

Tax Report 2021

For the
year ended
30 June 2021



lendlease

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Front cover:
Melbourne: Melbourne Connect
on Wurundjeri Country
This page:
Sydney: Victoria Cross on
Cammeraygal Country
Artist's impression¹

In this report references to 'Lendlease', 'the Group', 'we' and 'our' refer to both Lendlease Corporation Limited and Lendlease Trust (and each of their subsidiaries incorporated in any jurisdiction globally). References in this report to a 'year' or 'period' are to the financial year ended 30 June 2021 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 2021 Annual Report available on our [Investor Centre website](#).

1. Artist's impression of Victoria Cross, Level 29 Terrace. Artist's impression and views are indicative only as at June 2021 and subject to planning and other approvals. Prospective lessees should make their own enquiries as to surrounding developments, both current and future, including any impacts they may have on view lines from Victoria Cross.

1. Foreword by Acting Group Chief Financial Officer

Lendlease reports openly and transparently on our tax affairs, in recognition of the community's ongoing interest in tax transparency.

This represents our fifth annual Tax Report and has been prepared in accordance with the Australian Board of Taxation's Voluntary Tax Transparency Code (published in 2016).

About Lendlease

Lendlease is a globally integrated real estate group, with core expertise in shaping cities and creating strong connected communities. The group is headquartered in Sydney with operations in Australia, Asia, Europe and the Americas.

Our social and economic contribution to Australia

We deliver the social and economic infrastructure that Australians rely on – including schools, hospitals, universities, urban precincts, workplaces and thousands of homes – in partnership with all levels of government.

With a \$28.2 billion Development pipeline in Australia, we are a significant contributor to the Australian economy. We provide employment for approximately 6,900 Australians and purchase goods and services from 16,000 small businesses every year. In FY21 Lendlease provided employment opportunities to around 30,000 Australian workers through subcontractors.

FY21 corporate tax position and other taxes paid

We remain committed to acting with integrity in our tax affairs globally, which means paying the correct amount of tax in every jurisdiction we operate in, including Australia. Tax is paid in the jurisdiction in which profits are earned.

Over the past five years we have paid \$303 million in corporate income tax globally. Our Australian corporate tax position is affected by timing differences inherent in our integrated business model which drive significant variations between reported profits and tax outcomes due in part to tax losses incurred in prior years. In Section 2 of this report, you will find an overview of the timing differences that impact our Australian tax profile.

Importantly, almost every transaction we undertake includes a tax component, from GST, payroll tax and fringe benefits tax through to sector-specific taxes like land tax and stamp duty. During FY21 Lendlease paid, collected and remitted \$241 million of direct and indirect tax plus \$290 million of employee PAYG withholding taxes in Australia.

Justified Trust Rating

As a large company in Australia, Lendlease is subject to the ATO's Justified Trust program. Under this program, Lendlease has attained a provisional high assurance rating from the ATO. Only 30 per cent of the Top 100 taxpayers have obtained a high rating,¹ signifying that the ATO is assured Lendlease is paying the correct amount of income tax. Section 3 of this report includes further background on the rating including the provisional status.



Frank Krile

Group Chief Financial Officer (Acting) &
Group Chief Risk Officer



1. ATO Top 100 (Income Tax) Program Findings Report 30 June 2020 (dated July 2020).

2. Overview of Lendlease

About Lendlease

Lendlease is a globally integrated real estate group with core expertise in shaping cities and creating strong and connected communities.

For over 60 years, Lendlease has created award winning urban and lifestyle precincts and living options for many stages of life. We have also been entrusted to create essential civic and social infrastructure – state of the art hospitals, life science centres, and universities that contribute to a more liveable, resilient and sustainable future.

Headquartered in Sydney, our people are located in four operating regions: Australia, Asia, Europe and the Americas.

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.¹

Lendlease currently has significant business operations in 8 countries. In 2021, approximately 59 per cent of Lendlease's earnings were derived from our regional businesses in Asia, Europe and the Americas, and approximately 41 per cent 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 per cent. Some jurisdictions in which Lendlease operates have corporate tax rates higher than Australia (e.g. US combined tax rate 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. It is the unitholders who receive distributions from the Lendlease Trust (which over the last five years totalled approximately \$404 million) who pay tax on the Lendlease Trust earnings.²

Tax losses and timing differences in Australia

Lendlease's business model produces substantial timing differences year in, year out which drive significant variations between reported profits and tax outcomes. This can result in tax losses arising to the group in years where the group has reported an accounting profit.

Accounting standards generally require profits to be recognised earlier than when profits are recognised for tax purposes and the same applies for losses. This creates timing differences which align over time.³

The timing differences are spread across our Development, Construction, and Investments businesses.

In our **Development** business, Lendlease incurs substantial costs in developing projects before sales occur. For many of these projects, development costs are deductible when incurred but not expensed for accounts until the project is sold. In light of the size of these projects these costs can be quite large, but over time the accounting and tax outcome will align.

Timing differences also arise in our **Construction** business (which includes retained Engineering projects). For tax purposes, construction profits and losses are recognised on a percentage complete basis in accordance with the ATO tax ruling for long term construction contracts. This creates a timing difference with how profits and losses on Construction projects are recognised for accounting.

In our **Investments** business, timing differences emerge on the revaluation of investments. For example, even though a revaluation gain is booked for accounting purposes, the gain will generally not be subject to tax until the investment is sold.

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. The amount of tax paid by unitholders depends on their individual circumstances and the nature of distributions received. 3. Timing differences are items that are recognised for accounting and tax purposes at different points in time ie. the outcomes will align over time.

3. 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 Group Tax Policy has been endorsed by the Lendlease Audit Committee and sets out our approach to managing tax risk and governance globally.

The Policy includes Lendlease's Tax Strategy which underpins our approach to tax. Under the Strategy, 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 Audit Committee has oversight of global tax risk and policy, and a clearly defined reporting hierarchy exists through which risks are escalated through the organisation.

The Australian Taxation Office (ATO) has reviewed Lendlease's tax governance framework and in July 2021 has provided the group with the highest rating for tax governance (Stage 3 rating) which demonstrates that Lendlease's tax control framework has been designed effectively and is operating in practice.

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 maintains processes to meet all ongoing tax and compliance obligations that arise from our operations.

We are committed to observing Lendlease's Group Tax Policy which includes not participating in tax evasion or aggressive tax planning, along with the other principles outlined above.

Overall Lendlease maintains a low appetite for tax risk. Our primary focus is to minimise the risk of a different view arising between Lendlease and a revenue authority which results in a dispute attracting additional tax, penalties and other costs.

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.

In Australia the ATO issues taxpayers with risk ratings. The ATO has rated Lendlease a 'key taxpayer'¹ for both income tax and GST under its risk differentiation framework (which is the lowest risk rating Lendlease can achieve as a Top 100 taxpayer) and has acknowledged Lendlease's cooperative engagement with the ATO.

In addition, like all large taxpayers in Australia, Lendlease is currently part of the ATO's Justified Trust program. Under this program, the ATO is seeking to obtain assurance that large corporates are paying the right amount of tax in accordance with tax laws.

In July 2021 the ATO issued Lendlease with a Tax Assurance Report for 2018, the most recent income tax year that has been subject to review.

Our Justified Trust rating is an overall provisional 'High' level of assurance for 2018. This means that the ATO has obtained assurance that Lendlease complied with the Australian income tax laws and reported the right amount of Australian income tax for the 2018 tax year.

The overall rating is provisional because the ATO is doing an audit of the partial sale of our Retirement Living business in the 2018 year. This transaction has been subject to commentary in the media. Lendlease believes its tax treatment of the partial sale of the Retirement Living business is in accordance with the law and consistent with the ATO's ruling (TR2002/14) on the taxation of the retirement living industry. Lendlease lodged its 2018 tax return on that basis, continues to co-operate with the ATO and awaits the outcome of the ATO's review.

1. A key taxpayer generally has a lower risk level relative to other taxpayers in the top 100 population.

4. 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 2021.¹

Tax Authorities	Taxes paid / (refunded) A\$m				Taxes collected & remitted A\$m			Total taxes paid, collected & remitted A\$m
	Corporate income tax ²	Employment taxes ³	Other taxes ³	Total	Indirect taxes ³	Employee taxes ³	Total	
2021								
Australia	-	70	12	82	159	290	449	531
Offshore ⁴	85	48	12	145	84	154	238	383
Global total	85	118	24	227	243	444	687	914
2020								
Australia	-	67	9	76	132	412	544	620
Offshore ⁴	11	60	10	81	27	196	223	304
Global total	11	127	19	157	159	608	767	924

1. Tax payments to revenue authorities are presented on a cash paid and cash received basis during the year ended 30 June 2021, unless otherwise noted in Section 8 – Basis of Report Preparation. 2. Total global corporate income tax agrees to Statement of Cash Flows per the Lendlease 2021 Annual Report. 3. Refer to Section 8 – 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.

5. Income tax expense/benefit and effective tax rate

This section provides greater context to the taxation information provided in the Lendlease 2021 Annual Report. It should be read in conjunction with Note 9 of the Annual Report.

Reconciliation of accounting profit/loss to income tax benefit/expense (ITE)

Lendlease has disclosed its global reconciliation of accounting profit/loss to income tax benefit/expense (ITE) in Note 9a of Lendlease's 2021 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/loss before tax and are shown in the table below.

	2021		2020	
	Australia ²	Global	Australia ²	Global
Accounting ETR ¹	29.1%	24.5%	41.2%	35.7%

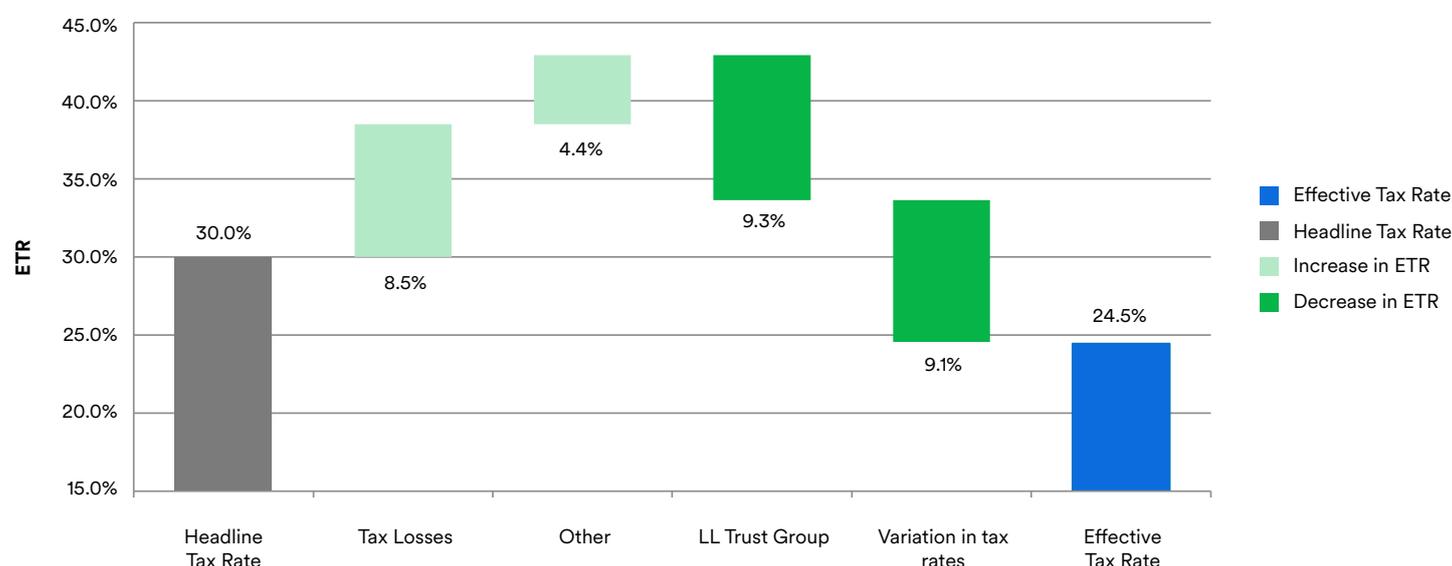
1. Accounting ETR has been calculated as ITE divided by accounting profit/loss before tax (in accordance with Australian Accounting Standard AASB 112 Income Taxes).

2. Australian ETR has been calculated based on accounting profit/loss before tax in respect of Lendlease's Australian operations, which includes transactions with foreign entities within the accounting consolidated group.

5. Income tax expense/benefit and effective tax rate cont.

Drivers of Lendlease's 2021 global effective tax rate

The primary drivers of Lendlease's global 2021 ETR are summarised in the following chart.



Our 2021 global ETR is 24.5 per cent, compared to the headline tax rate, being the Australian corporate tax rate of 30 per cent. This is the result of a variety of different factors and circumstances, including:

1. Tax losses:

Represents net derecognition of current and deferred tax assets in respect of tax losses, based on a recoverability assessment.

2. Other:

Includes non deductible expenses across various jurisdictions and temporary differences recovered/recognised.

3. Lendlease Trust Group earnings:

Under current Australian income tax law, the Lendlease Trust Group is not subject to corporate income tax (taxes on earnings distributed are paid directly by the unitholders).

4. Variation in tax rates:

Lendlease has significant businesses offshore and these operations are taxed at different rates. Some jurisdictions in which Lendlease operates have corporate tax rates lower than Australia such as Singapore and the UK; other jurisdictions have higher corporate tax rates such as the US (blended Federal & State) and Japan. FY21 also includes the effect of changes in UK tax rates.

5. Income tax expense/benefit and effective tax rate cont.

Reconciliation of income tax expense/benefit to income tax paid

	2021 Global A\$m	2020 Global A\$m
Income tax expense/(benefit)¹	72	(172)
Adjust for:		
Deferred tax benefit ²	96	110
Deferred tax asset (utilised)/recognised on Australian group tax losses ³	(58)	62
Other adjustments	(7)	(5)
Movement in current tax asset/liability ⁴	(18)	16
Income tax paid⁵	85	11
Deferred tax benefit consists of movements in the following deferred taxes²		
Loans and receivables	(35)	13
Inventories	98	(29)
Other financial assets	-	9
Other assets	24	93
Equity accounted investments	(16)	(16)
Investment properties	36	(30)
Property, plant and equipment	14	(5)
Intangible assets	2	2
Net defined benefit plans	1	(5)
Trade payables	(2)	7
Provisions	(33)	33
Borrowings and financing arrangements	8	30
Other financial and non financial liabilities	2	1
Tax losses	2	20
Capital losses	9	-
Items with a tax base but no carrying value	(14)	(13)
Deferred tax benefit^{1,2}	96	110

1. As disclosed in Note 9a of Lendlease's 2021 Annual Report. Income tax expense/(benefit) in the Income Statement comprises both current and deferred tax expense/(benefit).
2. As disclosed in Note 9c of Lendlease's 2021 Annual Report. Deferred tax benefit consists of movements in deferred tax balances (due to different accounting and tax treatments).
3. Relates to (utilisation of carry forward)/recognition of current year 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 2021 Annual Report.

6. International related party dealings

This section provides qualitative information about Lendlease's material international related party dealings. Given its current profile and the physical nature of most of Lendlease's business, the Group has limited international related party dealings. The impact on Lendlease's Australian tax position from these dealings is not material.

Based on the submitted income tax return for the year ended 30 June 2020 for the Lendlease Corporation Limited Australian Tax Consolidated Group, the gross value of international related party transactions in and out of Australia represented only 3 per cent of revenue.

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

Lendlease Australia provides support to overseas group companies. During 2021, 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 Country by Country reporting (CbCr) requirements in each of the countries we operate in (where applicable). Lendlease's 2020 CbCr report was lodged with the ATO in June 2021, 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 Australia provides parent company guarantees and intergroup funding to the overseas regional businesses for short term and working capital requirements (where necessary).

7. ATO tax transparency disclosures for 2020

In late 2021, the ATO is expected to release the Corporate Tax Transparency Report for 2020. This report contains the total income, taxable income and tax payable for 2020 for all public Australian companies with income in excess of A\$100 million. This is a recurring annual disclosure and the seventh time this information has been publicly disclosed.

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

Lendlease Corporation Limited's¹ total income, taxable income and tax payable for the 2020 financial year will be published on this website and is as follows:

	A\$m
Total income	8,153
Taxable income	-
Income tax payable	-

A reconciliation of these disclosures is provided below:

	A\$m
Total income	8,153
Total expenses	(8,583)
Accounting loss	(430)
Tax adjustments (net) ²	224
Current year tax loss	(206)
Taxable income	-
Tax @ 30%	-
Tax offsets	-
Income tax payable	-

In FY20 Lendlease's allowable tax deductions exceeded assessable taxable income for the year. This means Lendlease was in a 'tax loss' position in Australia and no Australian corporate income tax was paid.

There are a number of reasons for this including an accounting loss (Lendlease Australia's FY20 financial performance was impacted by the exit of the Engineering business and COVID-19 trading environment) and timing differences inherent in Lendlease's business (these are outlined in Section 2 of this report).

Our FY20 tax position complies with Australian income tax legislation.

1. Lendlease Corporation Limited is the head entity of the Lendlease Australian Tax Consolidated Group which comprises all wholly owned Australian subsidiary entities.
2. Largely represents timing differences where income and expense recognition is different for accounting and tax purposes ie. the outcomes will align over time.

8. Basis of report preparation

Section 4

Tax payments to revenue authorities reported in Section 4 are presented on a cash paid and cash received basis during the year ended 30 June 2021, 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 2020 to 30 June 2021.

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 during the year for the year ended 30 June 2021 and fringe benefits tax paid for the year ended 31 March 2021 (being the most recent annual return submitted).

The offshore amount includes employer social security contributions paid. UK employer tax represents amounts paid for the year ended 5 April 2021. US employer tax represents amounts paid for the year ended 30 June 2021.

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 2021.

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 during the year for the year ended 30 June 2021.

The offshore amount includes employee tax and social security contributions withheld. UK employee tax contributions are reported for the year ended 5 April 2021. US employee tax represents amounts paid for the year ended 30 June 2021.

Section 7

ATO tax transparency disclosures in Section 7 reflect total income, taxable income and tax payable contained in the Lendlease Corporation Limited 30 June 2020 Australian Tax Consolidated Group's annual return submitted to the ATO.

9. 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 4, 5 and 7 of Lendlease Corporation Limited (the Company) and its controlled entities (the Group) Tax Report 2021 (the Tax Report) for the year ended 30 June 2021.

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 4, 5 and 7 of Lendlease Corporation Limited's Tax Report 2021 for the year ended 30 June 2021 does not present fairly, in all material respects, in accordance with the Basis of Report Preparation outlined in Section 8 of the Tax Report, the taxes paid, collected and remitted by the Group and income taxes disclosed in the Group's 2021 Annual Report.

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

We draw attention to Section 8 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 2021.

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.

Responsibilities of Management for the Tax Report

Management of the Group are responsible for:

- Determining that the Basis of Report Presentation in Section 8 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.

9. 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 4, 5 and 7 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 8.

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 'KPMG' in blue ink, written in a casual, slightly slanted font.

KPMG
Sydney
16 August 2021

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