



# TAX TRANSPARENCY REPORT

30 JUNE  
2024



# Contents

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<b>Introduction</b>	<b>4</b>
<b>1. Summary of tax policy, tax strategy and governance</b>	<b>5</b>
Overview of business operations	5
Tax strategy	5
Approach to risk management and governance arrangements	6
Attitude towards tax planning	6
Accepted level of risk in relation to taxation	6
Approach to engagement with the ATO	6
International related party dealings summary	6
Foreign permanent establishments	6
<b>2. Australian and Foreign Tax Contribution Summary</b>	<b>7</b>
Taxes paid	7
Corporate income tax payable	7
Reconciliation of accounting profit to income tax expense	8
Reconciliation of income tax expense to income tax payable	9
Material temporary and non-temporary differences	9
<b>3. Effective company tax rate</b>	<b>10</b>

# Introduction

ASC Pty Ltd (ASC) has adopted the Board of Taxation's voluntary Tax Transparency Code (TTC), issued in February 2016.

The company's 2023-24 Tax Transparency Report provides:

- an overview of the business operations of ASC and its wholly owned subsidiaries, together referred to as the ASC Group (the Group);
- ASC's approach to tax strategy, risk management and tax planning; and
- information on ASC's tax payments during the financial year.

ASC is subject to various taxes across its Australian and Foreign locations, including Corporate Income Tax, Payroll Tax, Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). ASC also withholds Pay As You Go (PAYG) withholding in respect of personal income tax on behalf of employees.

Consistent with last year's report, ASC has provided both:

- the minimum disclosures required as a 'large business' under the TTC; and
- the optional disclosures in relation to other Australian and Foreign taxes and imposts paid to Government, and Government imposts collected by ASC on behalf of others, which are contained in the 'Taxes paid' section of the Australian and Foreign tax contribution summary in this document.



# 1. Summary of tax policy, tax strategy and governance

## Overview of business operations

ASC has proudly served as Australia's sovereign submarine builder and sustainer for more than 35 years and is Australia's dedicated submarine sustainment company, with naval design, project management, supply chain, construction and engineering resources unparalleled within Australia's defence industry.

With a highly skilled workforce of more than 2,400 employees based in South Australia and Western Australia and approximately 40 employees based overseas, ASC is a trusted partner to the Royal Australian Navy, its suppliers and original equipment manufacturers.

ASC is a proprietary company limited by shares registered under the *Corporations Act 2001* (Cth) and is subject to the *Public Governance Performance and Accountability Act 2013* (Cth) (PGPA Act). All shares issued in the capital of ASC are owned by the Commonwealth of Australia (through the Minister for Finance).

ASC and its wholly owned Australian subsidiaries formed an income-tax-consolidated group under the tax consolidation legislation effective from 1 July 2002. Consequently, these entities are subject to income tax as a single entity and the company lodges a consolidated income tax return with the Australian Taxation Office (ATO).

During the year ended 30 June 2024, ASC incorporated wholly owned subsidiaries in the United States of America and the United Kingdom. These entities will facilitate the operational delivery of ASC's obligations under the AUKUS arrangements. For the year ended 30 June 2024, these entities have been treated as Australian tax residents under the *Income Tax Assessment Act 1936 and 1997* on the basis that central management and control is in Australia. However, these entities are subject to the taxation laws of the foreign countries in which they are incorporated, in addition to the overlay of Australia's comprehensive international tax regime.

## Tax strategy

ASC's approach to taxation aligns with the Group's business strategy, code of conduct and values. As a Government Business Enterprise, ASC is governed by the PGPA Act and Guidelines. Strongly held corporate values are an important element of the strategic framework that underpins ASC. The company promotes its 'PRIDE' values of Protect, Respect, Integrity, Discipline and Excellence. These support ASC's open and honest communication with its stakeholders and the public on financial reporting and taxation matters. *ASC is committed to conducting its tax affairs in line with these corporate values through its tax principles:*

- Comply with tax laws, tax filing and tax payment obligations in all jurisdictions.
- Pay tax in all jurisdictions of operation as required by legislation.
- Act with a high standard of integrity as a responsible taxpayer and good corporate citizen.
- Maintain open, honest, and cooperative relationships with all tax authorities.
- Do not tolerate practices that rely on secrecy or concealment of information from tax authorities.
- Embed risk management principles and practices into ASC's organisational culture and processes.
- Focus on what is good for ASC and its stakeholders, not only for today but for the future.

## Approach to risk management and governance arrangements

ASC has developed a Board-approved Tax Risk Governance Framework to guide the way in which the Group manages its taxation obligations. The ASC Board is responsible for corporate governance, which is monitored against performance at each Board meeting. The Board is committed to risk management as an integral part of ASC's business and has established an Audit Committee to ensure effective financial compliance. Tax risks are managed by the Board and the Audit Committee as part of this overall Tax Risk Governance Framework. ASC seeks to comply with, and observe, all applicable rules and regulations of all jurisdictions it operates in, and to maintain open, honest and cooperative relationships with all tax authorities.

## Attitude towards tax planning

At all times, tax decision-making will be consistent with ASC's overall strategy.

ASC will apply due professional care and judgement when considering tax planning or initiatives. Transactions will only be undertaken that relate to the Group's commercial needs. Due consideration will be given to ASC's reputation, brand and corporate social responsibilities when considering tax planning or tax initiatives. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from external advisers.

## Accepted level of risk in relation to taxation

The Board adopts a conservative approach when considering tax options to mitigate potential taxation risks.

ASC has a tax governance and risk management system in place, which manages tax risk in line with the enterprise-wide risk management framework. Tax risks are identified, assessed and managed in accordance with Board-defined thresholds (risk appetite). ASC complies with and observes all applicable tax laws and regulations of all jurisdictions in which it operates.

## Approach to engagement with the ATO

ASC maintains a professional, collaborative and transparent relationship with the ATO. This relationship has allowed ASC to successfully undertake various ATO early-engagement reviews and Top 1000 tax performance program assurance reviews in prior years.

Where management considers appropriate, ASC will engage with the ATO to obtain formal guidance (including private binding rulings) in relation to the tax consequences of complex or non-routine transactions, or where there is uncertainty in the application of tax legislation.

## International related party dealings summary

ASC's foreign incorporated subsidiaries were incorporated in the later part of the 2024 financial year. There were no dealings with international related parties during the 2024 financial year. Future international related party dealings will be based on commercial considerations and will be undertaken in accordance with arm's length principles, supported by regular benchmarking.

## Foreign permanent establishments

ASC had permanent establishments in France, Germany and Sweden during the 2024 financial year. Profits attributable to these permanent establishments will be taxed in the relevant foreign jurisdiction.

## 2. Australian and Foreign Tax Contribution Summary

### Taxes paid

Item	June 2024 \$'000	June 2023 \$'000
Corporate tax <sup>1</sup>	16,150	17,074
Indirect taxes net of recoveries <sup>2</sup>	47,382	44,605
Employer payroll taxes <sup>3</sup>	15,803	14,255
Employee withholding taxes <sup>4</sup>	83,850	73,951
Employee withholding taxes <sup>5</sup>	178	0
FBT <sup>6</sup>	273	155
<b>Total taxes paid</b>	<b>163,636</b>	<b>150,040</b>

All amounts above relate to the ASC Group, which includes ASC Pty Ltd, ASC AWD Shipbuilder Pty Ltd, ASC OPV Shipbuilder Pty Ltd, Australian Submarine Corporation LLC (incorporated in the US) and Australian Submarine Corporation Limited (incorporated in the UK).

1. Corporate income tax paid to the ATO.
2. Net amount of GST paid to the ATO.
3. Payroll taxes paid to State Revenue Authorities.
4. PAYG withholding from employee remuneration paid to the ATO.
5. Employer withholding from employee remuneration paid to various foreign Revenue Authorities.
6. FBT paid to the ATO.

### Corporate income tax payable

The following table reconciles the current income tax expense account, as reported in the profit and loss, to the income tax payable disclosed in the balance sheet.

	June 2024 \$'000	June 2023 \$'000
Income taxes payable at the beginning of the financial year	6,900	9,087
Less: income tax paid during the year as per cash flow	(16,150)	(17,074)
Prior year adjustments	183	76
Income taxes payable (i.e. current income tax expense) for current financial year	22,292	14,811
<b>Total tax payable as reported in the balance sheet</b>	<b>13,225</b>	<b>6,900</b>

### The net income tax paid during the financial year includes:

- monthly instalments paid in accordance with legislation to the ATO for the 2024 financial year of \$16,733,000 (2023: \$17,146,000); and
- a final payment/(refund) of (\$583,000) for the 2023 financial year (2022: (\$72,000)).

Total tax payable as reported in the balance sheet of \$13,225,000 reflects:

- ASC's estimated income tax liability for the 2024 financial year of \$13,225,000. This will be settled by paying the June 2024 income tax instalment (which was paid in July 2024) and paying a balancing payment (if required) which is due on 1 December 2024 in respect of the 2024 consolidated income tax return.

## Reconciliation of accounting profit to income tax expense

The consolidated accounting profit of ASC for the 2024 financial year attributable to the shareholders was \$18,975,000 (2023: \$21,524,000) after provision for income tax expense of \$7,940,000 (2023: \$9,295,000). This is reconciled to profit before tax in the table below:

	June 2024 \$'000	June 2023 \$'000
<b>Profit from continuing operations before income tax expense</b>	<b>26,915</b>	<b>30,819</b>
Income tax expense	(7,940)	(9,295)
Profit attributable to shareholders	18,975	21,524
Income tax calculated at 30%	8,074	9,246
Tax effect of non-temporary adjustments	(134)	49
<b>Income tax expense</b>	<b>7,940</b>	<b>9,295</b>
Represented by:		
Current tax expense	22,475	14,887
Deferred income tax expense	(14,535)	(5,592)
<b>Income tax expense</b>	<b>7,940</b>	<b>9,295</b>



## Reconciliation of income tax expense to income tax payable

The consolidated income tax expense of ASC for the 2024 financial year was \$7,940,000 (2023: \$9,295,000). This is reconciled to income tax payable in the table below:

	June 2024 \$'000	June 2023 \$'000
<b>Income tax expense</b>	<b>7,940</b>	<b>9,295</b>
Movements in temporary differences	14,535	5,592
<b>Expected income tax payable</b>	<b>22,475</b>	<b>14,887</b>
Tax payments during the year	(9,067)	(7,911)
Adjustments to current tax of prior periods	(183)	(76)
<b>Income tax payable – current year</b>	<b>13,225</b>	<b>6,900</b>
Income tax payable / (refundable) – prior year	-	-
<b>Total income tax payable</b>	<b>13,225</b>	<b>6,900</b>

## Material temporary and non-temporary differences

### Temporary differences

ASC's material temporary differences mainly relate to:

- right-of-use assets;
- lease liabilities;
- contract balances;
- employee benefits;
- project recognised profit;
- property, plant and equipment; and
- intangible assets.

### Non-temporary differences

ASC's material non-temporary differences relate to:

- non-deductible entertainment expenses; and
- non-deductible expenditure in relation to foreign Permanent Establishments.

### 3. Effective company tax rate

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ASC's effective corporate tax rate has been calculated by dividing the income tax expense by profit-before-tax, as set out in the table below:

	June 2024 \$'000	June 2023 \$'000
Profit from continuing operations before income tax expense	26,915	30,819
Income tax expense as reported in the Profit and Loss	7,940	9,295
<b>Effective corporate tax rate</b>	<b>29.50%</b>	<b>30.16%</b>

ASC's 2024 Australian effective corporate tax rate is 29.50% (2023: 30.16%).

ASC's effective tax rate for 2024 of 29.50% is different to the corporate tax rate due to tax adjustments arising from the impact of non-deductible entertainment, novated leases, non-assessable non-exempt income arising from foreign permanent establishments, and other permanent differences.

ASC's effective tax rate for 2023 of 30.16% is different to the corporate tax rate due to tax adjustments arising from the impact of non-deductible entertainment, novated leases, non-deductible depreciation and expenditure in relation to foreign permanent establishments.



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