

Tax Contribution Report 2021/22



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Our Purpose

**We create and inspire smart solutions
in steel, to strengthen our communities
for the future.**

Our Bond

Our Customers are our partners

Our success depends on our customers and suppliers choosing us. Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

Our People are our strength

Our success comes from our people. We work in a safe and satisfying environment. We choose to treat each other with trust and respect and maintain a healthy balance between work and family life. Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

Our Shareholders are our foundations

Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together make us all stronger.

Our Local Communities are our homes

Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values, and encourage involvement. Our strength is in choosing to do what is right.

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Message from the Chief Financial Officer

BlueScope is pleased to present this Tax Contribution Report in respect of the year ended 30 June 2022, to provide transparency to the public regarding our tax affairs.

Our disclosures through this report, published since FY2017, aim to help the community, including our investors, better understand our tax contributions, strategy, governance and compliance with the tax laws in Australia and internationally. BlueScope's disclosures also demonstrate our strong commitment to transparency and our approach from a regulatory and financial perspective in the countries in which we do business.

BlueScope is subject to the tax regimes in each of the countries in which we have a presence. Wherever we operate we conduct business responsibly and ethically, and work to prevent instances of bribery and corruption, which take resources away from communities and governments. BlueScope is committed to complying with all tax laws in the jurisdictions in which we operate. We strive to pay the right amount of tax, at the right time, in the jurisdictions where we create value. This is consistent with Our Purpose, Our Bond and our belief in operating sustainably, responsibly and with integrity.

Following a strong FY2021, BlueScope's business has continued to grow, with the FY2022 result being a record performance, the highest profit in our 20-year history as a listed company. We saw strong demand for our steel products and solutions and demonstrated the strength and resilience of the business in the face of macroeconomic and geopolitical volatility and supply chain challenges.

The result means that BlueScope continues to confidently accelerate its strategic growth plans that allow it to:

- » invest for long-term growth and resilience of the Group, with the expansion of North Star BlueScope Steel (North Star), two strategic acquisitions in North America in FY2022 and the work progressing on the feasibility assessment of a comprehensive blast furnace reline and upgrade at the Port Kembla Steelworks;
- » position the business for a low carbon future, with a net zero climate change goal by 2050 and with BlueScope's near-term action underpinned by a five-year climate investment program of up to \$150 million; and
- » continue to deliver strong returns to shareholders, with ~\$1 billion returned via dividends and on-market buy-backs during FY2022.

In addition to the investment in growth we've made across the US, we're continuing to progress our broader growth and transformation initiatives, with the continued rollout of our digital program, and further progression of key projects, such as the evaluation of additional metal coating capacity in Australia and the expansion of the BlueScope Properties Group in the US.

The result also means that the Group has continued to pay significant amounts of tax in the countries in which we operate. In the case of Australia, strong performance has resulted in BlueScope's income tax losses, which had been carried forward on our balance sheet for many years, being fully utilised. BlueScope is expecting to make an Australian corporate income tax payment in December 2022, ahead of lodging its FY2022 corporate income tax return.

This report provides details of the taxes paid by the Group, information about our effective tax rates, our approach to tax governance and tax strategy and a summary of our international



Tania Archibald Chief Financial Officer

related party dealings. The information provided in this report should be read in conjunction with the BlueScope 2022 Annual and Sustainability Reports. In the Sustainability Report you will also find details of the direct economic contribution generated by BlueScope internationally. Also reflected is the flow of that direct economic contribution as payments generating value to the communities in which we operate, including through the taxes paid and disclosed in this report.



Details regarding our FY2022 Annual and Sustainability Reports can be found on our website.

In this report references to BlueScope, 'the Group', 'we' or 'our' refers to BlueScope Steel Limited and each of its controlled entities incorporated in any jurisdiction.



For further details on Our Purpose and Our Bond please also refer to our website.

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Overview of business operations

Section 01

BlueScope is a global leader in metal coating and painting for building and construction, employing over 15,700 people at over 160 sites in 18 countries.

Principally focussed on the Asia-Pacific region, the Group manufactures and markets a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

In Australia, BlueScope specialises in flat steel products, including hot rolled coil, cold rolled coil, plate and value-added metallic coated and painted steel solutions. Its key focus is on higher value, branded products for the building and construction industry. The Port Kembla Steelworks in New South Wales' Illawarra region is the largest steel production facility in Australia, with an annual crude steel production capacity of over three million tonnes. BlueScope's Australian business also participates in the value chain through LYSAGHT® and FIELDERS® building products, ORRCON® pipe and tube operations and steel distribution sites, and BlueScope Distribution throughout Australia.

North Star is a low-cost regional supplier of hot rolled coil, based in Ohio (US), serving automotive, construction and manufacturing end-use industries. North Star is highly efficient, operates at industry leading utilisation rates and is strategically located near its customers and in one of the largest scrap regions of North America. BlueScope also operates the recently acquired BlueScope Recycling and Materials, a full-service, ferrous scrap metal recycler with processing facilities in Waterloo, Indiana and in Delta, Ohio, adjacent to our North Star facility.

The expansion of the North Star operations is expected to increase annual hot rolled coil production by around 850,000 tonnes per annum. This project is a highly value-accretive capital priority for the Group. It is now moving to commissioning phase, with an expected 18 month ramp up to full capacity.

The Group has an extensive footprint of metallic coating, painting and steel building product operations

across ASEAN, China, India and North America, primarily servicing the construction sector.

BlueScope operates its business in ASEAN and the west coast of North America in partnership with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSC (NS BlueScope Coated Products) and jointly controlling and therefore equity accounting the joint venture with Tata Steel (Tata BlueScope Steel).

Our coil painting operations extend across the Eastern US region through BlueScope Coated Products (BCP). Acquired in June 2022, BCP is the second largest metal painter in the US, with seven facilities predominantly serving the construction industry.

BlueScope is a leading supplier of engineered building solutions (EBS) to industrial and commercial segments. Its EBS value proposition is based on speed

of construction, low total cost of ownership and global delivery capability. Leading brands, including BUTLER®, VARCO PRUDEN® and PROBUILD®, are supplied from BlueScope's manufacturing and engineering centres in North America and China. This expertise is extended with the BlueScope Properties Group, which develops Class A industrial properties in the US; predominantly warehouses and distribution centres.

BlueScope's New Zealand business is the only fully integrated steel producer in New Zealand, using locally sourced iron sand to produce a range of flat and long steel products for domestic and export use, supplying all major industries including construction, manufacturing, infrastructure, packaging and agriculture. This business includes Pacific Steel New Zealand (rolling mill and wire drawing facilities), and the Pacific Islands business, with facilities in Fiji, New Caledonia and Vanuatu.

Our global operations

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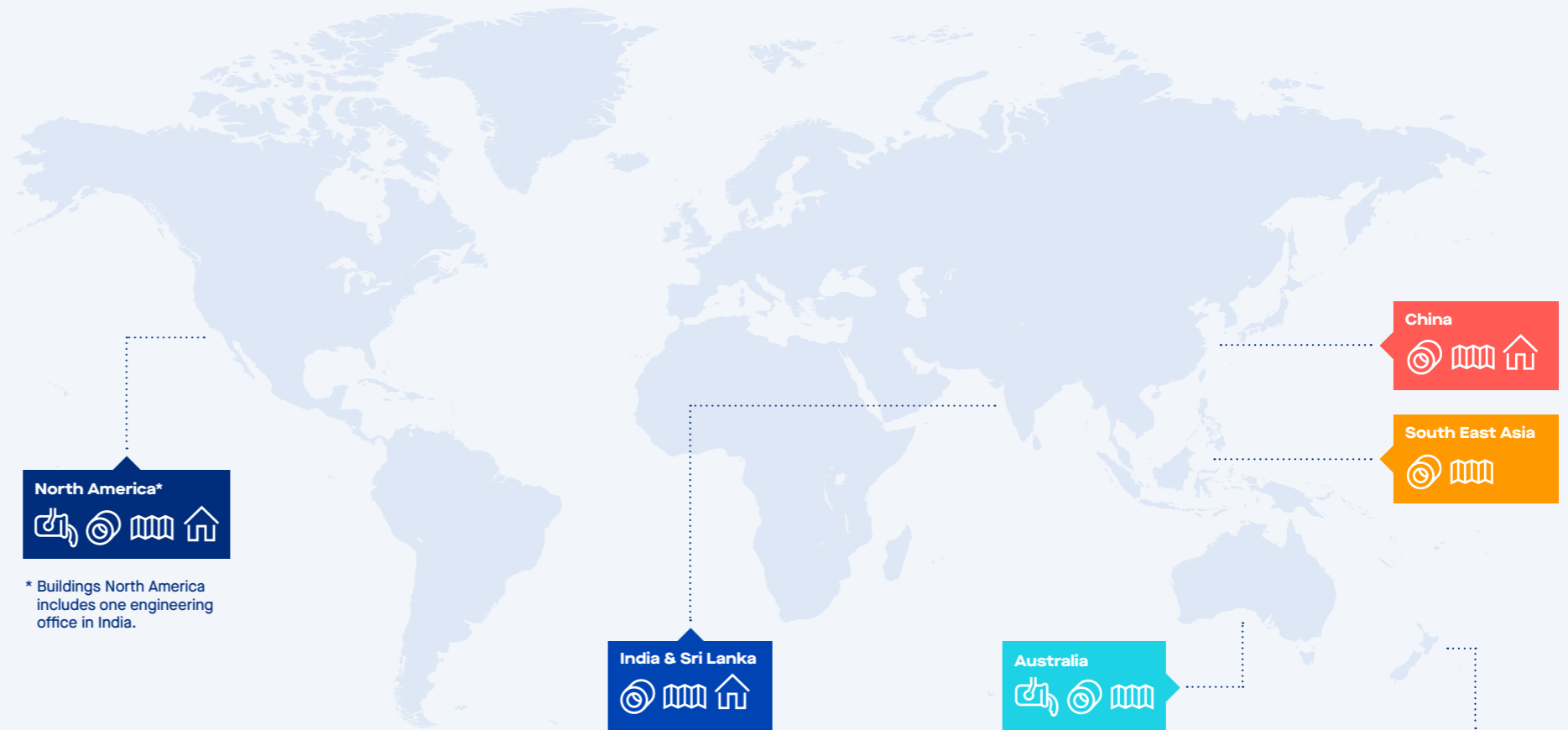
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North America*

* Buildings North America includes one engineering office in India.

India & Sri Lanka

Australia

China

South East Asia

New Zealand & Pacific Islands

KEY

UPSTREAM	MIDSTREAM	DOWNSTREAM		
Steelmaking (flat products)	Metal coating and painting	Long products (rebar, wire)	Steel building materials and components	Steel buildings and systems

Effective company tax rates for Australian and Group operations

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Section 02

BlueScope began utilising available Australian carry-forward tax losses in FY2016. BlueScope's Australian operations return to profitability followed a period between FY2009 and FY2015 when the Group faced significant trading and financial challenges, generating Australian tax losses at that time, as well as research and development (R&D) tax offsets received annually. As outlined in our previous reports, at 30 June 2018, BlueScope recognised its remaining carried forward Australian tax losses on its balance sheet as a deferred tax asset. The gross value of these carry-forward Australian tax losses amounted to \$1.84 billion at that time.

The strong financial performance achieved in FY2022 has resulted in BlueScope fully utilising the remaining \$746 million in Australian carry-forward losses brought forward from 30 June 2021 against Australian taxable income (refer analysis in Section 03). The recoupment of all of its Australian tax losses will result in an Australian corporate income tax liability for FY2022, albeit this tax liability is not due for payment until 1H FY2023. Details of the corporate income tax payable in Australia for FY2022 can be found in the *Reconciliation to income tax payable* in Section 03.

BlueScope calculates its accounting effective tax rate as income tax expense divided by accounting profit before tax, adjusted for post-tax share of results of equity accounted investments. A calculation of BlueScope's effective tax rate on a group consolidated basis is published in the BlueScope 2022 Annual Report in Note 4(b) of the consolidated financial statements.

Accounting effective tax rate

The primary factors impacting BlueScope's accounting effective tax rates in the current year relate to:

» For Australia, withholding tax costs associated with non-assessable non-exempt foreign dividends from subsidiaries; and

» For the Group, the foreign tax rate differential predominantly relating to lower tax rates on significant profits earned in North America and Asia, along with the use and initial recognition on the balance sheet of the remaining un-booked tax losses in New Zealand (NZ).

	Australia (\$M) ¹		Group (\$M)	
	2022	2021	2022	2021
Profit before income tax expense	2,230.6	746.3	3,789.7	1,695.6
Adjusted for:				
Inter-company dividend income not assessable in Australia	(1,096.4)	(216.5)	-	-
Subsidiary provisions/impairments	4.9	(42.3)	-	-
Share of equity accounted investments	-	-	(30.1)	(25.2)
Adjusted profit before income tax expense	1,139.1	487.5	3,759.6	1,670.4
Prima facie income tax expense/(benefit)	341.7	146.3	1,127.9	501.1
Non-temporary differences	4.3	10.0	(321.2)	(113.0)
Adjusted income tax expense/(benefit)	346.0	156.3	806.7	388.1
Accounting effective tax rate	30.4%	32.1%	21.5%	23.2%

¹ Australia – means the Group comprising the BlueScope Australian entities.

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

Section 03

A reconciliation of BlueScope's accounting profit to income tax expense on a Group consolidated basis is published in the BlueScope 2022 Annual Report in Note 4(b) of the consolidated financial statements. This disclosure was prepared for the statutory accounts in accordance with International Financial Reporting Standards.

Income tax expense, reported on a company's income statement, is calculated by multiplying accounting profit for the year, adjusted for non-temporary differences, by the relevant corporate tax rate (30 per cent in Australia).

Included below is a reconciliation of BlueScope's accounting profit to current income tax paid or payable on both a group consolidated basis and for Australia separately.

Income tax paid or payable is calculated by multiplying accounting profit for the year, adjusted for both temporary and non-temporary differences, by the relevant corporate tax rate. Current income tax paid or payable represents the estimated income tax paid or payable to the Australian Taxation Office (ATO) and other tax authorities. Further details of taxes paid can be found at Section 05.

Current income tax paid or payable reconciliation

	Australia (\$M)		Group (\$M)	
	2022	2021	2022	2021
Adjusted profit before income tax expense per ETR table	1,139.1	487.5	3,759.6	1,670.4
Tax at the Australian tax rate of 30.0%	341.7	146.3	1,127.9	501.1
Non-temporary differences	4.3	10.0	(119.0)	(25.4)
Tax rate differential	-	-	(202.2)	(87.6)
Total income tax (benefit)/expense	346.0	156.3	806.7	388.1
(Under)/over provision for income tax	1.6	(0.8)	1.4	(1.4)
Temporary differences (predominantly impacted by Australian tax losses)	(208.3)	(155.5)	(315.7)	(255.4)
Current income tax paid/payable	139.3	-	492.4	131.3

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Section 04

Approach to risk management and governance arrangements

BlueScope is committed to complying with the law and the intent of the law and manages its tax affairs to protect its reputation. BlueScope has a low tax risk appetite. BlueScope aims for reasonable certainty on our tax positions. When tax laws are unclear, BlueScope seeks external and/or regulator guidance to ensure that our positions are more likely than not correct. Tax havens are not used for tax planning purposes. Our operations in low tax jurisdictions either have genuine substance, are in the process of being unwound or are legacy entities for which treaty benefits are not claimed.

The Audit Committee of the Board sets the Group's tax risk appetite and has ultimate responsibility for ensuring there is an effective process to manage tax risk. The Audit Committee approves the Tax Governance Framework by which the Group operates. The Vice President Tax and CFO are responsible for monitoring the effectiveness of the Tax Governance Framework and must report any material tax issues to the Audit Committee (and in certain circumstances the Board).

BlueScope will only implement transactions that are aligned with its business, have clear commercial objectives, and do not rely on returns driven by tax for their commercial effect. We will not operate artificial or contrived tax structures. These principles reflect BlueScope's long-standing practice in relation to the management of tax risks and are intended to guide BlueScope's tax strategy and policies, to:

- » Meet regulatory and statutory obligations and maintain high ethical standards.
- » Protect reputation.
- » Be transparent with revenue authorities/governments to improve their understanding of BlueScope's business and key tax matters.
- » Ensure related party transactions are on arm's length terms and are supported by appropriate transfer pricing documentation.
- » Ensure commercial considerations are paramount in any corporate structure transaction and are documented prior to execution.

Engagement with revenue authorities

BlueScope seeks to foster a transparent and cooperative relationship with the ATO and other tax authorities and governments more broadly.

BlueScope's approach to engagement with revenue authorities, including but not limited to the ATO, is to be compliant with tax laws and ensure its statutory obligations are met.

In Australia, BlueScope is a Top 100 taxpayer given our significance to the Australian tax community. BlueScope has its own dedicated large taxpayer case team and is subject to ongoing and regular engagement with the ATO through the Tax Assurance Review (TAR) process in relation to income tax and Goods and Services Tax (GST). The TAR process allows BlueScope to engage transparently with the ATO on significant tax matters.

BlueScope has completed its second Top 100 income tax TAR with the ATO and has received a high assurance rating under the justified trust initiative. Achieving high assurance allows the Australian community to have confidence that the ATO considers BlueScope is paying the right amount of tax. To achieve justified trust, the ATO requires organisations to provide objective evidence that would lead a reasonable person and the community to conclude that large businesses are paying the right amount of tax, and BlueScope is proud to have achieved this rating. BlueScope is now completing its third Top 100 income tax TAR and its first GST TAR and at the time of publication of this report is awaiting its overall rating from the ATO.

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BlueScope's tax contribution is significant, with total Group tax payments of over \$1,250 million, comprising approximately \$596 million in taxes borne and \$660 million in taxes collected and remitted.

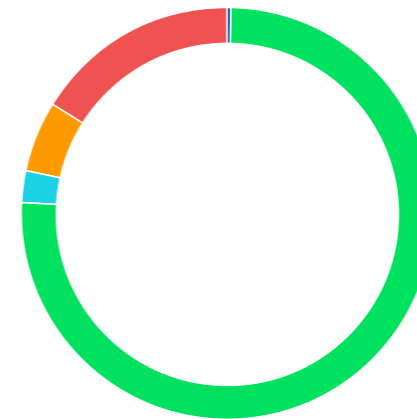
The distribution of taxes paid and collected by BlueScope reflects the geographical spread of our businesses (noting available corporate tax losses in some countries which offset taxable profits).

The majority of the corporate income tax was paid in North America, the region also contributing more than half of total group tax payments. Australia remains a significant contributor to BlueScope's total Group tax payments, with more than half of the taxes collected and remitted by the BlueScope Group in FY2022 being paid in Australia (refer to the table on page 11).

In relation to Australia specifically, corporate income tax has not been paid while BlueScope has been utilising its carry-forward losses. The circumstances of how these losses were generated are outlined in Section 02. While BlueScope fully utilised these losses during FY2022, the tax payment associated with its income tax payable in relation to FY2022 (see Section 03) will be due in December 2022. Accordingly, BlueScope's Australian corporate income tax payment for FY2022 will be included in next year's Tax Contribution Report.

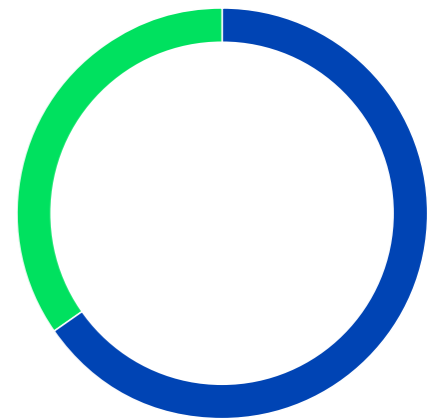
While corporate income tax was not paid during FY2022, BlueScope still made a significant contribution to the Australian tax system. With a large Australian workforce, BlueScope's largest tax cost is state payroll tax. Furthermore, our employees themselves also make significant payments of personal income tax.

**TOTAL TAX BORNE BY
BLUESCOPE IN AUSTRALIA**



- Corporate income tax and WHT
- Employer payroll tax
- Fringe benefits tax
- Customs duty
- Property taxes

**TOTAL TAX COLLECTED
AND REMITTED BY
BLUESCOPE IN AUSTRALIA**



- Employee payroll taxes
- GST (net)

In relation to overall global taxes paid, the table overleaf includes more details of the material taxpaying jurisdictions in which BlueScope operates. During FY2022, BlueScope paid significantly more taxes than in the prior year, reflecting the stronger operating performance in jurisdictions such as the US, China and India. In Australia, strong profits have resulted in the full utilisation of carry-forward losses with a commencement of corporate income tax payments in FY2023. In addition, due to a return to taxable profits, the Group has fully recognised NZ's remaining tax losses (\$27.9 million tax effected) as the businesses there continue to utilise them against taxable profits.

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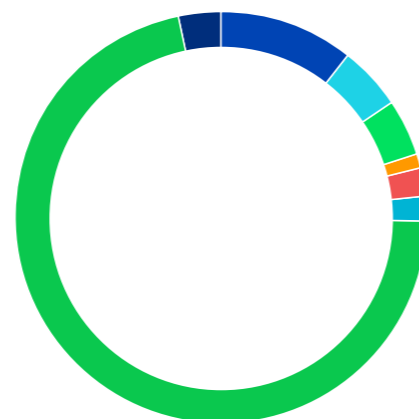
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**TOTAL TAX BORNE
BY BLUESCOPE**



Total tax borne by BlueScope

Country of operation	Corporate income & withholding taxes	Other local taxes and levies	Employer payroll taxes	Total tax payments borne
Australia	0.2	13.6	49.2	62.9
China	22.6	7.1	-	29.8
India	20.1	6.9	-	27.0
Indonesia	2.7	5.0	0.1	7.7
Malaysia	1.3	0.4	0.4	2.1
New Caledonia	2.6	0.8	1.5	4.9
New Zealand	1.5	9.3	1.1	11.9
Singapore	0.5	0.2	0.3	1.0
Thailand	9.0	1.5	1.5	12.0
US	372.1	21.0	32.9	426.0
Vietnam	3.7	0.3	-	4.0
Other	1.5	4.7	0.3	6.5
Total	438.0	70.8	87.2	596.0

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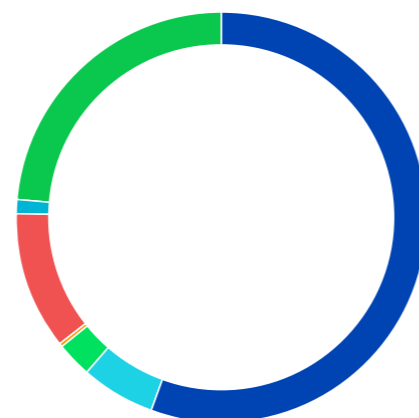
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**TOTAL TAX COLLECTED AND
REMITTED BY BLUESCOPE**



Taxes collected & remitted by BlueScope

Country of operation	GST/VAT sales tax (collected and remitted in relation to sales)	GST/VAT sales tax (paid but reclaimed in relation to purchases)	Employee WHT	Total tax payments collected & remitted
Australia	662.8	(534.4)	241.8	370.2
China	218.0	(186.2)	7.1	38.9
India	123.6	(108.2)	2.2	17.6
Indonesia	32.8	(31.5)	1.6	2.8
Malaysia	-	(0.7)	2.3	1.6
New Caledonia	1.2	(1.0)	0.4	0.6
New Zealand	137.8	(128.5)	63.1	72.4
Singapore	1.7	(1.9)	-	(0.2)
Thailand	50.4	(46.1)	2.7	7.1
USA	65.5	(0.6)	90.4	155.3
Vietnam	19.0	(23.2)	1.6	(2.5)
Other	3.3	(8.6)	1.4	(3.9)
Total	1,316.2	(1,070.9)	414.6	659.8

Note:

1. Corporate income taxes and withholding taxes are sourced from the BlueScope cashflow statement included in the audited financials within the 2022 Annual Report.
2. India has been included in the tables above but is not currently shown in the consolidated cashflow statement in the financials as this is an equity accounted investment.
3. Employer payroll taxes comprise payroll and employer taxes payable in the capacity as an employer, whereas Employee taxes are taxes withheld from employee remuneration and paid to governments.

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Section 06

BlueScope Steel Limited is the ultimate parent entity of the Group. BlueScope has its head office in Melbourne, Australia, with regional headquarters in Australia, ASEAN and North America. Consistent with our multi-jurisdictional strategy, BlueScope undertakes manufacturing activities in each of these jurisdictions and elsewhere. As a developer of steel products and solutions, BlueScope undertakes most R&D activities in Australia, with some R&D activities also undertaken in North America and New Zealand. All new knowledge and Intellectual Property (IP) generated from the R&D activities undertaken in Australia are owned by BlueScope Steel Limited.

A summary of the most significant international related party dealings between the Australian BlueScope group (BlueScope Australia) and overseas related entities during FY2022 is provided below:

- » **Sales of products to overseas controlled entities** – most of BlueScope Australia's related party sales are to its subsidiaries and controlled entities in the North America and ASEAN regions.
- » **Intra-group loans** – the financing activities of the Group mainly relate to interest (and guarantee fees) received and paid in respect of intra-group loans, predominantly advanced by BlueScope Australia, used to fund operations and capital expenditure.
- » **Group support services** – certain administrative and support services are provided by BlueScope's Australian Corporate Office and regional head offices in North America and ASEAN to offshore subsidiary businesses.

» **Intangible licence and technology service fees** – BlueScope Australia performs a large part of all functions related to the development, enhancement and protection of IP in Australia (except in relation to some IP owned in North America and New Zealand). BlueScope Australia correspondingly bears the responsibility and control of the risk associated with the development, maintenance and protection of the relevant IP in Australia. Accordingly, BlueScope Australia licences and receives royalties for use of its IP by other Group entities (noting there is IP for which no royalties are charged, such as in the case of brand names). BlueScope Australia also provides technology support services to Group entities for which it receives fees.

» **Insurance** – BlueScope has a captive insurance company in Singapore. It provides captive insurance services to all subsidiaries in the Group, including Australia. The captive insurance company is managed by an independent third-party insurance broker.

All related party transactions are made on arm's length terms in accordance with global transfer pricing laws and Organisation for Economic Cooperation and Development (OECD) Guidelines, reflecting both normal market prices and normal commercial terms.

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In December 2019 the ATO published the following annual report on tax entity information from the BlueScope Australian tax consolidated group income tax return for FY2019.

In December 2022, the ATO will likely publicly disclose the following tax entity information, as reported in BlueScope's Australian tax consolidated group income tax return for FY2021:

	FY2020 published \$M	FY2021 to be published \$M
Total income	5,355.7	6,070.1
Taxable income	216.0	604.4
Tax payable	Nil	Nil

The corporate income tax return for BlueScope Australia is a consolidated tax return and comprises the results of its wholly owned, Australian tax resident entities.

The amount disclosed as Total Income in the tax return is the total accounting revenue of the BlueScope Australia tax consolidated group. Accounting revenue is the gross receipts before any expenses are deducted, and therefore does not represent the accounting or operating profits of an organisation. Profit before Tax, rather than Total Income, is the basis upon which Taxable Income is then determined.

Taxable Income is calculated based on accounting profit adjusted for allowable tax timing and permanent differences (including overseas dividend income) as provided for in the Australian tax law. Tax Payable is then calculated at the corporate income tax rate (30%) of Taxable Income, reduced by available tax offsets. For BlueScope, the primary tax offset which reduces the Tax Payable amount is available carry forward R&D tax offsets (please refer to Section 02 of the Report for further explanation).

The BlueScope Australia tax consolidated group's operating profit before tax for 2021 was \$746.3M. It is from this amount that various non-temporary and temporary adjustments are made to arrive at Taxable Income. A summary reconciliation is provided below:

	\$M FY2021
Total Income (as will be reported by ATO)	6,070.1
Total expenses	(5,323.8)
Profit before tax	746.3
Non temporary & temporary adjustments	(141.9)
Taxable Income (as will be reported by ATO)	604.4
Tax payable on taxable income	181.3
Less R&D tax incentive offset	179.7
Less foreign income tax offset	1.6
Income tax payable (as will be reported by ATO)	Nil

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The purpose of this report is to provide an overview of the tax contribution made by BlueScope and provide further information in relation to BlueScope's tax governance process and tax profile. The report has been prepared in line with the Australian Voluntary Tax Transparency Code.

Audited financial statements – Where possible, the amounts included in this report are sourced from audited financial information. While Group financial statements have been audited, the Australian subsidiary accounts external audit was not complete at the time of publication. BlueScope has also followed the AASB guidance in preparing its disclosures.

Currency – All of the amounts included in this report are disclosed in Australian dollars. The foreign tax payments have translated at the average exchange rate for the year.

Income Tax Paid – Income tax paid is calculated as the cash tax paid in the year 1 July 2021 – 30 June 2022. It is the amount of tax paid by the BlueScope companies in that country. It includes both corporate tax payments made to the local revenue authority, and also any withholding taxes paid on payments to non-residents.

Other Taxes – This includes items such as property taxes, customs and excise tax, stamp duty and property taxes etc.



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bluescope.com

Level 11, 120 Collins Street
Melbourne, Victoria 3000 Australia

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