

Brighter Super
Tax Transparency Report
For the year ended 30 June 2023



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Message from Chief Financial Officer

Foundation building

The financial year ended 30 June 2023 focused on the final steps in consolidating the three foundation funds, through the successor fund transfer of SPSL Master Trust members and assets into Brighter Super on 31 May 2023. Brighter Super now represents over 230,000 members with over \$30 billion in funds under management. Brighter Super will build on this foundation to maximise efficiencies of scale for members and streamline operations to ensure the fund remains a sustainable fund with competitive fees.

As a top 1,000 taxpayer within Australia, Brighter Super participated in the Australian Taxation Office's Combined Assurance Review program this year. This has now been finalised and we are pleased to announce that Brighter Super has received a high assurance rating from the ATO as part of this program. This rating highlights Brighter Super's commitment to strong governance, accountability and transparency.

During the year, the Fund remitted over \$138M in taxes throughout Australia representing a variety of Federal and State obligations to which the Fund and its subsidiary operating companies are subject. The Fund is also subject to taxes in global jurisdictions through which the Fund invests via structured investment entities.

The details of these payments are presented within this report.

Garnett Hollier



Chief Financial Officer

About Brighter Super

Brighter Super (the business name of LGIAsuper from 1 July 2022) is a Queensland-based superannuation fund that has provided trusted and reliable investment, advice and insurance since 1965.

Brighter Super is 100% member-owned. We do not have any shareholders, which means we are a not-for-profit fund. We work hard to keep our fees and costs as low as possible, and our members come first in everything we do.

We are also an open fund, welcoming members from government and private sectors, and the wider community.

About this Report

The Tax Transparency Code (“TTC”) developed by the Board of Taxation is a set of principles and minimum standards to guide medium and large business on public disclosure of tax information. This report is published on a voluntary basis and is part of Brighter Super’s commitment to improved tax disclosure to members and other interested parties.

Brighter Super is committed to strong governance, accountability and transparency with all stakeholders, including members, regulators, employees and the community. Brighter Super recognises the importance of greater tax transparency by large taxpayers and enhancing the community’s understanding of taxpayer’s compliance with Australia’s tax laws. For this reason, Brighter Super is a participant in the Voluntary Tax Transparency Code.

This Tax Transparency Report is designed to provide insight on compliance with Brighter Super’s tax obligations, tax strategy and governance arrangements and contribution of taxes paid.

Australia’s tax regime for superannuation funds

In Australia, superannuation funds are required to pay tax (generally at a rate of 15%, subject to various adjustments and tax offsets) on:

- Contributions received from or on behalf of members (apart from after-tax contributions or taxed roll-overs from other super funds)
- Investment earnings generated for members in the accumulation and transition to retirement phase. Note capital gains on assets held for more than 12 months are taxed at 10%; and
- Some benefits paid to members (depending on the type of benefit and the age and circumstances of the recipient).

Brighter Super's approach to tax strategy and governance is outlined in its Tax Risk Management Policy (the "Policy"), which is reviewed and approved by the Finance and Audit Committee. The Tax Risk Management Policy is a subsidiary policy within Brighter Super's Financial Management Framework which contains the Board approved principles for its approach to tax. The strategic objective of Brighter Super's tax function is to "identify, manage and monitor tax risks that might jeopardise a secure source of retirement income for Brighter Super's members". This is in line with the primary investment objective to provide a secure source of retirement income for Brighter Super's members.

The key strategic tax principles which Brighter Super is committed to achieving are:

- Not to breach tax laws, tax filing or tax payment obligations in any jurisdiction
- Achieve a high standard of integrity as a responsible taxpayer and good corporate citizen
- Maintain open and honest relationships with all tax authorities
- Take prudent steps to maximise member returns sustainably and strictly within the tax risk appetite adopted by the fund
- Ensure that the tax applied to member returns to the extent possible is fair and equitable and reflects the most accurate net member return value for each member
- Sufficiently resource tax advisory and tax compliance activities, including with expert external advice
- Strive to comply with both the letter and 'spirit' of tax laws and regulations in all relevant jurisdictions

Brighter Super invests funds in a diverse range of assets, geographic locations and legal structures to optimise investment performance and after-tax returns for investors, whilst ensuring that any tax risk associated with the investments is appropriately considered and managed.

Brighter Super also invests into third party managed collective investment vehicles which aggregate funds from various investors (including Brighter Super). In this regard, though tax may not be paid by these collective investment vehicles, Brighter Super is subject to tax on the income it earns from such collective investment vehicles. For collective investment vehicles established in overseas jurisdictions or that hold foreign assets, such tax may be payable in both the jurisdiction where the relevant assets and investment activity is located, as well as in Australia, as determined by the relevant tax laws and regulations.

Relationship with Tax Authorities

Brighter Super is committed to maintaining an open, transparent, honest and cooperative approach with tax authorities. Brighter Super takes a proactive approach to:

- Providing tax authorities with required information for the fund on a timely basis.
- Managing tax uncertainties, by engaging in discussions with tax authorities, and seeking rulings / clearances from tax authorities where appropriate.
- Working with tax authorities in an open and constructive manner to resolve any issues and to minimise the risk of disputes which might attract additional taxes, penalties and costs.
- Engage in consultation with the tax authorities, either directly or together with other industry superannuation funds or representative bodies, on matters relevant to improving processes or on any proposed changes to the law that are open for consultation.

During the financial year, the ATO informed Brighter Super that as a Top 1,000 taxpayer, it had been selected for a Combined Assurance Review (CAR) for the financial years ended 30 June 2019 to 30 June 2021. The review seeks to increase the ATO's level of assurance that Brighter Super is reporting the right amount of tax and identify areas of income tax or GST risk for further action. Throughout this process representatives of Brighter Super engaged and responded to queries from the ATO surrounding Brighter Super's governance framework, and income tax positions specific to industry or flagged to the market by the ATO. The ATO has since finalised this review, notifying Brighter Super that it received an overall high level of assurance.

This rating indicates the ATO was able to obtain sufficient objective evidence that Brighter Super has paid the right amount of income tax, and, correctly reported economic activity and therefore the ATO is unlikely to contact Brighter Super again in relation to the review periods.

International Related Party Dealings

Brighter Super's international related party dealings are limited to arm's length transactions between investment entities controlled by Brighter Super that have been set up to facilitate investments made on behalf of members. Brighter Super has no other international related party dealings.

Tax Contribution

Brighter Super is a significant taxpayer, and contributes to government revenues in Australia by paying various taxes. Due to the global nature of its investments, Brighter Super also pay taxes in foreign jurisdictions where it invests.

Summary of Taxes Paid

The table below outlines taxes paid or payable for the 2023 financial year by the Brighter Super Group of entities.

The Brighter Super Group of entities consists of Brighter Super as well as the following wholly owned companies:

- LGIASuper Services Pty Ltd
- ESI Financial Services Pty Ltd
- Globe Hold Co Pty Ltd
- LGIASuper Corporate Services Pty Ltd
- SPSL Limited
- SPSL Services Pty Ltd

Tax Type	\$'000(AUD)
Income tax - fund	114,870
Income tax - corporate ¹	3,200
GST	(1,399)
FBT ²	179
Payroll tax	2,466
Duties	0
PAYG withholding tax	19,061
TOTAL AUSTRALIAN TAXES	138,377
TOTAL FOREIGN TAXES	19,527

¹ Paid by wholly owned and managed services companies within the Brighter Super Group

² FBT instalments paid to 30 June 2023 plus Final FBT return payment for 31 March 2023

Income Tax Reconciliations

Reconciliation of Accounting Profit to Income Tax Expense

Australian Accounting Standards require entities to calculate and disclose various tax balances in its financial statements including its income tax expense for the relevant period. Outlined below is a summary reconciliation of accounting profit to the income tax expense disclosed in Brighter Super's financial statements for the year ended 30 June 2023. In addition, the effective tax rate has been calculated based on the prima facie tax rate for a superannuation fund (15%) adjusted for the effective tax rate on the identified adjustments.

Reconciliation of accounting profit to income tax expense	\$'000 (AUD)	\$'000 (AUD)	%
Operating result before income tax	2,219,411		
Prima facie income tax (expense)/benefit at the tax rate of 15%		(334,438)	15%
Prima facie income tax (expense)/benefit at the tax rate of 30%		3,053	30%
Adjustments			
Increase in tax expense due to non-deductible expenses relating to exempt pension income		(27,073)	
Decrease in tax expense due to non-assessable investment (income)/losses relating to exempt pension income		39,004	
Decrease on tax expense due to non-assessable investment (income)/losses relating to trust distributions		47	
Decrease in tax expense due to imputation and foreign tax credits		87,850	
Decrease in tax expense due to Discount Capital Gains		8,556	
Decrease in tax expense due to prior period adjustments & reconciliations		91,988	
Increase in tax expense due to recovery of anti-detriment payments from ATO		-	
Decrease in tax expense due to other adjustments		-	
Adjustment total		200,372	
Income tax (expense) / benefit (after adjustments)		(131,013)	
Effective tax rate			5.90%

The effective tax rate in respect of Net Contribution Revenue is not included in the above calculation as Australian Accounting Standards no longer require it to be included. The effective tax rate in respect of Contributions is outlined in the below table:

Income Tax Reconciliations

Contributions	\$'000
Gross contributions	1,540,024
Less member and other non-taxable contributions, including deductions relating to contributions	(541,364)
Taxable contributions	998,660
Tax on taxable contributions at 15%	149,799
Effective tax rate on gross contributions	9.73%

Reconciliation of Income Tax Expense to Income Tax Payable

Outlined below is a summary reconciliation of income tax expense disclosed in the financial statements for the year ended 30 June 2023 for Brighter Super and actual tax payable in the 2023 financial year.

Reconciliation of income tax expense to income tax payable	\$'000 (AUD)	\$'000 (AUD)
Income tax expense / (benefit)		131,013
Tax expense on contributions		149,799
Deductible Insurance Premiums (recognised in member equity)		(15,662)
Unrealised capital (gains) / losses on investments & other timing differences		(133,435)
Movements between tax provision and income tax return		
Realised capital (gains) losses on investments	7,063	
Assessable / non-assessable investment income	(5,673)	
Imputation and foreign tax credits	(576)	
Exempt pension income	4,553	
Deductible / non-deductible expenses	(90)	
Contributions	1,957	
Other	(2,131)	4,926
Prior period adjustment		(17,362)
Income tax payable - total		118,071
Income tax payable - fund		114,870
Income tax payable - company		3,200
Income tax payable - total		118,071

Definitions

Goods and Services Tax (GST)

Brighter Super's supplies are classified as input taxed for GST purposes. GST is not charged on such supplies and Brighter Super is generally not entitled to claim input tax credits in respect of costs associated with making these supplies other than certain acquisitions for which an entitlement to a Reduced Input Tax Credit ('RITC') exists at a rate of 75% or 55%.

Franking Credits

Franking credits arise from franked dividends received by Brighter Super from companies in which Brighter Super has an interest (either directly, or through interposed holding trusts) and that have paid Australian income tax on their taxable income. They ensure Brighter Super is only exposed to tax on the taxable income of those companies at the rate Brighter Super would be exposed to if it carried on those businesses directly. As Brighter Super's tax rate will be lower than the corporate tax rate, franking credits will generally result in a reduction to Brighter Super's total income tax expense.

PAYG Withholding Tax

In 2022-23 Brighter Super withheld and remitted tax from (i) salary and wages paid to staff and (ii) payments of superannuation benefits to members and their beneficiaries.

ETR (Effective Tax Rate)

This is the income tax expense recognised in the financial statements divided by the net income before income tax.

Over/Under Provisions

These are the differences between the current and deferred tax expense recorded in the financial statements and the actual tax reported in lodged tax returns and paid. Such differences generally arise due to additional adjustments made as part of the preparation and lodgement of Brighter Super's income tax return.

Temporary Differences

Temporary differences arise from differences between when revenue and expenses are recognised under the Australian taxation law and the Australian financial accounting rules.

Payroll Tax

Brighter Super is subject to payroll tax in Queensland, NSW and WA. This amount is as reflected in the audited financial statements.

Fringe Benefits Tax (FBT)

Brighter Super is subject to FBT on any benefits provided to employees. The FBT reported in this report is based on payments to the ATO made for throughout the financial year ended 30 June 2023.

Duties

Brighter Super is subject to duty on dutiable transactions. No Australian duty was paid during the year.



right by your side

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