# tax transparency report

year ended december 2021

Chevron Australia Holdings Pty Ltd

# foreword

I welcome the opportunity to present the Chevron Australia Tax Transparency Report for the period 1 January to 31 December 2021. Chevron Australia[1] is committed to tax transparency and adopted the Board of Taxation's Voluntary Tax Transparency Code (TTC) back in 2017.

We are pleased to confirm that Chevron Australia has now moved to an income tax payable position less than five years after achieving full production across our Gorgon and Wheatstone natural gas projects. Gorgon and Wheatstone are mega-projects costing Chevron Australia and our joint venture participants more than A$80 billion to construct. It is appropriate that Australia's taxation regime allows major projects to recover a portion of their capital costs before becoming tax payable. We had publicly predicted that we would begin paying income tax by the mid-2020s, and we are now on track to become one of Australia's largest taxpayers.

For the period from 1 January 2021 to 31 December 2021, we paid $149 million in income tax in one payment made in June 2022. For the period from 1 January 2022 to 31 December 2022, the amount of income tax payable steps up significantly and is forecasted to be around A$3.7 billion, made up of monthly instalments averaging around A$110 million from 1 September 2022, with the balance paid in mid-2023.

These income tax payments are on top of other corporate taxes paid by Chevron Australia – including royalties, excise, interest withholding tax, payroll tax, fringe benefits tax and other withholding taxes – totalling more than A$350 million in 2021 alone.

In coming months, there may be some confusion when the Australian Taxation Office (ATO) releases its 2020-2021 annual data on corporate income tax, due to the timing of the release. The ATO's 2020-2021 historical data release looks back to Chevron Australia's 2020 tax year (the period from 1 January 2020 to 31 December 2020) in which we paid nominal income tax. It is important the community understands that this historical data has been superseded. Chevron Australia is now paying more than A$100 million a month in tax revenues, and expects to pay many billions of dollars well into the future.

It is also vital the community understands the structural differences between income tax and petroleum resource rent tax (PRRT). Income tax is a profits-based tax, which means tax is payable as soon as a company is earning a profit, whereas PRRT is a super profits tax, which means no PRRT is payable until a project has recovered all of its costs and a defined economic return. By design, PRRT is not payable until well after income tax is payable, and later in a project's life.

We understand the community's expectations of companies to pay our fair share of tax. We hope you find this tax transparency information useful in understanding our tax contribution.

**Steve Callaghan**
General Manager – Finance

1. In this report, a reference to Chevron Australia means Chevron Australia Holdings Pty Ltd.

# 70 years of chevron in australia

Chevron has been part of Australian energy since 1952.

From discovering oil off the Western Australian coast to spearheading Australia's ascendancy as a global liquefied natural gas (LNG) powerhouse, to pioneering carbon capture and storage technology – we've changed as the world's energy needs have changed.

Our story began when Caltex, a subsidiary of Chevron (then known as Standard Oil of California), joined with Ampol to form West Australian Petroleum (WAPET).

Over the next two decades, WAPET was involved in several oil field discoveries including the largest ever oil discovery in Western Australia on Barrow Island off the north-west coast. This discovery led to the creation of our WA Oil business, which is now a mature asset approaching its planned
end of life.

While oil production was our beginning in Australia, LNG has been our transformation.

It started with our share in Australia's first LNG facility, the North West Shelf Project, which began exporting in 1989, and expanded when Chevron and our joint venture participants invested more than A$80 billion in two of the world's largest LNG projects, Gorgon on Barrow Island and Wheatstone, near Onslow.

In 2016, Gorgon exported its first LNG cargo, with Wheatstone achieving first LNG production a year later. Together, Gorgon and Wheatstone have the capacity to produce 24.5 million tonnes of LNG each year.

In addition to supplying global customers, Gorgon and Wheatstone play a significant role in supporting Western Australia's energy and industrial sectors, having the capacity to produce around 50 percent of the state's current domestic gas supply.

As well as operating Gorgon and Wheatstone, we operate one of the world's largest carbon capture and storage (CCS) systems on Barrow Island.

Marking another chapter in our evolution in Australia, the Gorgon CCS system commenced operations in August 2019 and has since injected more than seven million tonnes of $CO_2$ from the Gorgon natural gas facility into a giant sandstone formation under Barrow Island.

Carbon capture and storage can prevent millions of tonnes of greenhouse gases being vented into the atmosphere and, according to the Intergovernmental Panel on Climate Change's 1.5°C Report, is critical to global decarbonisation efforts.

We believe the future of energy is lower carbon and we're continuing our evolution as we strive to deliver cleaner energy solutions.

By reducing the carbon intensity of our natural gas operations, growing new lower carbon businesses, and planning for the responsible decommissioning of our oil-producing assets, we will help keep Australia at the forefront of energy.

As we celebrate 70 years in Australia, we're proud of our past and ready for the future.

# our approach to tax and tax transparency

## Is it true that Chevron Australia hasn't paid income tax in Australia in the past six years?

That's correct. For the six years prior to 2021, Chevron Australia did not pay corporate income tax. This is because Chevron Australia and our joint venture participants spent over A$80 billion constructing the Gorgon and Wheatstone natural gas projects. These costs are tax deductible and as a result of the significant investment Chevron Australia's taxable income was negative until 2021.

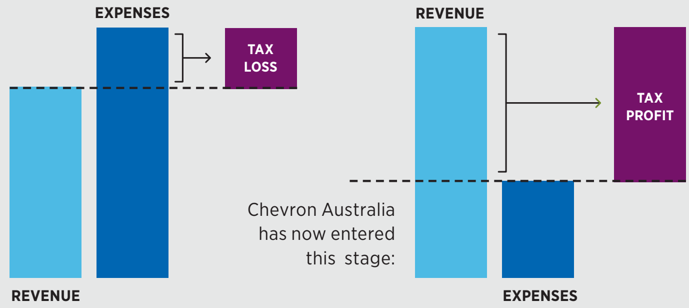
The same principle applies to capital expenditure on any type of project – if a company builds a new factory or fits out a new café, the company deducts these costs as depreciation. It is quite common for many businesses to operate at an accounting loss for several years before they return an accounting profit and become taxable, due to their initial capital costs. Chevron Australia is now past this start-up phase and is in full production, which means we expect to be paying billions of dollars in income tax every year for decades to come.

The figures shown below reflect the life cycle of major oil and gas projects, the different taxes paid in each cycle and the stage Chevron Australia has now entered.

Chevron Australia is an advocate for tax transparency and adopted the Board of Taxation's Voluntary Tax Transparency Code (TCC) back in 2017. In approaching our tax obligations, we comply with the letter and the spirit of the law, in line with our stringent global code of business ethics.

Chevron is also subject to the US Sarbanes-Oxley laws that mandate strong governance processes regarding our tax positions. Our governance processes are subject to both internal audit and external audit by PricewaterhouseCoopers on an annual basis.

Our philosophy is to have an open and transparent relationship with the ATO. As a Top 100 public and multinational taxpayer, we engage extensively with the ATO on issues such as compliance reviews and audits. We seek advance rulings on complex and uncertain tax matters, as well as contributing to the development of relevant public rulings and interpretive guidance.




### Acquire
**No Profit**
Permit bidding or acquisition costs

**Value added through taxes:**
GST revenue generated from amounts spent with Australian suppliers; Payroll tax; FBT.

### Explore & Evaluate
**No Profit**
Operating & capital expenditure

**Value added through taxes:**
GST revenue generated from amounts spent with Australian suppliers; Payroll tax; FBT.

### Develop
**No Profit**
Operating & **significant** capital expenditure

**Value added through taxes:**
Customs duty on imported capital equipment; GST revenue; Payroll tax; FBT; Interest withholding tax (WHT).

### Ramp-up
**No Profit**
Operating expenditure and production ramp-up

**Value added through taxes:**
Payroll tax; FBT; WHT; GST revenue.

### Full Production
**Profit**
- Operating expenditure
- Full production

**Value added through taxes:**
Income tax; PRRT; Payroll; FBT; WHT; GST revenue.

### Decommission
**No Profit**
Decommissioning expenditure

**Value added through taxes:**
GST revenue generated from amounts spent with Australian suppliers; Payroll tax; FBT.

# summary of corporate taxes paid in 2021

Chevron Australia made total corporate tax cash payments of A$386 million during the period January 2021 to December 2021:

| Type of Taxes | | 2021 Payments (A $ Millions) |
|---|---|---|
| Royalties | $ | 166 |
| Income Tax | $ | 0 |
| Excise | $ | 48 |
| Interest Withholding Tax | $ | 125 |
| Payroll Tax | $ | 37 |
| Fringe Benefits Tax | $ | 8 |
| Other Withholding Taxes | $ | 1 |
| GST - Denied Input Tax Credits | $ | 0 |
| **Total** | $ | **386** |

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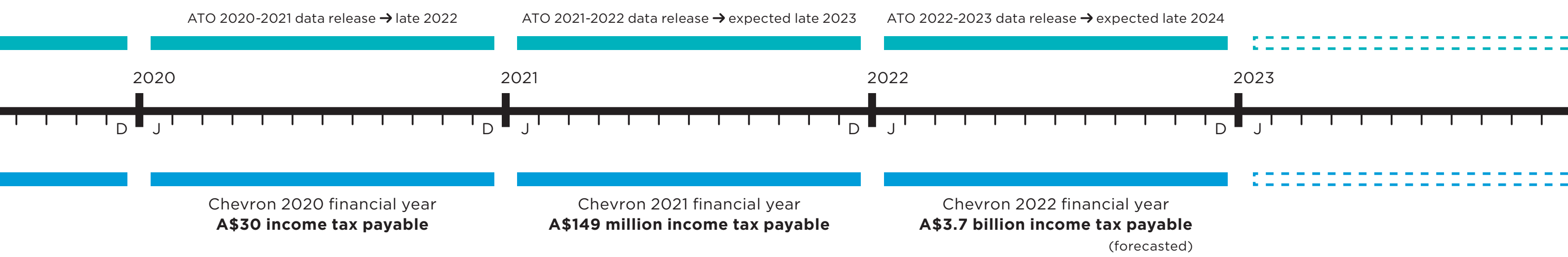
Chevron Australia announced it became income tax payable in 2021, so why does the table above show that no income tax was paid?

This is due to the time lag between a tax year and the due date for tax payments. In 2021, Chevron Australia moved to an income tax payable position after extinguishing the historical tax losses generated from allowable deductions associated with investment in the Gorgon and Wheatstone projects. However, the income tax liability, which totalled A$149 million for 2021, was not due and payable until June 2022. This payment, despite relating to the 2021 year, will appear in Chevron Australia's tax transparency report for 2022.

# information to be disclosed by the ATO

In late 2022, the ATO will publicly disclose the 2020-2021 annual data on corporate income tax. For Chevron Australia, the 2020-2021 report relates to 1 January 2020 to 31 December 2020, rather than 1 July 2020 to 30 June 2021. This timeline shows the release of ATO data and its applicability to Chevron Australia:




The ATO's 2020-2021 report will disclose the following information about Chevron Australia:

| | |
|---|---|
| **ABN** | 60 098 079 344 |
| **Total Income** | A$9,163,203,498 |
| **Taxable Income** | A$113,056,783 |
| **Income Tax Payable** | A$30 |

**Total Income** represents Chevron Australia's gross income for accounting purposes, which is income before any expenses are taken into account. Total Income is not an indicator of the real, economic, or taxable profits of any organisation.

Chevron Australia generated an accounting loss before tax of US$3.1 billion for the year ended 31 December 2020. Despite this accounting loss, taxable income for the year was A$113 million and income tax payable was reduced to a nominal A$30.00 due to credits of A$31 million from research and development undertaken during the year.

In 2021, Chevron Australia moved to an income tax payable position after extinguishing remaining historical tax losses generated from allowable deductions associated with investment in the Gorgon and Wheatstone projects and is expected to be in a significant income tax payable position from 2022 onwards.

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## You say Chevron Australia is now paying income tax but only A$30 was paid in 2020 according to the ATO. How is this possible?

The nominal payment of A$30 in 2020 appears odd. Chevron Australia should have paid A$0.00 tax for 2020 as we still had more than A$1.8 billion of carried forward losses that were used in 2021. However, a nominal payment was made to protect our review rights.

# reconciliation of accounting profit to tax expense and to income tax paid or income tax payable

Chevron Australia prepares audited General Purpose Financial Statements annually. These are available publicly through the Australian Securities and Investment Commission. Selected information from the Annual Report for the year ended 31 December 2021 relevant to this fact sheet is shown below.

| **Income tax expense** | | **2021 US $ 000's** | | **2020 US $ 000's** |
|---|---|---|---|---|
| **Current tax** | | | | |
| Current tax on profits for the year | $ | (91,468) | $ | 1,729 |
| Adjustments for current tax of prior periods | $ | (10,504) | $ | 1,164 |
| | $ | (101,972) | $ | 2,893 |
| **Deferred income tax** | | | | |
| Current year deferred tax | $ | (1,367,809) | $ | 1,258,493 |
| Adjustments for deferred tax of prior periods | $ | 10,094 | $ | 984 |
| | $ | (1,357,715) | $ | 1,259,477 |
| **Total income tax expense** | **$** | **(1,459,686)** | **$** | **1,262,370** |

### Numerical reconciliation of income tax expense to prima facie tax payable

| | | **2021 US $ 000's** | | **2020 US $ 000's** |
|---|---|---|---|---|
| Profit / (Loss) from continuing operations before income tax expense | $ | 3,984,649 | $ | (3,074,911) |
| Tax at the Australian tax rate of 30% | $ | (1,195,395) | $ | 922,473 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Adjustment in respect of prior periods | $ | (410) | $ | 2,148 |
| (Non deductible expenditure) / Non assessable income | $ | (405) | $ | (7,990) |
| Net foreign exchange gains / (losses) | $ | (1,801) | $ | 23,552 |
| Resource Rent Royalty | $ | 67,015 | $ | 5,318 |
| Petroleum Resource Rent Tax | $ | (335,170) | $ | 310,855 |
| Research & development expenditure | $ | 6,296 | $ | 5,617 |
| Sundry items | $ | 184 | $ | 397 |
| Income tax benefit/(expense) | | **(1,459,686)** | | **1,262,370** |

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## Why are your tax payments so low when your revenue is so high?

Revenue is your total gross income. Accounting profit is your revenue minus expenses, based on the accounting rules. Taxable profit is your tax revenue minus tax expenses, based on the tax rules. If a business operates in a loss it means that its expenses are higher than its revenue.

It is common for business to operate in losses for several years while they are starting up. This is because large capital costs may be incurred to purchase or build assets which will be used in future operations over a long period. For example, before a café can start operating, it will incur significant one-off capital costs for coffee machines, fridges and display cabinets.

In this example, assume the café's capital equipment is expected to last five years and the cost can be offset over five years against revenue. It is reasonable that the café would operate at a loss and no tax would be paid during the first five years, despite having sales. The losses will be able to be carried forward and offset against revenue in future years. These are called carry forward tax losses. It would be misleading to look at the sales revenue in isolation without looking at the operating and capital expenses incurred in generating that revenue. Due to the capital expenses, it may take several years before the café returns a taxable profit.

These concepts are no different for LNG projects, except the capital spend is on a much larger scale and the capital assets are intended to last for several decades.

Chevron Australia and our joint venture participants spent more than A$80 billion in building our capital assets and it has taken less than five years after achieving full production across Gorgon and Wheatstone for carry forward losses to be utilised and for Chevron Australia to be in an income tax payable position. We have transitioned to an income tax payable position even though we have not recovered the capital amounts invested.

# accounting effective company tax rates for australian and global operations

## Why are your tax payments so low when your cash flow is so high?

Cash flow only takes into consideration your current year cash spend, so businesses that have prior year large capital expenditure can have high cash flow but operate in a loss.

Chevron Australia's cash flow was consistently negative during the construction period for Gorgon and Wheatstone as the projects spent more than A$80 billion and no revenue was generated.

Our current cash flow appears high when viewed in isolation because it does not recognise the historical construction spend. However, for tax purposes, this expenditure is allowable as depreciation deduction and will reduce taxable profits.

Looking at a business' cash flow in isolation can be misleading as it not a true representation of the expenses required to generate revenue.

## Why is your accounting profit high but tax liability low?

It is common for a business to have an accounting profit but a tax loss in the same year as accounting rules and tax rules differ in several ways. A key difference for Chevron Australia is that our accounting profit is calculated in U.S. dollars whereas our tax liability is calculated in Australian dollars. Another key difference is between the tax and accounting depreciation rules that apply to the capital expenditure on Gorgon and Wheatstone.

Chevron Australia's accounting effective income tax rate for 2021 per the audited General Purpose Financial Statements is 36.6%:

| | **2021 US $ 000's** |
|---|---|
| Profit / (Loss) from continuing operations before income tax expense | $ 3,984,649 |
| Income tax expense | $ (1,459,686) |
| Accounting effective income tax rate | 36.6% |

The Tax Transparency Code requires companies to disclose an effective tax rate which excludes PRRT and other non-income tax related items that are required to be included in the accounting effective tax rate. Chevron Australia's Tax Transparency Code effective tax rate is 29.9%:

| | **2021 US $ 000's** |
|---|---|
| Profit/(Loss) from continuing operations before income tax expense | $ 3,984,649 |
| Income tax expense (accounting) | $ (1,459,686) |
| TTC adjustments | $ 268,565 |
| TTC company tax expense | $ (1,191,121) |
| TTC effective tax rate | 29.9% |

Chevron Corporation publishes the effective income tax rate for its global operations in its audited annual report. The worldwide effective income tax rate for 2021 was 27.5%.

For more information, please refer to **chevron.com/annual-report**

# international related party dealings

Chevron Australia's cross-border dealings must not only comply with Australian law but also international tax laws and principles. In approaching our tax obligations, we comply with the letter and the spirit of the law, in line with our stringent global code of business ethics.

The information shown below has been extracted from Chevron Australia Holdings Annual Report for the year ended 31 December 2021:

| The following transactions occurred with international related parties: | 2021 US $ 000's | 2020 US $ 000's |
|---|---|---|
| Sale of goods | $ 3,880,329 | $ 1,567,032 |
| Interest and finance costs | $ 914,589 | $ 1,067,223 |
| Recharges to other related parties | $ 4,718 | $ 3,977 |
| Purchased product of hydrocarbons | $ 591,381 | $ 351,703 |

Here is some important information to know about our international related party dealings:

## Related party sales

An affiliate in Singapore purchases crude oil, condensate and LNG from our Australian operations. The fee paid to our affiliate in Singapore in relation to product sales was less than 1% of the value of those sales.

## Interest and finance costs

Interest and finance costs incurred in the year relate to funds advanced by our immediate parent company in the US. These funds were borrowed principally to fund the construction of the Gorgon and Wheatstone projects and ongoing operations. The interest rate has been agreed with the ATO.

"We are pleased to confirm that Chevron Australia has now moved to an income tax payable position less than five years after achieving full production across our Gorgon and Wheatstone natural gas projects. Gorgon and Wheatstone are mega-projects which cost Chevron Australia and our joint venture participants more than A$80 billion to construct.

**For 2021, we have paid A$149 million in federal income tax and are forecasting to pay around A$3.7 billion for 2022."**

the human energy company™

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