

Voluntary Tax Transparency Report



1. Message from the Chief Financial Officer

On behalf of the Board, I am pleased to present the inaugural Tax Transparency Report for Service Stream Limited (SSM) for the income year ended 30 June 2019.

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 2019, 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 \$66.7m 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 2019 which can be found [here](#).



Bob Grant

Chief Financial Officer

17 March 2020

2. 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 2,400 employees and access to a pool of over 3,500 active contractors.

SSM specialises in the design, construction, operation and maintenance of assets across these networks and is technology-agnostic to the various types of networks, delivering a range of services across electricity, gas, water and renewable energy utilities, and fixed and wireless telecommunication networks.

SSM's offerings include a wide range of specialist services vital to develop and operate Australia's essential communications, energy and water networks, with specific examples stated below.

- SSM provides a range of services for energy management and savings solutions for consumers and commercial customers and has been involved in greater than 35,000 solar PV installations to date.
- During the income year, SSM acquired the Comdain Infrastructure Group which specialises in the design, construction, operation and maintenance of water and gas infrastructure for Australia's leading utility and energy providers.
- SSM, through the TechSafe arm of the business, are able to provide specialist technical advice, independent inspection, auditing, verification and testing services that help ensure compliance, improve quality and reduce risk in relation to electrical systems, components, wiring and installations.

3. Tax Policy, Tax Strategy and Governance

3.1 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.

3.2 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.
- SSM ensures that its finance function is appropriately staffed with qualified tax professionals to deal with tax matters in an efficient manner.

3.3 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.

3.4 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.

4. 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.

5. 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.

6. 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.

6.1 Reconciliation of Accounting Profit to Income Tax Expense for the year ended 30 June 2019

	2019 (\$'000)
Accounting profit before income tax	72,115
Income tax expense on accounting profit at 30%	21,635
Non-temporary income tax adjustments	
R&D income tax incentive	(24)
Acquisition costs of Comdain Infrastructure treated as capital in nature	556
Other non-deductible expenses	89
Total non-temporary income tax adjustments	621
Income Tax Expense	22,256

6.2 Effective Income Tax Rate

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

	2019 (\$'000)
Income tax expense	22,256
Accounting profit before tax	72,115
Effective income tax rate	30.86%

SSM has an effective tax rate of 30.86% for the year ended 30 June 2019; the corporate tax rate is 30%. This variance is primarily due to the acquisition costs of Comdain Infrastructure that were expensed to the income tax statement for accounting purposes being treated as capital expenditure for tax purposes.

6.3 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 2019.

	2019 (\$'000)
Income tax expense	22,256
Temporary income tax adjustments/differences	
Trade and other receivables	287
Accrued revenue	(2,902)
Trade and other payables and provisions	(1,450)
Share issue costs	71
Employee benefits	2,729
Property, plant and equipment	256
Customer contracts / relationships	2,227
Other deductible expenses / non-assessable income	(619)
Total temporary income tax adjustments/differences	599
Current year tax instalments paid throughout the year	(15,561)
Australian income tax paid	7,294

6.4 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 2019.

Taxes and Duties Paid	2019 (\$'000)
Income tax	18,814
Stamp duty	28
Insurance duties - Workcover	1,025
Payroll Tax	11,667
Fringe benefits tax	409
Goods and services tax	21,998
Superannuation guarantee charge	12,812