



# Voluntary Tax Transparency Report

30 June 2021



## 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 2021.

SSM is an ASX 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 2021, 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 \$84.4m 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 2021 which can be found [here](#).

**Linda Kow**

Chief Financial Officer

**Service Stream Limited**

23 September 2021





## 1. Overview

### 1.1. Overview of Service Stream

Service Stream is a public company listed on the Australian Securities Exchange (ASX code: SSM), providing integrated end-to-end asset lifecycle services to utility and telecommunications asset owners, operators, government and government-related entities. Service Stream operates across all states and territories, has a workforce in excess of 4,400 employees and access to an extensive pool of specialist contractors.

Service Stream specialises in the design, construction, operation and maintenance of critical network infrastructure across the country. 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, and telecommunication sectors.

Service Stream generated \$804.2 million in revenue for the year ended 30 June 2021. 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. It is expected that the revenue for the combined group will exceed \$1 billion in FY22.

### 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. The sources of various financial and tax information disclosed in this report are summarised below.

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, Workcover, Superannuation	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 either as likely or 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.





## 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 Profit to Income Tax Expense for the year ended 30 June 2021

	\$'000
Accounting profit before income tax	41,818
<b>Income tax expense on accounting profit at 30%</b>	<b>12,545</b>
<b>Non-temporary income tax adjustments</b>	
R&D income tax incentive	-
Other non-deductible expenses	(1)
<b>Total non-temporary income tax adjustments</b>	<b>(1)</b>
<b>Income Tax Expense</b>	<b>12,544</b>

### 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	12,544
Accounting profit before tax	41,818
<b>Effective income tax rate</b>	<b>30.00%</b>

SSM has an effective tax rate of 30.00% for the year ended 30 June 2021; the corporate tax rate is 30%.





### 4.3. Reconciliation of Income Tax Expense to Income Tax Payable

The table below provides a reconciliation of accounting profit to income tax expense and income tax payable for the financial year ended 30 June 2021.

	\$'000
<b>Income tax expense</b>	<b>12,544</b>
<b>Temporary income tax adjustments/differences</b>	
Trade and other receivables	(115)
Accrued revenue	6,514
Trade, other payables and provisions	(3,217)
Share issue costs	708
Employee benefits	(896)
Plant and equipment	(569)
Customer contracts / relationships	2,656
Right-of-use assets	(262)
Lease liabilities	105
Other deductible expenses / non-assessable income	(121)
<b>Total temporary income tax adjustments/differences</b>	<b>4,803</b>
<b>Current year tax instalments paid throughout the year</b>	<b>(13,615)</b>
<b>Net income tax payable as at 30 June 2021</b>	<b>3,732</b>

### 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 2021.

<b>Taxes and Duties Paid</b>	<b>\$'000</b>
Income tax	24,080
Insurance duties - Workcover	2,002
Payroll Tax	13,216
Fringe benefits tax	142
Goods and services tax	28,227
Superannuation guarantee charge	16,720
<b>Total taxes and duties paid</b>	<b>84,387</b>





## 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 2021 are as follows:

Disclosure item	\$'000
Total Income	804,203
Taxable Income	57,385
Tax Payable	17,216

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

The total income amount of \$804m for the period was reduced by total expenses incurred of \$762m, resulting in a net accounting profit before tax of \$41m. The difference of \$17m to arrive at a taxable income of \$58m reflects various non-deductible expenses such as entertainment and temporary differences between accounting and tax treatment of income and expenses.

The tax payable amount as disclosed in the Annual Report is an estimate of net tax payable (annual tax liability less tax instalments paid) at year end whereas the ATO disclosure is the final annual tax liability filed in the tax return. Following year end, further changes can be made to the tax liability based on internal and external review of tax positions.

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

Item	\$'000
Net income tax payable per Annual Report	3,732
Add tax instalments paid during year	13,615
Estimate of tax liability at year end	17,348
Decrease in tax due to deductible business costs	(132)
<b>Net income tax payable per tax return</b>	<b>17,216</b>

