



Tax Transparency

Macquarie Group

Year ended 31 March 2022

Basis of Preparation

Macquarie Group Limited and its subsidiaries (Macquarie, MGL, the Group) support the Australian Government's commitment for greater Australian corporate tax transparency, as actioned through the Australian Board of Taxation's voluntary Tax Transparency Code (the Code).

The Tax Transparency report (the report) has been prepared to meet the requirements of the Code, namely details of:

- Macquarie's approach to tax including tax policy, strategy and governance and its international related party dealings
- Macquarie's operations including details of Macquarie's effective tax rate (ETR) and tax contribution

The report covers year ended 31 March 2022 (FY22) and comparative period 31 March 2021 (FY21) and is presented in Macquarie Group's functional currency, Australian dollars (\$A). Amounts have been rounded to the nearest million unless otherwise specified.

The report has been prepared in accordance with the Appendix to the Code issued by the Australian Accounting Standards Board and where applicable references financial information disclosed in Macquarie's 2022 Annual Financial Report. This can be found on Macquarie's website at macquarie.com/au/en/investors/results.

Approach to Tax

Tax policy, strategy and governance

Macquarie's tax governance framework is documented in Macquarie's Group Tax Policy¹ (the policy) which was tabled at the Board Audit Committee (BAC). The BAC also requires tax reports to be prepared and presented semi-annually. The Chief Financial Officer, with the assistance of the Heads of Finance, Tax and Tax Reporting, report on general tax items and tax governance semi-annually and more regularly where needed. On relevant tax issues, the Chief Risk Officer will also be consulted.

The policy outlines the principles that govern Macquarie's approach to Tax risk including the framework by which Macquarie's operational and risk management obligations are met.

The key principles of the policy are consistent with Macquarie's approach to corporate governance and ensure that Macquarie:

- Identifies, assesses, controls and reports tax risks
- Complies with statutory obligations, administrative requirements and required disclosures to Revenue Authorities
- Maintains documented policies and procedures in relation to tax risk management
- Maintains the integrity of our tax data, compliance and reporting systems
- Maintains open, transparent and professional relationships with Revenue Authorities, both local and international
- Resolves as effectively as possible any outstanding disagreements with Revenue Authorities
- Seeks to maintain the highest of reputations and the confidence of all stakeholders
- Complies with all laws and regulations
- Behaves in a way that maintains the trust in Macquarie by regulators, Revenue Authorities, clients and the public
- Ensures tax affairs are conducted in compliance with the tax laws of the jurisdictions in which Macquarie operates

Macquarie has entered into an Annual Compliance Arrangement (ACA) in relation to income tax and goods and services tax with the Australian Taxation Office (ATO). The ACA further enhances Macquarie's positive and proactive relationship with the ATO.

Macquarie may be entitled to tax concessions in the course of its normal business however has no appetite for any transaction that is motivated by the avoidance of tax.

Macquarie will not finance, or in any other way support, transactions where the objective of any of the parties might reasonably be expected to be the obtaining of a dividend withholding tax benefit.

In the event of tax uncertainty, Macquarie will engage with Revenue Authorities and seek comprehensive advice from external tax advisors. The decision to seek external advice must be approved by the Tax function.

¹ [macquarie.com/assets/macq/about/disclosures/disclosures-macquarie-group-tax-policy](https://www.macquarie.com/assets/macq/about/disclosures/disclosures-macquarie-group-tax-policy)

International related party dealings

As an Australian headquartered global integrated business, the Australian operations have significant dealings including through foreign branches with offshore related parties that impact the taxable position of the MGL Australian Tax Consolidated Group (TCG).

Related party dealings include dealings with entities resident in Singapore, the United States, the United Kingdom and Hong Kong.

Related party dealings giving rise to income and expenses in the MGL Australian TCG include:

- Derivative transactions as part of our global trading activities
- Financing and related activities, including amounts borrowed and loaned
- Revenue and profit-sharing arrangements for globally integrated businesses
- Service arrangements including the provision of software and information technology services, the provision of management and administrative services, together with asset management services

Macquarie has entered into a number of advance pricing arrangements on either a bilateral or unilateral basis to manage and mitigate transfer pricing risk.

In FY22, Macquarie lodged its 5th Country-by-Country (CbC) report for the year ended 31 March 2021 with the ATO. CbC reporting discloses financial, economic and tax-related information for each jurisdiction where Macquarie operates.

Tax contribution

Macquarie's operations

Macquarie is a global financial services group operating in 33 markets. Macquarie's Australian tax liabilities are determined according to tax consolidation legislation. MGL, together with all eligible Australian resident wholly owned subsidiaries of MGL, comprise a TCG with MGL as the head entity. Further details of Macquarie's taxation accounting policy and material subsidiaries including country of incorporation can be sourced from Note 1 and Note 16 of the Financial Report.

The distribution of taxes paid by Macquarie reflects the geographic spread of Macquarie's business. In operating its business globally, Macquarie comprises subsidiaries resident in many countries. The location of the subsidiaries reflect commercial considerations and global client needs. Each of these subsidiaries is subject to the taxation laws of the countries in which they are resident and also the overlay of Australia's comprehensive international taxation regime.

Income Tax Expense & Effective Tax Rate (ETR)

Macquarie's Group ETR² for year ended 31 March 2022 is 24.3% (FY21: 23.0%) and 38.2% for the Australian operations (FY21: 26.0%). Macquarie's ETR is largely driven by the geographical mix of income and nature of earnings.

Approximately 75%³ of Macquarie's income during FY22 was earned by businesses outside Australia (FY21: 68%).

The amount of income tax paid will vary from the income tax expense used in calculating Macquarie's ETR in any given period, largely because of the impact of differences between when an amount of revenue or expense is recognised for accounting purposes and when income and deductions are recognised under the tax laws in the various jurisdictions in which Macquarie operates.

The following table provides a reconciliation on a global basis of operating profit to income tax expense, and from income tax expense to income tax paid, in accordance with the Code.

Reconciliation of operating profit to income tax expense	March 2022 A\$m	March 2021 A\$m
Operating profit before income tax	6,539	3,907
<i>Prima facie</i> income tax expense on operating profit ⁴	(1,962)	(1,172)
Permanent differences:		
Rate differential on offshore income	422	302
Other items	(46)	(29)
Total income tax expense	(1,586)	(899)

² ETR is calculated as total income tax expense divided by the accounting profit.

³ Calculated as international income/total income (excluding earnings on capital and other corporate items)

⁴ *Prima facie* income tax on operating profit is calculated at the rate of 30% (2021: 30%)

Reconciliation of income tax expense to cash taxes paid	March 2022 A\$m	March 2021 A\$m
Total tax expense	(1,586)	(899)
Movement in current tax payable	(93)	90
Movement in tax receivables	51	132
Other balance sheet movements	39	9
Temporary differences		
Interests in financial investments, associates and joint ventures	(52)	62
Property, plant and equipment	4	5
Operating and finance leases	8	(55)
Loan assets and derivatives	33	21
Tax Losses	(27)	69
Other assets and liabilities	(83)	(157)
Intangible assets	(39)	(67)
Total Corporate income tax cash paid	(1,745)	(790)

Taxes paid and collected

The below table shows the total of corporate and other taxes paid in Australia and New Zealand (ANZ) and offshore

	FY22			FY21		
	ANZ	Offshore	Total	ANZ	Offshore	Total
Corporate Taxes	655	1,090	1,745	406	384	790
Employer Taxes	92	221	313	87	199	286
Unrecovered GST/VAT	83	64	147	73	59	132
Total	830	1,375	2,205	566	642	1,208

The above numbers do not include the amount of the Major Bank Levy paid in the year ended 31 March 2022 by Macquarie. This amount is treated as a finance cost and is recognised in Macquarie's Financial Report as interest expense. The Major Bank Levy came into effect from 1 July 2017 and applies to certain liabilities at the rate of 0.06% p.a. Macquarie's total expected Major Bank Levy liability for the year ended 31 March 2022 was \$89m (FY21: \$79m).

During 2022, Macquarie also collected a range of taxes on behalf of governments in the countries where we operated. These included employee taxes⁵ of \$1,501m (FY21: \$1,344m) and indirect taxes⁶ of \$13,233m (FY21: \$10,698m).

⁵ Includes taxes withheld from employee remuneration

⁶ Primarily GST and VAT collected

Australian Tax Return information

In December 2021, the ATO released their 2020 Corporate Tax Transparency report⁷ which contained the following information for the MGL TCG 2019-20 year:

	\$A
Total income	11,001,299,032
Taxable income	1,979,569,698
Tax payable	459,451,906

Macquarie's prima facie tax payable is 30% of taxable income, however the ratio of tax payable to taxable income was 23.2% in 2019-20 year. This difference reflects a reduced rate of tax on Macquarie's superannuation class income, as well as offsets in respect of foreign income tax, franking credits and research and development that reduce tax payable.

In the 2019-20 year, Macquarie was the 21st largest Australian taxpayer (2018-19: 18th largest).

⁷ data.gov.au/data/dataset/corporate-transparency

Disclosure

The material in this disclosure has been prepared by Macquarie Group Limited ACN 122 169 279 (Macquarie) and is general background information about Macquarie and its subsidiaries activities as at the date of this document. This information is given in summary form and does not purport to be complete. Information in this disclosure should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

Unless otherwise specified all information is for the full year ended 31 March 2022. Certain financial information in this disclosure is prepared on a different basis to the Financial Report within the Macquarie Group Annual Report for the year ended 31 March 2022, which is prepared in accordance with Australian Accounting Standards.

This disclosure provides further detail in relation to key elements of Macquarie's financial performance and financial position. Any additional financial information in this disclosure, which is not included in the Financial Report, was not subject to independent audit or review by PricewaterhouseCoopers.
