

Tax Transparency Report

**FOR THE YEAR ENDED
30 SEPTEMBER 2022**

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

 **estpac** GROUP

Chief Financial Officer's introduction



6th
largest corporate income taxpayer in Australia



\$3.3bn
total taxes paid globally



32.7%
effective income tax rate (income tax expense divided by profit before income tax)



\$2.9bn
Australian taxes paid

I am pleased to present Westpac Banking Corporation's¹ Tax Transparency Report for the year ended 30 September 2022. Our report sets out Westpac's tax contributions and approach to tax responsibilities in line with the Australian voluntary Tax Transparency Code.

We take our tax obligations seriously and are committed to paying the right amount of tax in the jurisdictions in which we operate. Our commitment to tax transparency and relationships with tax regulators globally reflect our purpose and values.

Our core markets are Australia and New Zealand, and we were Australia's 6th largest taxpayer in 2021². In 2022, 98.9% of our taxes (including the Major Bank Levy) were paid in Australia and New Zealand, with 88.2% paid in Australia.

Westpac paid \$3.3 billion globally in various taxes during 2022. Additionally in 2022, we collected over \$2.1 billion for Australian tax authorities for other tax matters including GST and income tax collected from employees.

The corporate income tax Westpac pays in Australia generates franking credits which, when passed on to Westpac shareholders, can be applied against their Australian tax payable.

Further information on Westpac, can be found at westpac.com.au/about-westpac/

Michael Rowland
Chief Financial Officer

1. Westpac or the Group.

2. Based on the ATO's Corporate Tax Transparency Report for the 2020-21 Income Year, published November 2022.

Basis of preparation

The information provided in this report covers the years ended 30 September 2021 and 2022.

Westpac's internal auditors have verified that the information disclosed meets the requirements of the Australian voluntary Tax Transparency Code released by the Board of Tax in February 2016 and Section 161 and Schedule 19 of the UK Finance Act 2016; and is consistent with the financial statements in Westpac's 2022 Annual Report, financial records and submitted tax returns. Amounts are in Australian dollars or, where applicable, have been translated into Australian dollars and rounded to the nearest \$1 million³.

The report also considers recommendations and guidance from the Post-Implementation Review of the Tax Transparency Code Consultation Paper issued in February 2019 and the Draft Appendix to the Tax Transparency Code issued by the Australian Accounting Standards Board in May 2017.

The Westpac Group tax strategy

Westpac's tax strategy and approach is approved by the Board and aligns with the Group's commercial, reputational and business practices and our commitment to corporate responsibility.

Finance (including Group Tax located in Australia) has day-to-day responsibility for managing global tax risk and strategy in accordance with the Board approved Risk Management Framework, supported by tax specialists located in New Zealand, United States, United Kingdom, Singapore and China⁴. Group Tax personnel are appropriately experienced, qualified, and trained to identify, and manage the Group's tax risks and obligations.

Westpac's tax governance includes the Tax Risk Management Framework (the Framework) as well as accompanying tax policies. The Framework is approved by the Board Audit Committee (which oversees and monitors Tax Risk for Westpac) and covers financial, regulatory and reputational risk.

The Framework uses a Three Lines of Defence approach to risk management, provides a mechanism for the escalation of material tax matters and ensures that material tax risk is reported to the Board Audit Committee. The Framework and supporting tax policies also set out the products, transactions and events that require notification or sign-off, external tax advice and/or disclosure to the relevant revenue authorities. Similar tax governance frameworks operate in all the countries where we have operations.

Key elements of our tax strategy and approach include:

- complying with all applicable tax laws, rules and regulations in all the countries where the Group operates, including ensuring that all tax lodgements, payments and reporting requirements are adhered to
- not participating in or promoting aggressive tax planning arrangements (either for our own tax affairs or for customers)
- a policy prohibiting conduct that facilitates tax evasion⁵
- ensuring tax compliance - including the associated control environment and business processes embedded in the business
- paying the correct amount of tax in the jurisdictions where we operate, based on underlying economic activity and the prevailing tax laws
- not using 'Low or Nil' tax rate⁶ jurisdictions for the purposes of avoiding or evading tax
- complying with arm's length principles for international related party and intra-group transactions
- having a low tax risk appetite and managing tax risk to avoid unnecessary disputes
- pro-actively seeking constructive, collaborative and transparent working relationships with the Australian Taxation Office (ATO) and other international tax authorities where we have operations. This includes engaging in open and frequent dialogue to disclose new and/or complex transactions and address any areas of uncertainty as well as entering into various formal co-operative compliance arrangements⁷
- pro-actively managing and monitoring compliance in accordance with the above principles.

Under the Australian Taxation Office's (ATO's) Justified Trust program, we received a high level of assurance over our income tax affairs. This high assurance rating means the ATO is confident that we paid the right amount of income tax for the 2017 and 2018 income years. In relation to GST, we received a provisional high level of assurance for the 2018 income year over specific areas within Westpac⁸.

Additionally, under the new Action Differentiation Framework, the ATO is applying a 'partnering' approach with Westpac, which means the ATO has confidence in Westpac's tax compliance and ongoing commitment to maintaining an open and transparent relationship with them as a Top 100 taxpayer.

3. All amounts are in AUD, unless otherwise stated.

4. Our branches in China (and Hong Kong) are being wound up in line with our strategy.

5. Including a commitment to adherence to the UK Criminal Finance Act.

6. Low or nil tax rate jurisdictions are defined using International Standards (e.g. OECD).

7. Including adopting the UK Code of Practice on Taxation for Banks (refer: <https://www.gov.uk/government/publications/code-practice-taxation-banks/code-of-practice-on-taxation-for-banks>).

8. The provisional rating reflects the need for the ATO to undertake further review work in later income years on specific areas of GST tax governance. Reviews for both income tax and GST are ongoing and we continue to work with the ATO in order to maintain a high level of assurance.

Westpac Group's effective income tax rate

Westpac's effective income tax rate for 2022 was 32.7% (2021:35.7%). This is the rate recognised in the financial statements in our 2022 Annual Report (Financial Statements) and is calculated as income tax expense divided by the Profit before income tax. The effective income tax rate is above Australia's corporate tax rate of 30%. For 2022, the difference is principally due to non-deductible expenses including the loss on the sale of the Australian life insurance business. It also reflects differing treatments arising under accounting and tax rules for some items. If we include the major bank levy the effective tax rate for 2022 becomes 35.3%. Table 1 provides a summary of Westpac's effective income tax rates.

Table 1: Effective income tax rates

Jurisdiction	2022		2021	
	% of profit before income tax	Effective income tax rate	% of profit before income tax	Effective income tax rate
Australia	79.3%	34.5%	83.1%	36.9%
New Zealand	19.2%	26.3%	16.2%	28.4%
Other offshore	1.5%	19.8%	0.7%	65.7%
TOTAL	100%	32.7%	100%	35.7%

Westpac's international related party dealings

Westpac has banking and related operations in New Zealand.

Westpac also has branches and/or subsidiaries in the United Kingdom, United States, Singapore, China⁹, Hong Kong⁹, Papua New Guinea (PNG) and Fiji which provide commercial banking products and services. PNG and Fiji also provide retail banking products and services.

Westpac's businesses in these overseas jurisdictions support the communities banking needs in these markets. The type of dealings with our offshore subsidiaries and branches are summarised in Table 2:

Table 2: Material transactions Westpac Australia undertakes with its offshore subsidiaries and branches¹⁰

TRANSACTION TYPE	JURISDICTION	
	Offshore Subsidiaries	Offshore Branches
Derivatives - comprises swaps, options, forwards and futures contracts with offshore branches and subsidiaries	Westpac Europe Limited Westpac Capital Markets LLC Westpac New Zealand Limited	Singapore, UK, USA, New Zealand, China, Fiji
Loans - comprises loans to and/or from offshore branches and subsidiaries	Westpac Capital Markets Holding Corporation	Singapore, USA, New Zealand, UK
Dividends - comprises dividends received from offshore subsidiaries	Westpac New Zealand Group Limited Westpac Group Investment NZ Limited Westpac Financial Services Group NZ Limited BT Financial Group (NZ) Limited Westpac Bank-PNG-Limited	-
Administrative and management services - Westpac undertakes these services centrally for the benefit of offshore branches and subsidiaries	Westpac New Zealand Limited Westpac NZ Securitisation Limited Westpac Bank-PNG-Limited	New Zealand, UK, USA, Fiji, Singapore

Westpac applies globally recognised and accepted tax transfer pricing principles and documentation requirements under the local country laws for each jurisdiction where we have operations and we follow the Organisation for Economic Co-operation and Development (OECD) guidelines. In transfer pricing matters, Westpac has transparent working relationships with the ATO and other tax authorities globally, so they understand the nature of the transactions being undertaken. This can include entering into certain arrangements such as Advanced Pricing Agreements from time to time.

In FY22, Westpac lodged its fifth Country-by-Country (CbC) report for the year ended 30 September 2021. CbC reporting is part of a range of international measures that work towards promoting more comprehensive exchanges of information between countries.

9. We await regulatory approval for the closure of operations in China and Hong Kong.

10. Where the impact to taxable income is greater than \$0.5m.

Westpac's total tax contributions for 2022 and 2021

Table 3: Taxes (including the Major Bank Levy) paid by the Westpac Group

Type	2022 A\$M					2021 A\$M				
	Australia- Westpac Bank ¹¹	Australia - subsidiaries (that separately pay tax) ¹²	New Zealand	Other offshore	TOTAL	Australia- Westpac Bank ¹¹	Australia - subsidiaries (that separately pay tax) ¹²	New Zealand	Other offshore	TOTAL
Corporate income taxes paid ¹³	1,999	1	308	35	2,343	2,296	1	366	25	2,688
Major Bank Levy ¹⁴	357	-	-	-	357	396	-	-	-	396
Non- recoverable GST	322	-	43	1	366	327	-	43	1	371
Payroll tax ¹⁵	239	-	-	-	239	215	-	-	-	215
Fringe benefits tax ¹⁶	12	-	4	-	16	11	-	4	-	15
Other ¹⁷	-	-	-	-	-	-	-	-	1	1
TOTAL	2,929	1	355	36	3,321	3,245	1	413	27	3,686

11. This is the amount of Australian tax paid by the Westpac Australian tax consolidated group/Westpac Australian GST group where applicable. Under Australian income tax law, wholly owned corporate groups can consolidate themselves into a single entity and pay corporate income tax as one entity. For its Australian operations, Westpac and its wholly owned Australian subsidiaries are part of one Westpac Australian tax consolidated group. Under GST Law, two or more entities are permitted to consolidate their GST reporting and payment obligations by forming a GST group. For its Australian operations, all Westpac entities (that are at least 90% owned) are consolidated into the Westpac Australian GST group.

12. Australian subsidiaries that are not wholly owned by Westpac pay tax separately from Westpac.

13. This represents the amount actually paid to the Revenue Authorities globally for income tax during the financial year ended 30 September.

14. From 1 July 2017 the Major Bank Levy began to apply to Westpac. This is calculated at the rate of 0.06% per annum of certain Authorised Deposit Taking Institution (ADI) liabilities. This is the amount that was actually paid during the financial year ended 30 September.

15. This represents the amount of Payroll tax actually paid to State Revenue Authorities during the financial year ended 30 September.

16. This is the amount of Fringe Benefits Taxes (FBT) actually paid in Australia and New Zealand during the financial year ended 30 September.

17. This includes various taxes incurred by our offshore branches and subsidiaries, however, does not include all state taxes, levies and charges that Westpac pays.

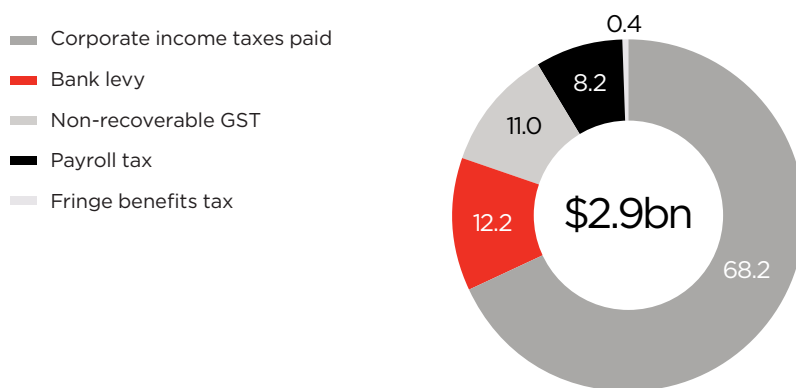
Westpac's total tax contributions for 2022 and 2021 (continued)

In addition to the taxes paid, Westpac also collects significant taxes on behalf of the Commonwealth of Australia. Table 4 below provides the amounts collected by Westpac.

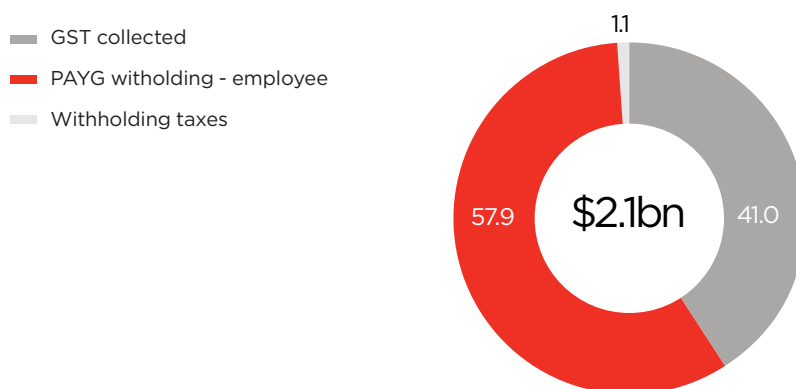
Table 4: Taxes Collected on behalf of the Australian Government

TAX TYPE	AUSTRALIA - WESTPAC BANK ¹⁸	
	2022 A\$M	2021 A\$M
Withholding taxes ¹⁹	22	35
GST collected	856	1,400
PAYG withholding - employees ²⁰	1,208	1,111
TOTAL	2,086	2,546

Taxes paid by type - Australia Westpac (%)¹⁸



Taxes collected by type - Australia Westpac (%)¹⁸



18. These are the taxes and levies collected or paid by the Westpac Australian tax consolidated group/Westpac Australian GST group where applicable for the financial year ended 30 September 2022.

19. This includes TFN withholding, ABN withholding, interest withholding tax and royalty withholding tax.

20. This represents the income tax withheld from employee remuneration.

Westpac Group's income tax paid and income tax expense

Income tax expense as presented in Note 7 (Income tax) to the Financial Statements, was \$2,770 million for 2022.

Table 5 reconciles profit before income tax to taxes paid. In Table 5, "Non-temporary differences" represent the differences between tax and accounting that never reverse over time. "Temporary differences" represent the differences between the time transactions are recognised for accounting purposes and when they are recognised for income tax purposes.

Table 5: Reconciliation of accounting profit to income tax paid

	2022 A\$M	2021 A\$M
Profit before income tax	8,469	8,501
Tax at the Australian company tax rate of 30%	2,541	2,550
<i>Non-temporary differences:</i>		
Hybrid capital distributions ²¹	67	59
Life insurance:		
Tax adjustments on policyholder earnings ²²	(1)	3
Adjustment for life business tax rates	0	0
Other non-assessable items ²³	(97)	(6)
Other non-deductible items ²⁴	409	252
Adjustment for overseas tax rates ²⁵	(31)	(16)
Income tax (over)/under provided in prior years ²⁶	(77)	3
Other items	(41)	193
Total income tax expense per Note 7 in the Financial Statements	2,770	3,038
<i>Temporary differences (movement):</i>		
Provisions for ECL on loans and credit commitments ²⁷	(117)	(307)
Finance lease transactions	23	(43)
Lease liabilities ²⁸	(103)	(156)
Property and equipment ²⁸	58	447
Life insurance assets	0	43
Other provisions	(105)	(182)
Other timing differences	17	(96)
Total temporary differences (movement)	(227)	(294)
Other tax adjustments ²⁹	(200)	(56)
Total corporate income tax paid by Westpac Group globally	2,343	2,688

21. This represents interest payments paid on Hybrid distributions which are equity for tax purposes and therefore non-deductible.

22. The tax adjustment on policyholder earnings is related to the income tax expense on investment earnings attributable to insurance policyholders instead of the Group. Therefore, it is separately disclosed in Note 7 (Income tax) to the Financial Statements and Table 5.

23. These are amounts that have been included in accounting income however are not assessable for tax purposes.

24. These are amounts which are expensed for accounting purposes but are non-deductible for tax purposes, for e.g. non-deductible expenses including the loss on sale of the Australian life insurance business in FY22.

25. This represents the adjustments on corporate tax rates between Australia and the offshore jurisdictions where we operate.

26. This represents prior year tax adjustments.

27. This represents Expected credit loss (ECL) provisions raised during the year which are not tax deductible until the debt is written off as bad.

28. Under AASB 16 all leases of a lessee are recognised on balance sheet as a right of use asset (in property & equipment) as well as a lease liability. This asset and liability give rise to temporary differences. For tax purposes the leases continue to be treated as off- balance sheet operating leases, with a tax deduction available for the lease payments made.

29. This amount represents income tax payments and temporary differences that relate to a year that is different to the current year. For example, corporate income tax paid for a financial year will include the final instalment of income tax for the preceding financial year.

Australian tax return information published by the ATO

In November 2022, the ATO reported Australian tax information for Westpac and other large public companies relating to the 2021 year.

The information that was reported for Westpac is shown in Table 6 below:

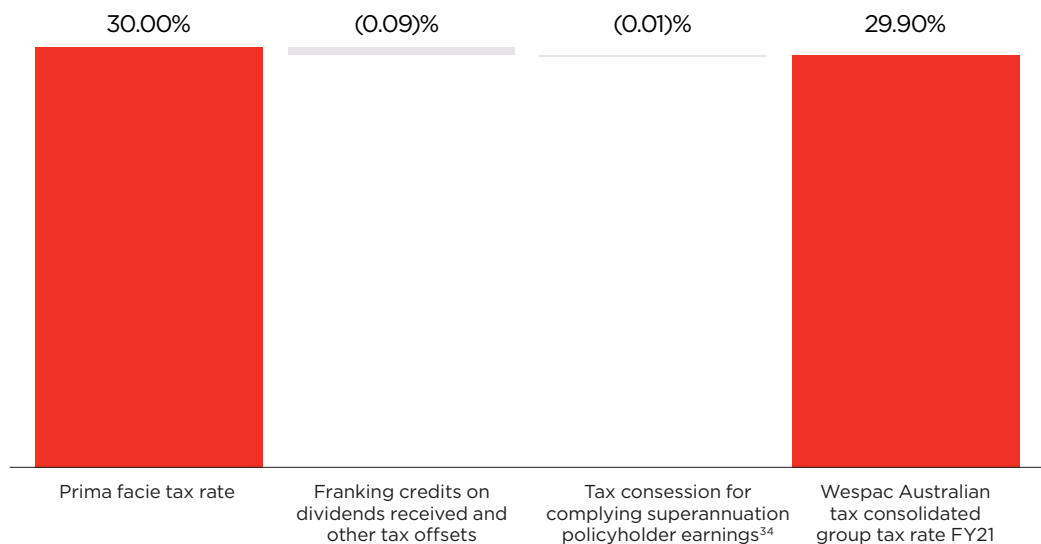
Table 6: Report of entity tax information

WESTPAC BANKING CORPORATION ABN 33 007 457 141	ALL FIGURES IN A\$M
Total income	27,345 ³⁰
Taxable income	7,750 ³¹
Income tax payable	2,317³²

The information in Table 6 relates to the income tax payable by the Westpac Australian tax consolidated group for the 2021 year. It does not reflect tax payable on Westpac's offshore operations or other non-wholly owned subsidiaries (that separately pay tax).

Income tax payable is prima facie 30% of taxable income, however Westpac's income tax rate was approximately 29.90%³³. This reflects the effect of specific items prescribed by the tax law, as represented in the graph below.

Table 7: Reconciliation between the Australian Corporate income tax rate and the Westpac Australian tax consolidated group income tax rate for FY21



30. Total Income as reported by the ATO is the gross income earned by the Westpac Australian tax consolidated group, before deductions/expenses are applied. This differs from the Group's global total income in the Financial Statements because it does not include income earned by the Group's offshore operations and non-wholly owned subsidiaries, but it does include income earned from transactions with these offshore branches and subsidiaries (e.g. intragroup interest and dividends).

31. Taxable income for the Westpac Australian tax consolidated group is arrived at by deducting a range of expenses from its Total income (such as funding and operating costs) and making other adjustments required by tax law. Taxable income differs from the broader Group's profit before income tax in the Financial Statements because it includes adjustments for:

- non-temporary differences (items that are included for accounting purposes and not for tax (or vice versa)); and
- temporary differences (items that are recognised in different periods for accounting and tax). These are covered in Table 5 of this Report.

32. Income tax payable is the Westpac Australian tax consolidated group's income tax liability for 2021. It differs to the corporate income tax paid of \$2,296m disclosed in Table 3 of this report, as that is the actual amount of tax paid during FY21.

33. The rate of 29.90% differs from the effective income tax rate of 36.9% shown in Table 1 of this report for Australia because the rate reflects both non-temporary and temporary differences whereas the effective income tax rate for accounting purposes in Table 1 reflects only non-temporary differences.

34. The Tax Concession for complying superannuation policyholder earnings relates to income that is earned on investment assets held by Westpac Life Insurance Services Limited for the benefit of policyholders which are complying superannuation funds and is taxed at 15%.

