



Tax transparency report

for the year ended 30 September 2022

National Australia Bank Limited (NAB) takes its tax obligations seriously and is committed to being transparent about its tax affairs. This Tax Transparency Report meets the requirements of Australia's Voluntary Tax Transparency Code and provides an explanation of NAB's tax contribution for the year ended 30 September 2022.

Introduction

NAB is a major Australian company which, together with its subsidiary companies and foreign branches, makes a significant contribution to the Australian economy and business landscape and to the offshore economies in which it conducts financial services activities. The corporate behaviour of NAB impacts many stakeholders including customers, shareholders, employees and governments. As a corporate leader, NAB commits to strong corporate values and behaviours, including in its approach to taxation.

In August 2016 NAB committed to Australia's Voluntary Tax Transparency Code (**the Code**).

The disclosures made in this report satisfy Parts A and B of the Code.

In particular, the report sets out for the year ended 30 September 2022 NAB's:

- Approach to tax risk governance
- International Related Party Dealings
- Total Tax Contribution in Australia
- Total Tax Contribution globally
- Reconciliations of:
 - Income Tax Expense
 - Effective Tax Rate
 - Income Taxes Payable
 - Current Tax Expense
- Reconciliation to the ATO's transparency disclosures
- Basis of preparation
- Glossary.

The report should be read in conjunction with NAB's 2022 Annual Report (**AR**) which can be found on NAB's website at www.nab.com.au.

NAB's Approach to Tax Risk governance

The NAB Board is responsible for determining NAB's Tax Policy and the approach to tax risk governance. The Tax Policy is reviewed on a regular basis and any changes are approved by the NAB Board.

Background and Context

The Tax Policy applies to all functions of NAB including employees, contractors and agents.

For the purpose of the Tax Policy, Tax Risk is defined as an unexpected adverse financial or reputational consequence arising to NAB from adopting a position or taking an action that is inconsistent with the key tax principles detailed below.

Policy Principles

NAB's Tax Policy is founded on six key principles:

1. Robust Tax Control Framework

NAB maintains a robust tax control framework which is subject to regular testing and assurance.

Tax risk is managed in the context of the Group's framework on risk management accountabilities. NAB exercises strong governance over its tax affairs. NAB maintains and enforces protocols to control the type of transactions that NAB enters into and the tax risks associated with these transactions.

2. Full Compliance with Tax Laws

NAB seeks to be fully and properly compliant with tax obligations in each of the jurisdictions in which it operates by providing tax authorities with information that is complete, accurate and reliable in all material respects and is provided on time as set out in legislation or as agreed with tax authorities. NAB will not adopt a tax position which is clearly contrary to tax laws or administrative practices of the relevant jurisdictions.

NAB recognises that there may be areas of differing legal interpretation from time to time with tax authorities and, where this occurs, NAB endeavours to engage proactively with tax authorities to resolve these matters.

NAB continually monitors the potential impact of new legislation, judicial pronouncements and administrative practices in assessing the impact on operations and transactions.

NAB subscribes to the United Kingdom Code of Practice for Banks (UK Code) which was introduced on 9 December 2009 as NAB conducts operations in the United Kingdom. The objective of the UK Code is to ensure that banking groups operating in the United Kingdom comply with the spirit, as well as the letter of the law when it comes to tax matters.

3. Acceptable Tax Planning

As part of the prudent management and organisation of its affairs, NAB will only engage in acceptable tax planning in regard to transactions, products and business structures. In this regard acceptable tax planning must have a commercial and economic relevance to NAB's underlying business activities and have genuine substance. NAB will only enter into transactions that are in accordance with, and in line with the spirit of, the applicable tax legislation and regulations.

NAB does not:

- transfer value to operations in low tax jurisdictions solely to obtain a tax benefit or without genuine commercial reasons and substance.
- participate in, or promote, complex arrangements or tax structures that could be considered aggressive or viewed as contrived or serve no other genuine economic or business purpose.
- utilise structures, including structures situated in tax havens or jurisdictions that are uncooperative with tax authorities, that are designed solely to obtain a tax benefit or avoid disclosure of activities.

4. Use of Arm's Length Tax Transfer Pricing Principles

NAB's guiding principle in all intra group transactions is that the dealings must be in accordance with the arm's length standard for transfer pricing.

NAB will not participate in arrangements where transfer pricing outcomes are not consistent with value creation.

NAB seeks to comply with the domestic transfer pricing rules which apply in each of the regions in which it operates. These rules, while predominantly based on the Organisation for Economic Co-operation and Development (OECD) Guidelines do differ by country, which can result in different requirements for different regions. To address this matter, the following principles will apply:

- OECD guidelines will form the basis of NAB's approach to transfer pricing.
- NAB will apply the arm's length standard for its transfer pricing arrangements.

Transfer pricing outcomes must be consistent with the functional activities undertaken, risks assumed and assets utilised in each jurisdiction.

5. Constructive working relationship with Tax Authorities

NAB proactively works with tax authorities in each of the jurisdictions in which it operates to establish a constructive working relationship based on transparency, mutual trust and respect and co-operation.

NAB will:

- Be fully transparent in disclosing and discussing significant uncertainties in relation to tax matters.
- Discuss and resolve material tax issues before returns are filed, wherever practicable.
- Engage in a co-operative, supportive and professional manner.
- Work collaboratively to achieve early resolution of issues

As one of Australia's largest taxpayers, NAB is subject to the ATO's Pre-lodgement Compliance Review (PCR) program.

As part of the PCR process, NAB has clear lines of communication with the ATO on particular transactions that NAB is undertaking and positions that are adopted. This provides the ATO with an opportunity to perform a timely review of NAB's tax obligations.

NAB is considered a "Key Taxpayer" for both income tax and GST. This is the lowest risk rating that can be attained taking into account the size and complexity of NAB's Australian operations.

NAB has received a High level of ATO assurance over its income tax compliance. This means that NAB has received a Justified Trust designation.

6. Tax Transparency consistent with stakeholder expectations

NAB will annually publish a tax transparency report. This report will meet stakeholder expectations around the transparency of NAB's tax affairs including the provision of information about NAB's approach to tax risk and the disclosure of taxes paid by NAB.

NAB's International Related Party Dealings

NAB undertakes international related party dealings between its operations in Australia and its offshore branches and subsidiaries. In line with the Tax Policy, all transactions are conducted in a manner consistent with the arm's length standard.

Outlined below are details of the nature of the material categories of dealings and the countries in which the counterparties to the dealings are located.

A listing of entities, business activities and employee numbers for each region in which NAB operates is published in the "NAB Group Entity Report" which can be located at <https://www.nab.com.au/about-us/sustainability/reporting-policies-approach/open-transparent-tax-disclosure>.

Funding

As a major Australian financial institution, NAB raises funds to facilitate lending to customers and to meet regulatory capital requirements. NAB raises funding through a number of different means including raising funding from both domestic and international markets. As part of its general funding activities, NAB enters into various funding arrangements with its offshore branches and subsidiaries to address both short term and longer-term funding requirements.

International related party funding transactions occur between NAB and the following offshore related party locations: New Zealand, United States, United Kingdom, Hong Kong and Singapore.

Derivatives

The derivative market is a global market with major trading hubs located outside of Australia. To enable NAB to participate in these markets, NAB engages in derivative sale and trading arrangements with its offshore branches and subsidiaries.

International related party derivative transactions occur between NAB and offshore operations in the following locations: New Zealand, United States, United Kingdom, France, Hong Kong, Singapore, China and Japan.

Global Taxes Paid

The amount of global taxes paid in each region is provided on page 4 in A\$ equivalent.

NAB's Contribution To Australian Tax Revenue

NAB paid total taxes in Australia during the year ended 30 September 2022 of \$1,905m. This includes:

Taxes Paid in Australia	2022 \$m
Corporate Tax	1,082
Major Bank Levy	347
Unrecoverable GST	246
Employer Related Taxes	230
Total	1,905

Given the quantum of Australian corporate income tax paid, in 2022 NAB was able to fully frank all dividends paid to shareholders and to the holders of frankable hybrid instruments.

The Corporate Tax Paid in Australia of \$1,082m above is \$543m lower than the Tax Payable per the 2022 income tax return in Australia (see table 3 on Page 8) mainly due to tax payments made after 30 September 2022. Table 4 on Page 8 provides a reconciliation between the Corporate Tax Paid of \$1,082m and the Tax Payable of \$1,625m.

In addition to the above taxes paid, NAB also collects significant taxes on behalf of the Australian Government. Below is a summary of the key taxes collected and remitted by NAB in 2022.

Taxes Collected and Remitted in Australia	2022 \$m
Salary Withholding Taxes	1,134
GST	598
Other Withholding Taxes	10
Total	1,742

NAB's Global Tax Contribution

NAB paid total taxes (A\$ equivalent) globally during the year ended 30 September 2022 of \$2,530m. This includes:

2022						
Taxes Paid Globally	Aust \$m	NZ \$m	Europe ¹ \$m	USA \$m	Asia ² \$m	Total \$m
Corporate Tax	1,082	465	91	2	2	1,642
Major Bank Levy	347	-	-	-	-	347
GST/VAT Unrecovered	246	41	4	-	-	291
Employer Related Taxes	230	5	13	2	-	250
TOTAL	1,905	511	108	4	2	2,530
Percentage of Total	75.3%	20.2%	4.3%	0.2%³	0.0%	100%

Income tax expense reconciliation

Below is a reconciliation of Income tax expense (ITE) for NAB including a split per major country/region for the year ended 30 September 2022. NAB's ITE Reconciliation is disclosed in Note 6 of NAB's 2022 AR. The ITE disclosed in a company's income statement does not represent NAB's liability to the ATO (or relevant overseas revenue authority), but rather ITE is calculated in accordance with Australian accounting standards and represents the accounting profit multiplied by the prima facie corporate income tax rate, with subsequent adjustments for "non-temporary" differences between accounting and tax. These adjustments take into account the difference between expense and income recognition criteria under accounting principles and the income tax legislation. Some examples include non-deductible expenses, non-assessable income, concessional tax income and foreign tax rate differences for income derived overseas.

2022						
Income Tax Expense Reconciliation	NAB \$m	Australia \$m	NZ \$m	Europe ¹ \$m	USA ² \$m	Other Regions ³ \$m
Statutory Profit before income tax expense [A]	9,744⁴	7,321	1,857	255	259	52
Prima facie income tax at 30%	2,923	2,196	557	76	78	16
Tax effect of permanent differences:						
Assessable foreign income	7	7	-	-	-	-
Foreign tax rate differences	(65)	-	(37)	(10)	(11)	(7)
Losses not tax effected	(24)	-	-	(23)	(1)	-
Foreign branch income not assessable	(12)	(6)	-	-	(6)	-
Over/(under) provision in prior years	(5)	1	-	(1)	(2)	(3)
Offshore banking unit adjustment	(97)	(97)	-	-	-	-
Restatement of deferred tax balances for tax rate changes	(5)	-	-	(5)	-	-
Non-deductible interest on convertible instruments	67	67	-	-	-	-
Gain on disposal of BNZ Life	(59)	(59)	-	-	-	-
Other	(46)	2	2	1	(56)	5
Total income tax expense [B]	2,684	2,111	522	38	2	11
Effective tax rate [B] / [A]	27.5%	28.8%	28.1%	14.9%	0.8%	21.2%

1. Includes UK and France.

2. NAB has carried forward US corporate tax losses that have been applied in FY22 that has reduced the amount of corporate taxes paid in the US.

3. Given the relative size of NAB's operations in countries in Asia they have been aggregated as "Asia".

4. Information is presented on a continuing operations basis.

Effective tax rate

The effective tax rate (**ETR**) for the year ended 30 September 2022 was **27.5%** for NAB (2021: 28.7 %) and **28.8%** (2021: 30.5 %) for NAB's Australian region.

The ETR is the income tax expense as a percentage of statutory profit before income tax. NAB's ETR for the 2020 to 2022 years is shown below (on a Continuing Operations basis).

NAB's statutory ETR differs from the Australian corporate tax rate of 30% principally due to differing corporate tax rates in offshore locations where NAB operates and also due to NAB's offshore banking unit income which is taxed in Australia at a lower rate to encourage offshore investment.

Effective Tax Rate	2022 \$m	2021 \$m	2020 \$m
Statutory Profit before tax	9,744	9,068	5,163
Statutory Income Tax Expense	2,684	2,597	1,665
Statutory Effective Tax Rate	27.5%	28.7%	32.2%⁵

Income taxes payable reconciliation

The reconciliation of Income Taxes Payable for NAB for the year ended 30 September 2022 is as follows:

Income Taxes Payable Reconciliation	2022 \$m
Income Taxes payable as at 1 October 2021 (per Balance Sheet in AR)	235
Less: income tax paid during the year (per Cash Flow Statement in AR)	(1,641)
Add: Current Tax Expense for the year ended 30 September 2022 (refer below)	2,365
Add/(Less) Other Items ⁶	36
Income Taxes payable as at 30 September 2022 (per Balance Sheet in AR)	995

Current tax expense reconciliation

Current Tax Expense for NAB for the year ended 30 September 2022 is calculated as follows:

Current Tax Expense Reconciliation (Continuing Operations Basis)	2022 \$m	2022 \$m
Profit before income tax expense		9,744
Prima facie income tax at 30%		2,923
Non-Temporary Differences		
Assessable foreign income	7	
Foreign tax rate differences	(65)	
Foreign branch income not assessable	(12)	
Over/(under) provision in prior years	(5)	
Offshore banking unit adjustment	(97)	
Restatement of deferred tax balances for tax rate changes	(5)	
Non-deductible hybrid distributions	67	
Losses not tax effected	(24)	

5. The ETR for FY20 was impacted by covid related provisioning and a non-deductible impairment which did not re-occur in FY21.

6. Predominantly relates to items in Discontinued Operations.

Current tax expense reconciliation (continued)

Current Tax Expense Reconciliation (Continuing Operations Basis)	2022 \$m	2022 \$m
Gain on disposal of BNZ Life	(59)	
Other	(46)	
Total Non-Temporary Difference		(239)
Income Tax Expense (per Note 6 in AR)		2,684
Temporary Differences giving rise to a Deferred Tax Expense		
Collective & Specific Provisions	(9)	
Other Provisions	(265)	
Fixed Assets	(22)	
Other	(23)	
Deferred Tax Expense (per Note 6 in AR)		(319)
Current Tax Expense (per Note 6 in AR)		2,365

Reconciliation to the ATO's tax transparency disclosure

Following the introduction of tax transparency legislation, the ATO has published certain information about the tax affairs of certain companies since 2014, which includes NAB.

To facilitate a greater understanding of how the ATO published data agrees to NAB's AR, the Tables below provide the following information:

- **Table 1** is a high-level reconciliation of NAB's profit before income tax from continuing operations as disclosed in the AR to the profit disclosed in the 2022 tax return for the NAB Income Tax Consolidated Group (**NAB TCG**). The NAB TCG comprises NAB and all of NAB's wholly owned Australian entities.
- **Table 2** is a summary of the 2022 tax return for the NAB TCG. The information is taken from various labels of the tax return. The information in this Table will not reconcile to the amounts disclosed in the "Australia" column in the "Income Tax Expense Reconciliation" on Page 4. This is because the actual tax paid to the ATO incorporates tax temporary differences (for example, differences between tax and accounting depreciation expense) whilst these do not form part of the ITE calculation.
- **Table 3** is what the ATO will publish for NAB for the year ended 30 September 2022.
- **Table 4** provides a reconciliation between the Corporate Tax Paid on Page 3 and the Tax Payable per Tables 2 and 3.

Table 1 – Reconciliation of Net Profit		2022 \$m
NAB Statutory Profit Per AR on a Continuing Operations basis		9,744
Add:		
Net Profit included in the Tax Return but not included in the AR		527
Exclude:		
Net Profit from NAB entities outside the NAB TCG		(2,586)
Adjust for transactions in the NAB Group including accounting consolidation entries		(61)
Net Profit from Discontinued Operations ⁷		(214)
Profit for NAB TCG per the 2022 Tax Return		7,410

Table 2 – Summary of NAB TCG Tax Return	2022 \$m	ATO disclosure (refer Table 3)
Total Income (included in Table 3)	26,741	26,741
Total Expenses	(19,331)	
Net Profit Before Income Tax (refer to Table 1)	7,410	
Book to Tax Adjustments:		
Collective & Specific Provisions	(219)	
Other Provisions	(39)	
Fixed Assets	(249)	
Customer-related Remediation Provision	(741)	
Non-assessable Dividends	(543)	
Offshore Banking Unit Concession	(168)	
Other Adjustments	(19)	
Taxable Income (Included in Table 3)	5,432	5,432
Income Tax on Taxable Income	1,630	
Tax Offsets	(5)	
Tax Payable (included in Table 3)	1,625	1,625

7. Discontinued operations are a component of the group that either have been disposed of, or classified as held for sale.

Table 3 – A TO’s Published Information of NAB TCG		2022
		\$
Total Income		26,741,229,335
Taxable Income		5,432,323,018
Tax Payable		1,625,065,031

Table 4 – Reconciliation of Corporate Tax Paid to Tax Payable (Australia)		2022
		\$m
FY22 Australian Corporate Tax Paid - cash basis (refer to page 3)		1,082
<i>Adjustments to cash basis reporting:</i>		
FY22 final tax payment made after 30 Sept 22		445
FY21 tax refund received in Sep 2022		80
FY21 PAYG tax instalment made after 30 Sep 21		(58)
FY22 PAYG tax instalment made after 30 Sep 22		122
Prior year tax return amendments – tax paid during FY22		(46)
FY22 Australian tax payable - tax return (included in Table 3)		1,625

Basis of preparation

This report gives its readers an overview of the total tax payments made by NAB.

Key income tax expense and tax payable data was sourced from NAB's 2022 AR. NAB's 2022 AR was prepared in accordance with the requirements of the Corporations Act 2001 (Cth), accounting standards and interpretations issued by the Australian Accounting Standards Board (**AASB**), International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

All data, unless otherwise stated, has been prepared for the year 1 October 2021 to 30 September 2022. Data that relates to taxes paid or collected are reported on a cash paid basis.

Amounts are presented in Australian dollars, which is NAB's functional and presentation currency. These amounts have been rounded to the nearest million dollars (\$m).

Glossary

For the purposes of this report, the following terms have the below meaning:

Accounting standards	Standards and interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.
AR	Annual Report.
Arm's length standard	To price international related party dealings as if they were between unrelated, well-informed parties.
Effective tax rate	Income tax expense as a percentage of statutory profit before income tax expense.
Employer related taxes	Fringe Benefits Tax and State imposed Payroll Tax.
Foreign branch	The international operations of an Australian company that is subject to tax in the foreign jurisdiction.
Justified Trust	The ATO have obtained assurance that NAB paid the right amount of Australian income tax for the relevant tax year.
Income tax legislation	Income Tax Assessment Act 1936 (Cth) and Income Tax Assessment Act 1997 (Cth).
International related party dealing	A transaction between a domestic and international party of NAB.
Major Bank Levy	In 2017, the Australian Government introduced a Major Bank Levy which has applied to NAB since 1 July 2017. The rate is 0.06% per annum of certain Authorised Deposit Taking Institution liabilities. The Bank levy is deductible for income tax purposes.
NAB Income tax consolidated group (NAB TCG)	NAB and all Australian wholly owned entities which are consolidated as one taxpayer for Australian income tax purposes.
NAB	National Australia Bank Limited and its controlled entities (as defined in the AR).
Non-temporary Differences	An adjustment to account for an amount of income or expense that, while recognised for accounting purposes, will never be taken into account for income tax purposes or vice versa.
Pre-lodgement Compliance Review (PCR)	ATO's Pre-lodgement Compliance Review program.
Revenue authorities	Federal, state and offshore revenue authorities.
Tax payable	The amount of corporate income tax due for a particular period, calculated in accordance with the relevant income tax legislation.
Temporary Differences	An adjustment to take into account the different time in which income or expenses are recognised for accounting and income tax purposes.
Unrecoverable GST	The amount of GST paid for which a credit cannot be obtained.