



NAB Tax Transparency Report

**For the year ended
30 September 2021**

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 2021.

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 2021 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 2021 Annual Financial Report (**AFR**) 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 strict protocols to control the type of transactions that NAB enters into and the tax risks associated with these 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.

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.

3. Acceptable Tax Planning

As part of the prudent management and organisation of its affairs, 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.
- provide tax advice or planning to customers, other than that allowed under the Tax Agent Services Act 2009 by tax (financial) advisers.

NAB has developed policies and procedures to detect and report on financial crimes, including tax evasion. There are strict internal policies in place to prevent tax evasion or other forms of financial crimes.

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 nab.com.au/about-us/social-impact/shareholders/responsible-tax-management.

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.

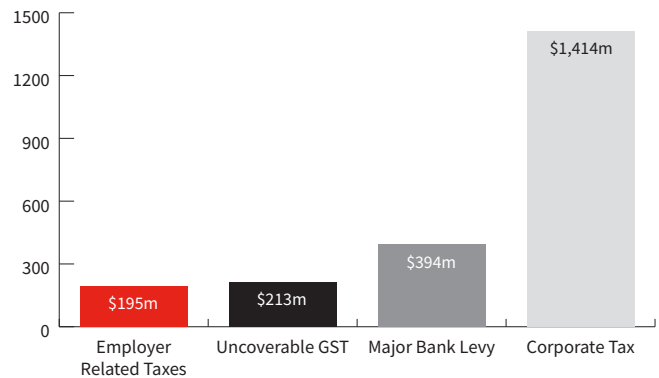
International related party derivative transactions occur between NAB and offshore operations in the following locations: New Zealand, United States, United Kingdom, Hong Kong, Singapore and Japan.

Global taxes paid

The amount of global taxes paid in each region is provided on page 5 in A\$ equivalent.

NAB’s contribution to Australian tax revenue

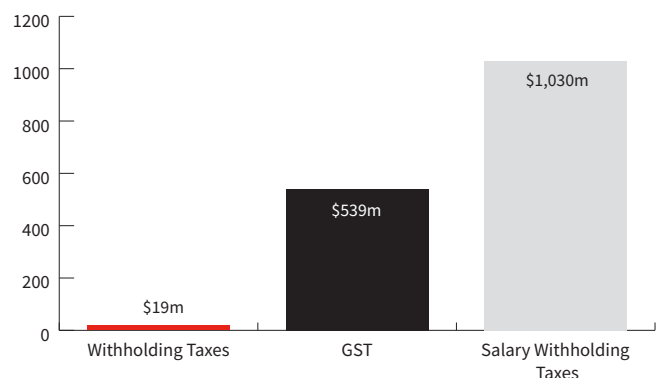
NAB paid total taxes in Australia during the year ended 30 September 2021 of \$2,216 million. This includes:



Given the quantum of Australian corporate income tax paid, in 2021 NAB was able to fully frank all dividends paid to shareholders and to the holders of frankable hybrid instruments.

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 by NAB.



NAB's global tax contribution

NAB paid total taxes (A\$ equivalent) globally during the year ended 30 September 2021 of \$2,695 million. This includes:

- Corporate income tax \$1,833 million
- Major Bank Levy \$394 million
- Unrecoverable GST/VAT \$255 million
- Employer related taxes \$213 million.

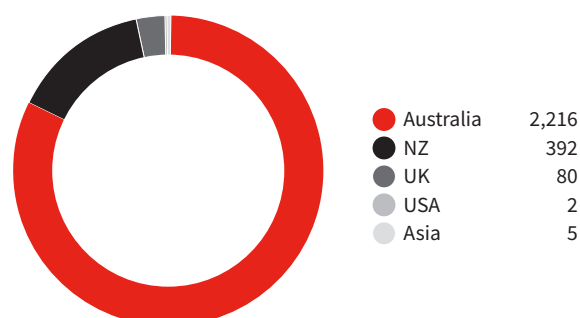
The breakdown (in \$ millions) between the different type of taxes for the countries where NAB operates is set out below:

	AUST	NZ	UK	USA	Asia ¹	Total
Corporate Tax	1,414	348	66	-	5	1,833
Major Bank Levy	394	-	-	-	-	394
GST/VAT Unrecovered	213	39	3	-	-	255
Employer Related Taxes	195	5	11	2	-	213
TOTAL	2,216	392	80	2	5	2,695
Percentage of Total	82.22%	14.55%	2.97%	0.07%²	0.19%	100%

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

2 NAB has carried forward US corporate tax losses that have been applied in FY21 that has reduced the amount of corporate taxes paid in the US.

A diagrammatic breakdown of NAB's global total tax contribution (in \$ millions) by country is shown below.



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 2021. NAB's ITE Reconciliation is disclosed in Note 6 of NAB's 2021 Annual Financial Report (AFR). 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, concessionally taxed income and foreign tax rate differences for income derived overseas.

Income Tax Expense Reconciliation	2021 NAB \$m	2021 Australia \$m	2021 NZ \$m	2021 UK \$m	2021 USA \$m	2021 Other Regions ³ \$m
Statutory Profit before income tax expense [A]	9,068 ⁴	6,632	1,765	338	233	100
Prima facie income tax at 30%	2,720	1,990	529	101	70	30
Tax effect of permanent differences:						
Assessable foreign income	7	7	-	-	-	-
Foreign tax rate differences	(78)	2	(35)	(16)	(15)	(14)
Foreign branch income not assessable	(35)	(9)	-	-	(26)	-
Over/(under) provision in prior years	(8)	-	(1)	(5)	(1)	(1)
Offshore banking unit adjustment	(46)	(46)	-	-	-	-
Restatement of deferred tax balances for tax rate changes	(1)	-	-	(1)	-	-
Non-deductible hybrid distributions	58	58	-	-	-	-
Losses not tax effected	(13)	1	-	(12)	(3)	1
Other	(7)	21	(1)	(5)	(24)	2
Total income tax expense [B]	2,597	2,024	492	62	1	18
Effective tax rate [B] / [A]	28.7%	30.5%	27.9%	18.3%	0.4%	18.0%

3 Principally countries in the Asian region.

4 Information is presented on a continuing operations basis.

Effective tax rate

The effective tax rate (ETR) for the year ended 30 September 2021 was **28.7%** for NAB (2020: 32.2 %) and **30.5%** (2020: 34.8 %) 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 2019 to 2021 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	2021 \$m	2020 \$m	2019 \$m
Statutory Profit before tax	9,068	5,163	7,177
Statutory Income Tax Expense	2,597	1,665	2,087
Statutory Effective Tax Rate	28.7%	32.2%⁵	29.1%

Income taxes payable reconciliation

The reconciliation of Income Taxes Payable for NAB for the year ended 30 September 2021 is as follows:

Income Taxes Payable Reconciliation	2021 \$m
Income Taxes payable as at 1 October 2020 (per Balance Sheet in AFR)	192
Less: income tax paid during the year (per Cash Flow Statement in AFR)	(1,833)
Add: Current Tax Expense for the year ended 30 September 2021 (refer below)	1,986
Add/(Less) Other Items ⁶	(74)
Income Taxes payable as at 30 September 2021 (per Balance Sheet in AFR)	271

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

The reconciliation of Income Taxes Payable for NAB for the year ended 30 September 2021 is as follows:

Current Tax Expense Reconciliation (Continuing Operations Basis)	2021 \$m	2021 \$m
Profit before income tax expense		9,068
Prima facie income tax at 30%		2,720
Non-Temporary Differences		
Assessable foreign income	7	
Foreign tax rate differences	(78)	
Foreign branch income not assessable	(35)	
Over/(under) provision in prior years	(8)	
Offshore banking unit adjustment	(46)	
Restatement of deferred tax balances for tax rate changes	(1)	
Non-deductible hybrid distributions	58	
Losses not tax effected	(13)	
Other	(7)	
Total Non-Temporary Difference		(123)
Income Tax Expense (per Note 6 in AFR)		2,597
Temporary Differences giving rise to a Deferred Tax Expense		
Collective & Specific Provisions	(210)	
Other Provisions	(225)	
Software	(78)	
Other	98	
Deferred Tax Expense (per Note 6 in AFR)		(611)
Current Tax Expense (per Note 6 in AFR)		1,986

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 AFR, 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 AFR to the profit disclosed in the 2021 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 2021 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 7. 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; and
- **Table 3** is what the ATO has published for NAB for the year ended 30 September 2021.

Table 1 – Reconciliation of Net Profit	2021 \$m
NAB Statutory Profit per AFR on a Continuing Operations basis	9,068
Add:	
Net Profit included in the Tax Return but not included in the AFR	52
Adjust for transactions in the NAB Group including accounting consolidation entries	32
Exclude:	
Net Profit from NAB entities outside the NAB TCG	(2,827)
Net Profit from Discontinued Operations ⁷	(151)
Profit for NAB TCG per the 2021 Tax Return	6,174

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

Table 2 – Summary of NAB TCG Tax Return	2021 \$m	ATO disclosure (refer Table 3)
Total Income (included in Table 3)	18,326	18,326
Total Expenses	(12,152)	
Net Profit Before Income Tax (refer to Table 1)	6,174	
Book to Tax Adjustments:		
Collective & Specific Provisions	(758)	
Other Provisions	2	
Fixed Asset Temporary differences	(360)	
Franking Credit Gross Up	2	
Customer-related Remediation Provision	(799)	
Non-assessable Dividends	(37)	
Offshore Banking Unit Concession	(42)	
Other Adjustments	343	
Taxable Income (Included in Table 3)	4,525	4,525
Income Tax on Taxable Income	1,358	
Franking & Other Offsets	(8)	
Tax Payable (included in Table 3)	1,350	1,350

Table 3 – ATO's Published Information of NAB's Income Tax Consolidated Group	2021 \$
Total Income	18,326,284,740
Taxable Income	4,524,511,334
Tax Payable	1,349,935,574

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 2021 AFR. NAB's 2021 AFR 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 2020 to 30 September 2021. 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.
AFR	Annual Financial 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 AFR).
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.

For more information visit

nab.com.au

or call us on **13 22 65**

7am – 9pm AEST Monday to Friday

8am – 6pm AEST Saturday to Sunday

or ask at your **local branch**



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