

Background

McKinsey & Company (“McKinsey”) provides management consulting services to its clients. McKinsey operates in Australia through a branch of McKinsey Pacific Rim, Inc. (“the Branch”). Given below is the information for the Branch as required by the Australian Board of Taxation’s voluntary Tax Transparency Code.

Reconciliation of accounting profit to tax expense

Description	For year ended Dec 31, 2020 (A\$'000)	For year ended Dec 31, 2019 (A\$'000)
Accounting profit /(loss) before income tax (A)	54,243	(29,447)
Tax at Australian tax rate of 30%	16,273	(8,834)
Add: Non-deductible expenses (permanent/ non-temporary differences) ¹	446	500
Income tax expense/(benefit) (B)	16,719	(8,334)
Effective tax rate (B/A)²	30.82%	28.30%

Reconciliation of income tax expense to income tax payable or income tax paid

Description	For year ended Dec 31, 2020 (A\$'000)	For year ended Dec 31, 2019 (A\$'000)
Income tax expense/(benefit)	16,719	(8,334)
Add: Movement in timing/ temporary differences ³	2,998	9,459
Income tax liability	19,717	1,125
Income tax paid	20,760	11,886
Income tax payable/ (refundable)	(1,043)	(10,761)

Notes :

1. Permanent/ non-temporary differences largely relate to meals and entertainment expenses and withholding tax suffered on services to overseas affiliate entities.
2. Accounting effective tax rate: Effective tax rate, calculated as income tax expense divided by accounting profit before income tax expense.
3. Movement in timing/ temporary difference largely relate to provision for employee benefits and revenue accruals.