



Construction & Building Industry Super

Cbus tax transparency report

For the year ended 30 June 2019



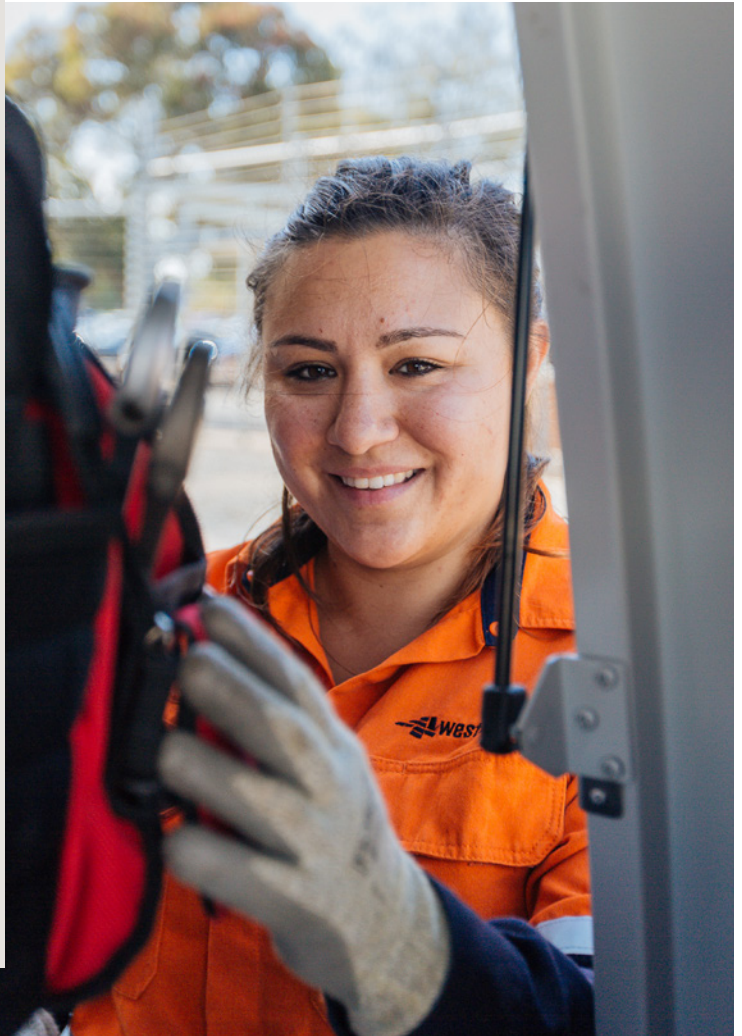
Introduction

Cbus is the leading industry super fund for those working in building and construction and other industries that build Australia. We were formed in 1984, when building and construction workers won the right to superannuation.

Our members are the foundation and future of our fund. They trust us to invest wisely, provide insurance for financial protection during their working lives and create financial security for them in retirement. Maximising the retirement savings of our members is at the heart of everything we do, not paying dividends to shareholders.

Cbus invested over \$52 billion on behalf of more than 760,000 members and 145,000 employers.

We invest our members' retirement savings in different types of assets for the long term. We also invest directly in the building and construction industry through our wholly owned subsidiary, Cbus Property*. This adds to the returns of our fund, creates jobs and contributes to the industry in which our members work.



This report

The Voluntary Tax Transparency Code (the Code) is a set of principles and minimum standards to guide medium and large business on public disclosure of tax information. The Code was developed by the Board of Taxation and endorsed by the Federal Government. This report meets the set of principles and minimum standards guide in respect to large businesses on public disclosure of tax information recommended under the Code.

Whilst Cbus is not mandatorily required to publish this report, Cbus is a voluntary participant in this disclosure regime. This is the first year Cbus has published a transparency report.

*Cbus Property Pty Ltd is a wholly-owned subsidiary of United Super Pty Ltd and has responsibility for the development and management of Cbus' direct property investments.

Australia's superannuation tax regime

The tax rates applied to superannuation funds are different to company and individual tax rates.

Super funds like Cbus are required to pay tax on member contributions and earnings as follows:

Pre-tax member and employer contributions up to \$25,000, salary under \$250,000	15%
Pre-tax member and employer contributions up to \$25,000, salary over \$250,000 (15% deducted and paid to ATO by Cbus, plus additional 15% directly payable to ATO or deducted from account)	30%
After tax member contributions and account consolidation transfers	Nil
Accumulation and Transition to Retirement account earnings	15%
Retirement Income account earnings	Nil
Members who don't provide their TFN, contributions tax rate	47%

Franking credits

Franking credits can lower the tax paid in Accumulation and Transition to Retirement accounts. For retirement income accounts, franking credits can increase the crediting rates applied to members' accounts.

Reconciliation of accounting profit/income tax expenses

FY2019 reconciliation of accounting income to income tax expense (\$,000)	Income Statement	Change in members' benefits	Total
Accounting Income	3,293,640	5,340,200	8,633,840
Prima facie income tax expense (at the superannuation tax rate of 15%)	494,046	801,030	1,295,076
Adjusted for tax effect of the following items:			
Tax deductible Group Life insurance premiums	-43,389		-43,389
Capital gains tax concession and tax-exempt capital gains	23,399		23,399
Tax exempt income supporting pension balances	-57,368		-57,368
Franking credits and foreign tax offsets	-301,248		-301,248
Non-taxable member contributions		-55,687	-55,687
Non-taxable transfers in from other superannuation funds		-269,280	-269,280
Anti-detriment tax deduction on death benefits		-1,080	-1,080
Other		748	748
Over-provision for tax in the prior year	-10,453		-10,453
Income Tax Expense	104,987	475,731	580,718
Effective rate of income tax expense (after adjustment for amounts which are not deductible/not taxable)	3.2%	8.9%	6.7%

Reconciliation of income tax and income tax paid

FY2019 reconciliation of accounting income to income tax expense (\$,000)	Income Statement	Change in members' benefits	Total
Income Tax Expense	104,987	475,731	580,718
Over-provision for tax in the current year*	-15,783		-15,783
Net unrealised investment gains	-277,850		-277,850
Accrued income and expenses	1,264		1,264
Impact of over-provision for tax in the prior year	10,453		10,453
Income tax paid for FY2019	-176,929	475,731	298,802

* Largely relates to trust distribution income where the tax components were provided to the Fund after completion of the financial statements.

Approach to Tax Strategy, Risk and Governance

Cbus has a fiduciary obligation under law to act in the best interest of its members and pursues strategies in-line with that obligation. Cbus also understands that its role, as a large taxpayer in the broader business community, is to act in a transparent manner and to help educate the public about their compliance with Australia's tax laws.

In accordance with our tax policy, the following principles guide Cbus in managing tax risks and making decisions in relation to its tax affairs:

Full compliance

Cbus will ensure it is compliant with all statutory tax obligations and seek to pay the legally correct amount of tax in all jurisdictions in which it operates on time.

Optimising tax efficiency

Cbus will manage its tax affairs in a proactive and structured manner, drive tax efficiencies and identify opportunities to optimise after-tax member outcomes (under a reasonable interpretation of the relevant law) in the course of carrying out Cbus' business activities.

Prudent risk taking

Cbus will not engage in tax avoidance and evasion schemes or aggressive tax positions that have a material risk of an adverse finding in court or erosion of public trust and reputation of Cbus. Cbus will maintain documented tax positions and procedures.

Transparent, productive and cooperative

Cbus will seek to maintain a transparent, productive and cooperative relationship with revenue authorities locally and abroad.

Continuous improvement

Cbus will seek to continually improve its tax governance and risk management practices in line with leading industry practice.

International Investments

Cbus invests in many different jurisdictions around the world, including developed and emerging markets. Cbus also invests across a wide range of different assets, including listed equities, fixed interest instruments, property, private equity and infrastructure.

As part of our due diligence process, when investing into these different countries, we ensure that we comply with the relevant tax laws in those jurisdictions, paying the appropriate amount of foreign tax under a reasonable reading of the law.

Where tax is paid in those foreign jurisdictions, Cbus is allowed an appropriate amount of foreign tax credit in Australia which offsets that foreign tax paid against any Australian tax payable on that same income. This effectively prevents double taxation on income.

Cbus does have some investments in pooled entities that are located in certain low or no tax jurisdictions. These pooled entities aggregate funds from investors all over the world and invest into various sectors and jurisdictions.

Investing into global pooled entities allows for commercial and business efficiencies as, for example, it allows Cbus to invest with other foreign institutional investors into quality assets and projects that Cbus might not necessarily have the opportunity or capacity to invest in alone. Aggregating funds also permits tax to be paid where those investments are located as well as when the income is returned to investors, so in Australia for Cbus with offsets for eligible foreign tax already paid.

Below is a summary of withholding taxes paid per country.

Foreign taxes paid by country

Country	\$ million (AUD)	Country	\$ million (AUD)
United States	11.25	Norway	0.35
Germany	1.89	Indonesia	0.35
France	1.79	Sweden	0.31
New Zealand	1.61	Finland	0.30
Japan	1.31	South Africa	0.29
Canada	1.25	Brazil	0.26
China	1.23	Belgium	0.20
South Korea	0.92	United Kingdom	0.19
Taiwan	0.83	Slovenia	0.15
Spain	0.76	Denmark	0.14
Netherlands	0.67	Turkey	0.09
Russia	0.43	Mexico	0.08
Italy	0.38	Other	0.47
		Foreign taxes paid through pooled vehicles	3.83
		Total	32.09



Cbus' trustee

United Super Pty Ltd ABN 46 006 261 623 is trustee for the Construction and Building Unions Superannuation Fund (Cbus) ABN 75 493 363 262. United Super Pty Ltd provides trustee services to Cbus and in doing so incurs operating costs in fulfilling its trustee obligations. United Super Pty Ltd recovers those operating costs through charging a trustee service fee to Cbus.

In FY2019 United Super Pty Ltd's trustee fee income was \$1,563,812, and its operating costs were \$1,535,774, resulting in a net accounting income for FY2019 of \$28,038. United Super Pty Ltd was required to make payments of tax to the ATO of \$3,775 for FY 2019.

Contact Cbus



Cbus
Locked Bag 5056
PARRAMATTA NSW 2124



1300 361 784
8am to 8pm (AEST/AEDT)
Monday to Friday



cbusenq@cbussuper.com.au
cbussuper.com.au



Visit Cbus in person in Adelaide,
Brisbane, Melbourne, Perth and Sydney.
Details: **cbussuper.com.au/contact**

This information is about Cbus. You should read the relevant Cbus Product Disclosure Statement to decide if Cbus is right for you. Call 1300 361 784 or visit cbussuper.com.au for a copy.