

Fulton Hogan

Tax Transparency Report - 2020

1. Introduction

This Report provides information on Fulton Hogan's approach to Tax Governance and Strategy, and details tax-related payments made for the year ended 30 June 2020. Fulton Hogan is made up of entities based in New Zealand, Australia and Fiji. Fulton Hogan has chosen to voluntarily disclose this information – our approach is consistent with the Australian Government's efforts to promote Tax Transparency.

2. Our business

At Fulton Hogan, we create, connect and care for communities.

Our international team build the roads, ports, airports, infrastructure and property that help bring people and communities together. We have many great achievements during our 85-plus years of experience in the transport infrastructure, water, energy, quarrying and land development sectors.

We have a strong Australasian footprint, with offices and facilities across New Zealand and Australia being the bases for most of our 8,000+ employees. We also work further afield with a presence in Fiji and the Pacific Islands, and with key projects in remote geographies including Cocos Islands and Antarctica.

We operate a vertically-integrated supply chain, and we feel that this is central to our success and that of our customers. Through our network of quarries, asphalt plants and concrete/precast facilities, we can ensure the integrity of supply and quality issues, and paired with our self-perform capability we can deliver complex civil projects to our customers.

3. Tax Governance & Strategy

Tax risk management is seen as an integral part of good corporate governance at Fulton Hogan.

Fulton Hogan manages its tax framework and strategy in accordance with the Group's Tax Governance Policy ('Tax Policy'), which has been approved by the Board. The Tax Policy is reviewed and updated as required or at least annually. All updates must be endorsed by the Audit and Financial Risk Committee of Fulton Hogan and approved by the Board.

The Tax Policy outlines the appropriate course of action required to ensure that all tax risks are managed appropriately and promptly. Fulton Hogan’s tax risk appetite is “low” – the company does not engage in any tax avoidance schemes or aggressive tax positions. Fulton Hogan 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.

This is further exemplified with Fulton Hogan receiving a high level of assurance rating from the Australian Tax Office as a result of the streamline assurance review conducted as part of the Top 1000 Program completed in 2018.

Inland Revenue undertake an annual tax risk review of Fulton Hogan’s New Zealand operations and have consistently given Fulton Hogan the lowest possible risk rating available to such a complex business like Fulton Hogan with significant offshore operations.

4. Income Tax Disclosures

Effective Tax Rate (ETR)

The ETR for Fulton Hogan per tax jurisdiction is calculated by dividing the 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 withholding remitted to the respective Taxation Office on behalf of Fulton Hogan’s employees/eligible personnel.

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 local 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.

	New Zealand	Australia	Fiji
	2020	2020	2020
Total Income Tax Expense	44.9	35.5	0.4
ETR	17.92%	29.47%	21.14%
Local Corporate Tax Rate	28%	30.0%	20%

Fulton Hogan’s ETR is different to the local corporate tax rate due to a number of different items which are set out in the reconciliation section below.

Reconciliation of Accounting Profit to Income Tax Expense to Income Tax Payable:

Reconciliation of accounting profit to income tax expense:

	New Zealand	Australia	Fiji
	2020 NZD \$m	2020 AUD \$m	2020 FJD \$m
Profit for the year before income tax expensed	250.6	120.5	1.8
Tax at Local Corporate Rate	70.2	36.2	0.4
Non Assessable Income ¹	(20.3)	(1.2)	0.0
Non Deductible Expenses	0.4	0.3	0.0
Other adjustments ²	(3.2)	(0.3)	0.0
(Over)/Under Provision on Income Tax in Previous years	(2.2)	0.5	0.0
Total Income Tax Expense	44.9	35.5	0.4
ETR	17.92%	29.47%	21.14%
Local Corporate Tax Rate	28%	30.0%	20%

Reconciliation from income tax expense to income tax payable:

	New Zealand	Australia ³	Fiji
	2020 NZD \$m	2020 AUD \$m	2020 FJD \$m
Total Income Tax Expense (as per above)	44.9	35.5	0.4
Deferred tax (relating to Temporary/Timing Differences)	6.4	3.7	0.0
Current Tax - Adjustment for tax of prior period	3.7	(6.8)	0.0
Current Tax Payable	55.0	32.4	0.4

¹ Non assessable income includes but is not limited to dividends received from wholly owned subsidiaries, including the tax paid dividends from Fulton Hogan Australia Pty Limited. The NZ receipt of COVID-19 Wage subsidy, is also non-assessable income, however the receipt was paid out to employees in the same period is non-deductible and so creates a net nil tax impact, Fulton Hogan was not entitled to access various Federal Government incentives including Jobkeeper subsidy and Cash Flow Boost in Australia.

² Other adjustments in New Zealand includes adjustments for non-tax deductible expenses and for Australia this includes franking credits received and other offsets.

³ All Australian amounts provided relate to Fulton Hogan Australia Pty Limited, which is the Australian group parent.

5. Tax Contribution Summary

Tax Payments & Collections⁴

The following is a list of the key Tax Payments & Collections Fulton Hogan collects on behalf of various Governments in each jurisdiction (for year ended 30 June 2020):

	New Zealand	Australia	Fiji
Taxes and Duties Paid	2020 NZD \$m	2020 AUD \$m	2020 FJD \$m
Income Tax ⁵	54.7	39.3	0.5
Payroll Tax	NA	23.3	NA
Fringe Benefits Tax	6.9	6.3	0.1
Land Tax	NA	0.4	NA
Total	61.6	69.3	0.6

	New Zealand	Australia	Fiji
Taxes Collected on Behalf of Governments	2020 NZD \$m	2020 AUD \$m	2020 FJD \$m
Employee Withholding Collected (PAYE/PAYG/SRT)	141.5	157.4	0.1
Other Withholdings ⁶	5.9	0.4	0.3
Net GST	92.9	55.5	0.8
Total	240.3	213.3	1.2

⁴ All payments and collection have been disclosed on a cash paid basis.

⁵ In New Zealand this includes income tax payable in respect of the FY20 Income tax return. This is less than actual tax payments made and consistent with the prior years' cash tax paid due to taxes paid/financed to/with approved tax pooling intermediaries. For New Zealand as this income tax return has not yet been lodged, the amount is the estimated tax payable in respect of that draft return, due for lodgement 31 March 2021.

⁶ Tax withholding as required by each jurisdiction including contractor's withholding tax on payments to specified contractors, resident withholding tax on interest and dividends and non-resident withholding tax on offshore interest dividends and royalties.

6. International Related Parties

Fulton Hogan is headquartered in Christchurch, New Zealand. As is typical of most global organizations, both Australia and Fiji receive support from their NZ parent, primarily for Software/IT services, Management services and other Strategic services including R&D and back office support. The New Zealand parent also provided loans to Australia and to Fiji during the year. There were no material international related party dealings in 2020, however it is noted that Fiji operations are winding down, with a complete exit from the Fiji market expected during FY21.

Fulton Hogan conducts all international related party dealings in accordance with the OECD arm's length principle and its transfer pricing obligations in each country in which it operates. Fulton Hogan maintains contemporaneous transfer pricing documentation to support the arm's length pricing of these transactions, and has an Advanced Pricing Agreement in place with New Zealand Inland Revenue in respect of the pricing of offshore related party transactions.