

NEWS



RADIO



BROADCASTING



Nine

Tax Transparency Report 2020



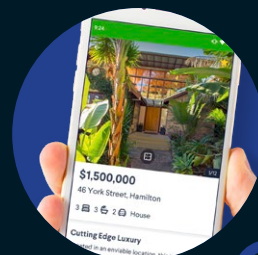
STREAMING



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Tax Transparency Report 2020

A Note from the Chief Financial Officer

Nine Entertainment Co Holdings Limited (**Nine**) is Australia's largest locally owned media company with investments spanning television, video on demand, print, digital and radio. The Board of Nine approved and adopted the Tax Transparency Code for FY2020 with an approach to tax that is principled, transparent and sustainable for the long term.

Nine's approach to tax management is to ensure full compliance with all statutory obligations and full disclosure to revenue authorities, maintenance of documented policies and procedures in relation to tax risk management and completion of risk assessments including escalation and reporting to the Board in accordance with our Tax Corporate Governance framework.

In this regard, we are pleased to have received an overall Medium level assurance rating and a Stage 2 assurance rating for Tax Risk Management and Governance from the Australian Taxation Office (**ATO**) with regard to the group's tax affairs, placing us amongst the higher rating companies that have been reviewed. This rating means that the ATO is satisfied that the right Australian income tax outcomes were reported in Nine's income tax return.

As a media company with broadcasting reaching 19 million Australians nationally each week and digital publishing reaching 14 million each month, Nine has a corporate responsibility to be a positive force in its communities and to maintain a strong focus on corporate social responsibility.

The outbreak of COVID-19 in Australia has had a marked impact on the economy. The Government's JobKeeper and tax deferral initiatives have assisted in taking some pressure off the business. Whilst 2020 was no doubt a challenging year for media, Nine is committed to supporting the economy through the payment of its share of tax contributions. Furthermore, Nine has committed to repay the JobKeeper allowance which it received in FY2020 and FY2021 for its wholly owned businesses (totalling \$2 million), acknowledging that whilst the support assisted Nine at the time, Nine's economic circumstances have improved to the extent that the Board believes that repaying JobKeeper assistance is in keeping with its corporate social responsibility.

In the following pages, you will find an overview of Nine's tax strategy, governance and tax contributions made to the Australian State and Commonwealth governments. In preparing this report, we have followed the recommendations of the Board of Taxation's Tax Transparency Code and welcome the opportunity to provide details of our tax contributions to the community.



Maria Phillips
Chief Financial Officer

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Tax policy, strategy and governance

The Nine tax corporate governance and tax operating framework is guided by the Company's Tax Corporate Governance Policy. This Policy sets out the approach to be taken by Nine in constructing its tax affairs and dealing with tax risk and is periodically reviewed by the Group Tax team.

Nine has implemented appropriate internal controls in relation to the identification and management of tax risk and a framework for escalation of tax matters to the Nine Board as necessary.

The Nine Board operates Committees that oversee key business risks including the Audit and Risk Management Committee (**ARC**) which oversees risk management and internal controls in relation to all risks across Nine, including tax. There is regular reporting on tax matters to the ARC.

A low risk tax strategy is adopted by Nine to ensure there is no damage to its reputation or risk profile with the ATO. Nine ensures that, as a minimum, the tax position adopted with regard to particular issues or transactions is more likely than not to be correct. This is achieved through employing qualified tax professionals in the Group Tax team and using external advisors to assist the Group Tax team when complex or uncertain matters arise.

The Group Tax team will obtain tax rulings from the ATO where matters involve complex or uncertain areas of the law. Nine's Tax Corporate Governance Policy mandates that for all uncertain tax positions in relation to major transactions, or high risk tax matters that are ambiguous in nature or where the interpretation of the law is unclear, an opinion from an independent external advisor is sought to support the position.

Engagement with revenue authorities

Nine focuses on maintaining a strong and open relationship with the ATO and other relevant revenue authorities including the New Zealand Inland Revenue Department (**IRD**) and seeks to engage proactively and transparently with the relevant tax authority on significant transactions.

Nine's aim is to maintain a positive and transparent working relationship with all revenue authorities to enable an efficient and collaborative hearing of tax issues that apply to the business.

Nine received an ATO Tax Assurance Report where the Group received an overall rating of Medium level of assurance.

As at June 2020, the overall assurance ratings for top 1000 taxpayers were: 27% of taxpayers received a high assurance rating; 56% of taxpayers received a medium assurance rating; and 17% of taxpayers received a low assurance rating. This puts Nine in the majority of top 1000 taxpayers. This rating acknowledges that Nine provided evidence to demonstrate that a tax control framework exists and has been designed effectively.

As part of the top 1000 review, Nine's received a Stage 2 assurance rating for its Tax Risk Management and Governance. As at June 2020, the ratings for this category across all Top 1000 taxpayers were: 2% of taxpayers received a Stage 3 rating; 26% of taxpayers received a Stage 2 rating; 67% of taxpayers received a Stage 1 rating; and 5% provided no evidence of a tax corporate governance framework. Nine's Stage 2 rating demonstrates that it has a very strong tax corporate governance framework in place.

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Reconciliation of accounting profit to income tax expense

The reconciliation of accounting profit to tax expense contained in this Report was previously published in the Nine 2020 Annual Report in note 5.1. The disclosure was prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards. The following reconciliation is for continuing businesses, as this reflects the current group structure.

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% in Australia).

	Pre-Specific Items 2020 \$'000	Specific Items 2020 \$'000	Total 2020 \$'000
Profit/(loss) from continuing operations	220,428	(701,923)	(481,495)
Prima facie income tax (benefit)/expense at the Australian rate of 30%	66,128	(210,577)	(144,449)
<i>Tax effect of:</i>			
Share of associates' net profits	(214)	-	(214)
Difference between tax and accounting profit from disposal of properties and businesses	101	(543)	(442)
Non-deductible impairments and valuation adjustments	-	175,026	175,026
Adjustments in respect of current income tax of previous years	(676)	-	(676)
Research and development tax offset	(1,855)	-	(1,855)
Other items - net	1,007	(1,114)	(107)
Income tax expense	64,491	(37,208)	27,283

Reconciliation of income tax expense to income tax paid and current year income tax payable

The following table shows a reconciliation of income tax expense per the statutory accounts to total income tax paid and current year income tax payable during FY2020.

The total corporate income tax paid of \$88.528 million is net of any tax refunds received during the year and includes taxes paid by controlled entities in Australia and New Zealand. This reconciles to the net income taxes paid as disclosed in the Consolidated Statement of Cash Flows in the Nine 2020 Annual Report (refer page 70).

	2020 \$'000
	Total
Income tax expense (continuing operations)	27,283
Differences between tax and accounting recognition ¹	22,664
Tax payable in respect of prior years	47,723
Income taxes paid in current year	(88,528)
Prior year adjustment in respect of discontinued operations	842
Current income tax payable	9,982

1. Refer page 107 of Nine's Annual Report for a detailed breakdown of these differences.

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Effective company tax rates for Australian and global operations

Nine reported a loss for statutory accounts purposes and an income tax expense for FY2020.

Effective Tax Rate (ETR) is usually calculated as income tax expense divided by accounting profit before tax. Using this ETR calculation methodology, Nine's ETR would be negative 5.67% as shown below.

Income Tax Expense (continuing operations)	\$27,282,558
Loss Before Tax	(\$481,495,171)
Effective Tax Rate	(5.67%)

The negative ETR is due to Nine's accounting loss being largely driven by impairments of assets. These impairments were accounting only adjustments which were not allowable deductions for income tax purposes.

A more meaningful representation of Nine's ETR is illustrated where the ETR is calculated based on profit before specific items and tax, rather than the statutory profit/loss before tax.

Income Tax Expense on profit before specific items (continuing operations)	\$64,491,000
Profit Before Tax and Specific Items	\$220,428,000
Effective Tax Rate	29.2%

Nine's net profit before tax and significant items from continuing operations for FY2020 was \$220,428,000. The income tax expense on this underlying profit was \$64,491,000 (refer to page 98 of Nine's Annual Report). The effective corporate income tax rate on this basis is 29.2%.

The ETR is less than the statutory rate of 30% primarily due to the impact of the Research and Development incentive.

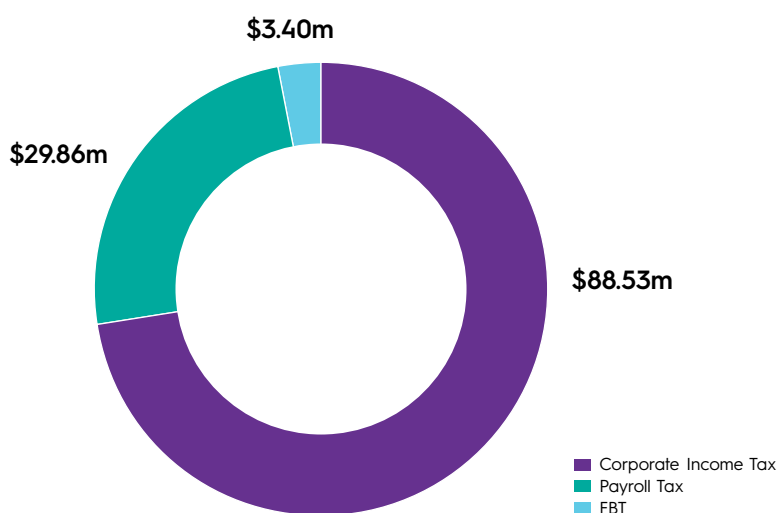
Tax Contribution Summary

The following tables and diagrams set out the types of taxes paid and collected by Nine and its subsidiaries (including controlled non-wholly owned subsidiaries) to and/or collected on behalf of Australian Federal, State and local governments in the 2020 financial year.

Taxes paid by Nine Group and Controlled non-wholly owned subsidiaries

Nine and its controlled entities are subject to both Federal and State Government taxes. These taxes include income tax, fringe benefits tax (FBT) and payroll tax.

The group's largest tax contribution on a gross basis was income tax of \$88.53 million. This represents 72.7% of all taxes borne by Nine in the 2020 income year.

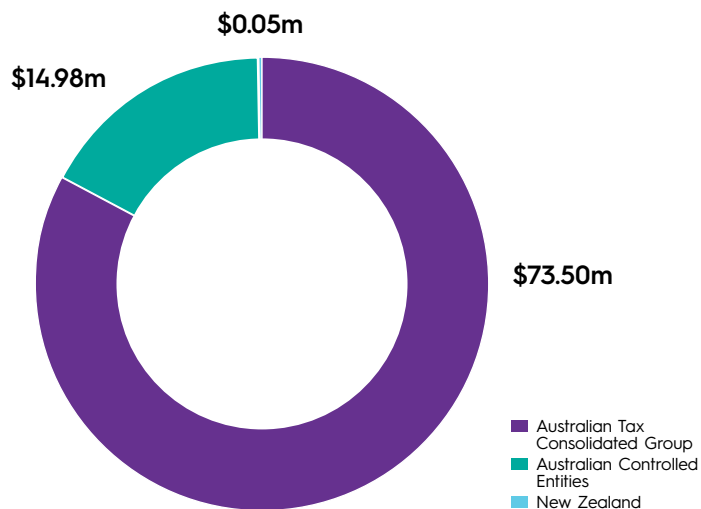


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Income Tax paid by Nine group

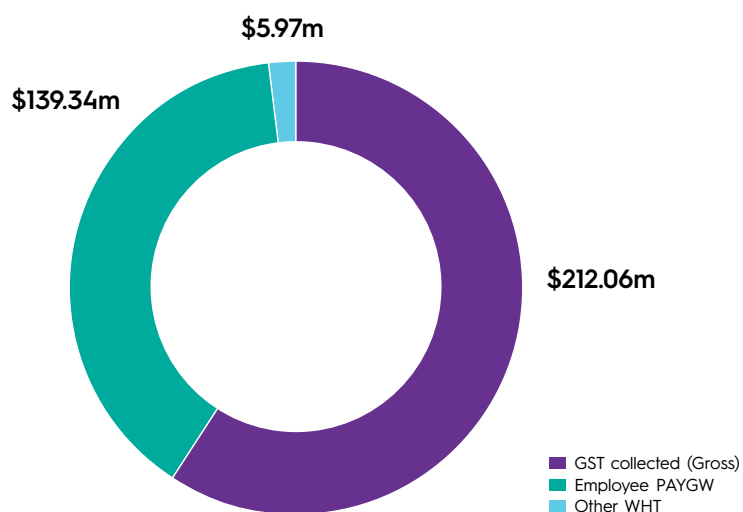
The following graph shows Nine's income tax contribution in Australia and in New Zealand on a cash basis.

The total corporate income tax paid of \$88.53 million is net of any tax refunds received during the year and includes taxes paid by controlled entities in Australia and New Zealand. This reconciles to the net income taxes paid as disclosed in the Consolidated Statement of Cash Flows in the Nine 2020 Annual Report (refer page 70).



Taxes Collected by Nine

In FY2020, Nine and its 100% owned subsidiaries collected and paid \$357.4 million in taxes including Goods and Services Tax (GST), Pay As You Go Withholding (PAYGW) and Interest and Royalty Withholding Taxes.



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International Related Party Dealings

Effectively, all of the Nine group's operations are undertaken within Australia. Nine has relatively small foreign operations in the United States (the **US**) and New Zealand with minor transactions occurring between these entities and Nine's Australian entities.

For the 2020 income year, the aggregate value of Nine's international related party dealings with its foreign subsidiaries amounted to less than 0.7% of the Group's total revenue.

Nine's minor international related party dealings reflect arm's length pricing in accordance with Australia's, New Zealand's, US transfer pricing requirements and the OECD guidelines.

Mi9 New Zealand

Mi9 NZ offers digital advertising solutions to New Zealand clients using data from Microsoft accounts and Experian Mosiac to provide advertisers targeted and high return on investment campaigns in a high quality and brand safe environment. Mi9 NZ offers multiple purchasing methods including directly via insertion order or programmatically via its AppNexus and Telaria supply-side platforms.

Nine group Australia provides Mi9 with shareholder funding for which it charges an arm's length rate of interest.

Channel 9 Australia Inc

In the US, Channel 9 Australia Inc carries on television services in the United States by arrangement of studio hire, transport, satellite facilities, video recording services, programming consultancy services and creating oral and graphic messages by means of television and the like.

Channel 9 Australia Inc provides content to NEC Group at cost plus an arm's length mark up.

Stuff New Zealand

During FY2020, Nine disposed of its Stuff New Zealand operations. All international related party dealings between Nine group Australia and Stuff have since ceased.