

Tabcorp and Taxes

Tabcorp Holdings Limited (**Tabcorp**) is a leading Australian gambling entertainment company that operates across three diversified businesses: Lotteries and Keno; Wagering and Media; and Gaming Services.

Tabcorp returns a substantial amount of its revenue to the community through the gambling taxes levied on its operations.

Tabcorp has adopted the Board of Taxation's Voluntary Tax Transparency Code and makes the disclosures below in accordance with that code.

The information provided below relates to the year ended 30 June 2018:

Part A

A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable, including identification of material temporary and non-temporary differences

	\$ millions
Profit before income tax expense	113.5
Income tax payable at the 30% company tax rate	(34.0)
Tax effect of adjustments in calculating taxable income:	
– amortisation of licences	(11.9)
– research and development claims	2.7
– unbooked deferred tax assets	(23.0)
– non-deductible expenses	(9.8)
– other	4.5
Effect of differing international tax rates	(13.3)
Income tax (expense)/benefit	(84.8)
Adjustments in respect of current income tax of previous years	
– research and development claim refunds	(2.7)
– Racing industry payment	(14.0)
– other	4.0
Deferred tax balance movements	(4.0)
Current period tax payable (before FITO)	(101.5)
Foreign income tax offset (FITO) expected	2.1
Current period tax payable	(99.4)

Accounting effective company tax rates (ETR) for Australian and global operations (pursuant to AASB guidance)

Global operations ETR*	Australian operations ETR*
74.7%	45.4%

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Note: ETR *

In 2018 the profit was impacted by UK losses and Tatts Group combination significant item expenses. Tax expense was impacted due to non deductibility of the UK losses and some of the Tatts combination expenses.

Part B

Approach to tax strategy and governance

Tabcorp adopts a conservative and cautious approach to tax risk management. It maintains a comprehensive Tax Risk Management policies and procedures manual, which it has shared with the Australian Taxation Office (ATO).

The objective of Tabcorp's tax strategy is to ensure that shareholders' best interests are served by the correct amount of taxes being paid at the right time in the countries in or through which Tabcorp group members operate.

Tabcorp's tax strategy principles are:

- Tabcorp aims to ensure full compliance with all of its statutory tax obligations.
- Tabcorp seeks to maximise shareholder value, while operating in accordance with the law.
- Tabcorp manages its tax risk and tax affairs in a proactive manner.
- Tabcorp seeks to maintain professional and open relations with tax authorities.
- Tabcorp considers reputation risk and stakeholder interests in assessing tax risk.
- For international operations, profits are allocated and taxed where the value is created.

Tax contribution summary for corporate taxes paid

Tax or impost	\$ millions
Income taxes	84.8
Gambling taxes and GST	1,166.4
Returns to the racing industry	916.8

Information about international related party dealings

As a large taxpayer, Tabcorp is under constant review by the ATO. Its international related party dealings are disclosed to the ATO as part of this review process.

- Tabcorp holds a 50% interest in Premier Gateway International (PGI), located in the Isle of Man. PGI operates as an international hub for pari-mutuel betting.
- Tabcorp owns Sky Racing World LLC (SRW), located in the USA. SRW operates as a race broadcasting distributor.
- Tabcorp owns Tabcorp UK, located in the UK. Tabcorp UK with News UK operated the Sun Bets business offering online wagering and gaming to residents of the UK and Ireland. Sun Bets ceased trading in July 2018 and Tabcorp UK was put into voluntary liquidation in November 2018.

All transactions between Tabcorp and these international related parties are conducted, priced and documented on an arm's length basis having regard to Australian transfer pricing laws.

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