Soul Patts

Tax Transparency Report 2024

Generating enduring success

Summary

Washington H. Soul Pattinson and Company Limited ("Soul Patts") is an Australian based investment house.

The purpose of this report is to explain how Soul Patts contributed to the Australian tax base in the 2024 financial year.

Soul Patts receives dividends and distributions from its investments, interest income and gains and losses on its investments. Fully franked dividends received by Soul Patts on its investment portfolio represent income where the tax has effectively already been paid, through the operation of the dividend imputation system. Soul Patts will generally only pay income tax in its own right in the following circumstances:

- an investment is disposed of, a capital gain is made and there are no available capital losses to allocate,
- when an investment held as trading stock is sold realising a gain on sale,
- when it receives unfranked or partly franked dividends,
- when it receives interest or rental income, or
- when it has a gain on a financial instrument.

For the 2024 financial year, Soul Patts paid tax of $65 million. In addition, it received franked dividends totalling $320 million, which had franking credits attached of $137 million. The franking credits represent tax paid by the investments held by Soul Patts.

Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728
ASX Code: SOL

Introduction

Soul Patts was formed having previously traded as two separate companies, Pattinson and Co. and Washington H. Soul and Co. Following a public offering of shares, Soul Patts was listed on the Sydney Stock Exchange (now the Australian Securities Exchange) on 21 January 1903.

Today, Soul Patts is a diversified investment house that offers shareholders exposure to a range of asset classes, industries, and investment strategies that are expected to perform throughout market cycles. Our commitment to long-term value creation, decisive investment strategies and an open mandate to seek the highest quality returns continues to benefit our shareholders. Our purpose 'to generate enduring success for our shareholders' has remained the same since listing in 1903. We do this by making sound investment decisions and approach investing through:

- **Long-term Commitment** – We back businesses to grow value over the long term. We invest in businesses that can be enduringly successful and we believe in the power of compounding returns.
- **Strength of Conviction** – We are a values-led business that believes in common sense, doing what is right, and backing our people. Our investment outperformance is achieved by seeking hidden value and having the courage to pursue it.
- **Unconstrained Opportunity** – We don't have constraints on investment opportunities, or the growth of our business, or the potential of our people. Our flexibility is a key competitive advantage.

Soul Patts approaches tax governance in a transparent and principled manner. This report has been prepared on a voluntary basis and in accordance with the Board of Taxation's Voluntary Tax Transparency Code.

It is important to note that this report is focussed on the Soul Patts tax consolidated group which includes all wholly owned subsidiaries of Soul Patts. Accordingly, the tax contributions for non-wholly owned subsidiaries during the year ended 31 July 2024 are not included in this report as they are separate taxpayers either individually or in their own tax consolidated groups.

The tax governance of non-wholly owned subsidiaries is managed at the respective entity level as they are separately governed organisations.

During the year ended 31 July 2024, there have been several entities of which control has been gained during the period. These entities do not have a material contribution to profit before tax. Refer to Note 25 in the 2024 annual report.

Soul Patts' approach to tax strategy and governance

The Soul Patts Board has approved the Soul Patts Tax Governance Framework, which has been prepared in accordance with the Australian Taxation Office's published tax governance guidance.

The Tax Governance Framework assists Soul Patts in identifying tax uncertainties and integrates tax governance policies, internal controls and processes to achieve strong tax risk management that aligns with Soul Patts' established tax risk appetite.

To ensure tax risks are governed and managed appropriately and that Soul Patts complies with taxation legislation, the Tax Governance Framework is supported by robust policies and procedures. These policies and procedures outline the various controls embedded into the tax compliance and general governance processes of Soul Patts.

Soul Patts has a low tax risk appetite, which is reflected in the following general principles that are adopted in relation to tax matters:

- Soul Patts is transparent in its tax disclosures and open in its dealings with tax authorities,
- Soul Patts seeks to pay the correct amount of tax as determined in accordance with legislation,
- Soul Patts enters transactions or structures that exhibit commercial outcomes without reliance on their tax impact for their viability, and
- Soul Patts seeks external tax opinions and general advice on all matters deemed medium or higher risk under our Tax Governance Framework.

Soul Patts does not engage in tax planning that goes beyond support for genuine commercial activities and optimisation of returns to our investors. All proposed transactions or arrangements are reviewed as part of Soul Patts' established transaction approval procedures to ensure Soul Patts does not engage in aggressive tax planning.

Soul Patts does not have any material international related party dealings and does not undertake any tax planning or management activities in respect of any international related party transactions.

Engagement with the Australian Taxation Office ("ATO")

Soul Patts' relationship with the ATO (or any other relevant tax authority) is managed through representatives of Soul Patts undertaking the following:

- Pro-active management of relationships with tax authorities with the aim of minimising the risk of challenge, dispute or damage to Soul Patts' credibility arising in the instance that tax matters are inadvertently incorrect,
- Participation in any formal ATO consultation process where it is expected that the matter under consultation will have a material impact on Soul Patts' liability, or where a significant change in practice is being proposed that will impact on Soul Patts' tax compliance, and
- Ensuring transparency in all dealings with the ATO.

Contribution to the Australian tax base

Soul Patts is an investment house, receiving dividends and distributions, interest and rental income from its investments, as well as generating gains and losses from the sale of its investments.

Losses made on the sale of investments, as well as unused franking credits, can be carried forward to offset gains in future years.

Wholly owned subsidiaries, being a part of the Soul Patts tax consolidated group, transfer any income tax liability and losses up to Soul Patts under a Tax Sharing and Tax Funding Agreement.

Franked dividends received by Soul Patts on its investment portfolio represent income where the tax has effectively already been paid through the operation of the dividend imputation system.

As such, tax payments for investment companies are generally irregular, and usually only arise when:

- investments are realised at a profit, and/or
- uncovered income (unfranked dividends, interest income, etc) exceeds operating costs and cannot be offset against carried forward revenue losses.

The ways in which investment houses ordinarily contribute to the Australian tax base via income tax payments are illustrated below.



Tax on Equity Investments

Investee companies, to the extent that they are separate taxpayers, are liable to pay tax on any taxable income derived through their business activities.

Where tax is paid by an investee, the investee is provided with franking credits, which can be passed onto their shareholders through the payment of franked dividends.

This process, otherwise known as the imputation system, is a method for alleviating the burden of double taxation. Without the imputation system, dividends paid out of after-tax profits would effectively be taxed twice, once in the business, and again in the hands of the shareholders. By allowing franking credits to be passed onto the shareholders through franked dividends, it ensures the effective and equitable operation of the Australian tax system.



Franked Dividends

Where after tax profits are received by the investment company through fully franked dividends, the 'tax paid' by the investee is used as a credit for the investment company, resulting in no further tax payable.

In other words, as the income received by the investment company has already been subject to tax, there is no further tax payable by the investment company.



Realisation of assets

The realisation of investment assets may result in a taxable gain. Where the investment company has made a taxable gain on the realisation of an asset, the investment company will pay tax on that gain at the relevant rate (30%) if there are no available losses to offset against the gain.



Tax on interest and other income

The Group also generates income from the receipt of interest from its debt investments and from the operating companies within the Soul Patts tax consolidated group.

Interest income is generally taxed under the default method of the Taxation of Financial Arrangements (**TOFA**) rules of the *Income Tax Assessment Act 1997*, which generally results in tax being aligned with accounting, resulting in no timing differences.

Other income is generally taxed on a realisation basis.

Any tax paid by the Soul Patts tax consolidated group on its profit will result in franking credits being able to be distributed onto shareholders.

Reconciliation of profit before income tax to tax expense

The table below reconciles the prima facie tax expense for the Soul Patts accounting consolidated group, summarised from Note 6 of the 2024 Annual Report, and for the Soul Patts tax consolidated group. The tax consolidated group removes the financial results of controlled non-wholly owned subsidiaries who are not members of the Soul Patts tax consolidated group, and reverses any of the associated consolidation accounting entries.

Reconciliation of prima facie tax expense to income tax expense	Accounting Group FY2024 $m	Tax Group FY2024 $m
Profit before income tax expense from continuing operations	471	623
Total profit before income tax expense	**471**	**623**
Tax effect at the Australian tax rate of 30%	141	187
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net impairment expenses	12	9
Tax benefit on the carrying value of equity accounted associates[1]	(119)	–
Franking credits received (Subsidiaries and Associates are excluded for Accounting Group purposes)	(34)	(96)
Other	(26)	(29)
Tax expense for Soul Patts Group	**(26)**	**71**
Effective tax rate	**(5.5%)**	**11.4%**

The Tax Group effective tax rate for the Soul Patts tax consolidated group for the year ended 31 July 2024 was 11.4% due to the receipt of franked dividends where tax was already paid by Soul Patts investee companies. If the impact of franking credits are excluded, the effective tax rate for the tax consolidated group would be 26.8%.

The following table details the information which is to be disclosed in the *2023–24 Report of Entity Tax Information* published by the Australian Taxation Office. This is expected to be available on www.data.gov.au in late 2025:

Headline numbers from Soul Patts tax consolidated group tax return	FY2024 $m
Total income (gross revenue and other income)	1,212
Taxable income	684
Tax paid and payable	65

[1] Under equity accounting, Soul Patts incurs its own tax expense based on the equity accounted profit. This tax expense is reduced by the quantum of that profit that can be distributed tax free.

The following tables reconcile the amounts disclosed in the Soul Patts tax consolidated group 2024 tax return to tax paid and payable:

Reconciliation of the Soul Patts tax consolidated group accounting profit to taxable income	FY2024 $m
Soul Patts tax consolidated group accounting profit before tax	**623**
Franking credit gross up	137
Impairment of investments	29
Timing difference related to unrealised losses/(gains)	(143)
Differences related to other items	38
Taxable income	**684**

Reconciliation of the Soul Patts tax consolidated group taxable income to tax payable	FY2024 $m
Tax consolidated group taxable income	**684**
Income tax at 30%	**205**
Franking credits received	(137)
R&D tax offsets	(3)
Income tax paid and payable	**65**

Material temporary and non-temporary differences

Material temporary differences relate to the timing of tax losses generated and utilised, differences between tax and accounting depreciation and unrealised gains and losses on investments.

Material non-temporary differences relate to franking credits on dividends received as noted above.

Other taxes paid

In addition to the contribution to the Australian tax base through corporate taxation, Soul Patts pays a range of different state, territory and federal taxes. The following table outlines other taxes paid by the Soul Patts tax consolidated group during the 2024 income year.

Tax paid	Amount $m	Description
Withholding taxes	52	Tax withheld on salary and wages
Payroll tax	11	State taxes payable on salary and wages

Further information

Further information regarding Soul Patts and its activities are available at Soul Patts' website https://soulpatts.com.au/

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