

2022 Annual Report – tax transparency excerpt

The following attachments are excerpts from Vicinity Centres' 2022 Annual Report. They are to be read in conjunction with the remainder of the Annual Report.

Attached are:

- Extract 1: The Tax Transparency section, pages 40 to 45, of the Annual Report, and
- Extract 2: Note 3 to the financial statements, Taxes, on pages 83 to 84 of the Annual Report.

A full copy of the 2022 Annual Report can be downloaded at

<https://www.vicinity.com.au/assets/sb/f/129601/x/f667667c0f/2022-annual-report.pdf>

More Vicinity tax information can be found on our website at

<https://www.vicinity.com.au/investors/tax-information>

Disclaimer

The information contained herein (the Information) has been supplied by Vicinity Limited and Vicinity Centres RE Limited (in its capacity as responsible entity of Vicinity Centres Trust) (Vicinity).

The Information is intended to provide general advice only and does not take into account your individual objectives, financial situation or needs. You should assess whether the Information is appropriate for you and consider talking to a financial adviser or consultant before making an investment decision. This document contains forward-looking statements, including statements regarding future earnings and distributions. These forward-looking statements are not guarantees or predictions of future performance, and by their very nature, involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Vicinity Centres, and which may cause actual results to differ materially from those expressed in the statements contained in this document. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to Vicinity Centres as at the date of this document. Except as required by law or regulation (including the ASX Listing Rules), Vicinity Centres makes no undertaking to update these forward-looking statements, whether as a result of new information or future events.

All reasonable care has been taken in relation to the preparation and collation of the Information. Except for statutory liability which may not be excluded, no person, including Vicinity Centres and any of its subsidiaries (as applicable) accepts responsibility for any loss or damage howsoever occurring resulting from the use of or reliance on the Information by any person. Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Copyright and confidentiality

The copyright of this document and the Information contained therein is vested in the Vicinity Centres group of companies. This document should not be copied, reproduced or redistributed without prior consent.

TAX TRANSPARENCY

Vicinity exists to enrich community experiences and reimagine destinations of the future. We create places where people love to connect for leisure, living, and work, generating long-term value for all stakeholders.

Vicinity drives sustainable growth from our portfolio of retail assets with a focus on enhancing the communities in which we operate. Aligning with this approach, Vicinity is committed to strong corporate governance policies and business practices, across all of its functions, including meeting its tax responsibilities.

Vicinity voluntarily publishes this statement as part of its commitment to provide transparent and useful information on its tax affairs.

AUSTRALIAN TAX TRANSPARENCY

To improve the transparency of business tax affairs in Australia, the Board of Taxation designed the Tax Transparency Code (TTC) to outline a set of principles and minimum standards to guide the disclosure of tax information. Vicinity adopts the TTC recommendations in this statement.

OUR APPROACH TO TAX

Vicinity's Audit Committee oversees tax matters and has endorsed the Tax Risk Management Framework (the Framework), which reflects Vicinity's low risk approach to taxation. When carrying out its activities, Vicinity:

- has a low risk appetite and does not engage in aggressive tax planning and strategies;
- complies with all of its statutory obligations in a timely and transparent manner and protects its reputation;
- has robust tax governance, with ongoing oversight and escalation points for managing tax risk from Vicinity's key executives to the Audit Committee and Board of Directors; and
- has a commitment to engage and maintain transparent and professional relationships with tax authorities including the Australian Taxation Office (ATO).

A robust set of internal controls and policies exists to support the operational effectiveness of the Framework within Vicinity. Furthermore, the Audit Committee and independent assurance functions such as internal and external audits provide periodic independent and objective assurance on the effectiveness of risk management, control and governance processes.

Vicinity applies the Framework across its business to integrate the assessment of the tax implications of transactions, projects and business initiatives, into day-to-day business. This enables Vicinity to assess the tax implications of all transactions before committing to them and mitigate any tax risks that might arise.

Vicinity values having good relationships with all external regulatory bodies. Vicinity engages and consults with regulatory bodies regarding tax policy, tax reform and tax law design on matters that affect Vicinity's business and its securityholders.

Further information on Vicinity's corporate governance is available in its 2022 Corporate Governance Statement.



2022 Corporate Governance Statement
[Vicinity.com.au](https://www.vicinity.com.au)



VICINITY'S GROUP STRUCTURE

Vicinity securities consist of one share in the company (Vicinity Limited) and one unit in the trust (Vicinity Centres Trust). The shares and units are stapled together as Vicinity Centres securities listed on the ASX. However, Vicinity Limited and Vicinity Centres Trust remain separate legal entities in accordance with the *Corporations Act 2001* and under the tax law.

Vicinity Limited, and its wholly-owned group of entities, undertakes the business of managing Vicinity's shopping centre portfolio including property management, development management and responsible entity and trustee services for Vicinity Centres Trust, its sub-trusts and external wholesale funds. Vicinity Limited also provides property and development management services for joint owners of Vicinity's assets and other third parties.

Vicinity Centres Trust is a managed investment scheme operating in accordance with the *Corporations Act 2001*, and is regulated by the Australian Securities and Investments Commission (ASIC). Vicinity Centres Trust and its controlled trusts (Vicinity Centres Trust Group) hold the majority of the real estate investments for Vicinity.

TAXATION OF VICINITY

For the purposes of financial reporting, Vicinity Limited and Vicinity Centres Trust prepare a single consolidated set of financial reports. However, under tax law, Vicinity Limited and Vicinity Centres Trust are treated differently and require separate consideration.

Vicinity Limited

Vicinity Limited and its wholly-owned entities are consolidated for income tax purposes, resulting in all members of the consolidated group being treated as a single corporate taxpayer under Vicinity Limited. Under Australian tax law, companies are subject to income tax at the applicable corporate tax rate (30% for FY22) on their taxable income.

Vicinity Centres Trust Group

The Vicinity Centres Trust has elected into the Attribution Managed Investment Trust (AMIT) regime and where it attributes its taxable income to securityholders, is not liable to pay income tax.

The taxable income from the real estate investments held by the Vicinity Centres Trust Group is attributed as income to its securityholders. Australian resident securityholders pay tax on this income at their marginal tax rates and non-resident securityholders are taxed under the AMIT withholding tax rules.

CONTRIBUTIONS TO THE AUSTRALIAN TAX SYSTEM

As a business that operates in the Australian property industry, Vicinity is subject to various other taxes at federal, state and local government levels. In FY22, these taxes amounted to approximately \$217.4 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system¹.

The taxes remitted by Vicinity include pay as you go (PAYG) withholding taxes paid by our employees and goods and services tax (GST) collected from our retailers who rent space in our centres, net of GST claimed by Vicinity on its own purchases.

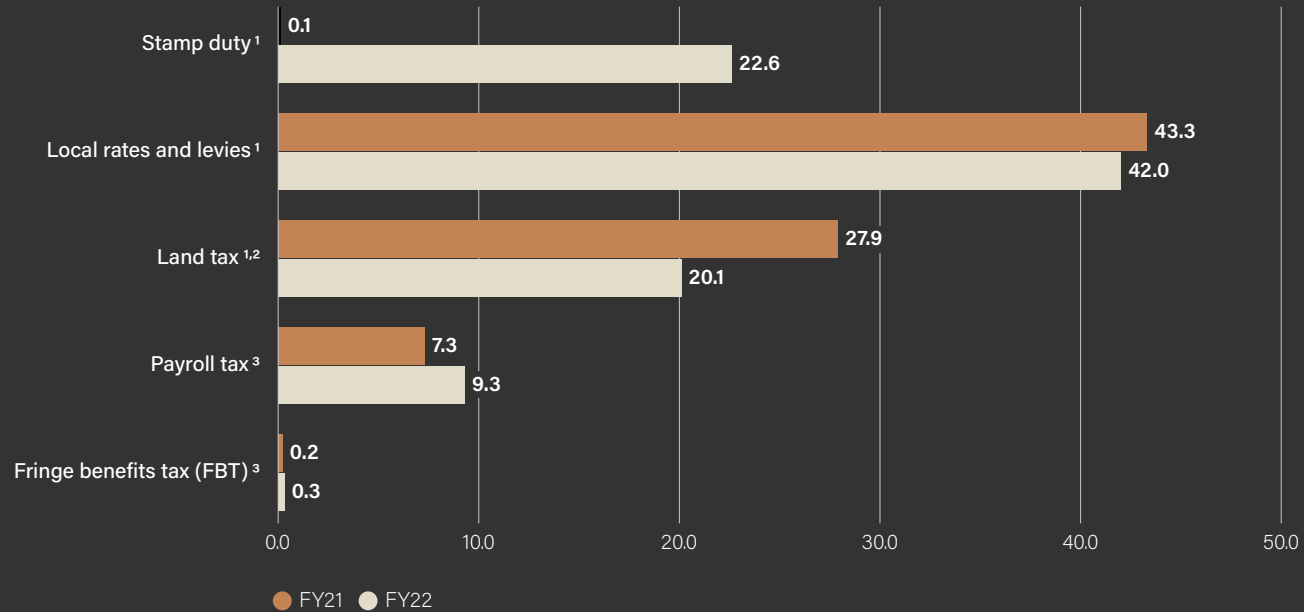
The following information summarises Vicinity's Australian tax contribution for FY22.

1. In this regard, Vicinity includes entities which have been equity accounted in this financial report.

TAX TRANSPARENCY CONTINUED

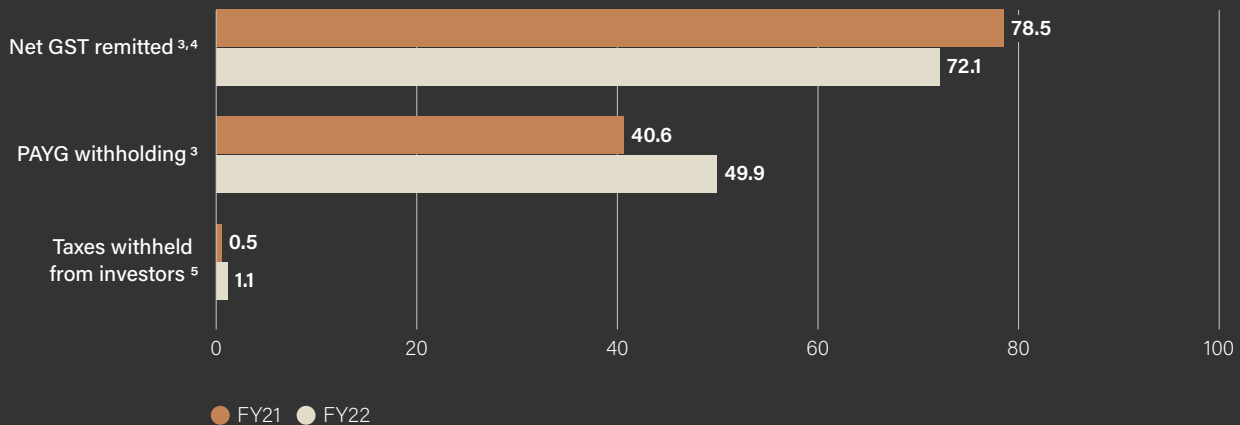
TOTAL TAXES BORNE BY VICINITY (\$M)

\$94.3 million (FY21: \$78.8 million)



TOTAL TAXES REMITTED BY VICINITY (\$M)

\$123.1 million (FY21: \$119.6 million)



The basis of preparation for Vicinity's Australian tax contribution information is outlined below. Vicinity undertakes an internal review process through its Finance and Internal Audit functions to verify the Australian tax contribution disclosures made.

- Stamp duty, land tax, local rates and levies data have been reported on an accrual basis and therefore may vary from the actual taxes paid in FY21 and FY22. The increase in stamp duty in FY22 is primarily due to the acquisition of a 50% interest in Harbour Town Premium Outlet Centre.
- As part of State Governments' response to COVID-19, land tax relief and deferrals have been obtained across all states which has resulted in lower net land taxes in FY22 relative to FY21.
- Payroll tax, FBT, GST and PAYG withholding data has been reported based on the amounts paid in respect of tax returns or notices of assessment issued to Vicinity for FY22 from the respective revenue authorities.
- Net GST remitted for FY22 is comprised of \$150.6 million of GST collected (FY21: \$144.1 million) and \$78.5 million of GST claimed (FY21: \$65.6million).
- This represents taxes withheld from Vicinity's securityholders, which has been prepared based on information maintained by Vicinity's external security registry provider. As the majority of our securityholders either supply their tax file number or in the case of non-residents, hold their interests indirectly, this figure is not representative of the taxes actually paid by our securityholders.



TAX TRANSPARENCY CONTINUED

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAID AND PAYABLE

A full reconciliation of Vicinity's accounting net profit to income tax benefit is included in the Tax note in Note 3 to the Financial Report. Accounting net profit is determined in accordance with the Australian Accounting Standards. Taxable income, in contrast, is an income tax concept, which is calculated by subtracting allowable deductions from assessable income. A taxpayer's income tax liability is calculated by multiplying its taxable income by its applicable tax rate.

Vicinity Limited

The FY22 reconciliation from income tax benefit to income tax paid or payable is outlined below.

	\$m
Income tax benefit (refer to Note 3 to the Financial Report)	7.6
Adjust for:	
Movement in deferred tax assets including the utilisation of Australian Group tax losses	4.6
Income tax benefit relating to the recognition of deferred tax assets	(12.7)
Adjustment of current tax for prior periods and other	0.5
Income tax payable	0.0

In FY22, the Vicinity Limited consolidated group generated taxable income of approximately \$16.4 million prior to the utilisation of carry-forward losses (\$16.4 million) and no income tax payable.

The effective tax rate¹ (ETR) based on current year income tax benefit for Vicinity Limited is (58.0%).

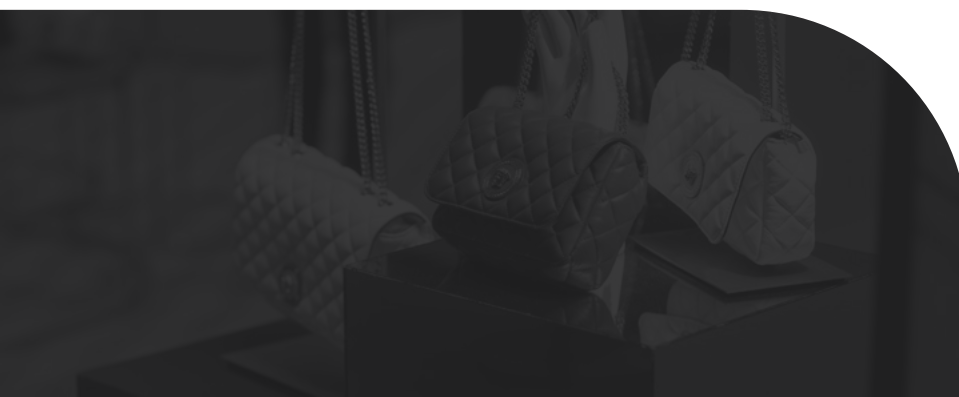
The negative ETR in FY22 arises predominately due to the recognition of deferred tax assets. For further explanation, Note 3(b) to the Financial Report provides a reconciliation of prima facie income tax expense at 30% to the income tax benefit recognised.

Vicinity Centres Trust Group

The accounting net profit attributable to the securityholders of Vicinity Centres Trust Group was \$1,194.5 million for FY22. Vicinity Centres Trust has derived taxable income of \$313.8 million which will be attributed to the securityholders under the AMIT rules and taxed in the hands of securityholders, as described above.

The Vicinity Centres Trust Group does not pay income tax (rather, tax is paid by Vicinity's securityholders), it has no income tax expense and therefore a zero ETR.

1. The negative ETR has been calculated as income tax benefit (\$7.6m) divided by net profit before tax attributable to Vicinity Limited (\$13.1m) (in accordance with Australian Accounting Standard AASB 112 Income Taxes). The ETR should not be compared to the corporate tax rate without appreciating the differences between accounting profit and taxable income (as explained above). Further information is available on the ATO's tax transparency webpage.



RECONCILIATION TO ATO TAX TRANSPARENCY DISCLOSURE

The Vicinity Limited income tax consolidated group has a total income in excess of \$100 million and is subject to public disclosure in the ATO's Report of Entity Tax Information that is released annually.

For the FY21 income year, this report will be published on the ATO's website¹ and it is anticipated to disclose the following information:

	\$m
Total income	202.5
Taxable income	0.5
Tax payable	0.0

The summary below provides a reconciliation of these disclosures:

	\$m
Total income	202.5
Total expenses	(197.4)
Profit before income tax	5.1
Net adjustments for:	
Permanent differences	3.7
Timing differences ²	21.9
Tax losses utilised	(30.2)
Total taxable income	0.5
Prima facie income tax payable	0.2
Less tax offsets	(0.2)
Tax payable	0.0

FURTHER INFORMATION

- Vicinity Limited taxes paid information as published by the ATO in the *Report of Entity Tax Information*: data.gov.au/dataset/corporate-transparency
- ATO's webpage on tax transparency for corporate tax entities, including background information and explanations: ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Report-of-entity-tax-information/
- A breakdown of the taxable components that securityholders receive via their annual taxation statements will be available in September 2022 on Vicinity's website: vicinity.com.au/investors/tax-information

1. Expected to be available in December 2022.

2. Adjustments that arise due to differences between when income or expenses are recognised for accounting and tax purpose.



OPERATIONS

3. TAXES

a) Group taxation summary

Income tax

Vicinity Centres Trust (flow through trust structure)

The Trust and its controlled trusts are not liable to pay income tax (including capital gains tax) on the basis that the taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders in accordance with the Attribution Managed Investment Trust Regime. The Trust's securityholders pay tax at their marginal tax rates, in the case of Australian resident securityholders, or through the withholding rules that apply to non-resident securityholders investing in Managed Investment Trusts. As a result, the Group has zero income tax expense recognised in respect of the Trust's profit.

Vicinity Limited (corporate tax group)

The Company and its subsidiaries have formed a tax consolidated group (TCG). Under this arrangement, the Company, the head entity of the TCG, accounts for its own current and deferred tax amounts and assumes those from subsidiaries in the TCG. Members of the TCG have entered into a tax funding arrangement (TFA) which sets out the funding obligations of members of the TCG in respect of tax amounts. The TFA requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

Income tax expense for the year is calculated at the Australian corporate tax rate of 30% and comprises current and deferred tax expense, any adjustments relating to current tax of prior periods and movements in unrecognised tax losses. These amounts are recognised in the income statement, except to the extent they relate to items recognised directly in other comprehensive income or equity. Current tax expense represents the expense relating to the expected taxable income at the applicable rate for the current financial year.

Deferred tax assets and liabilities are measured based on the expected manner of recovery of the carrying value of an asset or liability. Deferred tax charges represent the future tax consequences of recovering or settling the carrying amount of an asset or liability. These future tax consequences are recorded as deferred tax assets to the extent it is probable that future taxable profits or deferred tax liabilities will be available to utilise them. Where appropriate, deferred tax assets and liabilities are offset as permitted by Australian Accounting Standards.

A summary of the components of Vicinity Limited's income tax expense is shown below:

	30 Jun 22 \$m	30 Jun 21 \$m
Current income tax expense	(4.9)	(8.8)
Deferred income tax benefit	0.3	6.5
Adjustment for current year tax of prior periods	(0.5)	(0.3)
Increase/(Decrease) in deferred tax assets	12.7	(8.3)
Income tax benefit/(expense)	7.6	(10.9)

Statutory taxes and levies

The Group also incurs federal, state based and local authority taxes including land tax, council rates and levies. These are included within direct property expenses in the Statement of Comprehensive Income. Additionally, employee benefits expense within the Statement of Comprehensive Income includes employment-related taxes such as fringe benefits tax, payroll tax and Workcover contributions.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included within the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Voluntary tax transparency code

The Group is a signatory to the Tax Transparency Code. Further information on the Group's statutory taxes, levies and GST are disclosed in the Tax Transparency section of the Annual Report.

OPERATIONS

3. TAXES CONTINUED

b) Reconciliation between net profit and income tax benefit

	30 Jun 22 \$m	30 Jun 21 \$m
Profit/(Loss) before tax for the year	1,207.6	(247.1)
Less: (Profit)/Loss attributed to the Trust and not subject to tax ¹	(1,194.5)	252.2
Net profit before tax attributable to securityholders of Vicinity Limited	13.1	5.1
Prima facie income tax expense at 30%	(3.9)	(1.5)
Tax effect of amounts not taxable in calculating income tax expense:		
Net adjustment relating to share based payments	0.3	(0.7)
Other permanent differences	(1.7)	(0.1)
Prior period adjustments	0.2	(0.3)
Increase/(Decrease) in unrecognised deferred tax assets (allowable deductions)	12.7	(8.3)
Income tax benefit/(expense)	7.6	(10.9)

1. As outlined above, taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. Includes adjustment for \$12.5 million income tax benefit recognised by Vicinity Limited which has been recorded against the Vicinity Group's unrecognised deferred tax assets disclosed below (30 June 2021: \$8.8 million expense).

c) Movement in temporary differences

Significant Judgement and Estimate including the impact of the COVID-19 pandemic

The forecasts of future taxable income are based on the Group's budgeting and planning process and adjusted for tax specific consequences for the Company. This process requires estimates to be made in developing assumptions about income and expenses (and their tax consequences) in future periods and significant judgement is applied in determining the length of the future time period to use in the assessment.

The pandemic has continued to cause a degree of uncertainty in determining certain key assumptions within the assessment of future taxable income of the Company, particularly around the future fund, property, and development management fee revenues, which are linked to the underlying performance and valuation of the investment properties under management by the Company and the timing and execution of the Group's property development activities. If the assumptions differ from management's estimates, this may result in additional recognition or reversal of deferred tax assets in future financial periods.

A summary of the movements in deferred tax balances is as follows:

	Provisions \$m	Other \$m	Tax losses \$m	Total \$m
At 30 June 2020	11.0	6.4	55.2	72.6
Current tax expense	–	–	(8.8)	(8.8)
Adjustment of current tax of prior periods	–	–	(0.3)	(0.3)
Deferred income tax movements	8.2	(1.7)	(8.3)	(1.8)
Transfers	–	0.4	(0.4)	–
At 30 June 2021	19.2	5.1	37.4	61.7
Current tax expense	–	–	(4.9)	(4.9)
Adjustment of current tax of prior periods	–	–	(0.5)	(0.5)
Deferred income tax movements	5.2	(4.9)	12.7	13.0
Transfers	–	0.2	(0.2)	–
At 30 June 2022	24.4	0.4	44.5	69.3

Unrecognised deferred tax assets comprising of unused tax losses totalled \$9.4 million at 30 June 2022 (30 June 2021: \$21.8 million). These unrecognised deferred tax assets do not expire.