

Voluntary Tax Transparency Code (TTC)

The Boston Consulting Group Pty Ltd

The Boston Consulting Group Pty Ltd (BCG) supports the Australian Government's objective for corporations to provide additional information to assist the public to understand their tax contribution and compliance with Australia's tax laws. BCG has signed up to the Voluntary Tax Transparency Code (TTC).

Income taxes disclosed in the BCG 2017 Financial Statements

The income tax expense (ITE) disclosed in BCG's Financial Statements is calculated based on International Financial Reporting Standards (IFRS). In any one income year, there may be a difference between the ITE in the Financial Statements to the total cash taxes paid to the Australian Tax Office during that same income year. This is because of a number of factors such as the timing of corporate tax instalment payments made to the Australian Tax Office and other taxes being excluded from ITE including FBT, payroll and employee taxes.

BCG calculates its Effective Tax Rate (ETR) as ITE divided by accounting profit before income tax. For the rolling ten years to 2017, the ETR for BCG was equal to or exceeded 30%. Provided below is the calculation of the ITE for BCG showing the impact of adjustments to the ITE on the calculation of the ETR and a reconciliation of income tax expense to cash.

Note that for disclosure purposes, table 1.1 below includes BCG Australia's consolidated result, including its NZ branch, as reported in its Financial Statements lodged with ASIC. BCG Australia's effective tax rate referred to above is calculated excluding the NZ Branch.

1.1 Reconciliation of accounting profit to tax expense and to income tax paid/payable

Table 1.1A: Reconciliation of profit to tax expense (as derived from the audited financial statements prepared by BCG for 2017).

BCG Australia Pty Ltd consolidated result (incl NZ branch)	2017 \$000	2016 \$000
Net profit/(Loss)	18,996	7,470
Income tax expense / (credit)	8,419	(2,091)
Profit/(Loss) before income tax	27,415	5,379
Tax at the Australian tax rate of 30% (2016: 30%)	8,224	1,614
<i>Increase/(decrease) in income tax expense due to:</i>		
Non-deductible expenses	(54)	222
Effect of tax rate in foreign jurisdictions	(13)	(100)
Losses not brought to account / (recoupment of unbooked losses)	-	(1,404)
Adjustment for prior years	262	(2,423)
Income tax expense (ITE) / (credit)	8,419	(2,091)

Table 1.1B: Reconciliation of income tax expense to income tax paid

BCG Australia Pty Ltd consolidated result	2017 \$000	2016 \$000
Income tax expense / (credit) on profit before income tax	8,419	(2,091)
Timing differences recognised in deferred tax:		
Doubtful Debts	-	-
Employee Benefits	1,809	345
Related Entity Provisions	2,265	5,158
Provision for Miscellaneous Expenses/Income	(184)	479
Carry Forward Tax Losses / (Losses brought to account)	-	(3,953)
Work in Progress	(9,638)	(1,995)
Unrealised Foreign Exchange Gain	212	(334)
Income tax paid / (refund) ¹	2,883	(2,391)

1.2 Accounting effective company tax rates for Australian operations

Table 1.2 Effective tax rates (ETR)

	2017 \$000	2016 \$000
BCG Australia accounting Profit/(loss) before tax	26,055	688
Tax expense/(credit)	7,969	332
Australian ETR	30.6%	48%

¹ The refund received in 2016 relates to allowed deductions claimed as part of over-paid tax paid in the Australian tax returns for calendar years ending 2008 through to 2011.

	2015 (%)	2014 (%)
BCG Australia accounting Profit/(loss) before tax	(12,335)	(9,727)
Tax expense/(credit)	(3,545)	(2,788)
Australian ETR	-	-

	2013 (%)	2012 (%)
BCG Australia accounting Profit/(loss) before tax	(37,668)	19,765
Tax expense/(credit)	(11,185)	6,026
Australian ETR	-	30.5%

The above effective tax rates (ETRs) have been calculated as income tax expense divided by accounting profit for the Australian accounting group (excluding NZ branch).

Tax Contributions to Australia & Income Tax Payable

Income tax payable is based on taxable income at the prevailing tax rate. The accounting effective tax rate is calculated as the income tax expense divided by profit (including profits from joint ventures) as per AASB112.

Variations between BCG's tax expense as recorded in its statutory accounts and tax payable as recorded in its tax return has mainly arisen due to the following:

- BCG's accounting effective tax rate varies from 30% primarily due to non-deductible expenditure that increases the income tax expense
- The financial year 2016 includes a tax refund relating to over-paid tax in prior years
- A tax loss occurs where the total deductions claimed for an income year exceed the total income. These tax losses can generally be offset against taxable income of later income years