

The logo for lendlease, featuring a stylized green and yellow shape with the word "lendlease" in white lowercase letters.

lendlease

Tax Report

2018

For the year ended  
30 June 2018



In this report references to 'Lendlease', 'the Group', 'we' and 'our' refer to both Lendlease Corporation Limited (and each of its subsidiaries incorporated in any jurisdiction globally) and Lendlease Trust. References in this report to a 'year' or 'period' are to the financial year ended 30 June 2018 unless otherwise stated. All dollar figures are expressed in Australian dollars (\$A) unless otherwise stated. This report should be read in conjunction with the Lendlease 2018 Annual Report available on our [Investor Centre website](#).

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# 1. Overview of Lendlease

## About Lendlease

Lendlease is a leading international property and infrastructure group with operations in Australia, Asia, Europe and the Americas. Our vision is to create the best places; places that inspire and enrich the lives of people around the world.

Founded in Sydney in 1958 by Dutch immigrant and innovator Dick Dusseldorp, Lendlease was born out of a vision to create a company that could successfully combine the disciplines of construction, development and investment.

Headquartered in Sydney, Australia, Lendlease has approximately 13,200 employees internationally. Our regional head offices are located in New York, Singapore and London.

Our core capabilities are reflected in our operating segments of Development, Construction and Investments.

## Lendlease's Tax Profile

For Lendlease, company tax is complex. This is compounded by the fact that Lendlease, through its integrated model, operates across a number of industries, our income is derived from a number of countries, and like many other property industry companies, Lendlease is structured as a stapled group<sup>1</sup>.

Lendlease currently operates in 8 countries. In 2018, approximately 34% of Lendlease's earnings were derived from our regional businesses in Asia, Europe and the Americas, and approximately 66% was generated from operations in Australia.

Corporate tax is paid by Lendlease Corporation Limited (and its subsidiaries) in line with the relevant corporate tax law of the jurisdiction in which income is generated.

The corporate tax rates applying to our regional businesses differ to the Australian corporate tax rate of 30%. Some jurisdictions in which Lendlease operates have corporate tax rates higher than Australia (e.g. US and Japan); while other jurisdictions have lower corporate tax rates (e.g. Singapore and UK).

Lendlease Trust is an Australian unit trust and is not subject to corporate tax under current Australian corporate tax law<sup>2</sup>. It is the unitholders who receive distributions from the Lendlease Trust who pay tax on the Lendlease Trust earnings.

This is Lendlease's second Tax Report and demonstrates our continuing commitment to adopt the voluntary tax transparency code promoted by the Australian Government and Board of Taxation in Australia.

1. This means that shares in Lendlease Corporation Limited and the units in Lendlease Trust are traded as a single security on the Australian Securities Exchange.  
2. Lendlease Trust is not liable for Australian corporate tax, including capital gains tax, provided Lendlease Trust attributes all its taxable income to unitholders.

## 2. Lendlease's Approach to Tax

### Tax Strategy And Governance

Lendlease is committed to strong corporate governance policies and practices which are fundamental to the long term success and prosperity of Lendlease.

Lendlease's Tax Governance Framework has been endorsed by the Lendlease Board and sets out our approach to managing tax risk globally. The framework is supported by detailed tax focused internal controls and group and regional operating policies and procedures.

The Framework includes Lendlease's Global Tax Policy which underpins our approach to tax. Under the Policy, Lendlease seeks to:

- Comply with the relevant tax laws of all jurisdictions where we conduct business;
- Not participate in tax evasion or aggressive tax planning;
- Not provide tax advice to third parties;
- Protect the reputation of Lendlease at all times; and
- Establish and maintain open and respectful relationships with tax authorities in all countries in which we operate.

The Lendlease Risk Management and Audit Committee has oversight of global tax strategy and a clearly defined reporting hierarchy exists through which risks are escalated through the organisation.

### Our Attitude to Tax Planning and Tax Risk

Lendlease manages its tax affairs on a 'no surprises' basis and is committed to paying the correct amount of tax in all jurisdictions in which we operate. Lendlease seeks to assess the tax risks of all transactions before committing to the transaction and ensures that adequate processes are in place to meet all on-going tax and compliance obligations that arise from our operations.

We are committed to observing Lendlease's Global Tax Policy which includes not participating in tax evasion or aggressive tax planning, along with other relevant matters as described above.

Regarding our tax risk tolerance, a primary focus is to seek to minimise the risk of a sustainable different view arising between Lendlease and revenue authorities which might attract additional taxation, penalties and costs associated with any resulting dispute which might arise.

This is achieved through open engagement with revenue authorities, engagement of reputable tax advisers who provide an opinion and strong internal controls to identify and mitigate tax risk.

### Lendlease and Revenue Authorities

Lendlease is committed to an effective and open working relationship with all revenue authorities in the jurisdictions in which we operate.

The Australian Taxation Office (ATO) issues taxpayers with risk ratings. The ATO has rated Lendlease a 'key taxpayer'<sup>3</sup> under its risk-differentiation framework and has acknowledged Lendlease's cooperative engagement with the ATO.

3. A key taxpayer is a large taxpayer considered by the ATO to be less likely of non-compliance.

## 3. Taxes Contribution Statement

The table below shows the total of corporate and other taxes paid, collected and remitted in Australia and offshore during the year ended 30 June 2018<sup>1</sup>.

Tax Authorities	Taxes paid / (refunded) A\$m			Total	Taxes collected & remitted A\$m		Total	Total taxes paid, collected & remitted A\$m
	Corporate income tax <sup>2</sup>	Employment taxes <sup>3</sup>	Other taxes <sup>3</sup>		Indirect taxes <sup>3</sup>	Employee taxes <sup>3</sup>		
<b>2018</b>								
Australia	2.8	89.7	9.4	<b>101.9</b>	250.6	380.8	<b>631.4</b>	<b>733.3</b>
Offshore <sup>4</sup>	29.8	50.3	4.1	<b>84.2</b>	21.3	166.6	<b>187.9</b>	<b>272.1</b>
<b>Global total</b>	<b>32.6</b>	<b>140.0</b>	<b>13.5</b>	<b>186.1</b>	<b>271.9</b>	<b>547.4</b>	<b>819.3</b>	<b>1,005.4</b>
<b>2017</b>								
Australia	3.6	86.7	8.6	<b>98.9</b>	141.9	394.2	<b>536.1</b>	<b>635.0</b>
Offshore <sup>4</sup>	141.2	48.2	-	<b>189.4</b>	1.7	169.1	<b>170.8</b>	<b>360.2</b>
<b>Global total</b>	<b>144.8</b>	<b>134.9</b>	<b>8.6</b>	<b>288.3</b>	<b>143.6</b>	<b>563.3</b>	<b>706.9</b>	<b>995.2</b>

1. Tax payments to revenue authorities are presented on a cash paid and cash received basis during the year ended 30 June 2018, unless otherwise noted in Section 7 – Basis of Preparation.

2. Total global corporate income tax agrees to Statement of Cash Flows per the Lendlease 2018 Annual Report.

3. Refer to Section 7 – Basis of Report Preparation for further information regarding tax payment categories.

4. Includes payments made to foreign revenue authorities across Asia, Europe and the Americas.

## 4. Income Tax Expense and Effective Tax Rate

This section provides greater context to the taxation information provided in the Lendlease 2018 Annual Report. It should be read in conjunction with Note 9 of the Annual Report.

### Reconciliation of Accounting Profit to Income Tax Expense (ITE)

Lendlease has disclosed its global reconciliation of accounting profit to income tax expense (ITE) in Note 9a of Lendlease's 2018 Annual Report.

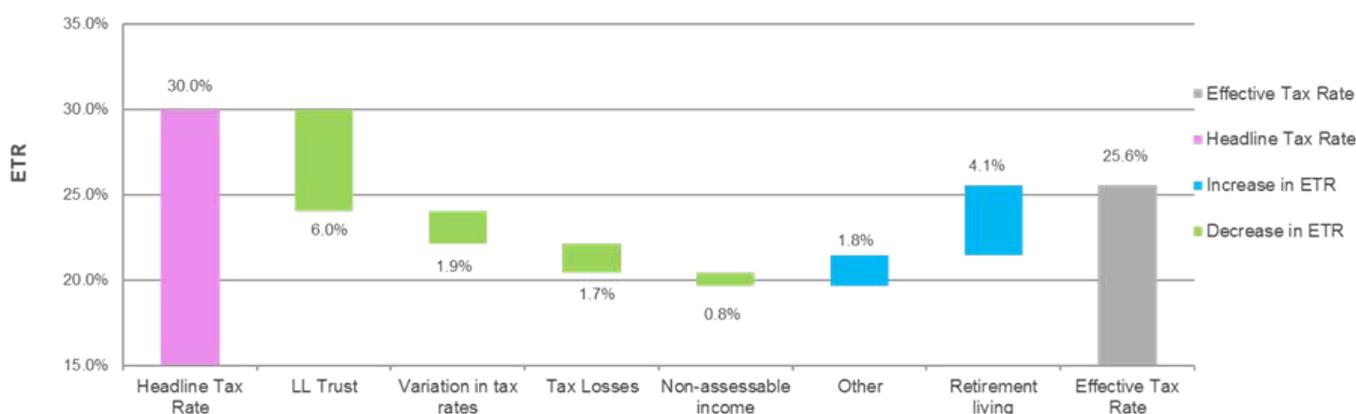
### Effective Tax Rates (ETR)

Lendlease's Global and Australian effective tax rates (ETR) represent the ITE as a percentage of Lendlease's total accounting profit before tax and are shown in the table below.

	2018		2017	
	Australia <sup>2</sup>	Global	Australia <sup>2</sup>	Global
Accounting ETR <sup>1</sup>	22.2%	25.6%	21.3%	24.7%

### Drivers of Lendlease's 2018 Global Effective Tax Rate

The primary drivers of Lendlease's global 2018 ETR are summarised in the following chart.



Our 2018 global effective tax rate (ETR) is 25.6%, compared to the headline tax rate, being the Australian corporate tax rate of 30%. This is the result of a variety of different factors and circumstances, including:

- Lendlease Trust earnings:** Under current Australian income tax law, Lendlease Trust is not subject to corporate income tax (taxes on earnings are paid directly by the unitholders).
- Variation in tax rates:** Lendlease has active businesses offshore and these operations are taxed at different rates. Some jurisdictions in which Lendlease operates have corporate tax rates lower than Australia (e.g. Singapore and UK); other jurisdictions have higher corporate tax rates (e.g. US and Japan).
- Tax losses:** Represents net recognition of deferred tax assets in respect of tax losses, based on a recoverability assessment.
- Non assessable income:** Legislated tax exemptions and Lendlease's share of profit after tax on equity accounted investments reduced our ETR.
- Other:** Includes non deductible expenses and prior period adjustments in various jurisdictions. Also includes Australian R&D claims which are aligned to Lendlease's strong history of innovation.
- Retirement living business:** Largely represents derecognition of net deferred tax assets in the retirement living business following the 25% divestment of the Lendlease Retirement Living Trust during the period, offset by the recognition of allowable tax deductions.

1. Accounting ETR has been calculated as ITE divided by accounting profit before tax (in accordance with Australian Accounting Standard AASB 112 Income Taxes).  
 2. Australian ETR has been calculated based on accounting profit in respect of Lendlease's Australian operations, which includes transactions with foreign entities within the accounting consolidated group. The Australian ETR is lower than the Global ETR mainly due to exempt dividend income received from foreign entities within the accounting consolidated group.

## 4. Income Tax Expense and Effective Tax Rate continued

### Reconciliation of Income Tax Expense to Income Tax Paid

	2018 Global A\$m	2017 Global A\$m
<b>Income tax expense<sup>1</sup></b>	<b>272.6</b>	<b>248.3</b>
Adjust for:		
Deferred tax (expense) <sup>2</sup>	(30.3)	(74.2)
Deferred tax asset utilised on Australian group tax losses <sup>3</sup>	(186.3)	(42.6)
Current year tax recognised directly in equity	(17.1)	44.7
Other adjustments	(2.3)	(3.4)
Movement in current tax asset / liability <sup>4</sup>	(4.0)	(28.0)
<b>Income tax paid<sup>5</sup></b>	<b>32.6</b>	<b>144.8</b>
<b>Deferred tax (expense) consists of movements in the following deferred taxes<sup>2</sup></b>		
Loans & receivables	156.3	(143.9)
Inventories	(212.3)	192.8
Other financial assets	(3.4)	(10.1)
Other assets	6.4	(1.7)
Equity accounted investments	(256.5)	(0.9)
Investment properties	273.2	(84.0)
Property, plant and equipment	(30.2)	(1.2)
Intangible Assets	(4.3)	3.2
Net Defined benefit plans	(0.2)	(2.0)
Resident liabilities	(81.5)	(27.6)
Trade payables	(30.2)	(30.4)
Provisions	13.7	17.7
Borrowings and financing arrangements	0.4	(0.6)
Other financial and non-financial liabilities	12.9	(4.4)
Tax losses	50.7	24.5
Items with a tax base but no carrying value	74.7	(5.6)
<b>Deferred tax (expense)<sup>1,2</sup></b>	<b>(30.3)</b>	<b>(74.2)</b>

1. As disclosed in Note 9a of Lendlease's 2018 Annual Report. Income tax expense in the Income Statement comprises both current and deferred tax expense.
2. As disclosed in Note 9c of Lendlease's 2018 Annual Report. Deferred tax (expense)/benefit consists of movements in deferred tax balances (due to different accounting and tax treatments).
3. Relates to utilisation of carry forward Australian revenue losses.
4. This disclosure shows the impact of prior year tax instalments paid this year and current year tax instalments payable next year.
5. Agrees to Statement of Cash Flows of Lendlease's 2018 Annual Report.

## 5. International Related Party Dealings

This section provides qualitative information about Lendlease's material international related party dealings. Given its current profile, the Group has relatively limited international related party dealings<sup>1</sup>.

The offshore countries in which Lendlease has significant business operations include the US, UK, Singapore, Malaysia and Japan.

Lendlease Australia provides support to overseas group companies. During 2018, the Lendlease Australian Tax Consolidated Group provided the following ongoing services to the overseas regions:

- Management services; and
- Provision of parent company guarantees and intergroup funding (where necessary).

Lendlease always seeks to price international related party dealings on an arm's length basis to meet the regulatory requirements of the relevant jurisdictions. The approach adopted is in accordance with ATO and Organisation for Economic Cooperation and Development (OECD) transfer pricing rulings and guidelines.

Lendlease discloses its material transactions in its lodged tax returns and other disclosures to revenue authorities. Lendlease has sought to comply with the new Country by Country reporting (CbCr) requirements in each of the countries we operate in (where applicable). Lendlease's first CbC report was lodged with the ATO in 2018, which provided details of how we operate our business and conduct our tax affairs around the world.

### Management services

Entities within the Lendlease Group provide various administrative and support services to each other. As required by international cross border tax rules, arm's length consideration is paid for these services.

Intragroup services provided/received include corporate management, software and IT support, and human services.

### Provision of parent company guarantees and intergroup funding

Lendlease's Treasury function is in Australia and provides financing services to the overseas regional businesses for short term and working capital requirements (where necessary).

## 6. ATO Tax Transparency Disclosures for 2017

In late 2018, the ATO is expected to release the Corporate Tax Transparency Report for 2016-17. This report contains the total income, taxable income and tax payable for 2017 for all public Australian companies with income in excess of A\$100m. This is a recurring annual disclosure and the fourth time this information has been publicly disclosed<sup>2</sup>.

**This information will be published on the Australian Government Data website.**

Lendlease Corporation Limited's<sup>3</sup> total income, taxable income and tax payable for 2017 will be published on this website and is as follows:

	A\$m
Total income	9,150.3
Taxable income	7.2
Income tax payable	-

A reconciliation of these disclosures is provided below:

	A\$m
Total income	9,150.3
Total expenses	(8,100.3)
Accounting profit	1,050.0
Tax adjustments <sup>4</sup>	(1,042.8)
Taxable income	7.2
Tax @ 30%	2.2
Tax offsets <sup>5</sup>	(2.2)
Income tax payable	-

Lendlease had taxable income in 2017, however no Australian corporate income tax was paid, due to the utilisation of current year franking credit tax offsets and foreign income tax offsets.

1. Based on the submitted income tax return for the year ended 30 June 2017 for the Lendlease Corporation Limited Australian Tax Consolidated Group, the gross value of international related party transactions in and out of Australia represented less than 1% of revenue.
2. The first three Corporate Tax Transparency Reports for 2013-14, 2014-15 and 2015-16 were published by the ATO in December 2015, 2016 and 2017 respectively.
3. Lendlease Corporation Limited is the head entity of the Lendlease Australian Tax Consolidated Group which comprises all wholly owned Australian subsidiary entities.
4. Largely represents timing differences where income and expense recognition is different for accounting and tax purposes.
5. Represents utilisation of current year franking credit tax offsets and foreign income tax offsets.

## 7. Basis of Report Preparation

### Section 3

Tax payments to revenue authorities reported in Section 3 are presented on a cash paid and cash received basis during the year ended 30 June 2018, unless otherwise noted.

This report includes tax amounts paid and received by controlled entities within the Lendlease Group. Tax payments made by non-controlled entities such as joint ventures and equity accounted investments are excluded.

All payments to tax authorities have been reported in Australian dollars. Offshore tax payments are translated to Australian dollars at the average exchange rate between 1 July 2017 to 30 June 2018.

Tax contribution amounts referred to in this report include the following categories:

#### Corporate income tax

Payments made to global tax authorities (Federal, State and Local), based on the taxable profits of Lendlease businesses.

#### Employment taxes

Payments to global tax authorities resulting from Lendlease's role as an employer.

The Australian amount represents payroll tax paid for the year ended 30 June 2018 and fringe benefits tax paid for the year ended 31 March 2018 (being the most recent annual return submitted).

The offshore amount includes employer pension and social security contributions paid. UK employer pension contributions represents amounts paid for the year ended 5 April 2018. US employer tax represents amounts paid for the year ended 30 June 2018.

#### Other taxes

This comprises withholding taxes on interest and property related land taxes. Stamp duties and local rates and levies are excluded.

#### Indirect taxes

Comprises tax payments made net of recoveries to, or received from, Australian and foreign tax authorities comprising sales and use tax, value added tax and goods and services tax.

Australian goods and services tax represents net amount paid for the year ended 30 June 2018.

#### Employee taxes

Tax payments made to global tax authorities on behalf of our employees.

The Australian amount represents employee pay as you earn tax withheld for the year ended 30 June 2018.

The offshore amount includes employee tax and social security contributions withheld. UK employee tax contributions are reported for the year ended 5 April 2018. US employee tax represents amounts paid for the year ended 30 June 2018.

### Section 6

ATO tax transparency disclosures in Section 6 reflect total income, taxable income and tax payable contained in the Lendlease Corporation Limited 30 June 2017 Australian Tax Consolidated Group's annual return submitted to the ATO.

## 8. Independent Review Report



### Independent Auditor's Review Report

To the Directors of Lendlease Corporation Limited

#### Conclusion

We have reviewed the tables and accompanying notes presented in Sections 3, 4 and 6 of Lendlease Corporation Limited (the Company) and its controlled entities (the Group) Tax Report 2018 (the Tax Report) for the year ended 30 June 2018.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the tables and accompanying notes presented in Sections 3, 4 and 6 of Lendlease Corporation Limited's Tax Report 2018 for the year ended 30 June 2018 does not present fairly, in all material respects, in accordance with the Basis of Report Preparation outlined in Section 7 of the Tax Report, the Taxes Paid, Collected and Remitted by the Company and Income Taxes Disclosed in the Group's 2018 Annual Report.

#### Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Section 7 of the Tax Report which describes the Basis of Report Preparation. The Directors and management of the Group are responsible for determining the Basis of Report Preparation. The Tax Report has been prepared for the purposes of the Company in disclosing certain information regarding Australian and International taxes paid, collected and remitted by the Group for the year ended 30 June 2018.

As a result, the Tax Report and this Review Report may not be suitable for another purpose. Our report is intended solely for the Directors of the Company and should not be used by any other parties. We disclaim any assumption of responsibility for any reliance on this Review Report, or on the Tax Report to which it relates, to any other party other than the Directors of the Group or for any purpose other than that for which it was prepared. Our opinion is not modified in respect of this matter.

#### Managements' responsibility for the Tax Report

Management of the Group are responsible for:

- Determining that the Basis of Report Presentation in Section 7 of the Tax Report meets the needs of the Directors of the Group and that the Tax Report is presented fairly in accordance with the Basis of Report Preparation; and
- For establishing internal controls that enable the preparation of the Tax Report that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## 8. Independent Review Report



### Auditor's responsibility for the review of the Tax Report

Our responsibility is to express a conclusion on the tables presented in Sections 3, 4 and 6 of the Tax Report, in order to state whether, on the basis of the procedures described, we have become aware of anything that has come to our attention that causes us to believe that the Tax Report does not present fairly, in all material respects in accordance with the Basis of Report Preparation outlined in Section 7.

We conducted our review in accordance with *Standard on Review Engagements ASRE 2405 Review of Historical Information Other than a Financial Report* and other auditing standards applicable to a review engagement. A review of the Tax Report consists of making enquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

ASRE 2405 requires us to comply with the independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

Sydney

17 August 2018



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