

Fulton Hogan

Tax Transparency Report - 2022

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 2022. 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

As we embark on our 90th year at Fulton Hogan, our purpose remains unchanged; Creating, Connecting and Caring 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 delivering solutions and supporting our customers in the transport infrastructure, water, energy, mining 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 9,500+ employees. We also work further afield providing support on projects in Fiji and external Australian Islands, and with key projects in remote geographies including Cocos Islands and Antarctica.

We operate a vertically-integrated business, 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 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 their latest combined assurance review conducted as part of the Top 1000 Program concluded during the 2022 calendar year.

Inland Revenue also 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
	2022 NZD \$m	2022 AUD \$m
Total Income Tax Expense	70.8	47.5
ETR Local Corporate Tax Rate	28.03% 28%	29.89% 30.0%

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
	2022 NZD \$m	2022 AUD \$m
Profit for the year before income tax expensed	252.6	158.9
Tax at Local Corporate Rate	70.7	47.7
Non Assessable Income ¹	(0.1)	(0.2)
Non Deductible Expenses	1.0	0.6
Other adjustments ²	(1.4)	(0.4)
(Over)/Under Provision on Income Tax in Previous years	0.6	(0.2)
Total Income Tax Expense	70.8	47.5
ETR Local Corporate Tax Rate	28.03% 28%	29.89% 30.0%

Reconciliation from income tax expense to income tax payable:

	New Zealand	Australia ³
	2022 NZD \$m	2022 AUD \$m
Opening balance of Tax Payable	28.7	25.5
Total Income Tax Expense (as per above)	70.8	47.5
Deferred tax (relating to Temporary/Timing Differences)	(3.6)	2.4
Imputation and franking credits	(2.3)	(0.5)
Taxation paid	(67.1)	(74.9)
Closing balance Current Tax Payable/(Receivable)	26.5	0.0

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.

² Other adjustments include adjustments for tax deductible expenses outside of the GL and previously unrecognised deferred tax movements.

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 makes on behalf of various Governments in each jurisdiction (for year ended 30 June 2022):

	New Zealand	Australia
Taxes and Duties Paid	2022 NZD \$m	2022 AUD \$m
Income Tax	69.4	68.4
Payroll Tax	NA	25.6
Fringe Benefits Tax	8.9	5.9
Land Tax	NA	0.9
Total	78.3	107.0

	New Zealand	Australia
Taxes Collected on Behalf of Governments	2022 NZD \$m	2022 AUD \$m
Employee Withholding Collected (PAYE/PAYG/SRT)	146.9	171.1
Other Withholdings ⁵	10.3	0.0
Net GST	72.8	63.6
Total	220.4	197.4

⁴ All payments and collection have been disclosed on the basis of cash paid or collected during the year. In the case of income tax paid this differs from the amount disclosed above due to tax credits offset and accrued income tax payables related to the FY22 income tax returns,

⁵ Tax withholding as required by each jurisdiction including 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 organizations with offshore operations, both Australia and Fiji receive support from the New Zealand Parent, primarily for Software/IT services, Management services and other Strategic services including R&D and back office support. The New Zealand Parent provides loans to Australia and also to Fiji.

There were no material international related party dealings in 2022, however it is noted that Fiji operations have effectively ceased, with a complete exit from the Fiji market expected during FY23/FY24. Fiji operations were previously reported by Fulton Hogan in prior Tax Transparency reports but did not make payments or returns of taxation material enough for inclusion in this FY22 report.

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.