Tax Transparency Report 2022-23

Message from the Chief Financial Officer

I am pleased to present our Tax Transparency Report (TTR) for the Royal Automobile Club of Queensland Limited and its controlled entities[1] (RACQ) for the year ending 30 June 2023. RACQ takes its regulatory obligations seriously, which is why we are committed to being transparent with our members and the community regarding all our tax affairs.

This report has been prepared based on the principles set out in the Australian Board of Taxation's Voluntary Tax Transparency Code. It details our approach to tax policy, strategy and governance, our tax contributions and reconciliations of income tax expense, effective tax rate and income taxes payable.

Stephen Burton
Chief Financial Officer
12 March 2024

[1]See Appendix

RACQ – OUR BUSINESS

RACQ supports approximately 1.7 million plus members across Queensland through the provision of insurance, banking, roadside assistance, travel and solar energy products, services and solutions.

RACQ is owned and run for the benefit of our members. This remains our guiding principle as we carefully balance financial sustainability and supporting members with affordable and valuable products and services.

For the 2023 financial year, RACQ recorded a total net profit of $7.4 million after income tax. This was largely driven by returned profitability of our Insurance business, positive sales in our auto glass, batteries and vehicle inspection services in Assistance and solid balance sheet growth in the Bank. The profit delivered by our businesses enabled us to provide $9.9 million to communities and charities across the State and make the investments we need to positively transform our business. This includes a $16 million provision for the incremental cost of our Risk Transformation program. The result also reflects an increase of $29 million to the pricing promises-related provision for additional costs to be incurred, including a small number of pricing promises matters identified during the year that require remediation.

RACQ exists to drive a positive future for all Queenslanders. This guides our vision which is to be the trusted partner for our members, helping them live and move safely, securely and sustainably.

TAX POLICY, STRATEGY AND GOVERNANCE

Our Tax Risk Management and Governance framework comprises and forms part of our overall risk management framework which includes the following:

- Corporate Governance Statement
- Group Risk Management Strategy[2]
- Group Risk Appetite Statement
- Tax Risk Management Policy and Plan.

The Tax Risk Management and Governance Framework is approved by the Board and Senior Management and is subject to ongoing reviews and enhancements.

In relation to taxation matters, the RACQ board recognises the complexity of processes, policies and systems needed across the RACQ Group to service the diversity of products and services offered across the organisation. However, the board expects that these processes, policies and systems are developed and maintained to be sufficiently robust as to ensure the ongoing achievement of RACQ's objectives. The RACQ board, therefore, has:

- LIMITED APPETITE for operational risk that arises from inadequacy of any of these processes, policies and systems.
- NO APPETITE for operational risk that arises from a deliberate circumvention of these processes, policies and systems.

RACQ's Tax Risk Management Policy contains the following key principles:

- RACQ will not engage in aggressive tax planning or tax minimisation
- RACQ will cooperate with revenue authorities in respect of any review or audit activity and operate in a professional manner with revenue authorities
- RACQ's tax position will align with the views of the Australian Taxation Office (ATO) and other revenue authorities where published in a formal ruling or similar format
- RACQ will engage external tax advisors where required under its risk escalation framework to assist with managing tax risks
- RACQ will engage with the ATO and other revenue authorities in an open and transparent manner in respect of the area of uncertainty including seeking a private ruling from the ATO
- RACQ's tax function has professionals with the necessary knowledge and expertise for effectively managing RACQ's tax obligations.

INTERNATIONAL RELATED PARTY DEALINGS

RACQ and its controlled entities[3] do not have any international related party dealings.

BASIS OF PREPARATION

The information provided in this report has been sourced from a combination of lodged income tax returns, financial records, audited financial statements, payroll data and other tax lodgements in Australia.

All data, unless otherwise stated, has been prepared for the year 1 July 2022 to 30 June 2023. Data that relates to taxes paid or collected are reported on an accruals/incurred basis referable to the relevant period.

Total tax contribution data in this report is included only for Royal Automobile Club of Queensland Limited and its 100 per cent owned subsidiaries. However, taxes borne and collected by companies within RACQ Group that are non wholly-owned subsidiaries are excluded from this report.

Income tax expense and income tax payable data was sourced from RACQ's 2023 Annual Report 2022–2023.

RACQ's Annual Report 2022 - 2023 were prepared in accordance with the requirements of the Corporations Act 2001 (Cth), accounting standards, and interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS).

Income tax paid data for Australia was sourced from the individual 2023 income tax returns and prior year income tax return amendments (where applicable).

[2] Enterprise risk management approach incorporating the concept of "three lines of defence model"
[3] See Appendix

AUSTRALIAN TAX CONTRIBUTION

Income Tax

RACQ and its controlled entities are not part of an income tax consolidated group. Consequently, each entity is separately assessed for income tax.

Set out in the table is an aggregation of RACQ Limited and its controlled entities'[4] corporate income tax contributions for the years ended 30 June 2023 and 2022.

Reconciliation of current tax receivable as per the financial statements to corporate income tax contributions	2023 $'000	2022 $'000
Current tax receivable per the financial statements	**(6,192)**	**(35,930)**
Adjust for		
Income tax paid in the current year	626	2,871
Income tax receivable per financial statements	**(5,566)**	**(33,059)**
Adjust for		
Current year over provision[5]	(28)	(1,354)
Corporate income tax contributions /(refunds) per income tax returns	**(5,594)**	**(34,413)**

[4]See Appendix

[5]Includes amounts attributed to the relevant tax year only and not any prior year amendments booked in the reporting year.

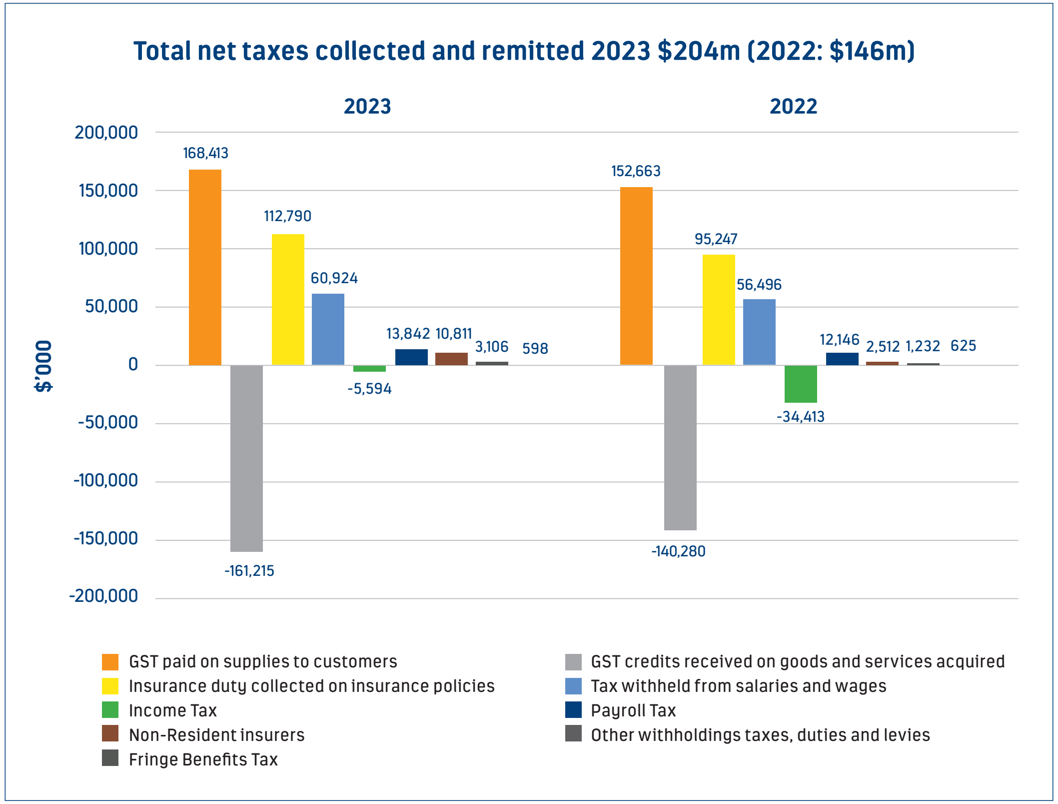
Other Taxes

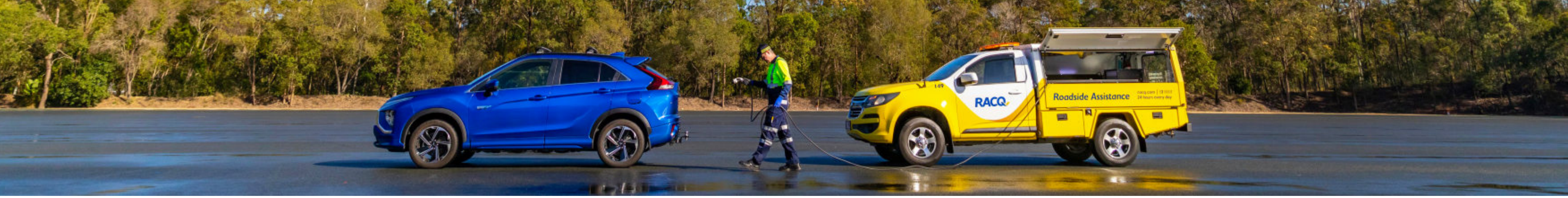
RACQ also collects and pays the goods and services tax (GST), insurance duty, salary and wages withholding tax, payroll tax, fringe benefits tax and other withholding taxes, duties and levies to Federal and State revenue authorities.

Australian Tax Contribution Summary

The total taxes collected and paid to revenue authorities is illustrated in the table below and the chart across the page.

Total taxes collected and paid	2023 $'000	2022 $'000
GST paid on supplies to customers	168,413	152,663
GST credits received on goods and services acquired	(161,215)	(140,280)
Insurance duty collected on insurance policies	112,790	95,247
Tax withheld from salaries and wages	60,924	56,496
Income Tax payment / (refund)	(5,594)	(34,413)
Payroll Tax	13,842	12,146
Non-Resident insurers	10,811	2,512
Other withholding taxes, duties and levies	3,106	1,232
Fringe Benefits Tax	598	625
Total taxes collected and paid	**203,675**	**146,228**





ACCOUNTING PROFIT TO INCOME TAX PAYABLE RECONCILIATION

The table below provides a reconciliation between income tax expense and income tax payable or receivable for the financial year ended 30 June 2023 and 30 June 2022 for RACQ Limited and its controlled entities.

The information is derived from the audited financial statements of RACQ Limited and its controlled entities for the year ended 30 June 2023 and 30 June 2022. Income tax expense is calculated based on accounting standards and represents accounting profit before tax multiplied by Australia's corporate tax rate of 30%, adjusted for non-temporary differences.

Reconciliation of surplus/(deficit) before income tax to income tax expense/(benefit)	**2023 $'000**	**2022 $'000**
Surplus/(deficit) before income tax per Consolidated Income Statement	**12,325**	**(352,418)**
Income tax at corporate tax rate of 30%	3,698	(105,725)
Adjust for tax effect of:		
Non-deductible expenses	3,812	578
Assessable income	728	177
Non-assessable income	(541)	(3)
Tax offset for franked dividends	(2,078)	(2,295)
Foreign income tax offsets	-	(4)
Recognition of DTA not previously brought to account	67	20
Prior year under provision	(761)	14
Income tax expense/(benefit) per Consolidated Income Statement	**4,925**	**(107,238)**
Effective tax rate	**39.96%**	**30.43%**

Reconciliation of income tax expense/(benefit) to income tax receivable	**2023 $'000**	**2022 $'000**
Income tax expense/(benefit) per Consolidated Income Statement	**4,925**	**(107,238)**
Current tax expense impact of prior year true up and restatement	1,354	(33)
Deferred tax expense/(benefit) impact of movement in deferred tax balances[6]:		
Property, plant and equipment and intangibles	4,065	(1,032)
Financial Assets	(2,014)	27,387
Claims handling costs on outstanding claims	(602)	6,219
Employee benefits	613	828
Provisions	(3,674)	31,935
Other items	(2,293)	6,061
Tax offsets carried forward	(5,050)	13
Tax losses recognised	(2,890)	2,801
Income tax receivable for the current year	**(5,566)**	**(33,059)**
Adjust for:		
Income tax paid in the current year	(626)	(2,871)
Income tax receivable per Consolidated Balance Sheet	**(6,192)**	**(35,930)**

[6] Includes the deferred tax expense impacts of movements in the Deferred Tax Assets and Liabilities for the relevant year and does not therefore include movements of deferred tax balances through Other Comprehensive Income or Reserves.

APPENDIX

RACQ's controlled entities:

	2023	2022
RACQ Operations Pty Ltd	100%	100%
RACQ Investments Pty Ltd	100%	100%
RACQ-Queensland Driving Excellence Centre Pty Ltd	100%	100%
Automotive Assistance Services Pty Ltd	100%	100%
Q Garage Pty Ltd	100%	100%
Basecamp No.2 Pty Ltd (formerly Hug Insurance Pty Ltd)	100%	100%
Basecamp Innovations Pty Ltd	100%	100%

	2023	2022
RACQ Investments No.2 Pty Ltd	100%	100%
Club Insurance Holdings Pty Ltd	100%	100%
RACQ Insurance Limited	100%	100%
Club Finance Holdings Limited	100%	100%
Members Banking Group Limited	100%	100%
RACQ Financial Planning Pty Ltd	100%	100%
Arrow Funding Trust No.1	100%	100%
RACQ Foundation Pty Ltd	100%	100%
RACQ Foundation Fund	100%	100%
RACQ Foundation Trust	100%	100%

The Royal Automotive Club of Queensland Limited
ACN 009 660 575
ABN 72 009 660 575
www.racq.com.au