



**FOR THE YEAR ENDED
30 SEPTEMBER 2023**

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

TAX TRANSPARENCY REPORT

CHIEF FINANCIAL OFFICER'S INTRODUCTION



I am pleased to present Westpac Banking Corporation's Tax Transparency Report for the year ended 30 September 2023. Our report sets out Westpac's tax contributions and approach to tax responsibilities in line with the Australian voluntary Tax Transparency Code.

We take our tax obligations seriously and are committed to paying the right amount of tax in the jurisdictions in which we operate. Our commitment to tax transparency and relationships with tax regulators globally reflect our purpose and values.

Our core markets are Australia and New Zealand, and we were Australia's 5th largest taxpayer in 2022². In 2023, 98.3% of our taxes (including the Major Bank Levy) were paid in Australia and New Zealand, with 86.3% paid in Australia.

Westpac paid \$3.5 billion globally in various taxes during 2023. Additionally in 2023, we collected over \$2 billion for Australian tax authorities for other tax matters including GST and income tax collected from employees.

The corporate income tax Westpac pays in Australia generates franking credits which, when passed on to Westpac shareholders, can be applied against their Australian tax payable.

Further information on Westpac, can be found at westpac.com.au/about-westpac/



Michael Rowland
Chief Financial Officer

1 Westpac or the Group.

2 Based on the ATO's Corporate Tax Transparency Report for the 2021-22 Income Year, published November 2023.

Basis of preparation

The information provided in this report covers the years ended 30 September 2022 and 2023.

Westpac's internal auditors have verified that the information disclosed meets the requirements of the Australian voluntary Tax Transparency Code released by the Board of Taxation in February 2016 and Section 161 and Schedule 19 of the UK Finance Act 2016; and is consistent with the financial statements in Westpac's 2023 Annual Report, financial records and submitted tax returns. Amounts are in Australian dollars or, where applicable, have been translated into Australian dollars and rounded to the nearest \$1 million³.

The report also considers recommendations and guidance from the Post-Implementation Review of the Tax Transparency Code Consultation Paper issued in February 2019 and the Draft Appendix to the Tax Transparency Code issued by the Australian Accounting Standards Board in May 2017.

The Westpac Group tax strategy

Westpac's tax strategy and approach is approved by the Board and aligns with the Group's commercial, reputational and business practices and our commitment to corporate responsibility.

Group Finance (including Group Tax located in Australia) has day-to-day responsibility for managing global tax risk and strategy in accordance with the Board approved Risk Management Framework, supported by tax specialists located in New Zealand, United States, United Kingdom, Singapore and China⁴. Group Tax personnel are appropriately experienced, qualified, and trained to identify and manage the Group's tax risks and obligations.

Westpac's tax governance includes the Tax Risk Management Framework (the Framework) as well as accompanying tax policies. The Framework is approved by the Board Audit Committee (which oversees and monitors Tax Risk for Westpac) on a biennial basis and covers financial, regulatory and reputational risk.

The Framework uses a Three Lines of Defence approach to risk management, provides a mechanism for the escalation of material tax matters and ensures that material tax risk is reported to the Board Audit Committee. The Framework and supporting tax policies also set out the products, transactions and events that require notification or sign-off, external tax advice and/or disclosure to the relevant revenue authorities. Similar tax governance frameworks operate in all the countries where we have operations.

Key elements of our tax strategy and approach include:

- Complying with all applicable tax laws, rules and regulations in all the countries where the Group operates, including ensuring that all tax lodgements, payments and reporting requirements are adhered to.
- Not participating in or promoting aggressive tax planning arrangements (either for our own tax affairs or for customers).
- A policy prohibiting conduct that facilitates tax evasion⁵.
- Ensuring tax compliance - including the associated control environment and business processes embedded in the business.
- Paying the correct amount of tax in the jurisdictions where we operate, based on underlying economic activity and the prevailing tax laws.
- Not using 'Low or Nil' tax rate⁶ jurisdictions for the purposes of avoiding or evading tax.
- Complying with arm's length principles for international related party and intra-group transactions.
- Having a low tax risk appetite and managing tax risk to avoid unnecessary disputes.
- Pro-actively seeking constructive, collaborative and transparent working relationships with the Australian Taxation Office (ATO) and other international tax authorities where we have operations. This includes engaging in open and frequent dialogue to disclose new and/or complex transactions and address any areas of uncertainty as well as entering into various formal co-operative compliance arrangements⁷.
- Pro-actively managing and monitoring compliance in accordance with the above principles.

From 1 October 2023, the ATO's engagement with Westpac will be managed through the Pre-lodgement Compliance Review and GST Assurance Review Framework (the PCR). The PCR sets out the overall engagement and assurance approach the ATO will adopt with Westpac for income tax, GST and the Major Bank Levy. The PCR will ensure the management of risk through early, tailored and transparent engagement with the ATO.

Under the Action Differentiation Framework, the ATO advised it will be applying a 'partnering' approach with Westpac, which means the ATO has confidence in Westpac's tax compliance and ongoing commitment to maintaining an open and transparent relationship with them.

In respect of the ATO's Justified Trust program, our high level of assurance over our income tax affairs has been maintained for the 2019 and 2020 income tax years⁸ and we have obtained the highest possible rating for income tax governance. For GST, a provisional high level of assurance was obtained for the 2018 income tax year⁹.

³ All amounts are in AUD, unless otherwise stated.

⁴ Our branch in China is being wound up in line with our strategy.

⁵ Including a commitment to adherence to the UK Criminal Finance Act.

⁶ Low or nil tax rate jurisdictions are defined using International Standards (e.g. OECD).

⁷ Including adopting the UK Code of Practice on Taxation for Banks

(refer: <https://www.gov.uk/government/publications/code-practice-taxation-banks/code-of-practice-on-taxation-for-banks>).

⁸ This high assurance rating means the ATO is confident that we report and pay the right amount of income tax. Reviews for later income years are ongoing and we continue to work with the ATO in order to maintain a high level of assurance.

⁹ The provisional rating is over specific areas within Westpac and reflects the need for the ATO to undertake further review work in later income years on specific areas of GST tax governance.

Westpac Group's effective income tax rate

Westpac's effective income tax rate for 2023 was 30.1% (2022:32.7%). This is the rate recognised in the financial statements in our 2023 Annual Report (Financial Statements) and is calculated by dividing income tax expense by Profit before income tax. The effective income tax rate is slightly above Australia's corporate tax rate of 30%. If we include the major bank levy the effective tax rate for 2023 becomes 32.3%. Table 1 provides a summary of Westpac's effective income tax rates.

Table 1: Effective income tax rates

Jurisdiction	2023		2022	
	% of profit before income tax	Effective income tax rate	% of profit before income tax	Effective income tax rate
Australia	82.7%	31.0%	79.3%	34.5%
New Zealand	14.8%	28.2%	19.2%	26.3%
Other offshore	2.5%	13.8%	1.5%	19.8%
TOTAL	100%	30.1%	100%	32.7%

Westpac's international related party dealings

Westpac has banking and related operations in New Zealand.

Westpac also has branches and/or subsidiaries in the United Kingdom, Germany, United States¹⁰, Singapore, China¹¹, Papua New Guinea (PNG) and Fiji which provide commercial banking products and services. PNG and Fiji also provide retail banking products and services.

Westpac's businesses in these overseas jurisdictions support the communities' banking needs in these markets. The type of dealings with our offshore subsidiaries and branches are summarised in Table 2:

Table 2: Material transactions Westpac Australia undertakes with its offshore subsidiaries and branches¹²

TRANSACTION TYPE	JURISDICTION	
	Offshore Subsidiaries	Offshore Branches
Derivatives – comprises swaps, options, forwards and futures contracts with offshore branches and subsidiaries	Westpac Europe Limited	New Zealand, UK, Singapore, USA
Loans – comprises loans to and/or from offshore branches and subsidiaries	Westpac Capital Markets Holding Corporation	USA, New Zealand, Singapore, UK
Dividends – comprises dividends received from offshore subsidiaries	Westpac New Zealand Group Limited Westpac Bank-PNG-Limited BT Financial Group (NZ) Limited	-
Administrative and management services – Westpac undertakes these services centrally for the benefit of offshore branches and subsidiaries	Westpac New Zealand Limited Westpac Bank-PNG-Limited Westpac NZ Securitisation Limited Westpac NZ Covered Bond Limited	New Zealand, UK, Singapore, Fiji, USA

Westpac applies globally recognised and accepted tax transfer pricing principles and documentation requirements under the local country laws for each jurisdiction where we have operations and we follow the Organisation for Economic Co-operation and Development (OECD) guidelines. In transfer pricing matters, Westpac has transparent working relationships with the ATO and other tax authorities globally, so they understand the nature of the transactions being undertaken. This can include entering into certain arrangements such as Advanced Pricing Agreements from time to time.

In FY23, Westpac lodged its sixth Country-by-Country (CbC) report for the year ended 30 September 2022. CbC reporting is part of a range of international measures that work towards promoting more comprehensive exchanges of information between countries.

¹⁰ Westpac operates a branch in the Cayman Islands and is currently in the process of surrendering its banking licence in that jurisdiction. All income and expenditure of the branch is subject to US taxation as part of the Westpac US branch.

¹¹ We await regulatory approval for the closure of operations in China.

¹² Where the impact to taxable income is greater than \$0.5m.

Westpac's total tax contributions for 2023 and 2022

Table 3: Taxes (including the Major Bank Levy) paid by the Westpac Group

Type	2023 A\$M					2022 A\$M				
	Australia – Westpac Bank ¹³	Australia – subsidiaries (that separately pay tax) ¹⁴	New Zealand	Other offshore	TOTAL	Australia – Westpac Bank ¹³	Australia – subsidiaries (that separately pay tax) ¹⁴	New Zealand	Other offshore	TOTAL
Corporate income taxes paid ¹⁵	2,044	-	345	50	2,439	1,999	1	308	35	2,343
Major Bank Levy ¹⁶	329	-	-	-	329	357	-	-	-	357
Non-recoverable GST	332	-	67	1	400	322	-	43	1	366
Payroll tax ¹⁷	268	-	-	-	268	239	-	-	-	239
Fringe benefits tax ¹⁸	9	-	4	-	13	12	-	4	-	16
Other ¹⁹	-	-	-	8	8	-	-	-	-	0
TOTAL	2,982	0	416	59	3,457	2,929	1	355	36	3,321

13 This is the amount of Australian tax paid by the Westpac Australian tax consolidated group/Westpac Australian GST group where applicable. Under Australian income tax law, wholly owned corporate groups can consolidate themselves into a single entity and pay corporate income tax as one entity. For its Australian operations, Westpac and its wholly owned Australian subsidiaries are part of one Westpac Australian tax consolidated group. Under GST Law, two or more entities are permitted to consolidate their GST reporting and payment obligations by forming a GST group. For its Australian operations, all Westpac entities (that are at least 90% owned) are consolidated into the Westpac Australian GST group.

14 Australian subsidiaries that are not wholly owned by Westpac pay tax separately from Westpac.

15 This represents the amount actually paid to the Revenue Authorities globally for income tax during the financial year ended 30 September.

16 From 1 July 2017 the Major Bank Levy began to apply to Westpac. This is calculated at the rate of 0.06% per annum of certain Authorised Deposit Taking Institution (ADI) liabilities. This is the amount that was actually paid during the financial year ended 30 September.

17 This represents the amount of Payroll tax actually paid to State Revenue Authorities during the financial year ended 30 September.

18 This is the amount of Fringe Benefits Taxes (FBT) actually paid in Australia and New Zealand during the financial year ended 30 September.

19 This includes various taxes incurred by our offshore branches and subsidiaries, however, does not include all state taxes, levies and charges that Westpac pays.

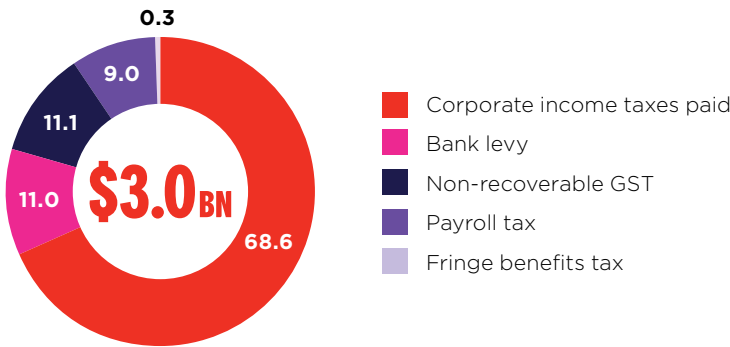
Westpac’s total tax contributions for 2023 and 2022 (continued)

In addition to the taxes paid, Westpac also collects significant taxes on behalf of the Commonwealth of Australia. Table 4 below provides the amounts collected by Westpac.

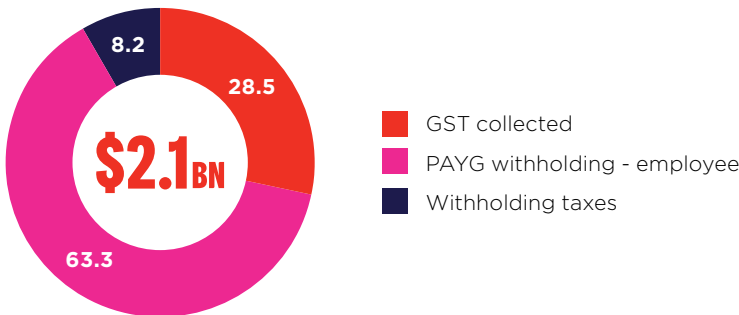
Table 4: Taxes Collected on behalf of the Australian Government

TAX TYPE	AUSTRALIA - WESTPAC BANK ²⁰	
	2023 A\$M	2022 A\$M
Withholding taxes ²¹	171	22
GST collected	591	856
PAYG withholding - employees ²²	1,314	1,208
TOTAL	2,076	2,086

Taxes paid by type - Australia Westpac (%)²⁰



Taxes collected by type - Australia Westpac (%)²⁰



²⁰ These are the taxes and levies collected or paid by the Westpac Australian tax consolidated group/Westpac Australian GST group where applicable for the financial year ended 30 September 2023.

²¹ This includes TFN withholding, ABN withholding, interest withholding tax and royalty withholding tax.

²² This represents the income tax withheld from employee remuneration.

Westpac Group's income tax paid and income tax expense

Income tax expense as presented in Note 7 (Income tax) to the Financial Statements, was \$3,104 million for 2023.

Table 5 reconciles profit before income tax to taxes paid. In Table 5, "Non-temporary differences" represent the differences between tax and accounting that never reverse over time. "Temporary differences" represent the differences between the time transactions are recognised for accounting purposes and when they are recognised for income tax purposes.

Table 5: Reconciliation of accounting profit to income tax paid

	2023 A\$M	2022 A\$M
Profit before income tax	10,305	8,469
Tax at the Australian company tax rate of 30%	3,092	2,541
<i>Non-temporary differences:</i>		
Hybrid capital distributions ²³	117	67
Life insurance: Tax adjustments on policyholder earnings ²⁴	(0)	(1)
Dividend adjustments	3	0
Other non-assessable items ²⁵	(9)	(97)
Other non-deductible items ²⁶	49	409
Adjustment for overseas tax rates ²⁷	(25)	(31)
Income tax (over)/under provided in prior years ²⁸	7	(77)
Other items	(130)	(41)
Total income tax expense per Note 7 in the Financial Statements	3,104	2,770
<i>Temporary differences (movement):</i>		
Provisions for ECL on loans and credit commitments ²⁹	101	(117)
Finance lease transactions	79	23
Lease liabilities ³⁰	(48)	(103)
Property and equipment ³⁰	(70)	58
Other provisions	(79)	(105)
Other timing differences	(71)	17
Total temporary differences (movement)	(88)	(227)
Other tax adjustments ³¹	(577)	(200)
Total corporate income tax paid by Westpac Group globally	2,439	2,343

23 This represents interest payments paid on Hybrid distributions which are equity for tax purposes and therefore non-deductible.

24 The tax adjustment on policyholder earnings is related to the income tax expense on investment earnings attributable to insurance policyholders instead of the Group. Therefore, it is separately disclosed in Note 7 (Income tax) to the Financial Statements and Table 5.

25 These are amounts that have been included in accounting income, however, are not assessable for tax purposes.

26 These are amounts which are expensed for accounting purposes but are non-deductible for tax purposes.

27 This represents the adjustments on corporate tax rates between Australia and the offshore jurisdictions where we operate.

28 This represents prior year tax adjustments.

29 This represents Expected credit loss (ECL) provisions raised during the year which are not tax deductible until the debt is written off as bad.

30 Under AASB 16 all leases of a lessee (with the exception of short-term leases and low value leases) are recognised on the balance sheet as a right of use asset (in property & equipment) as well as a lease liability. This asset and liability give rise to temporary differences. For tax purposes these leases continue to be treated as off-balance sheet operating leases, with a tax deduction available for the lease payments made.

31 This amount represents income tax payments and temporary differences that relate to a year that is different to the current year. For example, corporate income tax paid for a financial year will include the final instalment of income tax for the preceding financial year.

Australian tax return information published by the ATO

In November 2023, the ATO reported Australian tax information for Westpac and other large public companies relating to the 2022 year.

The information that was reported for Westpac is shown in Table 6 below:

Table 6: Report of entity tax information- for the year ended 30 September 2022

WESTPAC BANKING CORPORATION ABN 33 007 457 141	ALL FIGURES IN A\$M
Total income	35,155 ³²
Taxable income	7,395 ³³
Income tax payable	2,212³⁴

The information in Table 6 relates to the income tax payable by the Westpac Australian tax consolidated group for the 2022 year. It does not reflect tax payable on Westpac's offshore operations or other non-wholly owned subsidiaries (that separately pay tax).

Income tax payable is prima facie 30% of taxable income, however Westpac's income tax rate was approximately 29.92%³⁵. This reflects the effect of franking credits on dividends received and other specific items prescribed by tax law.

32 Total Income as reported by the ATO is the gross income earned by the Westpac Australian tax consolidated group, before deductions/ expenses are applied. This differs from the Group's global total income in the Financial Statements because it does not include income earned by the Group's offshore operations and non-wholly owned subsidiaries, but it does include income earned from transactions with these offshore branches and subsidiaries (e.g., intragroup interest and dividends).

33 Taxable income for the Westpac Australian tax consolidated group is arrived at by deducting a range of expenses from its Total income (such as funding and operating costs) and making other adjustments required by tax law. Taxable income differs from the broader Group's profit before income tax in the Financial Statements because it includes adjustments for:

(a) non-temporary differences (items that are included for accounting purposes and not for tax (or vice versa)); and

(b) temporary differences (items that are recognised in different periods for accounting and tax). These are covered in Table 5 of this Report.

34 Income tax payable is the Westpac Australian tax consolidated group's income tax liability for 2022. It differs to the corporate income tax paid of \$1,999m disclosed in Table 3 of this report, as that is the actual amount of tax paid during FY22.

35 The rate of 29.92% differs from the effective income tax rate of 34.5% shown in Table 1 of this report for Australia because the rate reflects both non-temporary and temporary differences whereas the effective income tax rate for accounting purposes in Table 1 reflects only non-temporary differences.

