



Tax transparency report

for the year ended 30 September 2023

National Australia Bank Limited (**NAB**) takes its tax obligations seriously and is committed to being transparent about its tax affairs. This Tax Transparency Report meets the requirements of Australia's Voluntary Tax Transparency Code and provides an explanation of NAB's tax contribution for the year ended 30 September 2023.

Introduction

NAB is a major Australian company which, together with its subsidiary companies and foreign branches, makes a significant contribution to the Australian economy and business landscape and to the offshore economies in which it conducts financial services activities. The corporate behaviour of NAB impacts many stakeholders including customers, shareholders, employees and governments. As a corporate leader, NAB commits to strong corporate values and behaviours, including in its approach to taxation.

In August 2016 NAB committed to Australia's Voluntary Tax Transparency Code (**the Code**).

The disclosures made in this report satisfy Parts A and B of the Code.

In particular, the report sets out for the year ended 30 September 2023 NAB's:

- Approach to tax risk governance
- International Related Party Dealings
- Total Tax Contribution in Australia
- Total Tax Contribution globally
- Reconciliations of:
 - Income Tax Expense
 - Effective Tax Rate
 - Income Taxes Payable
 - Current Tax Expense
- Reconciliation to the ATO's transparency disclosures
- Basis of preparation
- Glossary.

The report should be read in conjunction with NAB's 2023 Annual Report (**AR**) which can be found on NAB's website at www.nab.com.au.

NAB's Approach to Tax Risk governance

The NAB Board is responsible for determining NAB's Tax Policy and the approach to tax risk governance. The Tax Policy is reviewed on a regular basis and any changes are approved by the NAB Board.

Background and Context

The Tax Policy applies to all functions of NAB including employees, contractors and agents.

For the purpose of the Tax Policy, Tax Risk is defined as an unexpected adverse financial or reputational consequence arising to NAB from adopting a position or taking an action that is inconsistent with the key tax principles detailed below.

Policy Principles

NAB's Tax Policy is founded on seven key principles:

1. Robust Tax Control Framework

NAB maintains a robust tax control framework which is subject to regular testing and assurance.

Tax risk is managed in the context of the Group's framework on risk management accountabilities. NAB exercises strong governance over its tax affairs. NAB maintains and enforces strict protocols to control the type of transactions that NAB enters into and the tax risks associated with these transactions.

NAB subscribes to the United Kingdom Code of Practice for Banks (UK Code) which was introduced on 9 December 2009 as NAB conducts operations in the United Kingdom. The objective of the UK Code is to ensure that banking groups operating in the United Kingdom comply with the spirit, as well as the letter of the law when it comes to tax matters.

2. Full Compliance with Tax Laws

NAB seeks to be fully and properly compliant with tax obligations in each of the jurisdictions in which it operates by providing tax authorities with information that is complete, accurate and reliable in all material respects and is provided on time as set out in legislation or as agreed with tax authorities. NAB will not adopt a tax position which is clearly contrary to tax laws or administrative practices of the relevant jurisdictions.

NAB recognises that there may be areas of differing legal interpretation from time to time with tax authorities and, where this occurs, NAB endeavours to engage proactively with tax authorities to resolve these matters.

NAB continually monitors the potential impact of new legislation, judicial pronouncements and administrative practices in assessing the impact on operations and transactions.

3. Acceptable Tax Planning

As part of the prudent management and organisation of its affairs, NAB will only enter into transactions that are in accordance with, and in line with the spirit of, the applicable tax legislation and regulations.

NAB does not:

- transfer value to operations in low tax jurisdictions solely to obtain a tax benefit or without genuine commercial reasons and substance.
- participate in, or promote, complex arrangements or tax structures that could be considered aggressive or viewed as contrived or serve no other genuine economic or business purpose.
- utilise structures, including structures situated in tax havens or jurisdictions that are uncooperative with tax authorities, that are designed solely to obtain a tax benefit or avoid disclosure of activities.

4. Use of Arm's Length Tax Transfer Pricing Principles

NAB's guiding principle in all intra group transactions is that the dealings must be in accordance with the arm's length standard for transfer pricing.

NAB will not participate in arrangements where transfer pricing outcomes are not consistent with value creation.

NAB seeks to comply with the domestic transfer pricing rules which apply in each of the regions in which it operates. These rules, while predominantly based on the Organisation for Economic Co-operation and Development (**OECD**) Guidelines do differ by country, which can result in different requirements for different regions. To address this matter, the following principles will apply:

- OECD guidelines will form the basis of NAB's approach to transfer pricing.
- NAB will apply the arm's length standard for its transfer pricing arrangements.

Transfer pricing outcomes must be consistent with the functional activities undertaken, risks assumed and assets utilised in each jurisdiction.

5. Constructive working relationship with Tax Authorities

NAB proactively works with tax authorities in each of the jurisdictions in which it operates to establish a constructive working relationship based on transparency, mutual trust and respect and co-operation.

NAB will:

- Be fully transparent in disclosing and discussing significant uncertainties in relation to tax matters.
- Discuss and resolve material tax issues before returns are filed, wherever practicable.
- Engage in a co-operative, supportive and professional manner.
- Work collaboratively to achieve early resolution of issues.

As one of Australia's largest taxpayers, NAB is subject to the ATO's Pre-lodgement Compliance Review (PCR) program.

As part of the PCR process, NAB has clear lines of communication with the ATO on particular transactions that NAB is undertaking and positions that are adopted. This provides the ATO with an opportunity to perform a timely review of NAB's tax obligations.

NAB is considered a "Key Taxpayer" for both income tax and GST. This is the lowest risk rating that can be attained taking into account the size and complexity of NAB's Australian operations.

NAB has received a High level of ATO assurance over its income tax compliance. This means that NAB has received a Justified Trust designation.

6. Tax Transparency consistent with stakeholder expectations

NAB will annually publish a tax transparency report. This report will meet stakeholder expectations around the transparency of NAB's tax affairs including the provision of information about NAB's approach to tax risk and the disclosure of taxes paid by NAB.

7. The Common Reporting Standard and other customer related reporting

NAB is subject to various legislative requirements to collect and provide customer related tax information and data to tax authorities. Under these regimes NAB must collect the relevant information from customers and report complete and correct information and data to local tax authorities.

NAB's International Related Party Dealings

NAB undertakes international related party dealings between its operations in Australia and its offshore branches and subsidiaries. In line with the Tax Policy, all transactions are conducted in a manner consistent with the arm's length standard.

Outlined below are details of the nature of the material categories of dealings and the countries in which the counterparties to the dealings are located.

A listing of entities, business activities and employee numbers for each region in which NAB operates is published in the "NAB Group Entity Report" which can be located at <https://www.nab.com.au/about-us/sustainability/reporting-policies-approach/open-transparent-tax-disclosure>.

Funding

As a major Australian financial institution, NAB raises funds to facilitate lending to customers and to meet regulatory capital requirements. NAB raises funding through a number of different means including raising funding from both domestic and international markets. As part of its general funding activities, NAB enters into various funding arrangements with its offshore branches and subsidiaries to address both short-term and longer-term funding requirements.

International related party funding transactions occur between NAB and the following offshore related party locations: New Zealand, United States, United Kingdom, France, Hong Kong, Japan and Singapore.

Derivatives

The derivative market is a global market with major trading hubs located outside of Australia. To enable NAB to participate in these markets, NAB engages in derivative sale and trading arrangements with its offshore branches and subsidiaries.

International related party derivative transactions occur between NAB and offshore operations in the following locations: New Zealand, United States, United Kingdom, France, Hong Kong, Singapore, China and Japan.

Capability Centre support

NAB established two Global Capability Centres (GCCs) in India and Vietnam. These GCCs provide technology and/or middle and back-office support services to NAB to drive better outcomes for NAB Group and its customers.

Global Taxes Paid

The amount of global taxes paid in each region is provided on page 4 in A\$ equivalent.

NAB's Contribution to Australian Tax Revenue

NAB paid total taxes in Australia during the year ended 30 September 2023 of \$3,112 million. This includes:

Taxes paid in Australia	2023 \$m
Corporate Tax	2,161
Major Bank Levy	372
Unrecoverable GST	304
Employer Related Taxes	275
Total	3,112

Given the quantum of Australian Corporate Income Tax Paid, in 2023 NAB was able to fully frank all dividends paid to shareholders and to the holders of frankable hybrid instruments.

The Corporate Tax Paid in Australia of \$2,161 million above is \$215 million lower than the Tax Payable per the 2023 income tax return in Australia (see table 3 on Page 8) mainly due to tax payments made after 30 September 2023. Table 4 on Page 8 provides a reconciliation between the Corporate Tax Paid of \$2,161 million and the Tax Payable of \$2,376 million.

In addition to the above taxes paid, NAB also collects significant taxes on behalf of the Australian Government. Below is a summary of the key taxes collected and remitted by NAB in 2023.

Taxes Collected and Remitted in Australia	2023 \$m
Salary Withholding Taxes	1,245
GST	1,348
Other Withholding Taxes	78
Total	2,671

NAB's Global Tax Contribution

NAB paid total taxes (A\$ equivalent) globally during the year ended 30 September 2023 of \$3,989 million. This includes:

Taxes Paid Globally	AUST 2023 \$m	NZ 2023 \$m	EUROPE ¹ 2023 \$m	USA 2023 \$m	ASIA ² 2023 \$m	TOTAL 2023 \$m
Corporate Tax	2,161	775	23	3	20	2,982
Major Bank Levy	372	-	-	-	-	372
GST/VAT Unrecovered	304	33	4	-	-	341
Employer Related Taxes	275	5	12	2	-	294
TOTAL	3,112	813	39	5	20	3,989
Percentage of Total	78.01%	20.4%	1.0%	0.1%	0.49%	100%

Income tax expense reconciliation

Below is a reconciliation of Income Tax Expense (ITE) for NAB including a split per major country/region for the year ended 30 September 2023. NAB's ITE Reconciliation is disclosed in Note 6 of NAB's 2023 AR. The ITE disclosed in the company's income statement does not represent NAB's liability to the ATO (or relevant overseas revenue authority), but rather ITE is calculated in accordance with Australian accounting standards and represents the accounting profit multiplied by the prima facie corporate income tax rate, with subsequent adjustments for "non-temporary" differences between accounting and tax. These adjustments take into account the difference between expense and income recognition criteria under accounting principles and the income tax legislation. Some examples include non-deductible expenses, non-assessable income, concessionally taxed income and foreign tax rate differences for income derived overseas.

Income Tax Expense Reconciliation	2023 NAB \$m	2023 Australia \$m	2023 NZ \$m	2023 Europe ³ \$m	2023 USA \$m	2023 Other Regions ⁴ \$m
Statutory Profit before Income Tax Expense [A]	10,450	8,033	1,913	152	232	120
Prima facie income tax at 30%	3,135	2,410	574	45	70	36
Tax effect of permanent differences:						
Assessable foreign income	11	11	-	-	-	-
Foreign tax rate differences	(68)	-	(38)	(5)	(10)	(15)
Foreign branch income not deductible	6	-	-	-	6	-
Over/(under) provision in prior years	(11)	(10)	-	(1)	-	-
Offshore banking unit adjustment	(77)	(77)	-	-	-	-
Restatement of deferred tax balances for tax rate changes	(1)	-	-	(1)	-	-
Non-deductible interest on convertible instruments	109	109	-	-	-	-
Adjustments to deferred tax balances for tax losses	(142)	-	-	-	(142)	-
Other	18	21	5	(10)	3	(1)
Total Income Tax Expense [B]	2,980	2,464	541	28	(73)	20
Effective Tax Rate [B] / [A]	28.5%	30.7%	28.2%	18.4%	-31.5%	16.7%

Effective tax rate

The Effective Tax Rate (**ETR**) for the year ended 30 September 2023 was **28.5%** for NAB (2022: 27.5 %) and **30.7%** (2022: 28.8 %) for NAB's Australian region.

The ETR is the Income Tax Expense as a percentage of Statutory Profit Before Income Tax. NAB's ETR for the 2021 to 2023 years is shown below (on a Continuing Operations basis).

NAB's statutory ETR differs from the Australian corporate tax rate of 30% principally due to differing corporate tax rates in offshore locations where NAB operates and also due to NAB's offshore banking unit income which is taxed in Australia at a lower rate to encourage offshore investment.

Effective Tax Rate	2023 \$m	2022 \$m	2021 \$m
Statutory Profit Before Income Tax	10,450	9,744	9,068
Statutory Income Tax Expense	2,980	2,684	2,597
Statutory Effective Tax Rate	28.5%	27.5%	28.7%

Income taxes payable reconciliation

The reconciliation of Income Taxes Payable for NAB for the year ended 30 September 2023 is as follows:

Income Taxes Payable Reconciliation	2023 \$m
Income Taxes Payable as at 1 October 2022 (per Balance Sheet in AR)	995
Less: Income Tax Paid during the year (per Cash Flow Statement in AR)	(2,973)
Add: Current Tax Expense for the year ended 30 September 2023 (refer below)	3,081
Add/(Less) Other Items ⁵	(111)
Income Taxes Payable as at 30 September 2023 (per Balance Sheet in AR)	992

1. Includes UK and France

2. Principally countries in the Asian region.

3. Includes UK and France

4. Principally countries in the Asian region.

Current tax expense reconciliation

Current Tax Expense for NAB for the year ended 30 September 2023 is calculated as follows:

Current Tax Expense Reconciliation (Continuing Operations Basis)	2023 \$m	2023 \$m
Profit before Income Tax Expense		10,450
Prima facie income tax at 30%		3,135
Non-Temporary Differences		
Assessable foreign income	11	
Foreign tax rate differences	(68)	
Foreign branch income not deductible	6	
Over/(under) provision in prior years	(11)	
Offshore banking unit adjustment	(77)	
Restatement of deferred tax balances for tax rate changes	(1)	
Non-deductible interest on convertible instruments	109	
Adjustments to deferred tax balances for tax losses	(142)	
Other	18	
Total Non-Temporary Difference	(155)	
Income Tax Expense (per Note 6 in AR)		2,980
Temporary Differences giving rise to a Deferred Tax Expense		
Collective & Specific Provisions	160	
Other Provisions	(73)	
Fixed Assets	12	
Other	2	
Deferred Tax Expense (per Note 6 in AR)		101
Current Tax Expense (per Note 6 in AR)		3,081

Reconciliation to the ATO's tax transparency disclosure

Following the introduction of tax transparency legislation, the ATO has published certain information about the tax affairs of certain companies since 2014, which includes NAB.

To facilitate a greater understanding of how the ATO published data agrees to NAB's AR, the Tables below provide the following information:

- **Table 1** is a high-level reconciliation of NAB's profit before income tax from continuing operations as disclosed in the AR to the profit disclosed in the 2023 tax return for the NAB Income Tax Consolidated Group (**NAB TCG**). The NAB TCG comprises NAB and all of NAB's wholly owned Australian entities.
- **Table 2** is a summary of the 2023 tax return for the NAB TCG. The information is taken from various labels of the tax return. The information in this Table will not reconcile to the amounts disclosed in the "Australia" column in the "Income Tax Expense Reconciliation" on Page 4. This is because the actual tax paid to the ATO incorporates tax temporary differences (for example, differences between tax and accounting depreciation expense) whilst these do not form part of the ITE calculation.
- **Table 3** is what the ATO will publish for NAB for the year ended 30 September 2023.
- **Table 4** provides a reconciliation between the Corporate Tax Paid on Page 3 and the Tax Payable per Tables 2 and 3.

Table 1 – Reconciliation of Net Profit		2023 \$m
NAB Statutory Profit Per AR on a Continuing Operations basis		10,450
Add:		
Net Profit included in the Tax Return but not included in the AR		5,421
Exclude:		
Net Profit from NAB entities outside the NAB TCG		(2,542)
Adjust for transactions in the NAB Group including accounting consolidation entries		(1)
Net Profit from Discontinued Operations ⁶		(83)
Profit for NAB TCG per the 2023 Tax Return		13,245

Table 2 – Summary of NAB TCG Tax Return		2023 \$m	ATO disclosure (refer Table 3)
Total Income (included in Table 3)		50,567	50,567
Total Expenses		(37,322)	
Net Profit Before Income Tax (refer to Table 1)		13,245	
Book to Tax Adjustments:			
Collective & Specific Provisions		371	
Other Provisions		(40)	
Fixed Assets		(67)	
Customer-related Remediation Provision		(255)	
Non-assessable Dividends		(5,428)	
Offshore Banking Unit Concession		(261)	
Other Adjustments		379	
Taxable Income (Included in Table 3)		7,944	7,944
Income Tax on Taxable Income		2,383	
Tax Offsets		(7)	
Tax Payable (included in Table 3)		2,376	2,376

Table 3 – ATO’s Published Information of NAB’s Income Tax Consolidated Group		2023
		\$
Total Income		50,567,073,520
Taxable Income		7,944,273,995
Tax Payable		2,375,744,254

Table 4 – Reconciliation of Corporate Tax Paid to Tax Payable (Australia)		2023
		\$m
FY23 Australian Corporate Tax Paid - cash basis		2,161
Adjustments to cash basis reporting:		
FY23 final tax payment made after 30 Sept 23		619
FY22 final tax payment after 30 Sept 22		(444)
FY22 PAYG tax instalment made after 30 Sept 22		(122)
FY23 PAYG tax instalment made after 30 Sept 23		162
FY23 Australian Tax Payable - tax return		2,376

Basis of preparation

This report gives its readers an overview of the total tax payments made by NAB.

Key Income Tax Expense and Tax Payable data was sourced from NAB's 2023 AR. NAB's 2023 AR was prepared in accordance with the requirements of the Corporations Act 2001 (Cth), accounting standards and interpretations issued by the Australian Accounting Standards Board (**AASB**), International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

All data, unless otherwise stated, has been prepared for the year 1 October 2022 to 30 September 2023. Data that relates to taxes paid or collected are reported on a cash paid basis.

Amounts are presented in Australian dollars, which is NAB's functional and presentation currency. These amounts have been rounded to the nearest million dollars (\$m).

Glossary

For the purposes of this report, the following terms have the below meaning:

Accounting standards

Standards and interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

AR

Annual Report.

Arm's length standard

To price international related party dealings as if they were between unrelated, well-informed parties.

Effective Tax Rate

Income Tax Expense as a percentage of Statutory Profit Before Income Tax Expense.

Employer related taxes

Fringe Benefits Tax and State imposed Payroll Tax.

Foreign branch

The international operations of an Australian company that is subject to tax in the foreign jurisdiction.

Justified Trust

The ATO have obtained assurance that NAB paid the right amount of Australian income tax for the relevant tax year.

Income tax legislation

Income Tax Assessment Act 1936 (Cth) and Income Tax Assessment Act 1997 (Cth).

International related party dealing

A transaction between a domestic and international party of NAB.

Major Bank Levy

In 2017, the Australian Government introduced a Major Bank Levy which has applied to NAB since 1 July 2017. The rate is 0.06% per annum of certain Authorised Deposit Taking Institution liabilities. The Bank levy is deductible for income tax purposes.

NAB Income tax consolidated group (NAB TCG)

NAB and all Australian wholly owned entities which are consolidated as one taxpayer for Australian income tax purposes.

NAB

National Australia Bank Limited and its controlled entities (as defined in the AR).

Non-temporary Differences

An adjustment to account for an amount of income or expense that, while recognised for accounting purposes, will never be taken into account for income tax purposes or vice versa.

Pre-lodgement Compliance Review (PCR)

ATO's Pre-lodgement Compliance Review Program.

Revenue Authorities

Federal, state and offshore revenue authorities.

Tax Payable

The amount of corporate income tax due for a particular period, calculated in accordance with the relevant income tax legislation.

Temporary Differences

An adjustment to take into account the different time in which income or expenses are recognised for accounting and income tax purposes.

Unrecoverable GST

The amount of GST paid for which a credit cannot be obtained.