

## 2021 Annual Report – tax transparency excerpt

The following attachments are excerpts from Vicinity Centres' 2021 Annual Report. They are to be read in conjunction with the remainder of the Annual Report.

Attached are:

- Extract 1: The Tax Transparency section, pages 48 to 51, of the Annual Report, and
- Extract 2: Note 3 to the financial statements, Taxes, on pages 94 to 96 of the Annual Report.

A full copy of the 2021 Annual Report can be downloaded at

<https://www.vicinity.com.au/media/994018/210818-2021-annual-report.pdf>

More Vicinity tax information can be found on our website at

<https://www.vicinity.com.au/investor-centre/tax-information>

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# TAX TRANSPARENCY

Vicinity aims to create long-term value and sustainable growth from our portfolio of Australian retail assets, creating places where people love to connect and true to our purpose, enriching the communities in which we operate. Vicinity's tax culture and business practices align to those aims. Vicinity is also committed to strong corporate governance policies and practices across all of its functions, including tax.

## Australian tax transparency

To improve the transparency of business tax affairs in Australia, the Board of Taxation designed the Tax Transparency Code (TTC) to outline a set of principles and minimum standards to guide the disclosure of tax information. Having adopted the TTC guidelines since its inception, Vicinity aims to provide transparent and informative disclosure on its tax affairs.

## Our approach to tax

Vicinity's Audit Committee has oversight of tax matters and has endorsed the Tax Risk Management Framework (the Framework), which reflects Vicinity's low risk approach to taxation. When carrying on its activities, Vicinity:

- has a low risk appetite and does not engage in aggressive tax planning and strategies;
- complies with all of its statutory obligations in a timely and transparent manner and protects its reputation;
- has robust tax governance, with ongoing oversight and escalation points for managing tax risk from Vicinity's key executives to the Audit Committee and Board of Directors; and
- engages directly with the Australian Taxation Office (ATO) to provide transparency and understanding of Vicinity's tax affairs.

A robust set of internal controls and policies has been put in place to support the operational effectiveness of the Framework within Vicinity. Furthermore, the Audit Committee and independent assurance functions such as internal and external auditors provide periodic independent and objective assurance on the effectiveness of risk management, control and governance processes.

Vicinity applies the Framework across its business to integrate the assessment of the tax implications of transactions, projects and business initiatives into day-to-day business. This enables Vicinity to assess the tax implications of all transactions before committing to them and mitigate any tax risks that might arise. If required, additional processes are then also put in place to efficiently manage Vicinity's ongoing tax compliance obligations.

Vicinity values having a good relationship with all external regulatory bodies, including the ATO. Vicinity engages and consults with regulatory bodies regarding tax policy, tax reform and tax law design on matters that affect Vicinity's business and its securityholders.

Further information on Vicinity's corporate governance is available in its 2021 Corporate Governance Statement.

## Vicinity's group structure

Vicinity has a stapled structure, with each stapled security comprising one share in a company (Vicinity Limited) and one unit in a trust (Vicinity Centres Trust).

Vicinity Limited, and its wholly-owned group of entities, undertakes the business of managing Vicinity's shopping centre portfolio including property management, development management and responsible entity and trustee services for Vicinity Centres Trust, its sub-trusts and external wholesale funds. Vicinity Limited also provides property and development management services for joint owners of Vicinity's assets and other third parties.

Vicinity Centres Trust is a managed investment scheme operating in accordance with the *Corporations Act 2001* (Cth), and is regulated by the Australian Securities and Investments Commission (ASIC). Vicinity Centres Trust and its controlled trusts (Vicinity Centres Trust Group) hold the real estate investments for Vicinity.



2021 Corporate Governance Statement  
Vicinity.com.au

## Taxation of Vicinity

### Vicinity Limited

Vicinity Limited and its wholly-owned entities are consolidated for income tax purposes, resulting in all members of the consolidated group being treated as a single corporate taxpayer. Vicinity Limited is responsible for the income tax liability of the consolidated tax group, and intra-group transactions are eliminated in order to determine the consolidated tax group's taxable income. Under Australian tax law, companies are subject to income tax at the applicable corporate tax rate (30% for FY21) on their taxable income.

### Vicinity Centres Trust Group

Vicinity Centres Trust and its controlled trusts are Australian unit trusts. The Vicinity Centres Trust Group has elected into the Attribution Managed Investment Trust (AMIT) regime with effect from 1 July 2017.

Providing the Vicinity Centres Trust Group attributes all its taxable income to securityholders, the trusts are not liable to pay income tax (including capital gains tax). The taxable income from the property investments held by the Vicinity Centres Trust Group flows through the trusts and is taxed in the hands of securityholders annually. Vicinity's securityholders pay tax at their marginal tax rates if they are Australian resident securityholders, or through the AMIT withholding tax rules if they are non-resident securityholders.

## Contributions to the Australian tax system

As a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. In FY21, these taxes amounted to approximately \$198.4 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system<sup>1</sup>.

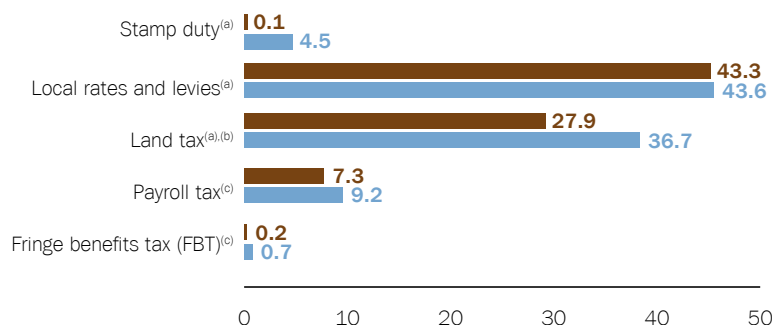
The taxes remitted by Vicinity include pay as you go (PAYG) withholding taxes paid by our employees and goods and services tax (GST) we collect from our retailers who rent space in our centres, net of GST claimed by Vicinity on its own purchases.

The information provided below summarises Vicinity's Australian tax contribution for FY21.

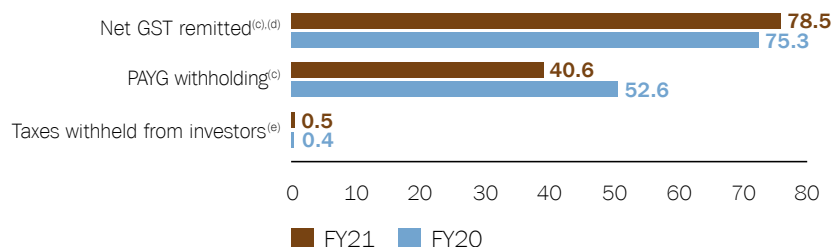
## Basis of preparation

The basis of preparation for Vicinity's Australian tax contribution information presented below has been outlined in the footnotes to the disclosures. Vicinity undertakes an internal review process through its Finance and Internal Audit functions to verify the Australian tax contribution disclosures made.

### Total taxes borne by Vicinity (\$m) \$78.8 million



### Total taxes remitted by Vicinity (\$m) \$119.6 million



(a) Stamp duty, land tax, local rates and levies data have been reported on an accrual basis and therefore may vary from the actual taxes paid in FY20 and FY21.

(b) As part of State Governments' response to COVID-19, land tax relief and deferrals have been announced across all states. As a result, the land tax paid by Vicinity in FY21 is lower due to the land tax relief given by the various states.

(c) Payroll tax, FBT, GST and PAYG withholding data has been reported based on the amounts paid in respect of tax returns or notices of assessment issued to Vicinity for FY21 from the respective revenue authorities.

(d) Net GST remitted for FY21 is comprised of \$144.1 million of GST collected (FY20: \$160.7 million) and \$65.6 million of GST claimed (FY20: \$85.3 million).

(e) This represents taxes withheld from Vicinity's securityholders, which has been prepared based on information maintained by Vicinity's external security registry provider. As the majority of our securityholders either supply their tax file number or in the case of non-residents, hold their interests indirectly, this figure is not representative of the taxes actually paid by our securityholders.

1. In this regard, Vicinity includes entities that have been equity accounted in these financial statements.

# TAX TRANSPARENCY CONTINUED

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

A full reconciliation of Vicinity's accounting net profit to income tax expense is included in the deferred and current tax note in Note 3 to the Financial Report. In interpreting the disclosure in the deferred and current tax note, it should be noted that the accounting net profit is determined in accordance with the Australian Accounting Standards. Taxable income, in contrast, is an income tax concept, which is calculated by subtracting allowable deductions or tax offsets from assessable income. A taxpayer's income tax liability is calculated by multiplying its taxable income by its applicable tax rate.

### Vicinity Limited

FY21 reconciliation from income tax expense to income tax paid or payable is outlined below.

	<b>\$m</b>
<b>Net profit before tax attributable to securityholders of Vicinity Limited</b>	<b>5.1</b>
<b>Income tax expense (refer to Note 3 to the Financial Report)</b>	<b>10.9</b>
Adjust for:	
Movement in deferred tax assets including the utilisation of Australian Group tax losses	(2.3)
Income tax expense relating to derecognised deferred tax assets	(8.3)
Adjustment of current tax for prior periods and other	(0.1)
<b>Prima facie income tax payable</b>	<b>0.2</b>
Less tax offsets	(0.2)
<b>Income tax payable</b>	<b>0.0</b>

In FY21, the Vicinity Limited consolidated group generated taxable income of approximately \$29.8 million prior to the utilisation of carry-forward losses (\$29.2 million) and a *prima facie* income tax payable (\$0.2 million) prior to the utilisation of franking credit tax offsets (\$0.2 million).

The effective tax rate<sup>2</sup> (ETR) based on current year income tax expense for the Company is 213.7%. The ETR is greater than the corporate tax rate (currently 30%) predominately due to the derecognition of deferred tax assets. For further explanation, Note 3(b) to the Financial Report provides a reconciliation of *prima facie* income tax expense at 30% to the income tax expense recognised.



Chatswood Chase Sydney, NSW

2. The ETR has been calculated as income tax expense (\$10.9m) divided by net profit before tax attributable to Vicinity Limited (\$5.1m) (in accordance with Australian Accounting Standard AASB 112 Income Taxes). The ETR should not be compared to the corporate tax rate without appreciating the differences between accounting profit and taxable income (as explained above). Further information is available on the ATO's tax transparency webpage.



### Vicinity Centres Trust Group

The accounting net loss attributable to the securityholders of Vicinity Centres Trust Group was \$252.2 million for FY21. Despite the accounting net loss, Vicinity Centres Trust has derived taxable income of \$242.0 million, which will be attributed to the securityholders under the AMIT rules and taxed accordingly in the hands of securityholders, as described above.

The Vicinity Centres Trust Group does not pay income tax (rather, tax is paid by Vicinity's securityholders), it has no income tax expense and therefore a zero ETR.

### Reconciliation to ATO tax transparency disclosure

The Vicinity Limited income tax consolidated group has a total income in excess of \$100 million and is subject to public disclosure in the ATO's *Report of Entity Tax Information* that is released annually.

For the FY20 income year, this report will be published on the ATO's website<sup>3</sup> and it is anticipated to disclose the following information:

	<b>\$m</b>
Total income	269.2
Taxable income	2.0
<b>Tax payable</b>	<b>0.0</b>

The summary below provides a reconciliation of these disclosures:

	<b>\$m</b>
Total income	269.2
Total expenses	(227.0)
<b>Profit before income tax</b>	<b>42.3</b>
Net adjustments for:	
Acquisition of share-based payments	1.4
Timing differences <sup>4</sup>	(14.9)
Tax losses utilised	(26.8)
<b>Total taxable income</b>	<b>2.0</b>
<b>Prima facie income tax payable</b>	<b>0.6</b>
Less tax offsets	(0.6)
<b>Tax payable</b>	<b>0.0</b>

### Further information

- Vicinity Limited taxes paid information as published by the ATO in the *Report of Entity Tax Information*: [data.gov.au/dataset/corporate-transparency](https://data.gov.au/dataset/corporate-transparency)
- ATO's webpage on tax transparency for corporate tax entities, including background information and explanations: [ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency-reporting-of-entity-tax-information](https://ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency-reporting-of-entity-tax-information)
- A breakdown of the taxable components that securityholders receive via their annual taxation statements will be available on 1 September 2021 on Vicinity's website: [vicinity.com.au/investor-centre/tax-information](https://vicinity.com.au/investor-centre/tax-information)

3. Expected to be available in December 2021.

4. Adjustments that arise due to differences between when income or expenses are recognised for accounting and tax purpose.

# OPERATIONS CONTINUED

## 3. Taxes

### (a) Group taxation summary

#### Income tax

##### *Vicinity Centres Trust (flow through trust structure)*

The Trust and its controlled trusts are not liable to pay income tax (including capital gains tax) on the basis that the taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders in accordance with the Attribution Managed Investment Trust Regime. The Trust's securityholders pay tax at their marginal tax rates in the case of Australian resident securityholders, or through the withholding rules that apply to non-resident securityholders investing in Managed Investment Trusts. As a result, the Group has zero income tax expense recognised in respect of the Trust's profit.

##### *Vicinity Limited (corporate tax group)*

The Company and its subsidiaries have formed a tax consolidated group (TCG). Under this arrangement, the Company, the head entity of the TCG, accounts for its own current and deferred tax amounts and assumes those from subsidiaries in the TCG. Members of the TCG have entered into a tax funding arrangement, which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable, which is at call.

Income tax expense for the year is calculated at the Australian corporate tax rate of 30% and comprises current and deferred tax expense, any adjustments relating to current tax of prior periods and movements in off balance sheet deferred tax assets. These amounts are recognised in the income statement, except to the extent they relate to items recognised directly in other comprehensive income or equity. Current tax expense represents the expense relating to the expected taxable income at the applicable rate for the current financial year.

Deferred tax assets and liabilities are measured based on the expected manner of recovery of the carrying value of an asset or liability. Deferred tax charges represent the future tax consequences of recovering or settling the carrying amount of an asset or liability. These future tax consequences are recorded as deferred tax assets to the extent it is probable that future taxable profits or deferred tax liabilities will be available to utilise them. Where appropriate, deferred tax assets and liabilities are offset as permitted by Australian Accounting Standards.

A summary of the components of Vicinity Limited's income tax expense is shown below:

	30-Jun-21	30-Jun-20
	\$m	\$m
<b>For the 12 months to:</b>		
Current income tax expense	(8.8)	(7.8)
Deferred income tax benefit/(expense)	6.5	(4.4)
Adjustment for current year tax of prior periods	(0.3)	(0.4)
(Decrease)/increase in deferred tax assets	(8.3)	0.5
<b>Income tax expense</b>	<b>(10.9)</b>	<b>(12.1)</b>

### Statutory taxes and levies

The Group also incurs federal, state-based and local authority taxes including land tax, council rates and levies. These are included within direct property expenses in the Statement of Comprehensive Income. Additionally, employee benefits expense within the Statement of Comprehensive Income includes employment-related taxes such as fringe benefits tax, payroll tax and WorkCover contributions.

Further details on statutory taxes and levies are disclosed in the Tax Transparency section of the Annual Report.

### Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included within the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Further details on GST can be found in the Tax Transparency section of the Annual Report.

### Voluntary Tax Transparency Code

The Group is a signatory to the Tax Transparency Code (TTC). Further information can be found in the Tax Transparency section of the Annual Report.

### (b) Reconciliation between net profit and income tax benefit

	30-Jun-21	30-Jun-20
	\$m	\$m
<b>For the 12 months to:</b>		
Loss before tax for the year	(247.1)	(1,788.9)
Less: Profit attributed to the Trust and not subject to tax <sup>1</sup>	252.2	1,831.2
<b>Net profit before tax attributable to securityholders of Vicinity Limited</b>	<b>5.1</b>	<b>42.3</b>
Prima facie income tax expense at 30%	(1.5)	(12.7)
Tax effect of amounts not taxable in calculating income tax expense:		
Net adjustment relating to share based payments	(0.7)	0.4
Other permanent differences	(0.1)	0.1
Prior period adjustments	(0.3)	(0.4)
(Decrease)/increase in deferred tax assets	(8.3)	0.5
<b>Income tax expense</b>	<b>(10.9)</b>	<b>(12.1)</b>

1. As outlined above, taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. Includes adjustment for \$8.8 million income tax expense recognised by Vicinity Limited, which has been recorded against the Vicinity Group's unrecognised deferred tax assets disclosed below (30 June 2020: \$0.5 million).

# OPERATIONS CONTINUED

## 3. Taxes continued

### (c) Movement in temporary differences

#### Significant judgement and estimate including the impact of the COVID-19 pandemic

The forecasts of future taxable income are based on the Group's budgeting and planning process and adjusted for tax-specific consequences for the Company. This process requires estimates to be made in developing assumptions about income and expenses (and their tax consequences) in future periods, and significant judgement is applied in determining the length of the future time period to use in the assessment. The pandemic has increased the level of uncertainty in determining certain key assumptions within the assessment of future taxable income of the Company upon which recognition of deferred tax assets is assessed.

Key assumptions subject to this increased uncertainty include future funds, property and development management fee revenues, which are linked to the underlying performance and valuation of the investment properties under management by the Company. If the assumptions differ from management's estimate, this may result in additional recognition or reversal of deferred tax assets in future financial periods.

A summary of the movements in deferred tax balances is as follows:

	Provisions \$m	Other \$m	Tax losses \$m	Total \$m
<b>At 30 June 2019</b>	19.5	1.6	63.2	84.3
Current tax expense	–	–	(7.8)	(7.8)
Adjustment of current tax of prior periods	–	–	(0.4)	(0.4)
Deferred income tax (expense)/benefit				
Charged to profit	(8.5)	4.6	–	(3.9)
Charged directly to equity	–	0.4	–	0.4
Transfers	–	(0.2)	0.2	–
<b>At 30 June 2020</b>	11.0	6.4	55.2	72.6
Current tax expense	–	–	<b>(8.8)</b>	<b>(8.8)</b>
Adjustment of current tax of prior periods	–	–	<b>(0.3)</b>	<b>(0.3)</b>
Deferred income tax (expense)/benefit				
Charged to profit <sup>1</sup>	<b>8.2</b>	<b>(1.7)</b>	<b>(8.3)</b>	<b>(1.8)</b>
Transfers	–	<b>0.4</b>	<b>(0.4)</b>	–
<b>At 30 June 2021</b>	<b>19.2</b>	<b>5.1</b>	<b>37.4</b>	<b>61.7</b>

1. Total \$1.8 million charged to profit includes \$6.5 million deferred tax benefit and \$8.3 million reduction in deferred tax asset.

Unrecognised deferred tax assets comprising unused tax losses totalled \$21.8 million at 30 June 2021 (30 June 2020: \$13.0 million). These unrecognised deferred tax assets do not expire.