

## Voluntary Tax Transparency Report 2021

### Basis of Preparation

Cuscal Limited (Cuscal) is pleased to present its 2021 Voluntary Tax Transparency Report. The material in this disclosure has been prepared by Cuscal and is general background information about Cuscal's consolidated group activities as at the date of this disclosure. This information is given in summary and rounded form (to the nearest million) and does not purport to be complete. All amounts are presented in Australian Dollars. The concept of materiality, as contained in the draft AASB Appendix to the Tax Transparency Code, has been adopted to appropriately balance the information in this report to understand Cuscal's tax position without providing excessive information that compromises understandability. Information in this disclosure should not be considered as advice or recommendation. All key terms have been defined throughout the report.

### Cuscal Limited

Cuscal's primary business is payments. We are Australia's leading independent provider of end-to-end payments solutions. Cuscal is also an Authorised Deposit-taking Institution (ADI) and our extensive capabilities include card and acquiring products, mobile payments, fraud prevention, EFT switching and settlements and we have historically run the rediATM Scheme.

For more than 40 years we have been using our network of relationships to represent the interests of our clients on government and industry boards, committees and associations.

We have longstanding, productive working relationships with the Reserve Bank of Australia (RBA), Australian Prudential Regulation Authority (APRA), the Australian Payments Network Limited (AusPayNet) and the Australian Securities and Investments Commission (ASIC). We also have bilateral agreements with all major Australian banks and close partnerships with Visa International, Mastercard, eftpos and BPAY.

We use our industry expertise, combined with our thorough understanding of our clients' businesses, to create products and services which fulfill the needs of our clients and their customers. In addition, we use our in-house development team to create bespoke solutions and get them to market quickly.

In recent years we have helped our clients capitalise on the digital revolution sweeping through the payments industry. We enabled over 60% of the financial institutions that were live on Day 1 of the New Payments Platform (NPP) and facilitated our clients to be the first Australian financial institutions to offer their customers all three global mobile wallets (Apple Pay, Google PayTM and Samsung Pay). We also offer one of Australia's most advanced white-label mobile banking apps.

Cuscal is now considered to be the largest independent provider of payment solutions in Australia, with the widest range of products and services.



## Tax Policy, Strategy and Governance Summary

Cuscal is the head entity of the tax consolidated group containing the following 100% owned Australian entities as at 30 June 2021: Cuscal Management Pty Ltd, Integris Securitisation Services Pty Ltd, Votrant No. 1451 Pty Ltd, Strategic Payments Services Pty Ltd (SPS).

86 400 Holdings Pty Ltd, 86 400 Technology Pty Ltd and 86 400 Ltd (collectively "86 400 Group") exited the Cuscal consolidated Group on 29 February 2020 following the dilution of Cuscal's interest in these previously wholly owned entities by way of external capital raising. During the year ended 30 June 2021, Cuscal disposed of 100% of its shares held in these entities.

Cuscal is an Australian entity subject to Australian tax laws. Compliance with these requirements is crucial to maintaining a reputation as a trusted partner to our clients.

In managing its tax risk, Cuscal is guided by the ATO's "Tax Risk Management and Governance Review Guide" for large businesses and the "GST Governance, Data Testing and Transaction Testing Guide".

Cuscal has a Tax Governance Policy (TGP) that articulates the strategies employed by the Group to proactively manage its tax compliance risks and the roles and responsibilities of key personnel in managing tax risk. The TGP is aimed at maintaining an appropriate level of tax risk management in line with Cuscal's overall risk appetite set by the Board. Cuscal reviews its TGP annually and updates it in line with any changes to the ATO's guidelines and Cuscal's business changes. An annual tax governance update is provided to Cuscal's Board Audit Committee which oversees the Group's compliance with the Board approved TGP.

In setting its tax risk management policies, Cuscal is guided by the following principles:

- ❑ Cuscal will not knowingly participate in the avoidance of tax or facilitate and/or promote the avoidance or evasion of tax by a third party;
- ❑ It is Cuscal's responsibility and duty to pay the appropriate taxes on its business transactions;
- ❑ Non-disclosure to the tax authorities is not an acceptable approach;
- ❑ A "no-risk" strategy in terms of tax risk is not the appropriate decision for the business.

Tax uncertainties may arise in relation to the application of the law or uncertainty over particular facts or uncertainty over the effective operations of systems to calculate the tax results. These uncertainties lead to tax risk. Cuscal's tax risk policy is about understanding where these risks arise and how they are to be mitigated.

The tax function is responsible for providing assurance to the Board that the existing tax risk management framework will allow all significant tax considerations to be assessed as part of every commercial decision relating to each transaction. Regular communication lines are established and reinforced as appropriate between the Board, the CFO and the Board Audit Committee as part of a robust tax risk management framework.

Cuscal has no tolerance for any publicised reputational damage attributable to tax positions taken, or for any breaches of tax legislation/compliance obligations. Cuscal's TGP sets out its tax risk appetite, the controls it has in place for managing tax risk and remedial actions required for any breaches. These cover the areas of Transactional Risk, Operational Risk, Financial Accounting Risk, Management Risk, Compliance Risk and Reputational Risk.

Cuscal's Group Risk Appetite Statement (RAS) governs the overall risk management for the Group, including tax risk management. The RAS for the Group includes that "Cuscal has no tolerance for acts of intentional non-compliance with obligations including deliberate tax avoidance and no tolerance for deliberate delay of remedial actions".

All breaches of tax compliance obligations and any outstanding tax issues are overseen by Cuscal's Enterprise Risk and Compliance Committee and reported to the Board Audit Committee, through the Chief Financial Officer (CFO) in line with Cuscal's Risk Appetite Statement.





## Engagement with the ATO

Cuscal's TGP provides that the internal tax function can liaise with the ATO on general administrative queries, and that any significant and technical queries raised must be reported to the CFO; who, in turn, reports significant matters to the Board Audit Committee. It states that the internal tax function may seek written advice from the ATO, in the form of private binding ruling on any significant material matters on which the application of the tax law is unclear. The decision of whether or not to seek a private binding ruling rests with the CFO. Any such request for a written view from the ATO may be submitted by Cuscal's internal tax function or through assistance from external tax advisors.

During the year ended 30 June 2021, Cuscal has applied for a class ruling and a private ruling in respect of a proposed share buy-back. The applications were lodged through its lawyers, Ashurst. The applications are currently in the process of being assessed by the ATO.

## Tax Contribution Summary for the year ended 30 June 2021

For the year ended 30 June 2021, Cuscal paid the following taxes:

### a. Taxes paid by Cuscal

	30 June 2021 (\$m)	30 June 2020 (\$m)	30 June 2019 (\$m)
Income tax <sup>1</sup>	2.2	3.2	2.8
Employer taxes <sup>2</sup>	4.0	3.4	3.8
Unrecoverable GST <sup>3</sup>	0.3	0.9	1.0
<b>Total</b>	<b>6.5</b>	<b>7.5</b>	<b>7.6</b>

<sup>1</sup>Income tax instalments paid for 2021 financial year based on the instalment rate advised by the ATO. The final tax paid for the year will be finalised as part of the lodgement of the Group's tax return due for lodgement on 15 January 2022. Balance of tax payment will be made on 1 December 2021.

<sup>2</sup>Employer taxes comprises Fringe benefits tax instalments and payroll taxes paid for 2021 financial year.

<sup>3</sup>GST not recovered represents the GST included in expenditure incurred by Cuscal which Cuscal is not entitled to claim back as input tax credits.

### b. Taxes paid on behalf of others

	30 June 2021 (\$m)	30 June 2020 (\$m)	30 June 2019 (\$m)
GST <sup>1</sup>	11.1	9.3	8.5
Superannuation contributions <sup>2</sup>	5.1	5.8	5.5
Employer PAYG withheld <sup>3</sup>	17.3	20.9	19.6
<b>Total</b>	<b>33.5</b>	<b>36.0</b>	<b>33.6</b>

<sup>1</sup> Cuscal collects and pays GST which is collected on sales to its customers

<sup>2</sup> Superannuation contributions is not a tax, but has been included here as amounts paid on behalf of employees to satisfy Superannuation Guarantee obligations

<sup>3</sup> PAYG withholding taxes to the ATO on behalf of its employees in relation to salary and wages





## Income Tax Expense Reconciliation

The Income Tax Expense (ITE) for the Cuscal consolidated Group (Cuscal) for the year ended 30 June 2021 as disclosed below has been calculated in accordance with the relevant Australian Accounting Standards. Cuscal does not have any offshore operations, hence the ITE disclosed below represents all of Cuscal Group's ITE for the year. The prima facie Australian corporate tax rate of 30% as applicable on Cuscal's operating profit or loss is adjusted for "non-temporary" differences as shown below. This reconciliation is disclosed in Note 6 to the audited Financial Statements for Cuscal Limited. The reconciliation to Tax Payable amount disclosed as liabilities in the Balance Sheet is also noted.

	30 June 2021 (\$m)
Operating profit before income tax expense – continuing operations	32.9
Prima facie income tax expense at 30%	9.9
Increase / (decrease) in income tax expense due to: Prior year adjustment	(0.1)
Income tax expense on profit – continuing operations	9.8
Income tax expense on profit – discontinued operations	29.5
Adjustments in respect of current tax of previous years	(0.2)
Net temporary differences	3.8
Current income tax charge	42.9
R&D offsets estimated	(0.6)
Tax Instalments paid	(2.9)
Tax Payable as reported in balance sheet	39.4

## Discontinued operations - 86 400 Group

In January 2021, National Australia Bank (NAB) entered into a Scheme Implementation Agreement to acquire 100% of the shares in 86 400 Holdings Ltd at an acquisition price of \$2.25 per share. The transaction was completed on 19 May 2021.

The acquisition price of \$2.25 per share represented a return of 120% on invested capital to Cuscal and its shareholders. This return reflected the substantial value 86 400 Group created through its leading technology, experience and team.

The sale provided cash proceeds of \$127.1 million and the total after tax gain to be in the order of \$72.1 million.





## Effective Tax Rates (ETR) for Cuscal

The ETR for Cuscal for the last 5 years as disclosed below is calculated as a percentage of the Group's ITE over its "accounting profit or loss" for the year as defined by the Australian Accounting Standards.

	30 June 2021 <sup>1</sup>	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Profit / (loss) before tax (\$m) [A]	32.9	3.2	32.2	(7.7)	21.5
Income tax expense / (benefit) (\$m) [B]	9.8	2.7	10.0	(3.5)	6.3
Effective tax rate (ETR) % [B] / [A]	30%	85%	31%	46%	29%

<sup>1</sup>For the year ended 30 June 2021, the disclosures are in respect of continuing operations.

As Cuscal does not have any offshore operations, we have not separately disclosed a global ETR (as the ETR for worldwide operations is the same as the Australian ETR).

## Reconciliation to ATO Corporate Tax Transparency: Report of Entity Tax Information

Total income disclosed in the ATO's "Corporate Tax Transparency: Report of Entity Tax Information" (ATO report) is the gross income for the Cuscal Group prior to any deductions, while the taxable income is derived from the operating profit before tax for the year after allowable deductions, adjusted for temporary and non-temporary differences per Australian Accounting Standards. The prima facie tax payable at the corporate tax rate of 30% on taxable income is reduced by available tax offsets thereby reducing Cuscal's tax rate on taxable income to below the corporate tax rate of 30% as shown below.

	30 June 2020 (\$m) (pending)	30 June 2019 (\$m)	30 June 2018 (\$m)	30 June 2017 (\$m)
Gross income [per ATO report]	241.6	271.4	269.4	262.1
Expenses	(227.6)	(239.2)	(277.1)	(240.6)
Net profit /(loss) before tax	14.0	32.2	(7.7)	21.5
Adjustments (non-temporary and temporary)	(5.7)	(9.8)	28.9	6.7
Adjustments (R&D expenses added back)	2.6	1.9	9.2	9.9
Tax losses claimed	-	-	-	(1.3)
Taxable income [per ATO report]	10.9	24.3	30.4	36.8
Tax payable at 30%	3.3	7.3	9.1	11.0
R&D incentive offset	(1.8)	(3.6)	(7.9)	(8.5)
Tax payable [per ATO report]	1.5	3.7	1.2	2.5

The variance between tax expense and/or tax payable and 30% of taxable income can be explained as follows:





- ❑ Cuscal's tax payable amount, compared to the legislated 30% of taxable income, differs due to the Research and Development (R&D) offset. Cuscal is entitled to claim R&D offset amounts equal to 38.5% of eligible R&D expenditure incurred for the year. The result of claiming the R&D offsets is a net reduction to income tax payable of 8.5% of the eligible R&D expenditure.
- ❑ In the financial years ending 30 June 2015 to 30 June 2017 inclusive, Cuscal had also claimed tax losses it inherited as part of the acquisition of Strategic Payments Services Pty Ltd in December 2014. Cuscal performed tax analysis to ensure that it validly satisfied the requirements of the relevant tax legislation/rules that entitled Cuscal to utilise the transferred tax losses.
- ❑ The amount of income tax paid varies from the income tax expense used to calculate Cuscal's ETR in any given period, largely due to the impact of differences between when an amount of revenue or expense is recognised for accounting purposes and when income and deductions are recognised under the tax laws.

## International related party dealings

Please note that Cuscal does not have any international related party dealings, therefore the international related party disclosure requirements of the Voluntary Tax Transparency Code do not apply.



## Independent Auditor's Report to the Board Audit Committee of Cuscal Limited

### Opinion

We have audited the extraction of information contained in the 'Income Tax Expense Reconciliation' table ("the Table") as presented on page 4 of the accompanying Voluntary Tax Transparency Report 2021 ("2021 Tax Transparency Report") of Cuscal Limited ("the Company") and its subsidiaries (collectively the "Group") from the Group's financial report for the year ended 30 June 2021.

In our opinion, the information contained in the Table in the 2021 Tax Transparency Report of the Group for the year ended 30 June 2021 is properly extracted, in all material respects, from the Group's financial report for the year ended 30 June 2021.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Extraction of the Table* section of our report. We are independent of the the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the extraction of the Table in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Restriction on Distribution and Reliance

Our report is intended solely for the Directors. A party other than the Directors accessing this report does so at their own risk and Ernst & Young expressly disclaims all liability to a party other than the Directors for any costs, loss, damage, injury or other consequence which may arise directly or indirectly from their use of, or reliance on the report. Our opinion is not modified in respect of this matter.

### Responsibility of the Directors for the Table

The Directors are responsible for the preparation of the 2021 Tax Transparency Report, inclusive of the Table. This responsibility includes such internal controls that the directors determine are necessary to enable the preparation of the Table contained in the 2021 Tax Transparency Report that is free from material misstatement, whether due to fraud or error.

In preparing the Table contained in the 2021 Tax Transparency Report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Extraction of the Table

Our responsibility is to obtain reasonable assurance, based on our audit procedures, about whether the Table as stated in the 2021 Tax Transparency Report has been extracted free from material misstatement from the from the Group's financial report for the year ended 30 June 2021, and to issue an auditor's



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report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Table.

A handwritten signature in dark ink that reads 'Ernst &amp; Young' in a cursive, stylized script.

Ernst & Young  
Sydney  
24 August 2021