



Australian Government

Australian Transaction Reports
and Analysis Centre

AUSTRAC industry contribution: Calculating earnings fact sheet

Contents

Part A: Understanding the earnings measure.....	2
1. Why do reporting entities need to provide information about earnings to AUSTRAC?	2
2. What is a liable entity?	2
3. What earnings do I need to report?	3
4. What is a related liable entity?	3
5. What earnings measure am I required to use?	4
6. Why are there two methods for determining earnings?	4
7. What are net financing costs?	4
8. What reporting period do I use?	4
9. What is an annual financial statement?	5
10. What financial statements do trustees of superannuation funds use?	5
11. What currency do I report in?	5
Part B: Calculating your earnings.....	6
Earnings calculation process	7
Scenario A.....	8
Scenario B.....	10
Scenario C	12
Scenario D	14
Scenario E.....	16
Scenario F.....	18
Scenario G	20
Scenario H	21
Scenario I.....	22
Scenario J	23

Part A: Understanding the earnings measure

1. Why do reporting entities need to provide information about earnings to AUSTRAC?

The industry contribution levy comprises two components: an earnings component and a component for transaction reporting activities.

The earnings component applies to liable entities with annual earnings of AUD100 million or more (in the most recent financial year). It is calculated based on the declared earnings of an entity as recorded on the AUSTRAC Reporting Entities Roll on the census day. If an entity is part of a group and is related to other liable entities, the earnings component amount is based on the total earnings of the group.

AUSTRAC therefore needs to collect information about reporting entities' earnings so it can determine:

- 1) which entities are required to pay the earnings component of the industry contribution; and
- 2) the amount of the earnings component those entities are required to pay.

If you are a reporting entity that is required to pay the levy (a liable entity) you are required to provide your earnings information when you enrol with AUSTRAC. Each year you are required to update this earnings figure within 14 days of finalising and publishing your annual financial reports or statements.

Reporting entities that are exempt from the industry contribution (non-liable entities) are not required to provide information about their earnings.

2. What is a liable entity?

A liable entity is a reporting entity that is required to be enrolled with AUSTRAC and that is not an exempt entity on the census day for a financial year. A full definition of liable entity can be found in the *Australian Transaction Reports and Analysis Centre Industry Contribution Act 2011*.

If an entity's enrolment information as recorded in AUSTRAC Online (that is, in the AUSTRAC Business Profile Form, or ABPF) indicates that an entity is not an 'exempt entity' on census day, the industry contribution levy will be payable.

Exempt entities include the following classes of entity:

- Affiliates of registered remittance networks that did not provide a designated service in any other capacity. Affiliates are excluded on the basis that AUSTRAC's primary regulatory relationship is with the registered remittance network provider rather than with individual affiliates.

- Entities exempted from Part 7 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.
- If, on the census day for the financial year, the entity is a 'Market Generator' within the meaning of the National Electricity Rules, or
- If, on the census day for the financial year, the entity is a body corporate established for a public purpose by an Act passed by the Parliament of the Commonwealth.

For more information on who is required to pay the AUSTRAC industry contribution levy, refer to the [AUSTRAC industry contribution levy FAQs](#) on the AUSTRAC website.

3. *What earnings do I need to report?*

Your annual earnings must be based on your most recent annual financial statements. More information about the reporting period and financial statements is provided at questions 8 and 9 of this fact sheet.

Earnings information must be disclosed where the earnings of your business and any related leviable entities are AUD100 million or more.

When responding to this question:

- leviable entities that are not foreign companies are required to consider their global earnings.
- leviable entities that are foreign companies, or are subsidiaries of foreign companies, are required to consider the earnings derived from their operations in Australia.

If you are related to other leviable entities (that is, you are part of a group) you will be required to report the total earnings for you and all of your related leviable entities in your enrolment. Each related leviable entity will need to provide this information in their enrolment.

The methods for determining earnings are discussed in following sections.

4. *What is a related leviable entity?*

A leviable entity is related to another leviable entity if they meet the definition of 'related bodies corporate' under section 50 of the *Corporations Act 2001*.

According to this definition, a leviable entity is related to another leviable entity if it is the holding company of another leviable entity; a subsidiary of another leviable entity; or a subsidiary of a holding company of another leviable entity.

If your business is a leviable entity and is a related body corporate of another leviable entity you must provide details of the ultimate holding company in your enrolment. An ultimate holding company is a holding company that has subsidiaries but is not itself a subsidiary of any other company.

Each related leviable entity within a group of related leviable entities must disclose the total earnings of that group of related leviable entities in its enrolment. Where related leviable entities disclose different earnings values in their enrolment information, AUSTRAC will

calculate the earnings component of the industry contribution based on the highest earnings value disclosed.

5. *What earnings measure am I required to use?*

The earnings measure you use and provide to AUSTRAC will depend on the nature of your business.

You are required to provide your **profit before tax, depreciation and amortisation (PBTDA)** if you are:

- an authorised deposit-taking institution or a registered financial corporation; or
- related to another leviable entity that is an authorised deposit-taking institution or a registered financial corporation.

All other businesses (either as single entities or as members of a group) are required to provide **earnings before net financing costs, tax, depreciation and amortisation (EBITDA)**.

Detailed guidance on calculating your earnings is provided at Part B of this fact sheet.

6. *Why are there two methods for determining earnings?*

The two methods recognise that making loans and accepting money on deposit are a core part of business for authorised deposit-taking institutions and registered financial corporations.

7. *What are net financing costs?*

Net financing costs include:

- the difference between interest income and interest expense; and
- financing fees; and
- the difference between any gains and losses on interest rate swaps.

The above list is a guide only and is not an exhaustive list of expenses that a business may consider to be a financing cost.

8. *What reporting period do I use?*

Entities are required to use their most recent annual financial statements.

AUSTRAC is not prescribing a financial year for enrolment purposes. Entities should use the same accounting period that they normally use to prepare their financial statements.

This could be the Australian financial year, the financial year of the country in which the business is incorporated or the financial year of its parent entity or another substituted accounting period.

9. *What is an annual financial statement?*

For reporting entities that have reporting obligations under Part 2M.3 of the Corporations Act, this would be the annual financial reports (including any notes to the accounts) lodged with the Australian Securities and Investments Commission (ASIC).

Entities that are not required to lodge reports with ASIC may still prepare annual financial reports to report to shareholders, partners, an overseas holding company or other stakeholders. The most recent annual reports that have been finalised and released, or approved for release to shareholders, partners or other stakeholder should be used.

For smaller reporting entities annual financial statements may include internal management accounts for a 12-month period, or a summary of annual income and expenses used to prepare their annual taxation return.

10. *What financial statements do trustees of superannuation funds use?*

For reporting entities that are a trustee of a superannuation fund or an approved deposit fund, the trustee is the legal entity that is entered on the Reporting Entities Roll.

Superannuation or approved deposit funds include entities that:

- accept contributions, roll-overs or transfers in respect of new or existing members of the fund; and/or
- cash the whole or part of an interest held by a member of the fund.

In this circumstance, the earnings of the trustee of the fund (not the earnings of the fund itself) need to be disclosed based on the financial statements of the trustee.

11. *What currency do I report in?*

The earnings amount provided in your enrolment must be in Australian dollars (AUD).

Where your most recent annual financial statements have been prepared in a currency other than Australian dollars, you must convert your earnings to Australian dollars using the exchange rate published by the [Reserve Bank of Australia](http://www.rba.gov.au) (www.rba.gov.au) applicable to the last day of your financial statement reporting period.

Currency exchange rates that are not published by the Reserve Bank of Australia should be sourced from [Reuters](http://www.reuters.com/finance/currencies) (www.reuters.com/finance/currencies) or [Oanda](http://www.oanda.com/currency/converter/) (www.oanda.com/currency/converter/).

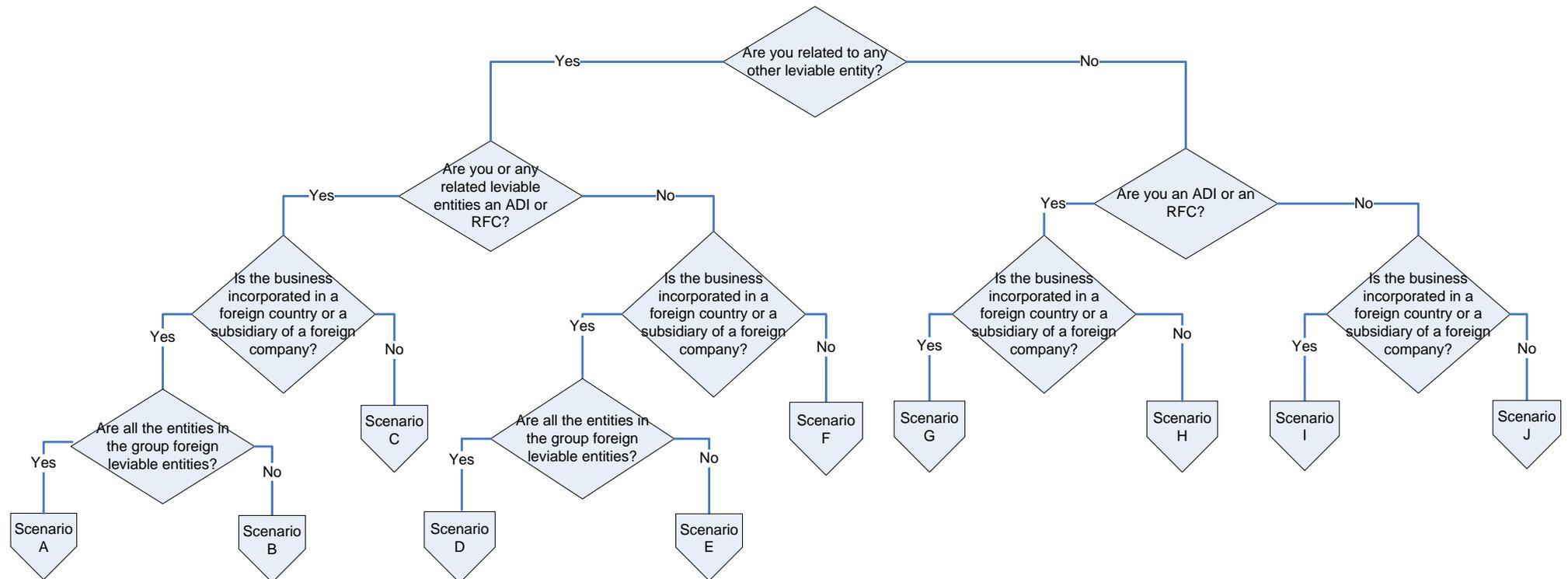
Part B: Calculating your earnings

Entities must report the total earnings for themselves and any related leviabie entities. The method used to calculate the earnings figure that you need to disclose in your enrolment will depend on the nature of your business, your country of residence, whether you are related to any other leviabie entities and the nature of any related leviabie entities' business.

The decision tree on the following page has been developed to assist entities in determining the correct scenario for calculating the earnings figure to be provided in the ABPF.

Answer 'Yes' or 'No' to each question to identify the calculation scenario that applies to you.

Earnings calculation process



Definitions:

- **ADI:** Authorised deposit-taking Institution
- **RFC:** Registered Financial Corporation

Scenario A

This scenario applies if:

- you are related to other leviable entities
- you and/or any related leviable entities are an ADI or RFC; and
- you and all related leviable entities in the group are businesses incorporated in a foreign country or are subsidiaries of a foreign company.

From the most recent annual financial statements:

Step 1

For your entity, calculate the profit before tax, depreciation and amortisation (PBTDA) derived from operations in Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 2

Calculate the PBTDA derived from operations in Australia for each related leviable entity that is incorporated outside of Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 3

Sum the earnings for each related leviabile entity in the group:

Step	Amount
Start with: Your earnings	AUD
Add: Earnings for related entity 1	AUD
Add: Earnings for related entity ...	AUD
Add: Earnings for related entity n	AUD
Equals: Total earnings	AUD

Step 4

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your total earnings figure (as calculated at Step 3) is AUD100 million or more.

Step 5

If the answer to that question is Yes, and your calculated earnings are AUD100 million or more, you will be asked to provide your total earnings figure as part of your enrolment information.

Scenario B

This scenario applies if:

- you are related to other leviable entities
- you and/or any related leviable entities are an ADI or RFC
- you are incorporated in a foreign country or are a subsidiary of a foreign company; and
- other leviable entities in the group comprise a mix of businesses incorporated both within and outside Australia.

From the most recent annual financial statements:

Step 1

For your entity, calculate the profit before tax, depreciation and amortisation (PBTDA) derived from operations in Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 2

Calculate the PBTDA derived from operations in Australia for each related leviable entity that is incorporated outside of Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 3

Calculate the PBTDA for each related leviabie entity that is incorporated in Australia:

Step	Amount
Start with: Profit before tax	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 4

Sum the earnings for each related leviabie entity:

Step	Amount
Start with: Your earnings	AUD
Add: Earnings for related entity 1	AUD
Add: Earnings for related entity ...	AUD
Add: Earnings for related entity n	AUD
Equals: Total earnings	AUD

Step 5

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your total earnings figure (as calculated at Step 4) is AUD100 million or more.

Step 6

If the answer to that question is Yes, and your calculated earnings are AUD100 million or more, you will be asked to provide your total earnings figure as part of your enrolment information.

Scenario C

This scenario applies if:

- you are related to other leviable entities
- you and/or any related leviable entities are an ADI or RFC; and
- neither you nor any of your related leviable entities are foreign companies – that is, you are not businesses incorporated in a foreign country or are not subsidiaries of a foreign company.

From the most recent annual financial statements:

Step 1

For your entity, calculate the profit before tax, depreciation and amortisation (PBTDA):

Step	Amount
Start with: Profit before tax	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 2

Calculate the PBTDA for each related leviable entity:

Step	Amount
Start with: Profit before tax	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 3

Sum the earnings for each related leviabie entity in the group:

Step	Amount
Start with: Your earnings	AUD
Add: Earnings for related entity 1	AUD
Add: Earnings for related entity ...	AUD
Add: Earnings for related entity n	AUD
Equals: Total earnings	AUD

Step 4

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your total earnings figure (as calculated at Step 3) is AUD100 million or more.

Step 5

If the answer to that question is Yes, and your calculated earnings are AUD100 million or more, you will be asked to provide your total earnings figure as part of your enrolment information.

Scenario D

This scenario applies if:

- you are related to other leviable entities
- you and all related leviable entities are not an ADI or RFC; and
- you and all related leviable entities in the group are businesses incorporated in a foreign country or are subsidiaries of a foreign company.

From the most recent annual financial statements:

Step 1

For your entity, calculate the earnings before interest, tax, depreciation and amortisation (EBITDA) derived from operations in Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based net finance costs	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 2

Calculate the EBITDA derived from operations in Australia for each related leviable entity that is incorporated outside of Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based net finance costs	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 3

Sum the earnings for each related leviabile entity in the group:

Step	Amount
Start with: Your earnings	AUD
Add: Earnings for related entity 1	AUD
Add: Earnings for related entity ...	AUD
Add: Earnings for related entity n	AUD
Equals: Total earnings	AUD

Step 4

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your total earnings figure (as calculated at Step 3) is AUD100 million or more.

Step 5

If the answer to that question is Yes, and your calculated earnings are AUD100 million or more, you will be asked to provide your total earnings figure as part of your enrolment information.

Scenario E

This scenario applies if:

- you are related to other leviable entities
- you and all related leviable entities **are not** an ADI or RFC
- you are incorporated in a foreign country or are a subsidiary of a foreign company; and
- other leviable entities in the group comprise a mix of businesses incorporated both within and outside Australia.

From the most recent annual financial statements:

Step 1

For your entity, calculate the earnings before interest, tax, depreciation and amortisation (EBITDA) derived from operations in Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based net finance costs	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 2

Calculate the EBITDA derived from operations in Australia for each related leviable entity that is incorporated outside of Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based net finance costs	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 3

Calculate the EBITDA for each related leviabie entity that is incorporated in Australia:

Step	Amount
Start with: Profit before tax	AUD
Add back: Net finance costs	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 4

Sum the earnings for each related leviabie entity:

Step	Amount
Start with: Your earnings	AUD
Add: Earnings for related entity 1	AUD
Add: Earnings for related entity ...	AUD
Add: Earnings for related entity n	AUD
Equals: Total earnings	AUD

Step 5

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your total earnings figure (as calculated at Step 4) is AUD100 million or more.

Step 6

If the answer to that question is Yes, and your calculated earnings are AUD100 million or more, you will be asked to provide your total earnings figure as part of your enrolment information.

Scenario F

This scenario applies if:

- you are related to other leviable entities
- you and all related leviable entities **are not** an ADI or RFC; and
- neither you nor any of your related leviable entities are foreign companies – that is, you **are not** businesses incorporated in a foreign country or **are not** subsidiaries of a foreign company.

From the most recent annual financial statements:

Step 1

For your entity, calculate the earnings before interest, tax, depreciation and amortisation (EBITDA):

Step	Amount
Start with: Profit before tax	AUD
Add back: Net finance costs	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 2

Calculate the EBITDA for each related leviable entity:

Step	Amount
Start with: Profit before tax	AUD
Add back: Net finance costs	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 3

Sum the earnings for each related leviabie entity.

Step	Amount
Start with: Your earnings	AUD
Add: Earnings for related entity 1	AUD
Add: Earnings for related entity ...	AUD
Add: Earnings for related entity n	AUD
Equals: Total earnings	AUD

Step 4

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your total earnings figure (as calculated at Step 3) is AUD100 million or more.

Step 5

If the answer to that question is Yes, and your calculated earnings are AUD100 million or more, you will be asked to provide your total earnings figure as part of your enrolment information.

Scenario G

This scenario applies if:

- you are **not** related to other leviable entities
- you are an ADI or RFC; and
- you are incorporated in a foreign country or are a subsidiary of a foreign company.

From the most recent annual financial statements:

Step 1

Calculate your profit before, tax, depreciation and amortisation (PBTDA) derived from operations in Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 2

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your earnings figure (as calculated at Step 1) is AUD100 million or more.

Step 3

If the answer to that question is Yes – that is, your calculated earnings are AUD100 million or more – you will be asked to provide your earnings figure as part of your enrolment information.

Scenario H

This scenario applies if:

- you **are not** related to other leviable entities
- you are an ADI or RFC; and
- you **are not** incorporated in a foreign country or **are not** a subsidiary of a foreign company.

From the most recent annual financial statements:

Step 1

Calculate your profit before, tax, depreciation and amortisation (PBTDA):

Step	Amount
Start with: Profit before tax	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 2

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your earnings figure (as calculated at Step 1) is AUD100 million or more.

Step 3

If the answer to that question is Yes – that is, your calculated earnings are AUD100 million or more – you will be asked to provide your earnings figure as part of your enrolment information.

Scenario I

This scenario applies if:

- you **are not** related to other leviable entities
- you **are not** an ADI or RFC; and
- you are incorporated in a foreign country or are a subsidiary of a foreign company.

From the most recent annual financial statements:

Step 1

Calculate your earnings before interest, tax, depreciation and amortisation (EBITDA) derived from operations in Australia:

Step	Amount
Start with: Australian-based profit before tax	AUD
Add back: Australian-based net finance costs	AUD
Add back: Australian-based depreciation expense	AUD
Add back: Australian-based amortisation expense	AUD
Equals: Earnings	AUD

Step 2

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your earnings figure (as calculated at Step 1) is AUD100 million or more.

Step 3

If the answer to that question is Yes – that is, your calculated earnings are AUD100 million or more – you will be asked to provide your earnings figure as part of your enrolment information.

Scenario J

This scenario applies if:

- you **are not** related to other leviable entities
- you **are not** an ADI or RFC; and
- you **are not** incorporated in a foreign country or **are not** a subsidiary of a foreign company.

From the most recent annual financial statements:

Step 1

Calculate your earnings before interest, tax, depreciation and amortisation (EBITDA):

Step	Amount
Start with: Profit before tax	AUD
Add back: Net finance costs	AUD
Add back: Depreciation expense	AUD
Add back: Amortisation expense	AUD
Equals: Earnings	AUD

Step 2

In the Industry contribution section of the AUSTRAC Business Profile Form (ABPF) you will be asked whether your earnings figure (as calculated at Step 1) is AUD100 million or more.

Step 3

If the answer to that question is Yes – that is, your calculated earnings are AUD100 million or more – you will be asked to provide your earnings figure as part of your enrolment information.