

BP Australia

Tax Transparency Report

Year ended 31 December 2020



BP Transforming

HIGH FLOW
DIESEL ONLY

TRUCKS
ONLY

AdiBlue

Wattix Energy

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1. Introduction

Through our scale, reach and range of activities we deliver energy products and services to customers around the world, and we are doing so increasingly in ways that we believe will help drive the transition to a lower carbon future.

In August 2020 we announced our new strategy to become an integrated energy company focused on delivering solutions for customers. Our strategy is focused on three areas of activity:

- Low carbon energy
- Convenience and mobility; and
- Resilient and focused hydrocarbons.

Sustainability is a foundation of our strategy. We believe creating value for our stakeholders more widely – for society, our employees and our shareholders – is key to the long-term resilience and value of our business. Our sustainability frame connects the business opportunity of the energy transition with the needs of society and the environment. We believe the taxes we pay and collect can have a role to play in getting to net zero, improving people's lives and caring for the planet.

In Australia, bp collected and paid \$5.8 billion in taxes in 2020. Further details are provided in this report.

2. Our business activities

bp in Australia is focused on advancing the role of Australian resources in meeting the region's demand for significantly more energy with fewer emissions. Being part of the bp group enables bp in Australia to share global expertise, research and development with Australian business partners, customers and community stakeholders.

We employ around 5,200 employees and long-term contractors across Australia. Our operations are in every state and territory in Australia, including main offices in Perth and Melbourne.

We have exploration activities in the Carnarvon basin including a gas joint development in the Browse basin and an interest in the Woodside-operated North West Shelf project. We sell products and services through our national retail network, and provide marine, aviation and lubricant products to our business customers. We made the decision to cease refining crude oil at the Kwinana refinery in early 2021 and convert it to a fuels import terminal.

We have continued to engage in conversations with our stakeholders, including communities, investors, civil society organizations, policy makers and global tax experts. This dialogue helps build understanding about our contribution to economic development and role in society, as well as the rigour of our tax practices.



3. Taxes paid by bp in Australia

Our business activities generate a substantial amount and variety of taxes in Australia. We collect and/or pay corporate income tax (CIT), fuel excise, royalties and excise in respect of North West Shelf production, fringe benefits tax, payroll tax, stamp duties, land taxes, and withholding taxes. In addition, we collect and pay employee taxes as well as GST.

The COVID-19 pandemic has created wide ranging challenges for individuals, societies and businesses. Beyond the health and humanitarian crisis, businesses have also been deeply affected, with supply chains negatively impacted, fluctuations in demand for products and services, and the need to adapt rapidly and introduce new models and ways of working.

Throughout 2020, the pandemic had an adverse impact on our business, including on the demand for our products and on their prices. Our financial position and cashflows were significantly impacted by these adverse market conditions. However, bp sought no pandemic relief in the form of grants or funding from any government anywhere in the world. This included the JobKeeper Payment scheme in Australia.

Please refer to section six of this report for further information on CIT and reconciliation of accounting profit to tax expense to tax paid.

4. Our responsible tax principles

Our responsible tax principles offer a clear framework for responsible tax practice. We aim to demonstrate how we are applying our tax principles and we provide an update on our progress in the [bp tax report 2020](#). To help us become an industry leader for the transparency of our reporting, we want to align with emerging best practice in tax transparency and support its continuing development.

Accountability and governance Tax is a core part of corporate responsibility and governance and is overseen by our board of directors.	Relationships with authorities We seek, wherever possible, to develop co-operative relationships with tax authorities, based on mutual respect, transparency and trust.	Transparency We provide regular information to our stakeholders, including investors, policy makers, employees, civil society and the general public, about our approach to tax and taxes paid.
Compliance We comply with the tax legislation of the countries in which we operate and pay the right amount of tax at the right time, in the countries where we create value.	Seeking and accepting tax incentives Where we claim tax incentives offered by government authorities, we seek to ensure that they are transparent and consistent with statutory or regulatory frameworks.	
Business structure We will only use business structures that are driven by commercial considerations, are aligned with business activity and which have genuine substance. We do not seek abusive tax results.	Supporting effective tax systems We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration.	

Source: [Our responsible tax principles \(bp.com\)](#)

In Australia we have an Annual Compliance Arrangement with the Australian Tax Office (ATO) covering indirect taxes and we are engaged with the ATO on current business under a Pre-Compliance Review arrangement for income tax. We also participate in initiatives to simplify and improve tax regimes to encourage investment and economic growth.

We actively contribute to tax policy development reviews via direct submissions (e.g., the Henry Review, the Tax White Paper and the review of Petroleum Resource Rent Tax). We also contribute to industry association submissions (for example through our participation in the following associations: APPEA, BCA and CTA). We support efforts to increase public trust in tax systems and work closely with the ATO to support the 'justified trust' agenda.

Refer to our [responsible tax principles](#) online for more information.

5. International operations

The main international related party transactions for bp Australia include crude and product purchases from bp Singapore, with financing principally provided by bp in the UK, support services predominantly provided by bp in the UK and license of brands (e.g. bp and Castrol) owned by BP in the UK. bp Australia also sells LNG and other liquid products to bp Singapore from the North West Shelf.

bp's policy is that all related party transactions occur on arm's length terms in a manner consistent with OECD principles and abiding by the laws of the countries in which the transactions occur.

6. Reconciliation of accounting profit to income tax expense to tax paid

6.1 Reconciliation of accounting profit to income tax expense – 31 December 2020 and 31 December 2019

	2020 (A\$ million)	2019 (A\$ million)
Accounting profit before tax from continuing operations	(1,679)	1,045
At the statutory income tax rate of 30% (2019: 30%)	(503)	313
Adjustments in respect of current income tax of previous years	(7)	(11)
Non-taxable gain/loss on disposal	2	1
Non-assessable income	(16)	-
Research and development	2	(1)
Non-deductible expenditure	7	-
Unrealised exchange results	(2)	1
Other	-	8
Income tax expense reported in statement of comprehensive income	(517)	311

6.2 Reconciliation of income tax expense to income tax payable – 31 December 2020

	2020 (A\$ million)
Income tax expense (as per above)	(517)
Adjustments in respect of prior years	7
Tax risk provisions	(2)
Temporary differences recognised in deferred tax	351
Current income tax charge	(160)
Income Tax Payable (after offsets) per lodged tax return	Nil*

*the adverse impact of the COVID-19 pandemic resulted in a tax loss position for the year

6.3 Effective tax rate

Effective tax rate is equal to income tax expense as a percentage of accounting profit before tax.

	2020 (A\$ million)
Effective tax rate – Australia	31 %
Effective tax rate – BP Global	17 % *

*source: bp 2020 Annual Report and Form 20-F 2020 (p.185).

The table below demonstrates the impacts to BP Australia’s effective tax rate

	2020
Corporate tax rate - Australia	30%
Adjustments in respect of current income tax of previous years	0.5
Other	0.5
Effective tax rate – Australia	31 %



7. Tax payments and collections on behalf of governments

For statutory reporting purposes, the bp Australia group comprises the following entities:

- BP Australia Investments Pty Ltd (consolidated)***
- Australia Resource Holdings Inc (previously Arco Coal Australia Inc)***
- BP Regional Australasia Holdings Pty Ltd***
- BP Australia Capital Markets Pty Ltd****
- Arco Resources Limited

***Eligible tier one company

****left group on 9 Dec 2020

Under the tax consolidation regime in Australia, the above eligible tier one companies have elected to form a Multiple Entry Consolidated (MEC) group.

BP Regional Australasia Holdings Pty Ltd, being the head entity of the Australian MEC group, lodges one consolidated income tax return on behalf of all the wholly-owned Australian subsidiaries in the group.

7.1 Australian tax contribution summary - bp Australia MEC Group

	2020 (A\$ million)	2019 (A\$ million)
Taxable income	-*	1,190
Income tax return – tax payable (after offsets)	-	353
Other taxes:		
Excise	4,316	4,459
GST	1,419	1,397
Fringe benefits tax	4	6
Payroll tax	26	27
Total of other taxes	5,765	5,889

*the adverse impact of the COVID-19 pandemic resulted in a tax loss position for the year

8. Other information

For further enquiries, please call the bp Australia media centre on 0410 479 002.

Additional information is also available at the following links:

- [Tax transparency](#)
- [Tax report 2020](#)
- [Our responsible tax principles](#)
- [Our sustainability frame](#)
- [bp 2020 annual report](#)
- [Reimagining energy – our purpose, ambition and aims](#)