



## Google Australia Pty Ltd Tax Transparency Code Report

Google Australia Pty Ltd (“Google Australia”) presents the following report in line with the Australian Tax Office (“ATO”) and Board of Taxation’s Voluntary Tax Transparency Code (“TTC”), covering the year ended 31 December 2022. This report provides information regarding Google Australia. Dollar values are presented in Australian dollars unless otherwise stated.

### Google Australia

Every day, Google Australia helps millions of Australians and Australian businesses to harness the benefits of technology to communicate, collaborate and find the information they need. For over 20 years, Google Australia’s employees have been working on innovative products, helping improve the internet for the benefit of billions of people around the world, including millions of Australians.

During 2022, Google invested around AU\$1 billion dollars in our Australian operations and employed more than 2,000 people, a large portion of whom work in our engineering division.

Those engineers work on a diverse range of products including Google Maps, Google Photos, and new technologies for internet users in the developing world. In fact, the technology that today has become Google Maps was first invented in Australia, and to this day Google Australia hosts one of the biggest Google Maps engineering teams in the world. Google Australia’s engineers also work on maintaining Google’s global infrastructure and core systems.

In 2021 Google announced the [Digital Future Initiative](#), a \$1 billion investment in Australia over five years focused on infrastructure, a new AI Research Centre and additional research partnerships, which it was independently estimated would provide a \$1.3 billion boost to Australia’s GDP and support 6,500 additional jobs across the economy. In 2022 Google launched Google Research Australia and implemented partnerships in Quantum Computing research with Australian universities, an AI-driven Blue Ocean Carbon project with CSIRO and the Department of Foreign Affairs and Trade (DFAT) to help address climate challenges, and launched digital Career Certificates to upskill Australians in critical digital skills.

We understand the community’s interest in better understanding how tax applies to multinational companies, including digital companies, and welcome the opportunity to provide a Tax Transparency Code report to the Board of Taxation.

### Voluntary Tax Transparency

Alphabet, Inc. (“Alphabet”), is a publicly listed corporation in the United States (“US”). Alphabet is Google Australia’s ultimate parent company. Information related to Alphabet and its consolidated entities and total tax contribution can be found in Alphabet’s 10-K and 10-Q filings, which are accessible from <https://abc.xyz/investor/>.

Alphabet’s total corporate tax obligations exceeded US\$11.4 billion in 2022. The majority of this tax was due in the US, where most of the company’s product development takes place.



In 2022 Alphabet spent more than US\$39.5 billion, or 14% of its global revenue, on R&D as well as paying for the digital infrastructure (data centres, technology hardware and fibre-optic cabling between nations) that supports the global internet and allows Australians and others to access to Search, Maps, Translate and other widely used consumer productivity tools.

## Basis of preparation

Where there is reference to Google Australia's Annual Financial Report<sup>1</sup>, this is Google Australia's consolidated financial report prepared in accordance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and audited under the Australian Auditing Standards, as issued by the Australian Auditing Standards Board. This report has been prepared in Australian dollars, with amounts rounded to the nearest thousand dollars, except where otherwise indicated.

## Tax Facts

### Income Tax Expense

Tax Type	2022 (\$ '000)	2021 (\$ '000)	Year on Year % change
Current Tax	121,561	84,875	43%
Prior Period Adjustment	(3,087)	1,070	-389%
Deferred Taxes	(25,872)	(11,607)	123%
<b>TOTAL</b>	<b>92,602</b>	<b>74,338</b>	<b>25%</b>
<b>Effective Tax Rate ("ETR")</b>	<b>25%</b>	<b>18%</b>	

### Reconciliation of Accounting profit to Income Tax expense to Current Tax expense

	2022 (\$ '000)	2021 (\$ '000)
<b>Profit before income tax</b>	<b>366,397</b>	<b>404,189</b>
Tax at Australian company tax rate of 30%	109,919	121,257
<i>Permanent differences (tax effective):</i>		
Expenses not deductible for tax purposes	65,822	50,418
Research and Development Tax offset	(4,100)	(2,687)
Expenses that are deductible and charged directly to equity	(78,074)	(95,816)
Prior period adjustments- current tax	(3,087)	1,070

<sup>1</sup> Google Australia's Annual Financial Reports can be found at [www.asic.gov.au](http://www.asic.gov.au)

Prior period adjustments- deferred tax	2,122	96
<b>Total income tax expense per Note 9 in the Financial Statements</b>	<b>92,602</b>	<b>74,338</b>
<b>Effective tax rate</b>	<b>25%</b>	<b>18%</b>
LESS: <i>Temporary Differences (tax effective movement):</i>		
Accrued expenses	21,801	21,865
Provisions	5,032	(21,972)
Accelerated depreciation	1,073	6,363
Share-based payment charges incurred	(1,598)	3,842
Net lease balances	(436)	1,509
<b>Total current tax expense</b>	<b>118,474</b>	<b>85,945</b>
Comprising:		
Current tax charge	121,561	84,875
Adjustment for prior years' tax	(3,087)	1,070

A reconciliation from accounting profit to income tax expense, is also disclosed in Note 9 of Google Australia's 2022 Financial Report.

### **Taxes paid**

The table below provides a breakdown of taxes paid by Google Australia to federal or state governments, such as payroll taxes, fringe benefit taxes, etc.

Tax Type	2022 (\$ '000)	2021 (\$ '000)	Year on Year % change
Corporate income taxes paid <sup>2</sup>	45,165	85,981	-47%
Employer related taxes <sup>3</sup>	60,313	47,072	28%
<b>TOTAL</b>	<b>105,478</b>	<b>133,053</b>	<b>-21%</b>

Income tax payments are made on an instalment basis throughout the year, with any outstanding amounts paid, and/or any excess payments refunded in the following financial years.

### **Taxes collected on behalf**

The table below shows taxes collected by Google Australia on behalf of Australian tax authorities. This includes the employer tax withholding obligations, commonly referred to as Pay as you go ("PAYG") withholding, remitted on behalf of employees, and Goods and Services Tax ("GST") collected and remitted, on sales to Australian customers.

<sup>2</sup> "Income tax paid" as per *Statement of cash flows* in the Financial Statements, this contains prepaid income taxes as well as payments and refunds for prior periods.

<sup>3</sup> This amount represents the combination of Payroll taxes (Jul-Jun) and Fringe benefit taxes (Apr-Mar) paid for the respective reporting periods.

Tax Type	2022 (\$ '000)	2021 (\$ '000)	Year on Year % change
PAYG withholding <sup>4</sup>	211,716	181,202	17%
Net GST <sup>5</sup>	849,445	738,179	15%
<b>TOTAL</b>	<b>1,061,161</b>	<b>919,381</b>	<b>15%</b>

## International Related Party Dealings

Google Australia is a reseller of various products and services, including digital advertising on Search and YouTube, sold to Australian customers, as an authorised reseller of Google Asia Pacific Pte Ltd (a company domiciled in Singapore).

Google Australia's international related party dealings fall into three categories:

Transaction type	Description
Reseller of Google's Products and Services	Google Australia is appointed as reseller to sell certain products and services owned by Google to customers in Australia
R&D Services	Google Australia provides contract research and development services to Google, LLC
Marketing service income	Google Australia provides marketing services to Google Asia Pacific Pte Ltd for certain Google products and services

Australian and international tax laws require Google Australia to deal with related parties on an arm's length basis at all times. Refer to Note 21 of Google Australia's 2022 Financial Report for current and prior year related party transactions.

## Google Australia's Tax Governance Framework

Google Australia's tax risk management conforms with the principles outlined in Alphabet's Code of Conduct, is owned and approved by Alphabet and Google Management, and overseen by the Alphabet Board of Directors and Audit Committee.

The day-to-day implementation of the tax strategy is delegated to the APAC Tax Director, who is supported by tax, and other finance, teams across Alphabet. Google Australia seeks to identify,

<sup>4</sup> Including taxes withheld from Australian tax residents and taxes withheld on interest expense payments for the financial reporting period January to December.

<sup>5</sup> Net GST includes GST remitted in respect of amounts collected on sales, offset by credits claimed for GST incurred on purchases.



evaluate, monitor and manage tax risks to ensure that Google Australia complies in full with its legal obligations. Additional assistance from external advisors is sought when required.

Alphabet complies with tax laws and practices in the countries in which Alphabet operates. Alphabet continuously monitors changes to tax legislation, ensuring that Alphabet takes advice where appropriate from professional advisers.

Given the nature of Alphabet's business and geographic footprint, risks may arise with respect to the application of tax laws that are complex and at times uncertain. Alphabet routinely seeks professional advice where the application of tax law to a material transaction or a given situation is reasonably unclear or uncertain, or where specialist knowledge is required.

#### **Relationship with Australian Tax Office (ATO)**

Google Australia is committed to cooperating with the ATO, including explaining the business operations and practices. Google Australia complies with all applicable tax laws through transparent and consistent engagement with the ATO.

#### **Approach to tax reform**

Google supports cooperation on international taxation reform, including multilateral efforts through the Organisation for Economic Cooperation and Development ("OECD") and G20 with the goal of making the international tax system simpler and more transparent. Google is grateful for Australia's commitment to this process and the significant work done to date by governments and the OECD.

ENDS



## Glossary

“**Corporate income tax paid**” refers to the net cash amount transacted in relation to corporate income taxes during the financial year. This consists of instalments paid throughout the year, net of any additional payments or refunds related to prior periods. This figure does not reflect Google Australia’s expected total income tax charge related to the financial year.

“**Current Tax**” is the estimated total tax payable for a relevant year.

“**Effective Tax Rate**” is calculated as income tax expense divided by accounting profit before tax

“**Income tax expense**” refers to the corporate income tax expense Google Australia accounted for in the relevant financial year in Google Australia’s *Consolidated statement of profit or loss and other comprehensive income*, as set out in Google Australia’s 2022 Annual Financial Report.<sup>6</sup> It is the estimated amount of corporate income tax Google Australia will pay for the current year, as well as prior period related tax adjustments (i.e. the difference between the estimated amount and the actual return) and deferred taxes, credits or expenses.

“**Permanent differences**” relate to transactions which have different income or expense treatments under Australian Accounting Standards and Income Tax Law (e.g. entertainment expenditure and certain donations are reported as expenses under Australian Accounting Standards, but may not be deductible expenses from an income tax perspective).

“**Prior period adjustment**” is the difference between the estimated income tax amount and the actual income tax amount at the time of preparation of the annual income tax return, pertaining to a prior financial period.

“**Temporary differences**” refer to differences between the tax (Income Tax Law) and accounting (Australian Accounting Standards) treatments of certain transactions which unwind over time. For example, for certain capital assets, accounting depreciation period (Australian Accounting Standards) may be at a different rate to the period over which capital allowance deductions (Income Tax Law) are recognised; for employee expenses, obligations such as vacation accrual and bonuses are accounted for in the period the services are provided, but for income tax purposes are deductible in the period they are paid out.

“**R&D Tax Incentive**” refers to the tax offset received in respect of eligible research and development (“R&D”) spend incurred by Google Australia, in accordance with the Department of Innovation and Science’s R&D Tax Incentive. An assessment of eligible spend is performed annually.

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<sup>6</sup> Google Australia’s Annual Financial Reports can be found at [www.asic.gov.au](http://www.asic.gov.au)