2021-22

Tax Transparency Report

RACQ

Message from the Group Chief Financial Officer

I am pleased to present our Tax Transparency Report (TTR) for RACQ for the year ending 30 June 2022. 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.

Michael Lonergan
Chief Financial Officer

RACQ – Our Business

RACQ supports approximately 1.8 million members across Queensland through the provision of assistance, insurance, lifestyle, banking and advocacy services.

As a mutual, 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 2022 financial year, RACQ recorded a total net deficit of $245 million after income tax which includes a material provision for refunds to members resulting from the pricing promises review, together with the impact in our Insurance business of claims on catastrophic events, high CTP and motor claims costs and unfavourable investment markets.

RACQ exists to make a positive difference to the lives of our members now and into the future. To deliver on our purpose, our vision is to be the trusted partner for our members, providing solutions to 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[1]
- 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.
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 seek a private ruling from the ATO in areas of uncertainty
- RACQ's tax function has professionals with the necessary knowledge and expertise for effectively managing RACQ's tax obligations

RACQ is part of the ATO's early engagement program. This program provides RACQ with the opportunity to engage in open, honest and transparent discussions about our tax affairs.

International related party dealings

RACQ and its controlled resident entities[2] do not have any international related party dealings.

[1] Enterprise risk management approach incorporating the concept of "three lines of defence model"
[2] 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'[3] corporate income tax contributions for the years ended 30 June 2022 and 2021 based on a surplus before income tax.

Reconciliation of income tax payable as per the financial statements to corporate income tax contributions	2022 $'000	2021 $'000
Current tax payable/ (receivable) per the financial statements	**(35,930)**	**(4,255)**
Adjust for		
Income tax paid in the current year	2,871	20,567
Income tax payable/ (receivable) before income tax paid	**(33,059)**	**16,312**
Adjust for		
Current year over provision[4]	(1,354)	31
Corporate income tax contributions/(Refunds)	**(34,413)**	**16,343**

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

Other Taxes

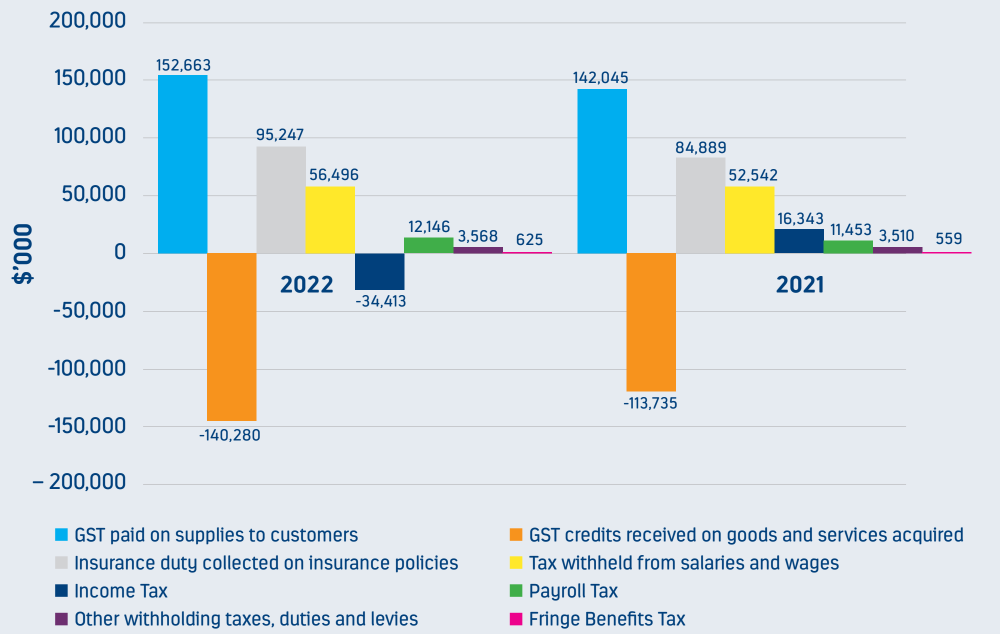
RACQ also collects and pays the goods and services tax (GST), insurance duty, salary and wages withholding tax, payroll tax, fringe benefits tax and other withholding taxes, duties and levies to Federal and State revenue authorities.

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	**2022 $'000**	**2021 $'000**
GST paid on supplies to customers	152,663	142,045
GST credits received on goods and services acquired	(140,280)	(113,735)
Insurance duty collected on insurance policies	95,247	84,889
Tax withheld from salaries and wages	56,496	52,542
Income Tax payment / (refund)	(34,413)	16,343
Payroll Tax	12,146	11,453
Other withholding taxes, duties and levies	3,744	3,510
Fringe Benefits Tax	625	559
Total taxes collected and paid	**146,228**	**197,606**

Total net taxes collected and remitted 2022 $146m (2021: $197.6m)



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 2021 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 2022 and 30 June 2021. Income tax expense is calculated based on Australian Accounting Standards.

Reconciliation of surplus/(deficit) before income tax to income tax expense	**2022 $'000**	**2021 $'000**
Surplus /(deficit) before income tax per Consolidated Income Statement	**(352,418)**	**76,738**
Income tax at corporate tax rate of 30%	(105,725)	23,021
Adjust for tax effect of:		
Non-deductible expenses	578	384
Assessable income	177	
Non-assessable income	(3)	(1)
Tax offset in franked dividends	(2,295)	(1,039)
Foreign income tax offsets	(4)	(363)
Recognition of DTA not previously brought to account	20	(1,615)
Prior year under provision	14	(161)
Income tax expense per Consolidated Income Statement	**(107,238)**	**20,226**
Effective tax rate	**30.43%**	**26.36%**

Reconciliation of income tax expense to income tax payable/(receivable)	**2022 $'000**	**2021 $'000**
Income tax expense per Consolidated Income Statement	**(107,238)**	**20,226**
Current tax expense impact of prior year true up and restatement	(33)	53
Deferred tax expense impact of movement in deferred tax balances[5]:		
Property, plant and equipment and intangibles	(1,032)	1,890
Acquisition Adjustment	(96)	(730)
Investments	27,387	(2,613)
Claims handling costs on outstanding claims	6,219	3,370
Employee benefits	828	(141)
Provisions	31,935	(437)
Other items	6,157	1,755
Tax offsets carried forward	13	(3,613)
Tax losses recognised	2,801	(3,448)
Amendment of prior year income tax returns in 2021	-	-
Income tax payable/(receivable) for the current year	**(33,059)**	**16,312**
Adjust for:		
Income tax paid in the current year	(2,871)	(20,567)
Income tax payable/(receivable) per Consolidated Balance Sheet	**(35,930)**	**(4,255)**

[5] The following captures the deferred tax expense impacts of movements in the Deferred Tax Assets and Liabilities for the relevant year. It does not therefore include movements of Deferred Tax Balances through Other Comprehensive income or Reserves.

APPENDIX
RACQ's controlled entities:

	2022	2021
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%	75%
Basecamp No.2 Pty Ltd (formerly Hug Insurance Pty Ltd)	100%	75%
Basecamp Innovations Pty Ltd	100%	75%

	2022	2021
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%

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