

Tax Transparency Report

2023/2024



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 2024 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 the RAC

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

The 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 2,100 people in WA, the RAC also provides goods and services to its members such as Roadside Assistance, Insurance, Travel, Tourism, Finance, Auto Services, Batteries, Tyres and Security products.



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

The RAC continues to take an open and co-operative approach in its dealings 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, non-deductible entertainment expenses are not recognised for tax purposes but are reflected in accounting profit resulting in a permanent difference.

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 the RAC's annual financial report for the 2024 financial year, the income tax expense is \$41.3m which gives rise to an effective tax rate of 28%. However, there is an income tax payable of \$13.7m for the same period. This difference of \$27.6m is primarily due to temporary differences in respect of deferred tax balances, as shown in the table below.

The 2023 accounting profit and income tax expense have been restated following the adoption of AASB 17 Insurance Contracts. There is no change to the income tax receivable or income tax paid for the 2023 financial year but the effective tax rate changed from 22% to 21%. Further details are contained in the annual financial report.

	2024	2023 Restated	
	\$m	\$m	
Accounting profit before income tax	146.8	55.1	(A)
Income tax expense at the corporate tax rate of 30%	44.0	16.5	
(Decrease)/Increase in tax expense due to:			
Tax credits and offsets	(2.9)	(1.0)	Note 1
Recognition of unbooked/derecognition of booked prior year deferred tax asset	0.3	0.0	
Amounts not assessable for income tax	(1.2)	(4.0)	
Adjustments for current income tax of prior years	1.1	0.3	
Income tax expense/(benefit)	41.3	11.8	(B)
Temporary differences: deferred tax			
Property, plant and equipment	(2.9)	(9.9)	
Investments in joint ventures and associates	(1.8)	(3.5)	
Provision for employee benefits	0.4	0.5	
Intangible assets	0.2	0.6	
Investments at fair value	(13.4)	(5.3)	
Insurance contract liability	(8.3)	1.9	
Prepayments and accruals	(1.8)	4.8	
Deferred management fees	(1.2)	(1.5)	
Losses available for offset against future taxable income	2.6	0.0	
Other	0.0	0.0	
	<u>(26.2)</u>	<u>(12.4)</u>	
Recognition of unbooked/derecognition of booked prior year deferred tax asset	(0.3)	0.0	
Adjustments for current income tax of prior year	(1.1)	(0.3)	
Income tax payable/(receivable) for the current year	13.7	(0.9)	
Income tax (payable)/receivable at 30 June	(7.2)	21.1	
Prior year tax refunded/paid in the current year	(17.2)	1.1	
Income tax (refunded)/paid	(10.7)	21.3	
Effective tax rate (B/A)	28%	21%	

Note 1: relates to fully franked Australian dividends received.

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 2023 financial year. The 2024 income tax return information will be published by the ATO late in the 2025 calendar year.

The RAC’s annual financial report is completed before the income tax return is finalised. As a result, the 2023 income tax receivable of \$0.9m in the table above differs from the tax payable of \$3.0m in the income tax return.

Australian tax consolidated group	2023 \$m
Total income	1,377.1
Taxable income	15.1
Tax payable	3.0

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 below set out the taxes paid and taxes collected by the RAC during the 2024 financial year.

The income tax refunded in 2024 resulted from the tax instalments paid in 2023 exceeding the tax payable in the 2023 income tax return.

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

GST (net) is the total GST collected (and payable to the ATO) on the RAC’s sales less the total GST paid (and claimable from the ATO) on the RAC’s purchases of goods and services.

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

Taxes paid	2024 \$m	2023 \$m
Income tax	(10.7)	21.3
Payroll tax	13.2	13.2
Property taxes	2.3	2.3
Fringe benefits tax	1.2	0.9
Other	0.0	0.3
Total paid	6.0	38.0

Taxes collected	2024 \$m	2023 \$m
Insurance duty	149.4	117.3
PAYG withholding	58.4	54.4
GST (net)	51.5	36.6
Total collected	259.4	208.3



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