

AMP Tax Report 2021

1. Message from the Chief Financial Officer



AMP's purpose is helping people create their tomorrow. We continue to transform AMP, building on its 174-year heritage of supporting customers to live financially well, and to meet their needs today and into the future.

We continue to be proud of the contribution we make to the public finances of the countries in which we operate. We take our tax obligations seriously and our approach to paying tax is built on integrity and transparency.

We are committed to the highest standards of governance and transparency and operate under the Board of Taxation's voluntary tax transparency code (TTC). This report follows TTC principles and details the taxes we paid and our effective tax rates in 2021 and 2020.

We also share our approach to tax, a strategy that seeks to ensure we contribute appropriately to the communities in which we operate.

Blair Vernon

Chief Financial Officer

2. Introduction

This report provides information on AMP, the tax payments the group makes, its tax strategy and governance.

The vast majority of AMP's tax liability is payable in Australia. Income tax is levied on profits attributable to AMP shareholders and, for some investment structures, the investment returns generated for its customers. AMP is also subject to payroll, property, goods and service tax (GST), stamp duty and other taxes. AMP also collects and pays Pay As You Go (PAYG) taxes on behalf of employees, withholding tax on behalf of shareholders and investors, and contributions tax on customers' superannuation investments. The payment of Australian income tax by AMP generally results in the generation of imputation credits which are passed to shareholders on payment of dividends; where a shareholder is an Australian taxpayer, they obtain credit for the tax already paid by AMP.

The information in this report complements the financial information published in the AMP 2021 Annual Report, which is prepared to apply the recognition, measurement and disclosure requirements of Australian accounting standards in compliance with international financial reporting standards.

This report also serves to assist with understanding the disclosures that have been made by the Australian Taxation Office (ATO) in its Tax Transparency Report published in September 2022 in relation to our tax year ended 31 December 2020 and the disclosures expected to be made by the ATO later this year in its Tax Transparency Report for our tax year ended 31 December 2021.

3. AMP group

AMP has evolved over the course of its 174-year history to meet the changing needs of customers. Founded in 1849, AMP is a leading wealth management company offering clients financial advice and superannuation, retirement income, banking and investment products across our portfolio of businesses. The company also provides corporation superannuation products and services for workplace super.

The holding company of the group, AMP Limited, is listed on the Australian Securities Exchange (ASX).

AMP's business operations are carried out by a number of controlled entities. Each of AMP's business units is wholly owned by AMP Limited. The majority of AMP's profits are earned from financial services operations in Australia.

Other profits in 2021 were earned from financial services operations in New Zealand, as well as a number of investment management operations across Asia, Europe and North America.

This report reflects the structure of the business for the financial year to 31 December 2021. AMP Limited has undergone significant change since then, including the divestment of AMP Capital and the restructure of the Australian Wealth Management business units. The descriptions below reflect the structure of the business as at 31 December 2021, to align to the period reported on, though it should be noted that this has changed since the period covered by this report.

In 2021, AMP comprised the following business units:

- **AMP Bank** is an Australian retail bank offering residential mortgages, deposits and transaction banking.
- **Australian wealth management** comprised three different business lines providing advice, platform administration, superannuation, retirement income and managed investments products.
- **New Zealand wealth management** encompasses the wealth management, financial advice and distribution business in New Zealand. It provides clients with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments, a wrap investment management platform and distribution of general insurance.
- **AMP Capital** was a diversified investment manager across major asset classes including infrastructure debt, infrastructure equity and real estate, Global Equities and Fixed Income (GEFI), diversified, multi-manager and multi-asset funds. As at 31 December 2021, the group also held a number of strategic partnerships including:
 - 19.99% equity interest in China Life Pension Company.
 - 14.97% equity interest in China Life AMP Asset Management Company Limited.
 - 24.90% equity interest in US real estate investment manager, PCCP LLC.

On 30 June 2020, AMP Limited completed the sale of its life insurance business, AMP Life (the Australian and New Zealand wealth protection and mature businesses) to Resolution Life Australia Pty Ltd. For the tax year ended 31 December 2020, AMP Limited held a 19.62% equity interest in Resolution Life NOHC Pty Ltd, an Australian-domiciled, Resolution Life-controlled, holding company that is the owner of AMP Life.

In addition to the above business units, AMP has a group function, which provides centralised services and performs treasury activities.

AMP's Australian corporate entities were consolidated for income tax purposes, such that this group is treated as a single taxpayer for income tax purposes. Collimate Capital Limited (formerly, AMP Capital Holdings Limited) and its wholly-owned Australian corporate subsidiaries joined the AMP Limited tax consolidated group on 1 September 2020. Prior to 1 September 2020, AMP's Australian corporate entities were organised into two tax consolidated groups. A small number of partly-owned Australian corporate entities are not members of the tax consolidated group and are taxed separately on a standalone basis.

Where AMP operates in foreign jurisdictions, it will generally establish separate legal entities in those jurisdictions and be subject to the local tax regime. In some cases, AMP established investment vehicles and/or investment assets across multiple jurisdictions. This is discussed further in section 4.

To support its global operations, AMP in Australia provides support services (including administrative and IT support) to its overseas related parties. In addition, advisory arrangements are entered into between AMP subsidiaries in Australia and its international subsidiaries to support the provision of investment advisory and management services to a global client base. All of AMP's international related party dealings reflect arm's length conditions in accordance with Australia's transfer pricing requirements and the Organisation for Economic Co-operation and Development (OECD) guidelines.

4. Tax strategy and governance

AMP's tax strategy is focused on integrity in compliance and reporting and enhancing shareholder value.

The strategy is implemented through AMP's tax risk framework. This framework is approved by the AMP Limited Board and is supported by governance processes that ensure continued effectiveness. The AMP Tax Risk Management Policy is maintained by AMP Head of Group Tax and approved by the Board. The framework and supporting governance processes include an escalation requirement for key risks that are outside of the parameters approved by the AMP Limited Board.

In conducting AMP's activities (both in Australia and offshore):

- AMP does not shift to and/or accumulate profits in low or zero-tax jurisdictions.
- AMP does not use the secrecy rules of jurisdictions to hide assets or income.
- AMP pays tax where the underlying economic activity occurs.

The AMP Limited Board does not sanction or support any activities which seek to aggressively structure AMP's tax affairs.

As part of managing a global investment portfolio on behalf of domestic and international clients, including Australian superannuation funds, AMP uses a variety of structures and entities to enter offshore markets.

The selection of a particular location requires balancing various commercial, legal, investor and cost (including tax) factors. In this context, AMP manages investments through entities in jurisdictions that have alignment with OECD guidelines on tax transparency (ie information exchange with other tax authorities) and in certain instances low effective tax rates. AMP's public financial reports clearly disclose any differences in overseas tax rates to highlight the impact of the different tax rates that are applied in relation to shareholder profit from offshore activities.

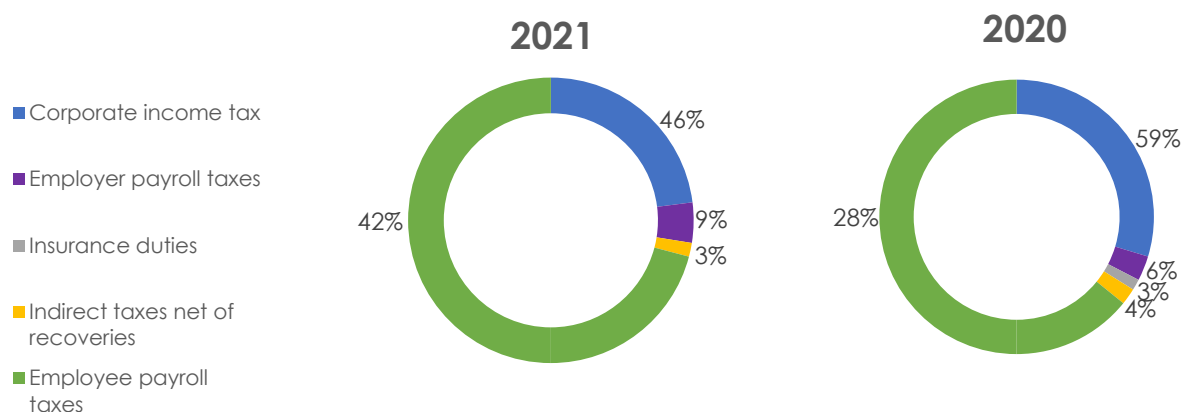
AMP has prepared and lodged its Country-by-Country (CbC) Report with the ATO each year as required. In compliance with both Australian filing requirements and the OECD BEPS Action Plan, the CbC Report contains details about AMP's international related party dealings, revenue, profits and taxes paid by jurisdiction. Under intergovernmental exchange of information agreements, this report is available to overseas tax authorities.

5. Tax paid analysis

The below table provides an analysis of the types of taxes paid by AMP group in respect of 2020 and 2021 to the Australian and New Zealand governments (state and federal). The majority of AMP's operations are in these two countries.

AMP also pays taxes to other foreign governments where it conducts economic activity, as well as other taxes (eg property taxes, stamp duty), which have not been included in the table below. The table excludes taxes paid by controlled Australian entities that do not form part of the AMP Limited or Collimate Capital Limited tax consolidated group.

Taxes paid



2021 – Taxes paid

	Corporate income tax ¹	Employer/ payroll taxes ²	Insurance duties ³	Indirect taxes net of recoveries ⁴	Total taxes borne ⁵	Employee payroll taxes ⁶
	\$m	\$m	\$m	\$m	\$m	\$m
Australian federal taxes	238.8	0.9	–	14.3	254.0	223.3
Australian state/territory taxes	–	49.1	–	–	49.1	–
New Zealand taxes ⁷	15.8	0.4	–	3.0	19.2	8.2
Total	254.6	50.4	–	17.3	322.3	231.5

2020 – Taxes paid

	Corporate income tax ¹	Employer/ payroll taxes ²	Insurance duties ³	Indirect taxes net of recoveries ⁴	Total taxes borne ⁵	Employee payroll taxes ⁶
	\$m	\$m	\$m	\$m	\$m	\$m
Australian federal taxes	419.2	1.7	–	29.3	450.2	233.3
Australian state/territory taxes	–	48.1	22.2	–	70.3	–
New Zealand taxes ⁷	91.5	0.5	–	4.3	96.3	10.5
Total	510.7	50.3	22.2	33.6	616.8	243.8

1 Tax liability of the AMP Limited and Collimate Capital Limited tax consolidated groups (see further details on page 6 regarding the Australian corporate income tax for the 2021 year) and the New Zealand branches of AMP Life and the National Mutual Life Association of Australasia. This includes tax of \$232m (2020: \$930m) that is attributable to Australian policyholders.

2 Comprises payroll and employer taxes that are payable as a result of a company's capacity as an employer (including Australian and New Zealand Fringe Benefits Tax (FBT)). Figures shown represent payroll tax for the year to 30 June 2021 and 30 June 2020 respectively, Australian FBT for the year to 31 March 2021 and 31 March 2020 respectively, and New Zealand FBT for 2021 and 2020 respectively.

3 Insurance duties that were remitted by AMP to state and territory governments in 2021 and 2020 respectively.

4 Comprises GST and other taxes that arise, which cannot be recovered from governments. Figures shown are GST payments for the AMP Life, AMP Services and AMP Capital Investors Australian GST groups, and the New Zealand branch of AMP Life. The GST under management in these groups totaled \$523m in 2021 (2020: \$658m) (comprising both GST that was remitted to the ATO/New Zealand Inland Revenue Department (IRD) and GST paid to suppliers).

5 Taxes that AMP is obliged to pay to a government on its own behalf (including income tax attributable to policyholders).

6 Employee taxes that are withheld from employee remuneration and paid to governments in the year to 30 June 2021 and 30 June 2020 respectively.

7 Amounts denominated in New Zealand dollars have been converted to Australian dollars at the 2021 average exchange rate of A\$1 = NZ\$1.0603 (2020: A\$1 = NZ\$1.0619).

6. Effective tax rate

'Effective tax rate' is a term used in public discourse and in this report, to refer to the income tax expense charged as a percentage of total profit, before the income tax expense is charged. Income tax expense is an accounting concept and reflects the amount of income tax accrued for accounting purposes. Typically, in any given year, there will be differences between the income tax charge and the amount paid for the period to the ATO, due to timing differences.

For accounting purposes, income tax includes only taxes that are based on taxable profits and excludes other types of taxes, such as GST, stamp duty, superannuation contributions tax, and PAYG tax paid on behalf of superannuation members and employees.

Most of AMP's shareholder income tax responsibilities arise in Australia where tax is levied at the corporate tax rate of 30% of the taxable income of the business. Taxable income is a tax legislation concept and differs from total profit before income tax expense for reasons that reflect government policies which apply for each accounting tax year.

For example, Australian tax concessions that reduce the effective rate of tax include established government incentives to promote Australian innovation (eg research and development concession (R&D)) and the Australian financial services industry (eg offshore banking unit (OBU) concession).

The effective tax rate is also impacted by the fact that the corporate tax rate varies between jurisdictions in which AMP operates, for example the tax rate in NZ is 28%.

Prior to the sale of the AMP Life wealth protection and mature business, the total income tax expense disclosed in AMP's financial report consisted of both income tax on shareholder profit and tax on policyholders' investment returns. When making a comparison to the Australian corporation tax rate of 30%, it is appropriate to first deduct the amount of tax that is attributable to policyholders, and then compare the amount of tax attributable to shareholders to the amount of profit after policyholder tax, but before shareholder tax.

AMP completed the sale of its life insurance business on 30 June 2020. The life insurance business after-tax profit/(loss) for the six months ended 30 June 2020 was disclosed separately in the AMP 2020 annual accounts, under 'discontinued operations'. Hence, income tax expense shown in the 2020 and 2021 annual report does not include policyholder tax.

Relationship between income tax expense and accounting profit

	2021 \$m	2020 \$m
(Loss)/Profit before income tax	(326)	51
Prima facie tax credit/(expense) at the Australian tax rate of 30% (2020: 30%)	98	(15)
Tax effect of permanent differences:		
- Offshore banking unit ¹	1	1
- Non-deductible expenses ²	(160)	(25)
- Non-taxable income ³	61	14
- Others	(30)	25
- Over provided in previous years ⁴	95	3
Differences in overseas tax rate	7	16
Income tax credit per Consolidated income statement	72	19

1 Profit from certain eligible funds management activities undertaken by AMP for non-residents are taxed at a concessional tax rate of 10% under the offshore banking unit regime.

2 Includes the tax effect of accounting impairments, share of associate losses and other expenses that are not deductible.

3 Includes non-assessable foreign dividends and share of associate profits.

4 Relates to the subsequent adjustment of tax estimates that were made in prior periods. This occurs as a result of data impacting the estimate.

7. Tax transparency disclosures for the year ended 31 December 2020 and 31 December 2021

The following tables outline income tax return data for AMP Limited and Collimate Capital Limited for the tax years ended 31 December 2020 and 31 December 2021. The data represents information that has been disclosed by the ATO in September 2022 for the 31 December 2020 year and information expected to be disclosed by the ATO later this year for the 31 December 2021 year under tax transparency legislation. These disclosures apply to AMP's Australian income tax position and do not cover any foreign taxes.

This income tax return data contains both tax attributable to shareholder and policyholder related profits and will therefore differ from the effective tax rate analysis in section 6 of this report, which only relates to tax on shareholder profits.

The ATO has published documents on its website that provide background on its corporate tax transparency report, and acknowledges that for companies that include a life insurance business (eg AMP over the relevant time period), the effective tax rate for accounting purposes will be impacted by the aggregation of shareholder and policyholder income and tax. The ATO has also noted differing applicable tax rates, in particular the 15% rate for superannuation, may give an impression of an artificially-low tax paid. These documents also comment on the impact of certain items, including the research and development tax concession (R&D) and imputation credits.

The below data was released by the ATO during September 2022 and was sourced from the AMP Limited and Collimate Capital Limited 31 December 2020 year Australian income tax returns:

	Gross income ¹ \$m	Taxable income ² \$m	Tax payable ³ \$m
AMP Limited	78,219	1,855	235
Collimate Capital Limited	582	12	3
Total	78,801	1,867	238

1 Gross accounting income for AMP and its wholly owned Australian subsidiaries and their foreign branches as disclosed in the tax returns, prior to offsetting expenses. This is not readily comparable to AMP's income statement, which also includes income from foreign subsidiaries and Australian entities that fall outside of the tax consolidated groups. Gross accounting income includes a \$65,468m gain from a reduction in policy liabilities as a result of the separation of the superannuation business as a precursor to the sale of AMP Life. The AMP Limited group tax return comprises AMP Life six month's results from 1 January 2020 to 30 June 2020 due to the sale of AMP Life and the results of Collimate Capital Limited group for the four months from 1 September 2020 to 31 December 2020. The Collimate Capital Limited group tax return is for the eight months ended 31 August 2020 after which the group joined the AMP Limited tax consolidated group on 1 September 2020.

2 Under Australian tax law, AMP Limited has two classes of taxable income (ordinary class and complying superannuation class). Ordinary class taxable income of \$167m is taxed at the corporate tax rate of 30%, and complying superannuation class taxable income of \$1,688m is taxed at a statutory tax rate of 15%. The taxable income shown above for AMP Limited is the total of both classes of taxable income.

3 Tax payable by each tax consolidated group on a stand-alone basis (rounded down).

We expect the below data will be released by the ATO and will include the following information from the AMP Limited 31 December 2021 year Australian income tax return.

	Gross income ¹ \$m	Taxable income ² \$m	Tax payable \$m
AMP Limited	3,025	0	0

1 Gross accounting income for AMP and its wholly-owned Australian subsidiaries and their foreign branches as disclosed in the tax returns, prior to offsetting expenses. This is not readily comparable to AMP's income statement, which also includes income from foreign subsidiaries and Australian entities that fall outside of the tax consolidated groups. As a result of having joined the AMP Limited tax consolidated group on 1 September 2020, Collimate Capital Limited was not required to lodge a 2021 year income tax return and subsequent tax years.

2 For the year ended 31 December 2021, AMP Limited incurred a tax loss of \$768m and accordingly, had no income tax liability.

Why tax does not equal 30% of taxable income

Separate tax treatment for life insurance business

AMP's tax profile differs to other Australian corporates due to the significance of the life insurance and superannuation businesses, until AMP has sold its wealth protection and mature business on 30 June 2020.

Under the tax rules for life insurance businesses, a significant portion of AMP's gross income, as reported in its tax returns, is either not subject to tax (not included in taxable income) or is subject to a concessional rate of tax where it relates to policyholder interests. This includes:

- certain life insurance premiums that are invested in AMP out of after-tax earnings by policyholders which are not subject to further contributions tax,
- income relating to AMP's pension business that is exempt from tax, consistent with the taxation of retirement phase earnings in a superannuation fund, and
- income relating to complying superannuation business, which is taxed at 15%, consistent with the taxation of standalone complying superannuation funds.

Tax loss

For 31 December 2021 AMP Limited generated a tax loss of \$768m. Accordingly, no Australian corporate income tax was payable. The tax loss is carried forward and is available to offset taxable income in future years.