

1. Tax governance, tax strategy and dealing with authorities

The Board of Directors is ultimately responsible for setting the Company's tax policy and overseeing tax governance. The Chief Financial Officer has oversight responsibility for tax strategy, the management of tax risk as well as the operational responsibility for execution of tax policies. The Chief Financial Officer reports to the Board's Audit and Risk committee on a regular basis.

Deterra Royalties Limited, together with its 100 per cent controlled Australian subsidiaries, exited the Iluka Resources tax consolidated group on 31 October 2020 and formed a new tax consolidated group (the Deterra Group) for Australian income tax purposes on 2 November 2020.

The Deterra Group:

- Recognises its responsibility to pay tax to all revenue authorities according to the tax rules and legislation of the jurisdictions in which it operates;
- Manages tax risk in the same manner as any other operational risk;
- Engages service providers with appropriate qualifications and experience to manage its tax obligations;
- Engages with revenue authorities, including the Australian Taxation Office, in a transparent and cooperative manner; and
- Has in place a Board approved Tax Policy that affirms the above principles and ensures that tax related decisions are made having regard to Deterra maintaining its integrity and reputation, including that they are made at an appropriately senior level and are supported by appropriate documentation

2. Tax payments to 30 June 2021

The financial period 30 June 2021 was the Deterra Group's first financial period and the income tax return for this period is expected to be lodged in early September 2021.

The table below represents direct taxation payments made to governments by the Deterra Group for the period ended 30 June 2021.

The table excludes taxes collected by the Deterra Group and passed onto revenue authorities such as goods & services tax and pay-as-you-go withholding on employee salaries:

	\$'000
Income tax instalments – Iluka Tax Group (from 15 June 2020 – 31 October 2020)	15,281
Income tax instalments – Deterra Group (from 2 November 2020 – 30 June 2021)	5,913
State and Territory taxes (Payroll Tax)	31
Total tax payments to Australian Federal and State Governments	21,225

3. Financial statement disclosures

Income tax expense and effective tax rates

The following table extracts the 30 June 2021 accounting profit before income tax expense and effective tax rate from the 2021 annual financial statements disclosed in this Annual Report (Notes 6 and 7 in the Annual Financial Report).

	\$'000
Accounting profit before tax	141,867
Income tax expense (current and deferred tax expense)	47,387
Effective tax rate	33.4%

The reconciliation of the accounting profit before tax to the Income tax expense is disclosed in note 6(b) of the Annual Financial Statements.

Material temporary differences are disclosed in note 7 of the Annual Financial Statements.

Reconciliation of income tax liabilities

A reconciliation of the income tax expense per the Annual Financial Statements to income tax liabilities at 30 June 2021 are as follows:

	\$'000
Current income tax expense	32,098
Income tax instalments paid	(21,194)
Income tax liabilities	10,904

4. International related party dealings

Deterra predominantly engages in regular business activities in Australia with funding sourced from unrelated independent financial institutions. For the period ended 30 June 2021, Deterra did not have any international related party dealings.