



Taxes Paid Report 2019

Introduction



Jevan Bouzo
Chief Financial Officer

Viva Energy is a significant tax contributor via income tax payments and the taxes we collect in the form of fuels excise and GST. During 2019, Viva Energy's total contribution by way of taxes, duties and excise was \$5.5 billion. Our effective tax rate for the year was 33.6%, which is above the statutory corporate tax rate of 30%.

Viva Energy is one of Australia's leading energy companies, supplying approximately a quarter of the country's liquid fuel requirements through its commercial business and a network of nearly 1,300 service stations across the country.

We proudly own and operate the country's second largest and most complex refinery in Australia, located at Geelong in Victoria. Refineries play an important role in processing Australian and imported crude oil into petroleum products which meet Australian specifications and help to enhance fuel supply security for the country.

We operate bulk fuels, aviation, bitumen, marine, chemicals and lubricants businesses supported by an extensive infrastructure footprint, including more than 20 terminals. We supply fuel into more than 50 airports and airfields across the country.

Viva Energy has origins in Australia which date back over 110 years and we make a significant contribution to the Australian economy through the national scope of our operations, the employment we generate, the local suppliers we support, and the taxes we pay.

With a workforce of more than 1,300 employees, we make a significant annual investment in local wages and services. Our local presence has important flow-on impacts for the broader Australian economy, with the vast majority of our suppliers and contractors being Australian based. Our business also contributes to the economies of a number of regional centres, with 35% of our employees being based in regional locations.

At Viva Energy, we recognise the prominent role we play in the Australian tax system so we operate consistently with the ATO's Justified Trust methodology by working positively, proactively and transparently with the ATO to minimise disputes and achieve certainty wherever possible. We are transparent about the taxes which we pay. We were an early adopter of Australia's voluntary tax transparency code, filing our first report for the year ended 31 December 2016 and welcome the continued opportunity to present the information in this year's report.

This report is prepared in accordance with the Tax Transparency Code. It sets out a reconciliation of accounting profit to tax expense and tax paid, and a summary of the accounting effective tax rate for the year ended 31 December 2019. In addition, we have included information on our approach to tax planning and governance, details of our total tax contribution, including both taxes paid and taxes paid and collected on behalf of others, and information about our international related party dealings.

Viva Energy is a significant tax contributor via income tax payments and the taxes we collect in the form of fuels excise and GST. During 2019, Viva Energy's total contribution by way of taxes, duties and excise was \$5.5 billion. Our effective tax rate for the year was 33.6%, which is above the statutory corporate tax rate of 30%.

If you have any questions or feedback on our report, please do not hesitate to contact us via www.vivaenergy.com.au.

Jevan Bouzo
Chief Financial Officer

18 March 2020

Summary



Viva Energy has been categorised as a Key taxpayer under the ATO's Risk Differentiation Framework. This reflects the prominent role we play in the tax system while acknowledging the lower likelihood that we will take tax positions the ATO disagrees with.



Viva Energy is a significant contributor to Federal and State taxes in Australia. Our total tax contribution by way of taxes, duties and excise during the year was approximately \$5.5 billion.



Viva Energy recognised income tax payable during the year at an underlying effective tax rate of 33.6%, which is above the statutory corporate tax rate of 30%.



Viva Energy is an independent and locally managed business and all of its operations are subject to income tax in Australia.



More than 99% of Viva Energy's international dealings involve sales and purchases of crude and refined oil products which are undertaken with entities that hold a non-majority shareholding in Viva Energy.



Viva Energy's debt is all provided by unrelated third party banks.



Adoption of voluntary tax transparency code

Viva Energy Group Limited (Viva Energy or Company) recognises the importance of the wider community having confidence that our largest taxpayers are paying the right amount of tax. Consistent with that, Viva Energy continues to adopt the Tax

Transparency Code (TTC). This report has been published on a voluntary basis, and has been prepared in accordance with the TTC's disclosure requirements.

Approach to tax planning and governance

The Viva Energy Board is committed to the Company conducting its business with high standards of corporate governance. The Company's growth and success depends on its ability to understand and respond to the challenges of an uncertain and changing environment. This uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risk, Viva Energy is able to provide greater certainty and confidence for all its stakeholders.

Viva Energy has a comprehensive governance framework, including corporate governance policies and practices, relevant internal controls and risk management processes designed to promote the responsible management and conduct of the Company.

Identifying, understanding, monitoring and managing risks across our operations is critical for our business to operate effectively. We systematically and comprehensively assess the consequence of risk in areas such as health and safety, environment, finance, reputation and brand, legal and compliance, and social and cultural impacts.

Viva Energy's Tax Management Policy is approved by the Company's Board and sets out the Company's approach to tax planning and governance.

The Tax Management Policy supports Viva Energy's strategy to operate responsibly and mitigate risks wherever possible. Key components of the policy are:

- The submission of accurate tax returns, and payment of tax liabilities, in accordance with the tax rules, regulations and accepted practices, within the timeframes set;
- A clear articulation of how personnel with tax responsibilities, or whose business activities have a tax impact, are to work together to identify, assess, report and manage tax risks;
- The escalation of key tax risks to the Board of the Company where appropriate; and,
- A requirement that all transactions entered into have a commercial rationale, meaning that all tax decisions are made in response to that commercial reality.

A key priority for Viva Energy is a transparent and constructive relationship with the Australian Taxation Office (ATO). The ATO regularly reviews the tax treatment of transactions entered into by the Company. Viva Energy has been categorised as a key taxpayer under the ATO's Risk Differentiation Framework. This reflects the prominent role we play in the tax system while acknowledging the lesser likelihood that we will take tax positions the ATO disagrees with. In 2019, Viva Energy continued to work with the ATO to provide it with a higher level of assurance that the right amount of tax has been paid by the Company consistent with the ATO's Justified Trust methodology.

This approach is consistent with the Company's commitment to work positively, proactively and transparently with the ATO to minimise disputes and achieve certainty, wherever possible.

Basis of preparation of report

The disclosures in this report are taken from the disclosures in the audited financial report for the 31 December 2019 year.

Viva Energy's income tax return for the 31 December 2019 year will be completed and filed after the publication of this Taxes Paid Report. Accordingly, the tax positions disclosed in this report reflect current estimates of tax payable. Actual tax payable may vary from the estimates in the financial report due to further clarifications in the course of preparation of the tax return.

The ATO produces a report of entity tax information annually. The information in the ATO report is taken from tax returns and includes tax payable by the entity. The next ATO report is expected to be produced in December 2020 and will include tax payable by Viva Energy for the 31 December 2018 year.

The actual tax paid by Viva Energy in respect of the 2018 financial year will be disclosed as tax paid by VE Property Pty Ltd equal to \$75.7 million. This compares to the estimated income tax payable of \$70.2 million disclosed in the 2018 Taxes Paid Report. The report will also refer to Viva Energy Group Limited which is the Viva Energy company that has become the taxpayer in place of VE Property Pty Ltd after the listing on the Australian Securities Exchange during 2018. Viva Energy Group Limited was not tax paying during 2018 but became tax payable as disclosed in this report during 2019.

Reconciliation of accounting profit to tax expense and income tax payable

The following table reflects income tax expense and income tax payable disclosed in the financial report for the year ended 31 December 2019 for Viva Energy Group Limited and controlled entities.

	\$M
Reconciliation of accounting profit to income tax (expense)/benefit	
Accounting profit before income tax (expense)/benefit	158.2
Tax (expense)/benefit at the Australian tax rate of 30%	(47.5)
<i>Tax effect of permanent differences:</i>	
Non-deductible transaction costs	(4.9)
Research and development claim	0.4
Adjustments relating to prior periods	8.2
Sundry items	(1.1)
Income tax (expense)/benefit reported in the statement of profit or loss	(44.9)
Reconciliation of income tax (expense)/benefit to current income tax (payable)/receivable	
Income tax (expense)/benefit reported in the statement of profit or loss	(44.9)
<i>Tax effect of temporary differences:</i>	
Inventories	(41.7)
Capital allowances	25.9
Finance leased assets and liabilities	(24.1)
Tax loss	13.0
Financial assets and investments	10.8
Provisions	1.1
Sundry items	(4.5)
Current income tax (payable)/receivable for the year	(64.4)
2019 year tax instalments paid during 2019	95.6
Current income tax (payable)/receivable at 31 December 2019	31.2

Material differences

The most significant tax differences in the reconciliation result from temporary differences. Temporary differences are items which are assessable or deductible for both tax and accounting purposes. However, the temporary difference arises as the point in time at which the amounts are assessable or deductible for tax purposes is not aligned with when the sums are recorded as income or expenses for accounting purposes.

During the 2019 year, the most material temporary differences recognised by Viva Energy which affected the tax payable during the year were:

- Trading stock on hand at year end was recognised at a higher value for tax purposes than accounts purposes;
- Higher depreciation deductions were recorded for tax purposes during the year than for accounts purposes; and
- From 1 January 2019, a change in the accounting standard applying to leased liabilities resulted in the finance cost component of leased payments and depreciation on the right of use asset being charged to profit or loss. However, for tax purposes, tax deductions continue to be based on the actual lease payments.

Accounting effective company tax rates

The effective company tax rate is calculated as underlying income tax expense divided by accounting profit before income tax expense. The underlying income tax expense removes material once-off tax items. Their removal is considered to provide users with a better reflection of the Company's sustainable tax rate.

The effective tax rate of 33.6% varies from the standard 30% rate mainly due to the non-deductibility of the payment to Coles Express under the extended Alliance agreement during the 2019 year.

All operations of Viva Energy are subject to tax in Australia. Accordingly, the global effective tax rate and Australian effective tax rate of Viva Energy are the same.

Effective Tax Rate	\$M
Income tax (expense)/benefit reported in the statement of profit or loss	(44.9)
Less once off tax expense/(benefits)	(8.2)
Underlying income tax (expense)/benefit	(53.1)
Accounting (profit)/loss before income tax expense	(158.2)
Effective tax rate	33.6%

Tax summary graph

Viva Energy's businesses can operate with high costs and high volumes, while yielding low margins. Revenue arising from the sale of fuel is high, but this has no bearing on profit.



Tax contribution summary

Viva Energy is a significant contributor to Federal and State taxes in Australia. The ATO's categorisation of Viva Energy as a key taxpayer for the purposes of income tax, excise and GST illustrates the importance of Viva Energy's contribution to the broader tax system.

The following table details the total tax contribution by way of cash paid during the 31 December 2019 year.

Total Tax Contribution	\$M
Income tax	26.2
Fuel excise	4,296.9
Customs duties	14.2
Payroll tax	9.0
Fringe benefits tax	0.8
Land tax	14.2
Government imposts collected by the business on behalf of others:	
GST	1,090.8
PAYG withholding	67.3
Total tax contribution	5,519.4

International related party dealings

Viva Energy is an independent and locally managed business listed on the Australian Securities Exchange.

In addition to equity from its investors, Viva Energy is funded with external debt from a consortium of unrelated third party banks. There are no debt funding arrangements in place between Viva Energy and related parties.

Nature of related party transactions

99.7%

Purchase of crude and refined products, and sale of refined products

0.3%

Hedging, procurement services and freight related cost

During the year, Viva Energy engaged in certain transactions with international parties that are related to it. By jurisdiction these were:

Singapore

- The purchase of crude and oil products and the sale of oil products;
- Crude and oil product procurement services;
- Hedging transactions; and
- Freight-related costs associated with the transportation of crude and oil products.

Almost all of the above transactions (over 99%) involved purchases of crude for our Geelong Refinery and purchases and sales of refined oil products imported around the country through our national terminal network.

Due to insufficient local supply of both crude and refined products, local Australian demand is met by a combination of Australian crude and refined products together with imported crude and refined products. Supply of imported products is often via Singapore, which is the region's main trading and refining hub. The involvement of the Singaporean entities is not for the marketing of Australian sourced product.

Trading in oil commodities is one of the most actively traded markets internationally with the effect that there is a deep and standard pricing methodology for commodity transactions in the open market. Price is usually based on a marker as adjusted by a premium or discount, both of which are independently assessed by agencies such as Platts or Argus.

These transactions are undertaken with entities that hold a non-majority shareholding in Viva Energy and who themselves are purchasing products from non-related third parties. Therefore, such transactions take place on arm's length commercial terms.