

# 2019 Tax Transparency Report

Fletcher Building (Australia) Pty Limited



# 2019 Tax Transparency Report

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# 2019 Tax Transparency Report

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I am pleased to present Fletcher Building Australia's Tax Transparency Report in respect of the year ended 30 June 2019. This report has been prepared in response to the Voluntary Tax Transparency Code to which Fletcher Building Australia is a signatory.

The Tax Transparency Code is a set of principles and minimum standards on public disclosure of tax information, developed by the Board of Taxation and endorsed by the Australian Government in the 2016–17 Federal Budget.

Fletcher Building Australia is publishing this report on a voluntary basis as part of our commitment to tax transparency. The report provides detail on the following areas:

- An outline of our Tax Policy, Tax Strategy and Governance policies
- A reconciliation of our Australian and global income tax expense to income tax payable, and disclosure of our effective tax rate
- A breakdown of our tax contribution of both state and federal taxes in Australia
- A summary of our international related party dealings

The information in this report should be read in conjunction with the Fletcher Building Limited 2019 Annual Report.

**Bevan McKenzie**

**Chief Financial Officer - Fletcher Building Group**

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## Fletcher Building overview

- Fletcher Building Limited (“Fletcher Building”) is a global manufacturer and distributor of building products and is a construction contractor and residential developer in New Zealand. Fletcher Building is tax resident in New Zealand and listed on both the NZX and ASX.
- Fletcher Building had global revenues in 2019 of \$NZ9.3 billion, earnings before taxation of \$NZ279 million, reported tax expense of \$NZ102 million and net earnings of \$NZ164 million.
- Fletcher Building (Australia) Pty Ltd (“Fletcher Building Australia”) is Fletcher Building’s holding company for its Australian and other international businesses outside of New Zealand<sup>1</sup>.
- The Australian businesses manufacture and distribute high-quality building materials for a broad range of industries across Australia. They employ people at manufacturing, distribution and sales sites across Australia. The businesses manufacture products used to build homes, buildings and infrastructure – including insulation, plasterboard, laminate surfaces, steel roofing, and plastic and concrete piping. The Australian operations span more than 300 operating sites across the country.
- The Australian businesses include Laminex, Iplex Pipelines, Fletcher Insulation, Tradelink, Oliveri Solutions<sup>2</sup>, Stramit, Rocla and Australian Construction Products.

• <sup>1</sup> The global Formica Group was disposed by Fletcher Building on 3 June 2019, as a result Fletcher Building Australia disposed of the majority of its international businesses.

• <sup>2</sup> Oliveri Solutions Pty Limited (formerly: Tasman Sinkware Pty Limited)



## Tax policy, tax strategy and governance

- Fletcher Building is committed to the highest standards of behaviour and accountability in respect of compliance with all its statutory obligations, including its tax affairs. Our framework of rules, relationships, systems and processes are designed to ensure that we meet best practice standards of governance.
- Fletcher Building formally adopted the OECD's Business Industry Advisory Committee's Statement of Tax Principles for International Business in 2017 to affirm Fletcher Building's commitment to responsible business tax management and in recognition that public trust in the tax system is a vital part of any economy it seeks to operate within.
- Fletcher Building's tax strategy is implemented and governed by a comprehensive Tax Risk Management and Governance Framework. The Framework:
  - provides for an integrated and structured approach to reporting and managing tax risk by defining the parameters upon which tax is managed within FB. The risk parameters are designed to ensure compliance with relevant tax law, achieve certainty in its reported financial results and manage any reputational risk;
  - documents a tax code of conduct, FB's tax strategy and our approach to tax planning;
  - defines the roles and responsibilities of the FBL Board, senior management and functional management when meeting tax obligations, and reporting and managing risks.
- The fundamental principle on which the risk parameters are based is that Fletcher Building will not enter into any business transaction that is absent commercial rationale and is solely for the purpose of achieving a tax outcome.



## Tax policy, tax strategy and governance (continued)

- The Group Tax function is delegated responsibility for managing tax risk within the agreed tax risk parameters. To this end, an internal escalation policy exists for referring matters to Group Tax for review and it is Group Tax's function to ensure that its business operations comply with the following tax planning principles:
  - Fletcher Building should interpret the relevant tax laws in a reasonable way, consistent with a relationship of 'co-operative compliance' with tax authorities.
  - Fletcher Building should seek to maintain positive relationships with Tax Authorities, founded on respect for each other's integrity and regular dealings that are open, honest and transparent.
  - Fletcher Building should work collaboratively with tax authorities to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible.
  - Fletcher Building may respond to tax incentives and exemptions.
  - Fletcher Building should only engage in tax planning that is aligned with and supports the commercial and economic activities of the business and does not lead to an abusive result, and does not enter transactions where the overriding purpose is to avoid or reduce tax.
- The Group General Manager – Taxation regularly reports to the Audit and Risk Committee on key tax risks and other material matters.
- Further details on our approach to corporate governance in general can be located at <https://fletcherbuilding.com/investor-centre/corporate-governance/>

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## Reconciliation of accounting profit to income tax paid

	Australia Tax Consolidated * (A\$m)	Fletcher Building Group (NZ\$m)
Accounting profit/(loss) before tax	122.5	279.8
<b>Prima facie tax expense</b>	<b>36.7</b>	<b>78.3</b>
<b><i>Non-Temporary Differences</i></b>		
Tax in respect of prior years	(1.0)	3.0
Non-assessable income	(66.6)	(5.1)
Tax losses for which no deferred tax asset was recognised		8.3
Utilisation of previous unrecognised tax losses		(1.8)
Asset impairments, writedowns and amortisation		35.6
Non-deductible expense & Other	1.0	2.7
Differences in tax rates		(7.9)
Other permanent differences	1.6	(11.2)
<b>Total Income Tax Expense after adjustments</b>	<b>(28.2)</b>	<b>101.9</b>
<b>Effective Tax Rate</b>	<b>(23%)</b>	<b>36%</b>

\* Figures are reported excluding the impact of the 2019 Research & Development tax incentive which has not yet been assessed by the ATO.

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## Reconciliation of accounting profit to income tax paid (cont)

	Australia Tax Consolidated * (A\$m)	Fletcher Building Group (NZ\$m)
Income Tax Expense	(28.2)	101.9
<i>Temporary Differences</i>		
<i>- increase/(decreases) in deferred tax assets</i>		
Receivables	(0.1)	(1.0)
Inventories	1.5	0.2
Property Plant and Equipment	0.5	30.2
Intangible Assets	(0.7)	42.6
Provisions	2.2	(62.9)
Other	3.6	(14.0)
Pensions		(2.7)
Tax losses carried forward		1.2
<b>Deferred Tax Expense</b>	<b>7.0</b>	<b>(6.3)</b>
<i>Other Adjustments to Current tax liabilities</i>		
Opening balance in provision for income tax payable/(receivable)	(26.7)	(46.3)
Tax adjustments relating to prior period	2.7	(77.8)
Tax Losses utilised in 2018		
PPA - 2019	2.1	
Tax credits	(1.3)	(28.5)
Other	(2.0)	(4.6)
Australian tax losses moved to deferred tax	46.4	
<b>Provision for Income tax payable/(receivable)</b>	<b>-</b>	<b>(61.7)</b>
Income tax instalments paid	-	
Income tax balance paid for 30 June 2019	-	
<b>Income tax paid for the year ended 30 June 2019</b>	<b>-</b>	

\* Figures are reported excluding the impact of the 2019 Research & Development tax incentive which has not yet been assessed by the ATO.



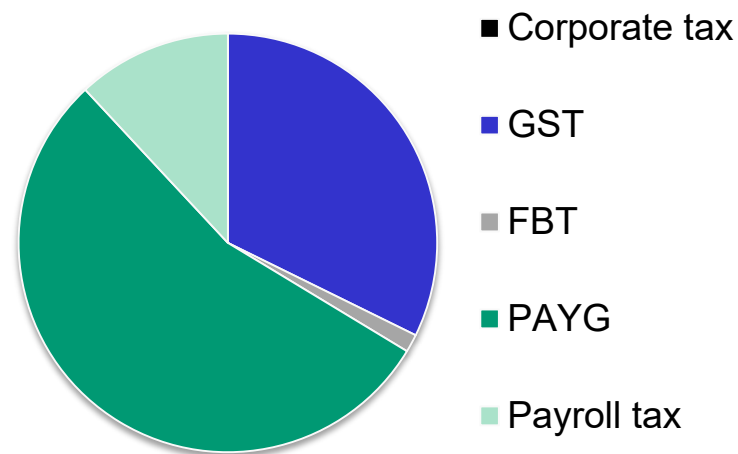
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## Australia tax contribution statement

- During the 2019 financial year, Fletcher Building Australia paid or collected approximately \$AU226.7 million of taxes on behalf of both Federal and State Governments in Australia.
- A summary of the taxes paid and collected is summarised below:

Tax	Level of Government	2019 A\$M
Corporate tax	Federal	0.0
GST	Federal	73.0
FBT	Federal	3.1
PAYG	Federal	123.0
Payroll tax	State	<u>27.0</u>
<b>Total</b>		<b>226.1</b>



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## International related party dealings

- Fletcher Building has operations in various foreign jurisdictions but predominately operates within New Zealand and Australia. The foreign jurisdictions in which it operates and its foreign subsidiaries are listed in Fletcher Building's 2019 Annual Report (refer Statutory Disclosures under 'Subsidiary Company Information').
- Fletcher Building Australia has relatively few international related party dealings. Fletcher Building does not operate a global integrated supply chain, rather Fletcher Building generally manufactures products for distribution in the country the products are manufactured. Products manufactured in Australia are almost wholly sold within Australia and while some product is imported from related parties, it is immaterial, representing less than 1.0% of Australian sales.
- Where products are sold/purchased cross border, the transactions are conducted on an arm's length basis in accordance with ATO transfer pricing rulings and guidance and the laws and rulings of the related party country.
- Fletcher Building Australia also receives and pays interest on a number of intercompany loans and there are various inter-group charges for services provided by different parts of the group.