the correct amount of tax.

We connect key functions across the organisation to deliver cost efficient best practice tax management. This supports the organisation's capacity to make sound financial and commercial decisions and to develop and enhance processes and procedures to ensure compliance with policy, procedures and internal controls. To facilitate this, we maintain a robust tax governance framework built on our Tax Governance Principles. We periodically review our tax governance framework to ensure it continues to reflect the expectations of the Australian Taxation Office (ATO) and broader community's attitudes to tax management.

The core elements of our tax governance principles include:

Responsible and accountable managerial oversight	The responsibilities and accountabilities for tax administration and decision-making are in place and are clearly defined and understood.
Risk management and decision making	Strong controls and clearly articulated processes are in place to support tax compliance and to identify, assess and mitigate tax risk. The Board, Chief Executive Officer, Chief Financial Officer and other key internal and external stakeholders have assurance that Airservices tax is being managed in accordance with its tax policies.
Integrity in systems and reporting	The financial records, including tax reporting, reflect a true and fair view of Airservices business.
Tax compliance	We have full compliance with all statutory tax obligations including paying the correct amount of tax and meeting our reporting and payment obligations.
Professional and collaborative relationships	A professional and collaborative relationship is maintained with the ATO, State and Territory Revenue Authorities and other stakeholders to enable an efficient and collaborative hearing of tax issues as well as maintaining transparency through open and honest dialogue.
Ethical behaviour	All decision-making as it relates to tax is done in an ethical and responsible manner and in line with the organisation's wider corporate values and frameworks.

Tax Contribution

Table 1 shows the taxes paid or payable by Airservices to the ATO and State and Territory Revenue Authorities for the year ended 30 June 2018 on its own behalf. Table 2 shows the taxes collected and paid by Airservices to the ATO for the year ended 30 June 2018 on behalf of employees and other entities.

Airservices does not have a taxable presence in any jurisdictions outside of Australia and did not pay any foreign taxes in the income year ended 30 June 2018.

Table 1

Tax Obligation	Authority (\$'000)		
	Federal	State or Territory	Total
Corporate Income Tax ^a	\$1,133	-	\$1,133
Fringe Benefits Tax ^b	\$4,423	-	\$4,423
Payroll Tax	-	\$31,616	\$31,616
Total Taxes Borne by Airservices	\$5,556	\$31,616	\$37,172

Table 2

Tax Obligation	Authority (\$'000)		
	Federal	State or Territory	Total
Goods and Services Tax ^c	\$79,361	-	\$79,361
Fuel tax credits ^d	(\$31)		(\$31)
PAYG Withholding from payments to employees	\$158,702	-	\$158,702
Foreign Resident Withholding	\$19		\$19
Total Other Taxes Remitted / Credited	\$238,051	-	\$238,051

^a This is the estimated tax payable by Airservices for the income year ended 30 June 2018. This figure is based on Airservices 30 June 2018 Financial Statements. Airservices final tax liability for the income year ended 30 June 2018 will be disclosed after Airservices has lodged its income tax return with the ATO.

^b For the Fringe Benefits Tax year ended 31 March 2018.

^c This is the net of GST paid to Airservices by its customers, GST paid by Airservices to its suppliers and GST deferred on imported goods.

^d Fuel tax credits provide businesses with a credit for the fuel tax (excise or customs duty) that's included in the price of fuel used in heavy vehicles travelling on public roads.

Reconciliation of accounting profit to income tax expense and income tax paid / payable

Table 3 is a reconciliation of Airservices accounting profit to income tax expense and income tax paid / payable.

Differences between Airservices accounting profit and taxable income are due to both temporary and non-temporary differences. Non-temporary (or permanent) differences arise where amounts recognised as income or expenses under the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) do not give rise to equivalent taxable or deductible amounts under the Australian tax law (or vice versa).

For Airservices, these include:

Non-deductible legal costs / Other non-deductible expenditure	This relates to expenditure which is specifically denied tax deductibility under the tax law.
Non-refundable carry forward tax offsets	This represents the concessions available to Airservices from its research and development (R&D) activities. Airservices is committed to using cutting edge technology where safety is paramount. In the 30 June 2018 income year, Airservices expects to utilise a carried forward non-refundable R&D tax offset of \$1.3 million.

Temporary or timing differences arise where amounts are recognised as income or expenses under the accounting standards in a different period to which they are taxable or deductible under the tax law.

For Airservices, these include:

Depreciation	The tax law allows Airservices to depreciate its property, plant and equipment assets on a different basis to the accounting standards.
Allowance for impairment	This relates to changes to the accounting carrying value of assets for which there is no corresponding income tax deduction in the current year.
Employee benefits / Provisions / Accruals	These adjustments represent income and expenses that have been recognised for accounting purposes, for which there is no corresponding income tax recognition in the current year. This is either because the income has not yet been derived, or because the expenses have not yet been incurred for tax purposes.
Utilisation of carry forward tax losses	The tax law allows Airservices to apply the tax losses it incurred in prior years to offset its taxable income in the current year.

Table 3

	2017-18 (\$'000)
Profit from continuing operations before income tax expense	\$106,871
Prima facie income tax expense at 30%	\$32,061
Non-deductible legal costs	\$11
Prior year over provision of tax ^e	(\$251)
Other non-deductible / (assessable) expenditure	\$556
Income tax expense (current income tax and deferred income tax)	\$32,377
Depreciation	(\$453)
Allowance for impairments	\$438
Employee benefits	(\$8,503)
Provision for revenue to be returned to customers	\$40
Provision for legal costs	\$135
Other provisions	\$10,729
Accruals	\$655
Adjustment for prior year over provision of tax	\$251
Current income tax expense	\$35,669
Utilisation of carried forward tax losses	(\$33,261)
Non-refundable carry forward tax offsets	(\$1,275)
Income tax paid / payable in respect of the current income year	\$1,133

Tax Losses

While Airservices made a Profit Before Income Tax of \$106.9 million for the year ended 30 June 2018, Airservices' income tax liability is reduced by the tax losses it incurred in the years ended 30 June 2015, 30 June 2016 and 30 June 2017, as well as non-refundable R&D tax offsets carried forward from prior years. Airservices continues to carry forward capital losses of \$5.0 million that are available indefinitely for offset against future capital gains.

^e This adjustment relates to differences between the current and deferred income tax expense recorded in the current and prior years, against the tax actually paid in respect of those years.

Effective Tax Rate

The effective tax rate (ETR) is calculated as income tax expense divided by accounting profit. As Airservices does not have overseas operations its Australian effective income tax rate and its worldwide effective income tax rate are the same.

Table 4

	2017-18
	(\$'000)
Profit from continuing operations before income tax expense	\$106,871
Income tax expense	\$32,377
Effective income tax rate	30.30%

International Related Party Dealings

Airservices did not have any international related party dealings during the income year ended 30 June 2018.

Material Tax Risks and At Risk Tax Positions

Airservices has not identified any material tax risks or at risk tax positions for the income year ended 30 June 2018.