

Tax Transparency Report

2020/2021



A message from the Group Chief Financial Officer

The Royal Automobile Club of W.A. (the RAC) is pleased to present its Tax Transparency Report for the 2021 financial year, which has been prepared in accordance with the recommendations of the Board of Taxation's Tax Transparency Code. The Report covers the activities of the RAC and its wholly owned subsidiaries, which are a tax consolidated group and are treated as a single entity for income tax purposes. All members of the tax group have entered into a tax sharing and a tax funding agreement.

The Report is published voluntarily as part of demonstrating the RAC's ongoing commitment to tax transparency. The Report summarises the RAC's approach to tax strategy and governance, its various taxes paid and collected and the reconciliation of accounting profit to tax expense and its effective tax rate.

Geoff Mather
Group Chief Financial Officer

About RAC

Formed in 1905, RAC is a proud Western Australian membership organisation representing more than one million members.

RAC's vision is for a safer, sustainable and connected future for Western Australians by 2030. Without shareholders, the RAC gives back to its members through the services and benefits it provides, and by being a leading advocate on the mobility issues and challenges facing WA.

Employing more than 1800 people in WA, the RAC also provides services to its members through Roadside Assistance, Insurance, Travel, Tourism, Finance, Auto Services, Batteries, Tyres and Security.



Approach to tax strategy and governance

The RAC operates within the spirit of the tax laws and does not adopt aggressive tax positions. It is committed to ensuring that it maintains the highest standards of corporate tax governance for managing its tax affairs.

It has established a Tax Risk Management Framework to ensure that it has an effective framework in place that will allow it to manage its tax obligations in line with its low tax risk appetite and the latest Australian Taxation Office (ATO) guidelines.

The Tax Risk Management Framework (Framework) forms part of the RAC's overall risk management strategy overseen by the RAC Group Audit & Risk Committee which includes the RAC's:

- » Corporate Governance Statement
- » Group Risk Management Framework
- » Group Risk Appetite Statement
- » Group Tax Policy and related Policy Guidelines

The Framework includes having suitably qualified staff and sound systems, processes and procedures to ensure the integrity of information and to meet the RAC's various tax obligations. In addition, the RAC's income tax returns are subject to an independent review by its tax advisors.

Approach to Australian Taxation Office (ATO) engagement

As one of the larger and more diverse taxpayers in the Small and Medium Enterprises category, the RAC has been included in the ATO Early Engagement Assurance Program.

The RAC has taken a very open and co-operative approach to the Program which has enabled it to maintain a good working relationship with the ATO.

International related party dealings

The RAC does not have any international related party dealings.

Effective tax rate

The RAC operates entirely in Australia. The Australian corporate tax rate that applies to the RAC is 30%.

A company's effective tax rate is calculated as income tax expense divided by accounting profit before income tax. Income tax expense represents the accounting profit multiplied by the corporate tax rate, with adjustments for transactions where the tax treatment is permanently different to the accounting treatment.

In any given year, the tax and accounting treatment of each transaction may either be the same, temporarily different, or permanently different.

Temporary differences arise when the tax and accounting treatment is different in a given year but is the same over the fullness of time. For example, an asset may be depreciated for accounting over two years but depreciated for tax over three years. At the end of three years, the asset is fully depreciated for both accounting and tax. These temporary differences create deferred tax balances.

Permanent differences arise when the tax and accounting treatment is different over the fullness of time. For example, for fully franked Australian dividends, the accounting income is the dividend amount received but the tax expense is generally nil because the dividend is paid from after-tax profits and Australian tax legislation contains measures to prevent double-taxation of such amounts.

Income tax expense is different to income tax payable. Income tax payable is adjusted for temporary and permanent differences, whereas income tax expense is only adjusted for permanent differences.

In RAC's annual financial report for the 2021 financial year, the income tax expense is \$26.9m which gives rise to an effective tax rate of 25%. The estimated income tax payable for the same period is \$28.8m. This difference of \$1.9m is primarily due to temporary differences and deferred tax balances, as shown in the table below.

	2021 \$m	2020 \$m	
Accounting profit before income tax	106.2	37.0	(A)
Income tax expense at the corporate tax rate of 30%	31.9	11.1	
(Decrease)/Increase in tax expense due to:			
Tax credits and offsets	(1.3)	(0.9)	Note 1
Recognition of unbooked / derecognition of booked prior year deferred tax asset	(2.0)	0.4	Note 2
Amounts not (assessable)/deductible for income tax	(2.1)	(2.0)	
Adjustments for current income tax of prior years	0.4	(0.1)	
Amendments to prior year tax returns	0.0	1.4	
Income tax (benefit)/expense	26.9	9.9	(B)
Temporary differences: deferred tax			
Property, plant and equipment	3.1	3.8	
Investments in joint ventures and associates	3.8	(1.0)	
Provision for employee benefits	1.6	0.8	
Intangible assets	0.7	0.7	
Investments at fair value	(9.7)	5.7	
Prepayments and accruals	0.5	(1.5)	
Other	0.3	0.1	
	0.3	8.6	
Recognition of unbooked / derecognition of booked prior year deferred tax asset	2.0	(0.4)	
Adjustments for current income tax of prior years	(0.4)	0.1	
Amendments to prior year tax returns	0.0	(1.4)	
Income tax payable for the current year	28.8	16.8	
Income tax payable at 30 June	(18.0)	(11.0)	
Prior year tax paid/(refunded) in the current year	11.5	9.4	
Income tax paid	22.3	15.2	
Effective tax rate (B/A)	25%	27%	

Note 1: relates to fully franked Australian dividends received.

Note 2: relates to a recalculation of prior year deferred tax balances recognised on land and buildings.

Australian tax return information

The Australian Tax Office (ATO) publishes an annual “Report of Entity Tax Information” for entities with a total income of \$100 million or more.

The following table reflects the RAC tax consolidated group’s income tax return information for the 2020 financial year. The 2021 income tax return information will be published by the ATO late in the 2022 calendar year.

RAC’s annual financial report is completed before the income tax return is finalised. As a result, the 2020 income tax payable of \$16.8m in the table above differs slightly from the tax payable of \$17.4m in the income tax return.

Australian tax consolidated group	2020 \$m
Total income	961.9
Taxable income	62.3
Tax payable	17.4

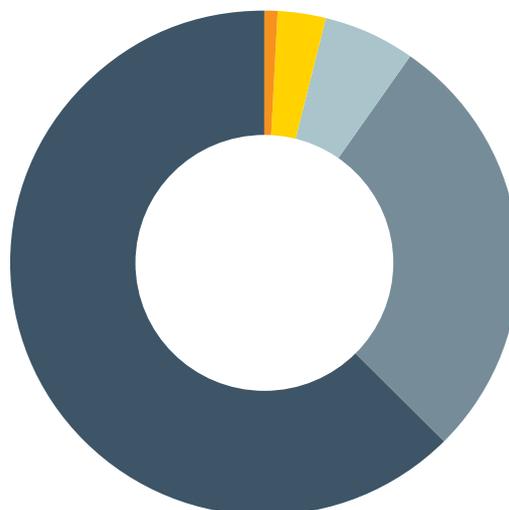
Tax contribution summary

The RAC contributes taxes to Australian federal, state, and local governments through the payment of taxes borne by the RAC as well as the collection of taxes on behalf of the government from members, customers, and employees.

The taxes collected on behalf of the government are remitted to the government as and when they are due. The tables and diagram below set out the taxes paid and taxes collected by the RAC during the 2021 financial year.

Taxes paid	2021 \$m	2020 \$m
Income tax	22.3	15.2
Payroll tax	10.0	9.1
Property taxes	2.2	2.2
Fringe benefits tax	0.9	1.1
Other	0.1	0.1
Total paid	35.5	27.7

Taxes paid (2021 financial year)



- Income tax **63%**
- Payroll tax **28%**
- Property taxes **6%**
- FBT **3%**
- Other **1%**

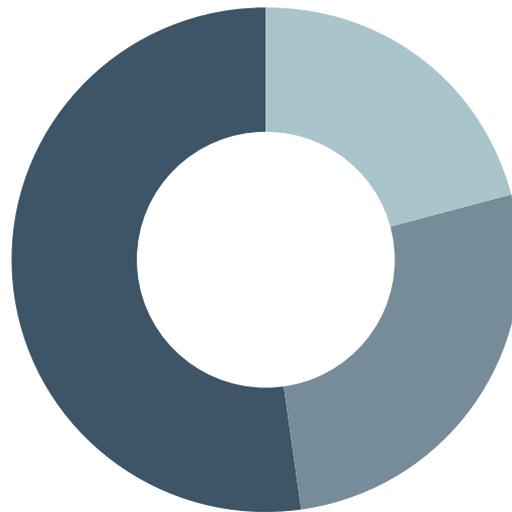
Taxes collected	2021 \$m	2020 \$m
Insurance duty	85.1	73.8
PAYG withholding	44.4	39.8
GST (net)	35.1	25.4
Total collected	164.6	139.1

Insurance duty is the stamp duty collected on the RAC insurance policies purchased by customers and members.

GST (net) is the total GST collected on sales less the total GST paid on purchases of goods and services.

The above amounts collected have been remitted to the relevant government authorities as required.

Taxes collected (2021 financial year)



- Insurance duty **52%**
- PAYG Withholding **27%**
- GST (net) **21%**



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