

# 2018 TAX CORPORATE GOVERNANCE STATEMENT

Mirvac Group — Reimagine Urban Life



**Work safe,  
stay safe.**

by mirvac

# Our Approach to Tax

## Introduction

Mirvac is committed to contributing to Australian society in all aspects, including meeting all our tax responsibilities. Mirvac strives to be open and transparent in detailing our approach to tax to our securityholders, stakeholders and the public. To ensure our approach is readily transparent to our stakeholders and the public, Mirvac publishes this statement on a voluntary basis as part of our commitment to tax transparency. This statement details our corporate structure, tax details of our business and our tax corporate governance systems.

## Overview of the Mirvac Corporate Structure

Mirvac was founded in 1972 and is a major part of the Australian property industry. The principal activities of Mirvac currently consist of real estate investment, development and investment management. Mirvac is an Australian business, whose activities, assets and employees are predominantly in Australia, and which has negligible offshore subsidiaries and operations<sup>1</sup>.

Mirvac comprises Mirvac Limited and its controlled entities, which includes Mirvac Property Trust and its controlled entities. The shares in Mirvac Limited are stapled to units in Mirvac Property Trust, and are listed on the ASX as the Mirvac Group. However the two entities remain separate legal entities in accordance with the *Corporations Act 2001* and under the tax law.

The Mirvac Property Trust maintains an investment portfolio that invests in office, retail and industrial assets. Mirvac Limited operates the development business which comprises both residential and commercial development.

## Explanation of Tax Position

For the purposes of financial reporting, Mirvac Limited and its subsidiaries, and the Mirvac Property Trust prepare a single consolidated set of financial statements setting out, among other things, their combined accounting profit before tax and tax expense. However, under tax law, Mirvac Limited and its subsidiaries are treated differently to Mirvac Property Trust and therefore require separate examination.

## Mirvac Property Trust

The Mirvac Property Trust is an Australian Managed Investment Trust. Consistent with tax law, the Mirvac Property Trust does not pay income tax as its income is distributed to its unit holders. In turn, those unit holders pay tax on the income derived by the Mirvac Property Trust and distributed to them.

Where distributions are made to non-residents of Australia, appropriate withholding tax at up to 30% is deducted by the trust on behalf of the non-residents and remitted to the Australian Taxation Office ("ATO").

In respect of unit holders within Australia, they will be subject to income tax at their applicable tax rate (for example, up to 47% for individuals or 30% for corporate unit holders). Such domestic investors are largely treated as if they had invested directly in the properties owned by Mirvac Property Trust.

## Mirvac Limited

Mirvac Limited and its wholly owned subsidiaries have formed a tax consolidated group for tax purposes. This means that Mirvac Limited pays tax in respect of both its own activities and those of its wholly owned subsidiaries at the prevailing 30% corporate tax rate.

Mirvac Limited incurred significant operating losses during previous years. Under tax law, companies can carry forward an unutilised tax loss and offset that loss against income in a future income year. As such, Mirvac Limited did not pay any income tax in relation to the 2016 to 2018 financial years, as its taxable income was able to be offset by these historical tax losses. This offsetting of historical losses is in line with the tax policy of the Australian Government which introduced the measure.

Mirvac Limited's effective tax rate for 2018 is 31% (2017: 36%). An effective tax rate is a measurement of a business's reported tax expense as a percentage of its reported net accounting income. Mirvac's effective tax rate is higher than the corporate tax rate of 30% in 2018 as not all of Mirvac's accounting expenses are deductible for tax purposes.

For more information about Mirvac's tax position including its effective tax rate and tax paid, please refer to the links below for recent year-by-year explanations of Mirvac's income tax expense in the Mirvac Group's financial statements:

- [2018 Annual Report – Note B5 Income Tax.](#)
- [2017 Annual Report – Note B5 Income Tax.](#)

The Australian Government has endorsed a voluntary tax transparency code which requests large business taxpayers to disclose certain information regarding tax dealings and tax paid. Mirvac has sought to comply with the voluntary tax transparency code and supports the Government's tax transparency code initiative.

## Tax Corporate Governance

Mirvac is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Directors believe that Mirvac's corporate governance framework, of which taxation is an important element, is critical in maintaining high standards of corporate responsibility and fostering a culture that values ethical behaviour, integrity and respect.

These principles are reflected in our corporate governance standards and policies (<https://www.mirvac.com/About/Corporate-Governance>) which demonstrate our commitment to good corporate behaviour. They have been in place for many years, and are regularly revised to ensure that they remain at the forefront of best business practice. Every group entity and all of our staff are expected to apply these values.

These corporate governance principles also guide Mirvac's approach to its tax compliance, reporting and payment obligations. As part of its overall commitment to corporate governance, Mirvac maintains a rigorous tax corporate governance framework and policy, which includes strong internal procedures that operate to manage tax risk.

As tax law is complex and can change from year to year Mirvac also has a comprehensive set of checks and balances, including a proactive internal tax function and regular external reviews of tax positions carried out by independent consultants, that ensures that the Mirvac Group acts responsibly and continues to meet our obligations under the tax law.

1. Overseas operations and investments currently generate less than 0.1% total revenue of the Mirvac Group.

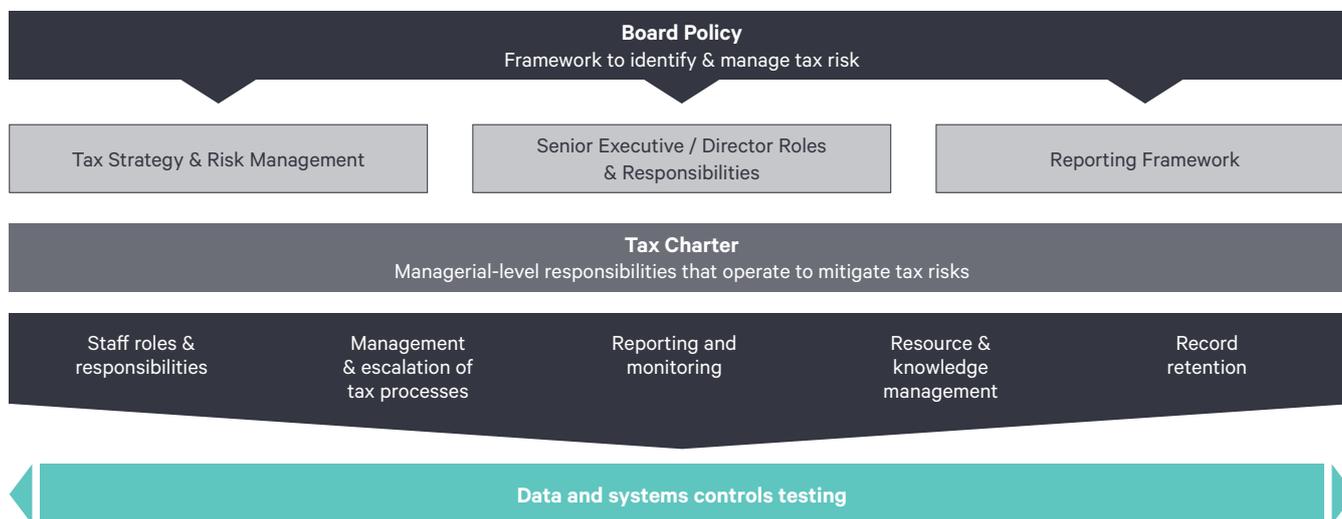
## Our Approach to Tax

Under Mirvac’s tax corporate governance framework, Mirvac has a low risk tolerance in relation to taxation. This means, for material transactions where there is uncertainty arising from the complex application of tax laws, Mirvac will adopt the tax position most likely to be upheld by the ATO and/or the Courts. We undertake to manage taxes with the objective that all tax liabilities properly due under the law are correctly recorded, accounted for and paid.

Further, Mirvac’s management and Board have continual oversight over its operations to ensure this approach is being taken.

### Overview of Mirvac’s Tax Corporate Governance Framework

A diagrammatic overview of Mirvac’s approach to tax corporate governance is set out below:



Mirvac manages tax risks like any other operational risk in the business. To do this, we have strong internal policies and procedures for tax risk management which operate across all areas of the business (including at the board and management level).

The diagram above shows the particular processes that we have formalised in documented procedures including roles and responsibilities for tax, escalations procedures, board reporting, document retention and tax training. Further, Mirvac regularly tests its policies and technology systems to ensure the robustness of the tax corporate governance framework.

### ATO Engagement

Consistent with Mirvac’s tax corporate governance policy, Mirvac strives to be transparent and collaborative with all revenue authorities. Mirvac continually engages with the ATO and State-based revenue authorities in an open and transparent manner in relation to all our tax affairs. This includes proactively managing our tax affairs by way of seeking ATO rulings as well as by addressing ATO inquiries promptly and in a fulsome manner.

Mirvac, like any large corporate group, has its income tax affairs regularly reviewed by the ATO as part of their ordinary compliance activities. In the last 7 years, no adjustments have arisen from these reviews for income tax purposes.