



Tax Transparency

Macquarie Group

Year ended 31 March 2023

Basis of Preparation

Macquarie Group Limited and its subsidiaries (Macquarie, MGL, the Group) support the Australian Government's commitment for greater Australian corporate tax transparency, as actioned through the Australian Board of Taxation's voluntary Tax Transparency Code (the Code).

The Tax Transparency report (the report) has been prepared to meet the requirements of the Code, namely details of:

- Macquarie's approach to tax including tax policy, strategy and governance and its international related party dealings.
- Macquarie's operations including details of Macquarie's effective tax rate (ETR) and tax contribution.

The report covers year ended 31 March 2023 (FY23) and comparative period 31 March 2022 (FY22) and is presented in Macquarie Group's functional currency, Australian dollars (\$A). Amounts have been rounded to the nearest million unless otherwise specified.

The report has been prepared in accordance with the Appendix to the Code issued by the Australian Accounting Standards Board and where applicable references financial information disclosed in Macquarie's 2023 Annual Financial Report. This can be found on Macquarie's website at macquarie.com/au/en/investors/results.

Approach to Tax

Tax policy, strategy, and governance

Macquarie's tax governance framework is documented in [Macquarie's Group Tax Policy](#)¹ (the policy). In addition, the Chief Financial Officer, with the assistance of the Head of Tax, Head of Tax Reporting, and the Heads of Finance, reports to the Macquarie Group Limited and Macquarie Bank Limited Board Audit Committees at least semi-annually in relation to tax matters and tax governance. On relevant tax issues, the Chief Risk Officer (CRO) will also be consulted.

The policy outlines the principles that govern Macquarie's approach to Tax risk including the framework by which Macquarie's operational and risk management obligations are met.

The key principles that govern Macquarie's approach to tax risk are outlined below:

- Tax risks are to be identified, assessed, controlled and reported.
- Laws, regulations, administrative requirements and required disclosures to Revenue Authorities are to be complied with.
- Policies and procedures in relation to tax risk management are to be documented and maintained.
- The integrity of our tax data, compliance and reporting systems are to be maintained.
- Open, transparent and professional relationships with Revenue Authorities, both local and international should be maintained.
- Outstanding issues with Revenue Authorities should be resolved as effectively as possible.
- Macquarie's reputation should be protected and the confidence of our stakeholders maintained.
- Our international related party transactions are based on commercial considerations and are undertaken in accordance with arm's length principles, supported by regular benchmarking.
- Macquarie staff should conduct themselves in a way that maintains trust in Macquarie by regulators, Revenue Authorities, clients and the public.
- Macquarie's tax affairs are to be conducted in compliance with the tax laws of the jurisdictions in which Macquarie operates.

Macquarie may be entitled to tax concessions in the course of its normal business but has no appetite for any transaction that is motivated by the avoidance of tax.

Moreover, Macquarie will not finance, or in any other way support, transactions where the objective of any of the parties might reasonably be expected to be the obtaining of a dividend withholding tax benefit.

Macquarie has entered into an Annual Compliance Arrangement (ACA) in relation to income tax and goods and services tax with the Australian Taxation Office (ATO). The ATO has advised that the ACA program will be replaced by the Pre-lodgement Compliance Review (PCR) framework. For Macquarie, the ACA ended on 31 March 2023 with the PCR framework applying after that date. The ACA and PCR demonstrates Macquarie's positive and proactive relationship with the ATO.

In the event of tax uncertainty, Macquarie may engage with Revenue Authorities and seek comprehensive advice from external tax advisors. The decision to seek external advice must be approved by the Tax function.

¹ [macquarie.com/assets/macq/about/disclosures/disclosures-macquarie-group-tax-policy.pdf](https://www.macquarie.com/assets/macq/about/disclosures/disclosures-macquarie-group-tax-policy.pdf).

International related party dealings

As an Australian headquartered global integrated business, the Australian operations have significant dealings including through foreign branches with offshore related parties that impact the taxable position of the MGL Australian Tax Consolidated Group (TCG).

Related party dealings include dealings with entities resident in the United States, United Kingdom, Hong Kong, Singapore, India and the Philippines.

Related party dealings giving rise to income and expenses in the MGL Australian TCG include:

- Derivative transactions as part of our global trading activities.
- Financing and related activities, including amounts borrowed and loaned.
- Revenue and profit-sharing arrangements for globally integrated businesses.
- Service arrangements including the provision of information technology and software development services, the provision of management and administrative services, together with asset management services.

Macquarie has entered into a number of advance pricing arrangements on either a bilateral or unilateral basis to manage and mitigate transfer pricing risk.

In FY23, Macquarie lodged its 6th Country-by-Country (CbC) report for the year ended 31 March 2022 with the ATO. CbC reporting discloses financial, economic, and tax-related information for each jurisdiction in which Macquarie operates.

International tax developments

Macquarie is monitoring the global progress toward the enactment of the Organization of Economic Cooperation and Development's Inclusive Framework's ("BEPS IF") model rules on a global minimum tax ("Pillar 2"). Pillar 2 sets out global minimum tax rules designed to ensure that large multinational businesses pay a minimum effective rate of tax of 15% on profits on a jurisdictional basis.

The BEPS IF's rules require member jurisdictions to implement the model rules into domestic legislation for the rules to be effective and certain jurisdictions in which Macquarie has operations have started to enact the rules generally with operational effect for accounting periods beginning on or after 1 January 2024.

In Australia, the Labor Government has committed to introduce Pillar 2 and Australia is expected to enact the rules domestically during calendar year 2023 although draft legislation is yet to be released. The proposals are complex and consultation in respect of certain aspects of the rules is ongoing. The model rules have not impacted our consolidated financial statements for FY23, however we expect that additional disclosures will be required in the accounts in future years.

Tax contribution

Macquarie's operations

Macquarie is a global financial services group operating in 34 markets. Macquarie's Australian tax liabilities are determined according to tax consolidation legislation. MGL, together with all eligible Australian resident wholly owned subsidiaries of MGL, comprise a TCG with MGL as the head entity. Further details of Macquarie's taxation accounting policy and material subsidiaries including country of incorporation can be sourced from Note 1 and Note 17 of the Financial Report.

The distribution of taxes paid by Macquarie reflects the geographic spread of Macquarie's business. In operating its business globally, Macquarie comprises subsidiaries resident in many countries. The location of the subsidiaries reflect commercial considerations and global client needs. Each of these subsidiaries is subject to the taxation laws of the countries in which they are resident and the overlay of Australia's comprehensive international taxation regime.

Income Tax Expense & Effective Tax Rate (ETR)

Macquarie's Group ETR² for year ended 31 March 2023 is 26.1% (FY22: 24.3%) and 30.2% for the Australian region (FY22: 38.2%). Macquarie's ETR is largely driven by the geographical mix of income and nature of earnings.

Approximately 71%³ of Macquarie's income during FY23 was earned by businesses outside Australia (FY22: 75%).

The amount of income tax paid will vary depending upon the income tax expense used in calculating Macquarie's ETR in any given period, largely because of the impact of differences between when an amount of revenue or expense is recognised for accounting purposes and when income and deductions are recognised under the tax laws in the various jurisdictions in which Macquarie operates.

The following table provides a reconciliation on a global basis of operating profit to income tax expense, and from income tax expense to income tax paid, in accordance with the Code.

Reconciliation of operating profit to income tax expense	March 2023 A\$m	March 2022 A\$m
Operating profit before income tax	6,992	6,539
<i>Prima facie</i> income tax expense on operating profit ⁴	(2,098)	(1,962)
Permanent differences:		
Rate differential on offshore income	346	422
Other items	(72)	(46)
Total income tax expense	(1,824)	(1,586)

² ETR is calculated as total income tax expense divided by the accounting profit.

³ Calculated as international income/total income (excluding earnings on capital and other corporate items).

⁴ *Prima facie* income tax on operating profit is calculated at the rate of 30% (2022: 30%).

Reconciliation of income tax expense to cash taxes paid	March 2023 A\$m	March 2022 A\$m
Total tax expense	(1,824)	(1,586)
Movement in current tax payable	105	(93)
Movement in tax receivables	(7)	51
Other balance sheet movements	(23)	39
Temporary differences:		
Interests in financial investments, associates and joint ventures	108	(52)
Property, plant and equipment	16	4
Operating and finance leases	22	8
Loan assets and derivatives	(42)	33
Tax Losses	(147)	(27)
Other assets and liabilities	(176)	(83)
Intangible assets	(67)	(39)
Total Corporate income tax cash paid	(2,035)	(1,745)

Taxes paid and collected

The below table shows the total of corporate and other taxes paid in Australia and New Zealand (ANZ) and offshore.

	FY23			FY22		
	ANZ	Offshore	Total	ANZ	Offshore	Total
Corporate Taxes	501	1,534	2,035	655	1,090	1,745
Employer Taxes	128	259	387	92	221	313
Unrecovered GST/VAT	62	54	116	83	64	147
Total	691	1,847	2,538	830	1,375	2,205

The above numbers do not include the amount of the Major Bank Levy paid in the year ended 31 March 2023 by Macquarie. This amount is treated as a finance cost and is recognised in Macquarie's Financial Report as interest expense. The Major Bank Levy came into effect from 1 July 2017 and applies to certain liabilities at the rate of 0.06% p.a. Macquarie's total expected Major Bank Levy liability for the year ended 31 March 2023 was \$109m (FY22: \$89m).

During 2023, Macquarie also collected a range of taxes on behalf of governments in the countries where we operated. These included employee taxes⁵ of \$1,888m (FY22: \$1,501m) and indirect taxes⁶ of \$22,485m (FY22: \$13,233m).

⁵ Includes taxes withheld from employee remuneration.

⁶ Primarily GST and VAT collected.

Australian Tax Return information

In November 2022, the ATO released their 2021 Corporate Tax Transparency report⁷ which contained the following information for the MGL TCG 2020-21 year:

	\$A
Total income	13,530,563,583
Taxable income	1,707,597,517
Tax payable	416,498,990

Macquarie's prima facie Australian tax payable is 30% of taxable income, however the ratio of tax payable to taxable income was 24.4% in 2020-21 year. This difference reflects offsets in respect of foreign income tax, franking credits and research and development, as well as a reduced rate of tax on Macquarie's superannuation class income, reducing Australian tax payable.

In the 2020-21 year, Macquarie was the 18th largest Australian taxpayer (2019-20: 21st largest).

⁷ data.gov.au/data/dataset/corporate-transparency.

Disclosure

The material in this document has been prepared by Macquarie Group Limited ABN 94 122 169 279 (MGL) and is general background information about MGL and its subsidiaries' (Macquarie) activities current as at the date of this document. This information is given in summary form and does not purport to be complete. Information in this document should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

Unless otherwise specified all information is for the full year ended 31 March 2023. Certain financial information in this document is prepared on a different basis to the Financial Report within the Macquarie Group Annual Report for the year ended 31 March 2023, which is prepared in accordance with Australian Accounting Standards.

This document provides further detail in relation to key elements of Macquarie's financial performance and financial position. Any additional financial information in this document, which is not included in the Financial Report, was not subject to independent audit or review by PricewaterhouseCoopers.

Other than Macquarie Bank Limited ABN 46 008 583 542 (MBL), any Macquarie group entity noted in this document is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). That entity's obligations do not represent deposits or other liabilities of MBL and MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity. Any investments are subject to investment risk including possible delays in repayment and loss of income and principal invested.