

# ACCIONA Australia

Tax Transparency Report

For the year ended 31 December 2018



## Introduction

ACCIONA welcomes moves around the world to improve openness and transparency in business. We believe it is important to contribute to society through the payment of taxes in all the territories in which we operate, thereby promoting economic, social and environmental development from our own activities as well as those of our stakeholders.

Further to ACCIONA Australia formally signing up to the Australian Government's voluntary Tax Transparency Code, I am very pleased to present this Tax Transparency Report for the financial year ended 31 December 2018. We have applied all principles and details of the Code in this report, which is publicly available on our website.

ACCIONA Group has long been proactive in the area of tax transparency, having signed up to Spain's Code of Good Tax Practices in September 2011. In fact, Spain was one of the first countries to produce a code of this kind, and since the year ended 31 December 2016, ACCIONA has submitted a Spanish Tax Transparency Report to the Tax Agency.

It is therefore a natural step for ACCIONA to be a part of tax transparency initiatives in Australia, and we will continue working with all relevant stakeholders in this important area of business activity.

David Gutierrez Abarquero  
Head of Tax – ACCIONA Group  
ACCIONA S.A.

## **ACCIONA Group Overview**

ACCIONA is a global group that develops and operates sustainable infrastructure, particularly renewable energy. The group's expertise covers the entire value chain, from design and construction to operation and maintenance.

ACCIONA aims to lead the transition to a low-carbon economy by placing its technical excellence and innovation at the service of all projects in order to design a better planet.

Employing more than 38,000 people and with a presence in more than 40 countries, the company is committed to making a positive social and economic contribution in the communities where it operates. Financially, in 2018 the company recorded revenue totalling €7.51 billion.

### **ACCIONA IN AUSTRALIA**

ACCIONA has been operating in Australia since 2002, with offices in Melbourne, Sydney, Brisbane, Adelaide and Perth. Its main activities are in the infrastructure, renewable energy, and water sectors.

ACCIONA has directly invested over AU\$1.2 billion in Australia and employs more than 1,100 people locally.

The group has successfully delivered large-scale projects including new and upgraded road and rail infrastructure, tunnels, bridges, desalination and water treatment plants, as well as wind and solar farms.

## Tax Strategy and Governance

Tax risk management is seen as an integral component of good corporate governance at ACCIONA.

Globally, the ACCIONA Group 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. All updates to the Tax Policy must be 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. ACCIONA's tax risk appetite is 'low' – the company does not engage in any tax avoidance schemes or aggressive tax positions, nor does it implement corporate structures that are artificial or opaque. From a tax perspective, all transactions align with underlying business performance.

The company is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates.

ACCIONA maintains a productive and transparent relationship with revenue authorities, as reflected in the voluntary disclosure of tax information contained in this report. Globally, the ACCIONA Group signed up to Spain's Code of Good Tax Practices in September 2011. This Code was created by the Large Companies Forum in Spain and is strongly promoted by the Spanish Tax Agency. The aim of the Code is to improve the application of Spain's tax system by enhancing legal certainty, reciprocal cooperation based on good faith and legitimate trust between the Tax Agency and companies, and the application of responsible tax policies by the Board of Directors.

ACCIONA encourages tax transparency and discloses its tax position to the Spanish tax authorities on an annual basis.

## Income Tax Position for 2018

ACCIONA companies in Australia are included in three separate tax consolidated groups. The ACCIONA Agua Australia Pty Ltd multiple entry tax consolidated group comprises all of ACCIONA's wholly owned entities in Australia. The other two tax consolidated groups, being the ACCIONA Energy Oceania Pty Ltd tax consolidated group and the ACCIONA Geotech Holdings tax consolidated group, have minority shareholder interests and thus must be consolidated separately under tax legislation. The figures included in this report contain the aggregated position of the tax consolidated groups mentioned above.

### Reconciliation of accounting profit to income tax expense and income tax paid

	31 December 2018 '000	31 December 2017 '000
Accounting profit / (loss) before tax	(14,935)	24,736
Tax expense / (benefit) at 30%	(4,481)	7,421
Permanent tax adjustments	1,001	303
<b>Income tax expense / (benefit)</b>	<b>(3,480)</b>	<b>7,724</b>
<i>Temporary tax adjustments:</i>		
Tax law partnership results	630	(6,111)
Long term construction project adjustment per TR 2018/3	(132,621)	848
Accounting expenditure subject to R&D incentive	-	3,063
Customer contract accounting amortisation	2,003	2,707
Accounting impairment expense	2,182	-
Equity accounted investments	1,521	983
Unrealised foreign exchange differences	(39)	1,305
Other items including provisions and accruals	1,192	(1,110)
Tax losses applied	(2,701)	-
<b>Taxable income / (loss)</b>	<b>(131,313)</b>	<b>9,409</b>
Franking credits, R&D credits applied	-	(2,260)
<b>Income tax paid</b>	<b>Nil</b>	<b>7,149</b>

*Note: Consolidated figures shown above including the ACCIONA Agua Australia multiple entry tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group.*

## EXPLANATION OF INCOME TAX MATERIAL ITEMS

**Tax law partnerships** – ACCIONA has interests in numerous infrastructure design and construct joint venture partnerships. These partnerships often have 30 June year-end reporting periods, compared to ACCIONA Group's 31 December year-end reporting period. This results in a timing mismatch, because under tax rules the net income or loss of a partnership is not attributable to a partner until the end of a partnership income year. For example, ACCIONA's tax return for the year ended 31 December 2018 includes its result from 30 June 2018 year end partnerships. Further to these differences in reporting period, there are also accounting vs. tax timing differences in partnership revenue recognition.

**Long term construction project adjustment** – ACCIONA applies the estimated profits method under Taxation Ruling 2018/3, where the estimated total profit or loss of a contract is spread over the years taken to complete the contract. The tax temporary difference for the year ended 31 December 2018 is largely attributable to Acciona's adoption of new Australian Accounting Standard AASB 15 Revenue from Contracts with Customers, which resulted in a change in the timing of accounting revenue recognition and a significant 1 January 2018 adjustment to opening retained earnings. This adjustment has been included as a tax deduction in determining Acciona's Australian tax position for the year ended 31 December 2018.

**Customer contract amortisation** – The amortisation of certain intangible assets is not deductible under Australian tax rules.

**Accounting impairment expense** – Accounting impairment expenses are not deductible under Australian tax rules.

**Equity accounted results** – The profit (or loss) from investments that are equity accounted under AASB 10 Joint Arrangements are not assessable (or deductible) for Australian income tax purposes. However, dividends and franking credits received from these investments are included in assessable income.

**Unrealised foreign exchange** – Foreign exchange gains (and losses) are taxable (and deductible) only when realised under Australian tax rules.

**Tax losses applied** – The Acciona Energy Oceania tax consolidated group has prior year tax losses, which may be deducted in later income years.



## Income tax expense effective tax rate comparison

	31 December 2018	31 December 2017
ACCIONA Australia effective tax rate	23%*	31%
ACCIONA worldwide effective tax rate	27%	30%

Effective tax rate is calculated using income tax expense (or benefit) per accounting concepts divided by accounting profit (or loss). In 2018, the effective tax rate reduced due to a higher amount of negative permanent tax adjustments.

\* The change in effective tax rate between the year ended 31 December 2017 and 31 December 2018 is largely due to Acciona's adoption of new Australian Accounting Standard AASB 15 Revenue from Contracts with Customers – see further comments above.

## Tax Contribution Summary

The below table summarises Federal and State taxes that ACCIONA had paid in Australia, pertaining to the year ended 31 December 2018.

	31 December 2018 '000	31 December 2017 '000
Corporate income tax	-	7,149
Net GST	(6,539)	19,357
Payroll taxes	10,633	8,263
Employee PAYG and superannuation	65,479	68,528
Other withholding taxes and State based taxes	3,442	788
<b>TOTAL TAX CONTRIBUTION IN AUSTRALIA</b>	<b>73,015</b>	<b>104,085</b>

Note: Consolidated figures shown above including the ACCIONA Agua Australia multiple entry tax consolidated group, ACCIONA Energy Oceania tax consolidated group and ACCIONA Geotech Holdings tax consolidated group.

## International Related Party Dealings

The ultimate parent company of ACCIONA's companies in Australia is ACCIONA S.A., a company domiciled in Spain. Common international related party dealings include, among others: interest charged on shareholder loans; management services; development fees; supply of wind farm spare parts and cost recharges. These related party dealings do not have a material impact on ACCIONA's taxable income.

All related party dealings are priced at an arm's length basis and ACCIONA Australia maintains transfer pricing documentation to support this. More specifically, shareholder loans are priced using a comparable uncontrolled price method, management services at a fixed mark-up to cost, wind farm spare parts and cost recharges at no mark-up.