

Tax Transparency Report – 2017

McMillan Shakespeare Limited



McMillanShakespeareGroup

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1. Introduction

This Report provides information on McMillan Shakespeare's approach to Tax Governance and Strategy and details tax-related payments made for the year ended 30 June 2017. The Company has chosen to voluntarily disclose this information consistent with the Australian Government's efforts to promote Tax Transparency.

2. Our business

Collectively, the McMillan Shakespeare Group's business divisions provide expertise in novated leasing, salary packaging, associated Fringe Benefits Tax administration and management, fleet leasing and asset management for 'tool of trade' vehicles and other business assets, retail finance, insurance and warranty. No other provider offers this breadth of service or industry experience.

3. Tax Governance & Strategy

Tax risk management is seen as an integral part of good corporate governance at McMillan Shakespeare. The Company manages its tax framework and strategy in accordance with the Group's Tax Governance Policy ('Tax Policy'), which has been approved by the Board at a Group level. The Tax Policy will be reviewed and updated as required or at least annually. All updates must be endorsed by the Audit, Risk and Compliance Committee of the Group and approved by the Board at a Group level.

The Tax Policy outlines the appropriate course of action required to ensure that all tax risks are managed appropriately and promptly. McMillan Shakespeare's tax risk appetite is "low" – the company does not engage in any tax avoidance schemes or aggressive tax positions. The Company is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates.

The company maintains a productive and transparent relationship with revenue authorities, as reflected by the voluntary disclosure of tax information contained in this report.

4. Income Tax Disclosures

Effective Tax Rate (ETR)

The ETR for the McMillan Shakespeare Australian Group is calculated by dividing the Group's income tax expense by its accounting profit before tax. The ETR is calculated solely by reference to corporate income tax and does not include other types of taxes such as GST, payroll tax, FBT, land tax, superannuation contributions and PAYG withholding remitted to the ATO on behalf of McMillan Shakespeare's employees/eligible personnel. For 2017, the Group's ETR is 33.00% (see table below).

As the ETR is a concept calculated/based on accounting profit rather than taxable income, it necessarily differs from a corporation's income tax liability, which is calculated based on Australian tax legislation that reflects government policies and intent with respect to the taxation of corporations. In most cases, these differences are only of a timing nature as the tax and accounting concepts of income align over time.

Income Tax Expense from 2017 McMillan Shakespeare's Accounts:

	2017 \$'000
Current Tax	37,275
Adjustments for current tax of prior years	200
Deferred Tax	(4,030)
Total Income Tax Expense	33,445

McMillan Shakespeare's ETR is higher than the Australian corporate tax rate of 30% due to a number of items which are set out below:

	2017 \$'000
Profit for the year before income tax expense	101,347
Tax at Australian Corporate Rate – 30%	30,404
Non Deductible Costs	475
Non Deductible Impairment Expense	1,345
Share of Joint Venture Loss	378
Overseas Tax Rate Differential of Subsidiaries	(478)
Acquisition Expenses	120
(Over)/Under Provision on Income Tax in Previous years	1,201
Total Income Tax Expense	33,445
ETR	33.00%

The ETR of McMillan Shakespeare's Australian operations is 33.14%. This reflects that the Australian operations account for over 95% of the Group's accounting profit before tax.

5. Tax Contribution Summary

The Following is a List of Tax Payments & Collections the McMillan Shakespeare Group makes on behalf of Governments within Australia (for year ended 30 June 2017):

Taxes and Duties Paid	\$m
Income Tax	38.3
Payroll Tax	5.3
Fringe Benefits Tax	1.2
Total	44.8

Taxes Collected on Behalf of Governments	\$m
PAYG Withholding Collected	23.4
Net GST	25.1
Total	48.1

6. International Related Parties

McMillan Shakespeare Limited is an Australian public company, listed on the Australian Stock Exchange. The Group has subsidiaries in the UK, NZ and China. None of the related party dealings between the Australian Group and its offshore subsidiaries have material impact on the Australian taxable income of the Group.