



Voluntary Tax Transparency Report

December 2020



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 2020.

SSM is an S&P/ASX 200 listed business providing integrated end-to-end asset life-cycle services to utility and telecommunications asset owners, operators and regulators 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 2020, 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 \$89.9m 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 2020 which can be found [here](#).

Linda Kow
Chief Financial Officer
Service Stream Limited

15 December 2020





1. Overview of SSM

Service Stream is a public company listed on the Australian Securities Exchange (ASX code: SSM). The Service Stream Group is a provider of essential network services to the telecommunications and utility sectors. Service Stream operates across all states and territories, has a workforce in excess of 2,200 employees and access to a pool of over 3,000 active contractors.

SSM provides a wide range of operations, maintenance, installation, design and construction services across fixed-line and wireless telecommunications networks as well as to a range of water, gas and electricity network owners and operators. SSM operates across all states and territories.

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 governance policy, which has been approved by the Board.

SSM's tax governance policy is aligned with SSM's overall corporate strategy and complements its broader Risk Management Policy. The Board is ultimately responsible for the management of risk and internal control processes, which include tax. 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.

The Audit and Risk Committee is responsible for the oversight of the tax risk management and governance framework. The Audit and Risk Committee meets quarterly. The CFO, as well as other members of the Finance Team, provide an annual report on the tax risks and broader tax affairs of SSM at one of the quarterly meetings.





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 Tax Governance Policy 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.

SSM has documented in the Tax Governance Policy that tax risk will not be accepted unless the tax position adopted by SSM is either as likely or more likely to be correct than incorrect having regard to the relevant authorities.

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.





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 entities referred to in section 4 above.

4.1. Reconciliation of Accounting Profit to Income Tax Expense for the year ended 30 June 2020

	\$'000
Accounting profit before income tax	70,465
Income tax expense on accounting profit at 30%	21,140
Non-temporary income tax adjustments	
R&D income tax incentive	(41)
Other non-deductible expenses	51
Total non-temporary income tax adjustments	10
Income Tax Expense	21,150

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	21,150
Accounting profit before tax	70,465
Effective income tax rate	30.01%

SSM has an effective tax rate of 30.01% for the year ended 30 June 2020; the corporate tax rate is 30%.





4.3. Reconciliation of Income Tax Expense to Income Tax Paid

The table below provides a reconciliation of accounting profit to income tax expense and income tax payable for the financial year ended 30 June 2020.

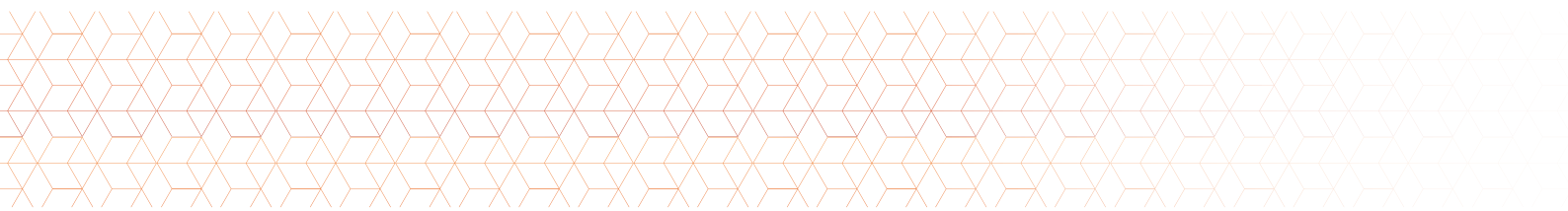
	\$'000
Income tax expense	21,150
Temporary income tax adjustments/differences	
Trade and other receivables	(82)
Accrued revenue	4,022
Trade, other payables and provisions	(2,309)
Share issue costs	(27)
Employee benefits	(3,126)
Plant and equipment	331
Customer contracts / relationships	3,301
Right-of-use assets	566
Lease liabilities	716
Other deductible expenses / non-assessable income	310
Total temporary income tax adjustments/differences	3,702
Current year tax instalments paid throughout the year	(14,182)
Australian income tax paid	10,670

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 2020.

Taxes and Duties Paid	\$'000
Income tax	25,177
Insurance duties - Workcover	2,157
Payroll Tax	14,171
Fringe benefits tax	381
Goods and services tax	31,665
Superannuation guarantee charge	16,359
Total taxes and duties paid	89,910





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