ACCOUNTING POLICY – TAXES

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<th>Responsible Officer</th>
<th>Director, Corporate Finance</th>
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<td>Contact Officer</td>
<td>Group Tax Manager, Corporate Finance</td>
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<tr>
<td>Review</td>
<td>Every year</td>
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<td>File Number</td>
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<td>Associated Documents</td>
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<td>2.0</td>
<td>President and Vice-Chancellor</td>
<td>26 February 2013</td>
<td>31 December 2012</td>
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**Purpose**

To establish decisions, directions and precedents which act as a reference for financial reporting and are the basis from which the University’s accounting procedures are determined.

**Scope**

The University is exempt from income tax under Commonwealth income taxation legislation, but is subject to Goods and Services Tax (“GST”). However, within the Group, there are overseas controlled entities that are subject to income tax in their operating jurisdictions. This Policy applies to all entities subject to income tax or GST.

**Income Tax**

*Recognition of Current and Deferred Tax*

Current and deferred tax shall be recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from

a) a transaction or event which is recognised, in the same period or a different period, outside profit or loss, either in other comprehensive income or directly in equity; or

b) a business combination

Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

a) in other comprehensive income, shall be recognised in other comprehensive income; and

b) directly in equity, shall be recognised directly in equity.
**Recognition of Current Tax Liabilities and Current Tax Assets**

Current tax for current and prior periods, to the extent unpaid, is recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

**Recognition of Deferred Tax Liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or
(b) the initial recognition of an asset or liability in a transaction which:
   (i) is not a business combination; and
   (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A controlled entity of the University shall recognise a deferred tax liability for all taxable temporary differences associated with investments in controlled entities, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

(a) the parent entity is able to control the timing of the reversal of the temporary difference; and
(b) it is probable that the temporary difference will not reverse in the foreseeable future.

**Recognition of Deferred Tax Assets**

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(a) is not a business combination; and
(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A controlled entity of the University shall recognise a deferred tax asset for all deductible temporary differences arising from investments in controlled entities, branches and associates, and interests in joint ventures, to the extent that, and only to the extent that, it is probable that:

(a) the temporary difference will reverse in the foreseeable future; and
(b) taxable profit will be available against which the temporary difference can be utilised.
Reassessment of Unrecognised Deferred Tax Assets

At each reporting date, a controlled entity of the University reassesses unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Measurement of Current Tax Liabilities

Current tax liabilities for current and prior periods are measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Measurement of Current Tax Assets

Current tax assets for current and prior periods are measured at the amount expected to be recovered from the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Measurement of Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. Deferred tax assets and liabilities shall not be discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date. A controlled entity of the University shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Unused Tax Losses and Unused Tax Credits

A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of the associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of acquisition of the asset, or as part of the expense.
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Definitions

**Taxable profit (tax loss)** is the profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).

**Temporary differences** are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Temporary differences may be either:

- **deductible temporary differences**, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
- **taxable temporary differences**, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

The **Group** means the University and its controlled entities.

The **University** means the University of New South Wales.

References

AASB 101 – *Presentation of Financial Statements*
AASB 112 – *Income Taxes*
Interpretation 1031 – *Accounting for the Goods and Services Tax (GST)*

Appendix A: History

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<td>14 October 2009</td>
<td>1 January 2009</td>
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<td>2.0</td>
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<td>26 February 2013</td>
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