



Taxes Paid Report 2023

Helping people reach their destination

Taxes Paid Report 2023



Carolyn Pedic
Chief Financial Officer

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Introduction

It is my pleasure to present this Taxes Paid Report for Viva Energy for the 2023 year. The report is prepared in accordance with the requirements of the Australian Voluntary Tax Transparency Code (TTC) and aims to provide a greater understanding of Viva Energy's tax profile, our total tax contribution, our approach to tax planning and governance, and information about our international related party dealings.

Viva Energy is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. With a workforce of more than 8,000 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 34% of our employees based in regional locations.

Viva Energy makes a significant annual tax contribution to the Australian economy via income tax payments and the taxes we collect in the form of fuel excise and GST. During 2023, Viva Energy's total contribution by way of taxes, duties and excise exceeded \$8 billion. This included in excess of \$200 million in the form of income taxes.

After removal of a one-off significant item which impacted our net profit during the year, our effective tax rate for income tax purposes was 28.2% which means that, excluding the impact of timing differences, our tax payable was closely aligned with the statutory corporate tax rate of 30%.

At Viva Energy, we recognise that taxes are central to fiscal policy and macroeconomic stability and a key mechanism by which we can contribute as an organisation to the Australian economy. In that regard, we also recognise the prominent role we play in the Australian tax system so we work positively, proactively and transparently with the Australian Taxation Office (ATO) consistently with the ATO's Justified Trust methodology.

In recognition of the Company's ongoing transparent relationship with the ATO, during the 2023 year the ATO confirmed that it continues to have a high level of assurance that the right amount of tax has been paid by Viva Energy. As part of our tax governance procedures, Viva Energy continues to procure independent reviews of its tax controls with outcomes and recommendations presented to the ATO to confirm tax control systems operate effectively in practice. Continuation of a high level of assurance is a significant achievement and further strengthens the confidence that the ATO has in our tax compliance approach, along with our ongoing commitment to maintaining an open and transparent relationship with the ATO.

In addition to being transparent with fiscal regulators, we are also transparent to the Australian community 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. We welcome the continued opportunity to present the information in this year's report seeing it as an important tool to assist in increasing the community's understanding of, and confidence in, the tax compliance of large corporate groups.

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

A handwritten signature in black ink that reads "CPedic".

Carolyn Pedic
Chief Financial Officer

28 March 2024

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Summary

High level of tax assurance



Tax compliance processes result in the right amount of tax being paid

The ATO completed its more detailed review of Viva Energy's tax affairs during 2023 and were able to confirm that they retain an overall high level of assurance that Viva Energy's tax compliance processes result in the right amount of tax being paid.



Significant contribution to Federal and State taxes

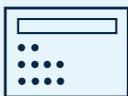


\$8 billion in taxes, duties and excise in 2023 and over \$30 billion over the last five years

Viva Energy makes a significant contribution to Federal and State taxes in Australia. Our total tax contribution by way of taxes, duties and excise during the 2023 year was over \$8 billion. Over the last five years, that contribution has been approximately \$30 billion.



Effective tax rate closely approximates statutory corporate rate



28.2%

Viva Energy recognised normalised income tax expense during the year at an effective tax rate of 28.2%. This closely approximates the statutory corporate rate of 30%.



Independent and locally managed business on the ASX



All operations ultimately subject to tax in Australia

Viva Energy is an independent and locally managed business listed on the Australian Securities Exchange and all of its operations are ultimately subject to income tax in Australia.



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1. Tax transparency

Viva Energy Group Limited (Viva Energy or Company) is committed to working positively, proactively and transparently with the ATO to minimise disputes and achieve certainty, wherever possible. As a result of this transparent and constructive relationship, the ATO regularly reviews the tax treatment of transactions entered into by the Company.

During the 2023 year, the ATO undertook a detailed review of the Company's tax affairs and were able to refresh their overall high level of assurance that Viva Energy's tax compliance processes result in the right amount of tax being paid and that the Company has an ongoing commitment to maintaining an open and transparent relationship with the ATO. During previous years, the Company worked with the ATO to agree a periodic internal tax controls testing program. During the 2023 year, Viva Energy provided evidence to the ATO to demonstrate that its tax control framework is operating effectively in practice.

Viva Energy also 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 TTC regarding it as an important tool to increase the community's understanding of, and confidence in, the tax compliance of large corporate groups.

This report has been published on a voluntary basis, and has been prepared in accordance with the TTC's disclosure requirements in order to help our stakeholders understand the Company's tax position and general approach in relation to tax.



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2. Approach to tax planning and governance

At Viva Energy, we are committed to the highest ethical standards of corporate practice. The Company is founded on strong values and promotes a culture based on integrity, responsibility, curiosity, commitment, and respect.

Our approach to strong corporate governance underpins the way we conduct business. We expect that our people behave in line with our Viva Energy values. Our employees receive awareness training on our policies and where it is relevant to their role. This includes the Company's Tax Management Policy.

In delivering on our purpose, 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.

Our approach to management of tax matters is overseen by the Viva Energy Board. 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. Our Board and management team are committed to managing the Company's tax affairs in a way that protects shareholder value by operating in a manner that is ethical, responsible and transparent with all key stakeholders. Key components of the policy are listed below:

As a result of this approach, including in particular our commitment to working proactively and transparently with the ATO, during the 2023 year the ATO confirmed that they continue to have an overall high level of assurance that the right amount of tax has been paid by the Company. We continue to engage with the ATO in an open and cooperative manner to seek to resolve matters as they arise.

As a key taxpayer, Viva Energy retains membership of representative associations and committees that participate in public policy advocacy on tax. We engage in the reform process where relevant and where our contribution will result in the improvement of tax systems, legislation and administration. We support simple, stable and competitive tax rules which support economic growth and long-term sustainable tax contributions.



Compliance

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.



Risk management and governance

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.



Commercial rationale

A requirement that all transactions entered into have a commercial rationale, with tax conclusions the outcome of that commercial reality.



Transparency

A priority to work positively, proactively and transparently with the ATO to minimise disputes and achieve certainty, wherever possible.

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3. 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 2023 for Viva Energy Group Limited and controlled entities.

	\$M
Reconciliation of accounting profit to income tax (expense)	
Accounting profit before income tax (expense)	36.7
Tax (expense) at the Australian tax rate of 30%	(11.0)
Tax effect of permanent differences:	
Coles Alliance Intangible Write-off	(24.0)
Non-deductible costs	(5.4)
Non-assessable gain on bargain purchase	1.4
Non-refundable carry forward tax offsets	1.5
Adjustments relating to prior periods	3.5
Sundry items	0.3
Capital tax losses utilised for which no deferred tax asset was recognised	0.8
Income tax (expense) reported in the statement of profit or loss	(32.9)
Reconciliation of income tax (expense) to current income tax (payable)	
Income tax (expense) reported in the statement of profit or loss	(32.9)
Tax effect of temporary differences:	
Inventories	9.1
Property, Plant and Equipment	29.8
Finance leased assets and liabilities	(16.3)
Intangibles	(6.6)
Provisions, derivatives, financial assets, tax losses and sundry items	(3.4)
Current income tax (payable) for the year	(20.3)
2023 year tax instalments paid during 2023	68.8
Current income tax (payable) at 31 December 2023	48.5
Reconciliation of income tax (payable) by jurisdiction	
Payable to ATO	(17.5)
Payable to Singapore IRAS	(2.8)



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3.1 Material differences

The most significant tax differences in the reconciliation result from the impact of both permanent and temporary differences.

Permanent differences are items which have differing treatment for tax and accounting purposes.

In the case of the most material permanent difference recognised by Viva Energy during the year, the difference arose as the sum was recorded as an expense for accounting purposes and there is no current view that there will be a tax deduction available to Viva Energy for the sum expensed:

- The *Coles Alliance Intangible Write-off* involved the impairment and expensing of an asset reflecting sums previously paid by Viva Energy to acquire an intangible right. At this stage, Viva Energy has no expectation that it will be able to get a tax benefit for that loss.

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 2023 year, the most material temporary differences recognised by Viva Energy which affected the tax payable during the year were:

- *Inventories* on hand at year end were recognised at a higher value for tax purposes than accounts purposes. Consistent with the overall \$101m deferred tax asset for inventories in the 2023 financial report, the Company's valuation methodology for trading stock continues to reflect materially higher tax payable. However, the difference between the higher accounts and tax values reduced during the year and accordingly the impact was a \$9.1m reduction in tax payable.
- Higher Capital Allowances (depreciation) deductions on *Property, Plant and Equipment* were recorded for tax purposes during the year than for accounts purposes. As with inventory, the overall \$60.3m deferred tax asset for property, plant and equipment in the 2023 financial report reflects the fact that the existing accounts base of those assets is less than total tax base. During the year, the difference between the higher tax base and lower accounts base reduced and accordingly the impact was a \$29.8m reduction in tax payable.
- Tax deductions available for actual lease payments on *Finance Leased Assets and Liabilities* were lower during the year than the finance cost component of leased payments and depreciation on the right of use asset which was charged to profit or loss. This difference resulted in additional tax payable of \$16.3m for Viva Energy during the year.

4. Accounting effective company tax rates

The effective company tax rate is calculated as income tax expense divided by accounting profit before income tax expense.

All operations of Viva Energy are ultimately subject to tax in Australia, with credits available for a relatively immaterial level of foreign tax which the Company pays. Accordingly, the global effective tax rate and Australian effective tax rate of Viva Energy are the same.

Table 1 – Calculated Effective Tax Rate

	\$M
Income tax (expense) reported in the statement of profit or loss	(32.9)
Accounting profit before income tax expense	36.7
Effective tax rate	89.6%

The calculated effective tax rate was impacted materially during the year by the unusual significant item being the *Coles Alliance Intangible Write-off* for which Viva Energy has no current expectation that it will be able to get a tax benefit. See further discussion on this item in section 3.1 of this report.

Given this is not typical, we have also set out below a "normalised" calculation of the effective tax rate if we exclude the impact of the *Coles Alliance* intangible impairment. It is noted that this produces a more typical effective tax rate of 28.2%, which is close to the 30% corporate tax rate.

Table 2 – Normalised Effective Tax Rate

	\$M
Income tax (expense) reported in the statement of profit or loss	(32.9)
Accounting profit before income tax expense	36.7
Add-back <i>Coles Express</i> Impairment expense	79.9
Adjusted accounting profit before income tax expense	116.6
Effective tax rate	28.2%

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5. Tax contribution summary

Viva Energy makes a significant contribution to Federal and State taxes in Australia. Our total tax contribution by way of taxes, duties and excise during the 2023 year was over \$8.0 billion. Over the last five years, that contribution has been approximately \$30 billion. The ATO has categorised Viva Energy as a key taxpayer for the purposes of income tax, excise and GST which 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 2023 year. A summary of key movements compared with prior years is:

- During the year, the Company paid \$207.5M in income tax reflecting payments associated with the very strong taxable income result for the 31 December 2022 tax year.
- Fuel excise increased materially for the year reflecting higher volumes of fuel sold by Viva Energy, along with the higher excise rates due to indexation of those rates in line with CPI.
- GST was materially higher during the year also reflecting higher volumes of fuel sold by the Company.
- Payroll tax and PAYG withholding were both materially higher due to the significant increase in the employee base resulting from the various acquisitions by the Company during the year including, in particular, the acquisition of the Coles Express convenience business.

Total tax contribution	\$M
Income Tax	207.5
Land tax	39.2
Payroll tax	26.0
Fringe benefits tax	0.7
Government imposts commercially recovered through direct pricing on-charge:	
Fuel excise	5,701.3
Customs duties	23.0
Government imposts retained from others as required by law:	
GST	1,886.2
PAYG withholding	124.6
Total tax contribution	8,008.5

It is acknowledged that the burden on the Company from the taxes listed above differs between taxes directly imposed on the Company for which there is no direct commercial recovery, and taxes such as excise and GST which reflect funds directly recovered by the Company. However, that is not to say the Company does not wear a burden for managing the collection of those taxes.

As a company that manufactures and stores fuel products, Viva Energy is required by law to hold various excise licences. As a licence holder, Viva Energy has an obligation to lodge an excise return and pay excise duty on a weekly basis after delivery of fuel products into the Australian domestic market. At the end of 2023, excise rates on the most commonly consumed grades of petrol and diesel were set at 46.0 cents per litre, with those rates (other than aviation fuels) indexed twice a year.

Excise taxes are passed on to consumers through the prices charged to them. However, given excise taxes are paid weekly, depending on the payment terms with customers, this can create a working capital burden for the Company.



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6. International related party dealings

Viva Energy is an independent and locally managed business listed on the Australian Securities Exchange and all of its operations are subject to income tax in Australia. Viva Energy purchases and sells oil products, along with associated services with an entity that holds a minority ownership interest in Viva Energy. In addition to equity from its investors, Viva Energy holds a debt facility with 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

99.8%

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

0.2%

Procurement services and freight related cost

During the year, Viva Energy engaged in the following transactions with an international party in Singapore that holds a minority ownership interest in it:

- The purchase of crude and oil products and the sale of oil products, along with associated procurement services.
- 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. These transactions are undertaken with an entity that holds a minority ownership interest in Viva Energy and who itself is purchasing products from non-related third parties. Therefore, such transactions take place on arm's length commercial terms.

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.

7. Basis for preparation of report

The disclosures in this report are taken from the disclosures in the audited financial report for the 31 December 2023 year.

Viva Energy's income tax return for the 31 December 2023 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 late 2024 and will include tax payable by Viva Energy for the 31 December 2022 year.

The actual tax paid by Viva Energy in respect of the 2022 financial year will be disclosed as tax paid by Viva Energy Group Limited equal to \$261.4 million. This compares to the estimated income tax payable of \$266.3 million disclosed in the 2022 Taxes Paid Report.

The main driver for the difference was typical adjustments when finalising the tax return including additional deductions for Research & Development expenditure given the Company's increasing involvement in renewable energy projects.

