



Voluntary Tax Transparency Report

30 June 2022



ServiceStream

Voluntary Tax Transparency Report



ServiceStream

Message from the Chief Financial Officer

On behalf of the Board, I am pleased to present the Tax Transparency Report for Service Stream Limited (SSM) for the income year ended 30 June 2022.

SSM is an ASX listed business providing essential network services to the telecommunications, utility and transport sectors across Australia.

We support the adoption of the Board of Taxation's Voluntary Tax Transparency Code (**TTC**) and appreciate the importance that improved transparency plays in improving the public's confidence in the tax system as well as the role that it plays in facilitating a more informed public debate about tax policy.

The disclosures in this report have followed the recommendations set out in the TTC. Our report provides information regarding SSM's Australian tax activities for the year ended 30 June 2022, including our approach to tax policy and risk management, our tax governance processes and quantifies how much tax we paid during the income year. Our report shows that SSM has paid and remitted \$121.1m in taxes to federal and state governments during the income year.

This report forms part of SSM's broader financial statements, and complements the information disclosed in SSM's Annual Report for 30 June 2022 which can be found [here](#) and ATO tax refund company announcement dated 8th June 2023 which can be found [here](#).

Linda Kow

Chief Financial Officer

Service Stream Limited

10 November 2023

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1. Overview

1.1. Overview of Service Stream

Service Stream is a public company listed on the Australian Securities Exchange (ASX code: SSM), specialising in the design, construction, operation and maintenance of critical network infrastructure across Australia. The business holds core capabilities, specialist knowledge, leading systems and refined processes to provide the highest quality end-to-end support across a wide range of network infrastructure within the electricity, gas, water, renewable energy, telecommunication and transport sectors. Service Stream operates across all states and territories, has a workforce in excess of 5,000 employees and access to an extensive pool of specialist contractors.

Service Stream generated \$1.57 billion in total revenue for the year ended 30 June 2022. In November 2021, Service Stream completed the acquisition of Lendlease Services, a national provider of operations and maintenance and specialist design and construction services across the utilities, transportation and telecommunication sectors.

During the year ended 30 June 2022, Service Stream became a Significant Global Entity.

1.2. Basis of preparation statement

In preparing this report, SSM has followed the recommendations of the Board of Taxation's TTC. The aim of the TTC is to encourage large and medium-sized businesses to publicly disclose their tax affairs to highlight those that are paying their fair share and to discourage aggressive tax avoidance by businesses. The TTC allows large businesses to take the lead in being transparent about their approach to tax matters and help educate the public about their compliance with Australia's tax laws.

The reporting currency for SSM is AUD and disclosures have been rounded to the nearest \$1,000 unless otherwise stated. The sources of various financial and tax information disclosed in this report are summarised below.

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1.2. Basis of preparation statement (continued)

Financial disclosures	Source of information	Verification process
Reconciliation of accounting profit to tax expense	Annual Report, Note 7	Annual Report audited by external auditors
Reconciliation of tax expense to tax payable	Annual Report, Note 7 and tax disclosure work papers	Annual Report audited by external auditors
Australian tax contributions:		
- Income tax, FBT and GST	ATO portal	Income tax payments reviewed by Tax Agent; all other payments reviewed internally
- Payroll Tax, Stamp Duty and PAYG Withholding	Internal financial records	Reviewed internally
Reconciliation to ATO Corporate Tax Transparency disclosures	Income tax returns	Prepared internally and reviewed by external tax advisors



2. Tax Policy, Tax Strategy and Governance

2.1. Approach to risk management and governance arrangements

SSM is committed to complying with all applicable laws and regulations relating to tax and ensures that it pays all taxes in a timely manner. It maintains a transparent and collaborative relationship with all taxation authorities. These principles are enforced through SSM's Tax Risk Management Policy, which has been approved by the Board.

SSM's Tax Risk Management Policy is aligned with SSM's overall corporate strategy and its broader Risk Management Policy. The Board is ultimately responsible for the management of risk and internal control processes, including those relating to tax compliance. The Board delegates the day-to-day management of tax risk to the CFO, and the CFO provides regular updates to the Audit and Risk Committee on any tax issues or developments.

SSM is committed to being a good corporate citizen, and to acting with integrity and transparency in all tax matters. This includes the following:

- Complying with all applicable laws and regulations relating to tax, including meeting tax compliance obligations in a timely manner;
- Paying all legally obligated taxes to the Government;
- Ensuring the appropriate tax advice is sought and considered as part of the overall commercial assessment of any significant transaction;
- Not participating in tax evasion or facilitating the evasion of tax by a third party in any way;
- Maintaining open and constructive relationships with all relevant revenue authorities, and avoiding unnecessary and time-consuming disputes wherever possible;
- Protecting the reputation of SSM in relation to tax matters;
- Maintaining high standards of tax risk management and governance; and
- Managing tax risk in accordance with industry best practice.



2.2. Attitude towards tax planning

SSM adopts a conservative approach to tax planning and aims to maintain a low risk rating from the ATO and other revenue authorities:

- SSM does not enter into transactions or structures that have the primary objective of minimising taxes, nor does it facilitate the evasion of tax by any third party;
- SSM seeks out qualified tax advisers to assist with managing its tax affairs or applies to the ATO for a tax ruling in circumstances where the potential taxation outcomes are uncertain;
- SSM adopts a conservative interpretation of the tax law whenever there may be uncertainty or ambiguity as to meaning; and
- SSM ensures that its finance function is appropriately staffed with qualified tax professionals to deal with tax matters in an efficient manner.

2.3. Accepted level of risk in relation to taxation

SSM's Board Risk Appetite Statement allocates risk and compliance tolerance levels to specified business and operational matters. Tolerance levels are delineated as either nil, low, moderate, medium or high.

The risk tolerance allocated to a regulatory challenge of tax positions is low to moderate. This means that SSM will only adopt a tax position if it is more likely to be correct than incorrect, having regard to all relevant tax laws and regulations.

2.4. Approach to engagement with ATO

SSM maintains an open, transparent and forthcoming relationship in its dealings with all revenue authorities (including the ATO). Information is clearly presented to the ATO and other revenue authorities and every effort is made to comply with agreed deadlines.



3. Australian Tax Consolidated Group

The SSM business is held through a single holding company (SSM) that is the head company of the Australian income tax consolidated group.

SSM as the holding company lodges a single income tax return which consolidates the results of its wholly owned Australian resident companies (SSM tax consolidated group) and pays corporate income tax on behalf of the SSM business.

The holding company, SSM, is listed on the ASX and therefore is considered a widely held entity for income tax purposes.

3.1. International Related Party Dealings

SSM is an entirely Australian based business and does not hold any interest in any international entities or operations. Consequently, it does not engage in any dealings with international related parties.

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4. Reconciliation of Accounting Profit to Income Tax Expense to Income Tax Paid

This section provides details of SSM's accounting profit before tax, income tax expense and tax paid for the SSM tax consolidated Group.

4.1. Reconciliation of Accounting Loss to Income Tax Expense for the year ended 30 June 2022

	\$'000
Accounting profit/ (loss) before income tax	(34,082)
Income tax expense/ (benefits) on accounting loss at 30%	(10,225)
Non-temporary income tax adjustments	
Goodwill impairment	11,462
Other non-deductible expenses	2,014
Franking credits on dividends received	(203)
Over provision in prior years	(806)
Total non-temporary income tax adjustments	12,467
Income Tax Expense	2,242

4.2. Effective Income Tax Rate

The effective income tax rate is calculated as the income tax expense divided by accounting profit before tax:

	\$'000
Income tax expense	2,242
Accounting profit/ (loss) before tax	(34,082)
Effective income tax rate	(7%)

SSM has an effective tax rate of (7)% for the year ended 30 June 2022; the corporate tax rate is 30%. The accounting loss included a one-off non-deductible goodwill impairment of \$38.2m, one off non-deductible Lendlease Services acquisition costs of \$6.5m and a prior year income tax over provision of \$0.8m. After adjusting for these items, the effective tax rate is 29%.

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4.3. Reconciliation of Income Tax Expense to Income Tax Refundable

The table below provides a reconciliation of income tax expense and income tax refundable for the financial year ended 30 June 2022.

	\$'000
Income tax expense	2,242
Temporary income tax adjustments/differences	
Trade and other receivables	(12)
Accrued revenue	(46,907)
Trade, other payables and provisions	933
Share issue costs	(511)
Tax losses	38,585
Employee benefits	1,200
Plant and equipment	(302)
Customer contracts / relationships	4,207
Right-of-use assets	(6,770)
Lease liabilities	7,040
Other deductible expenses / non-assessable income	(511)
Total temporary income tax adjustments/differences	(3,048)
Over provision in prior years	806
Current year tax instalments paid throughout the year	(7,889)
Net income tax payable/ (refundable) as at 30 June 2022	(7,889)

The final refund received after the lodgement of SSM's income tax return for the year ended 30 June 2022 is significantly higher than the above net income tax refundable amount. This was due to the loss carry back tax offset claim included in SSM's final tax return. For further details, see Section 5.

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4.4. Australian Tax Contribution Summary

The following tables show the total of corporate and other taxes paid in Australia by SSM for the financial year ending 30 June 2022.

Taxes and Duties Paid	\$'000
Income tax	10,782
Stamp Duty	228
PAYG withholding ¹	99,476
Payroll Tax	21,473
Fringe benefits tax	430
Goods and services tax (net of fuel tax credits)	41,037
Total taxes and duties paid	173,426

¹ The data for PAYG withholding has been revised from \$47.12m to \$99.47m due to the discovery of a reporting error in the original report.



5. Reconciliation to ATO corporate tax transparency disclosures

SSM lodges a single Australian tax return which consolidates the results of its wholly owned Australian resident companies (SSM tax consolidated group).

We note that the ATO will publicly disclose certain tax information relating to SSM tax consolidated group. The expected ATO disclosures for the year ended 30 June 2022 are as follows:

Disclosure item	\$'000
Total Income	1,567,248
Taxable Income / (Loss)	(168,000)
Tax Payable / (Refund)	(49,364)

The above disclosures are obtained from the Australian income tax return for the period.

The total income amount of \$1,567m for the period was reduced by total expenses incurred of \$1,601m, resulting in a net accounting loss before tax of \$34m. The difference of \$134m to arrive at a taxable loss of \$168m primarily arose from a one-off tax deduction claimed on the acquired accrued revenue asset balance arising from the Lendlease Services transaction in November 2021. SSM utilised this tax loss to claim a \$40m refundable tax offset under the loss carry back provisions. This offset equates to the tax SSM would have saved had it been eligible to deduct the loss in an earlier financial year. SSM's loss carry back offset and tax instalments paid in relation to the 2022 financial year resulted in a \$49.4m tax refund.

The tax refundable amount as disclosed in the Annual Report is an estimate of net tax refundable (annual tax liability less tax instalments paid) at year end whereas the ATO disclosure is the final annual tax refund filed in the tax return. The final refund received is significantly higher than the initial estimate included in SSM's 2022 Annual Report due to the refundable loss carry back tax offset that was claimed on lodgement. Given the quantum of the refund, Service Stream proactively engaged with the Australian Taxation Office as part of the return lodgement process to ensure it was in compliance with the rules.

The table below provides a reconciliation from expected tax refund at year end to the final income tax refundable per the tax return.

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5. Reconciliation to ATO corporate tax transparency disclosures (continued)

Item	\$'000
Net income tax payable / (refundable) per Annual Report	(7,889)
Add tax instalments paid during the year	7,889
Net income tax payable per tax return	-
Less tax instalments paid in relation to the 2022 financial year	(9,364)
Refundable Loss Carry Back Tax Offset applied	(40,000)
Final tax refundable amount per the tax return	(49,364)