Tax Transparency Report 2019-20

RACQ

Message from the Group Chief Financial Officer

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I am pleased to present our Tax Transparency Report (TTR) for RACQ for the year ending 30 June 2020. 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
Group 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. In 2019-20, the RACQ Group delivered member value of $167+ million through a range of discounts and benefits to members and their communities.

The RACQ Group's bottom line for the 2019-20 year was impacted by COVID-19 with a net surplus of $12.94 million. This reflects management actions taken to allow sustained performance of the core business lines in a time of unparalleled and uncertain economic conditions.

RACQ is committed to helping our members achieve resilience and mobility throughout their lives and will continue to make a positive difference in their lives now and into the future.

TAX POLICY, STRATEGY AND GOVERNANCE

RACQ has no tolerance for non-compliance with regulatory obligations. 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 Policy
- Group Risk Management Strategy Framework[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"
[2]See Appendix

TAXES COLLECTED

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 across the page is an aggregation of RACQ Limited and its controlled entities'[3] corporate income tax contributions for the year ended 30 June 2020 and the 2019 comparatives based on a surplus before income tax for income tax purposes.

Reconciliation of income tax payable as per the financial statements to corporate income tax contributions	2020 $'000	2019 $'000
Current tax (receivable) payable per the financial statements	**(1,479)**	**(9,010)**
Adjust for		
Income tax paid in the current year	24,996	26,360
Income tax payable before income tax paid	**23,517**	**17,350**
Adjust for		
Current year over provision[4]	(53)	(819)
Corporate income tax contributions	**23,464**	**16,531**

[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

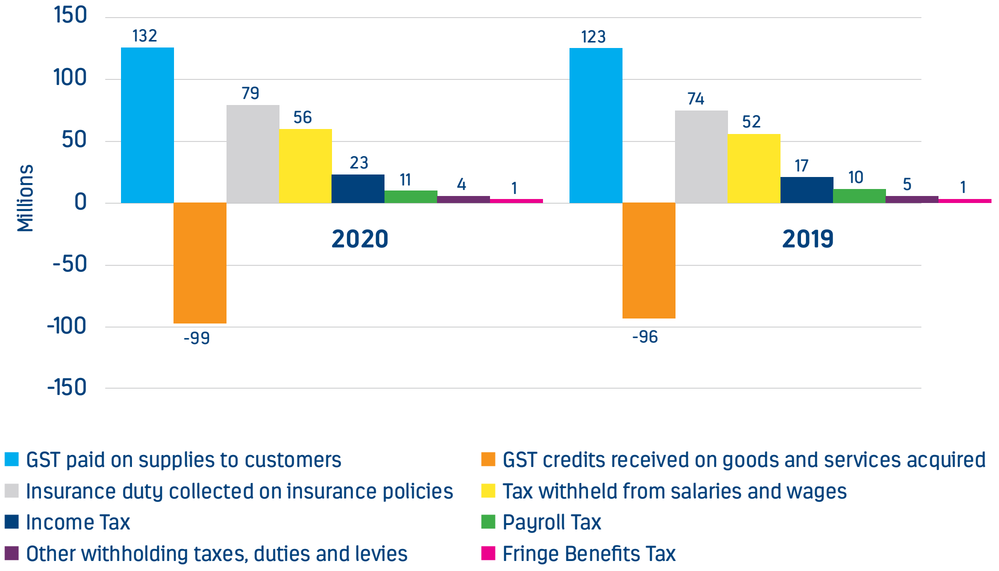
RACQ also collects and pays the goods and services tax (GST), insurance duty, salary and wages withholding tax, payroll tax, fringe benefits tax (FBT) and other withholding taxes, duties and levies to Federal and State revenue authorities.

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	**2020 $'000**	**2019 $'000**
GST paid on supplies to customers	132,193	122,938
GST credits received on goods and services acquired	(98,702)	(95,832)
Insurance duty collected on insurance policies	78,881	73,767
Tax withheld from salaries and wages	55,795	52,465
Income Tax	23,464	16,531
Payroll Tax	11,396	10,423
Other withholding taxes, duties and levies	4,283	4,528
Fringe Benefits Tax	712	850
Total taxes collected and paid	**208,023**	**185,670**[6]

[6] The total indirect taxes collected and paid in 2019 include taxes paid by Automotive Assistance Services Pty Ltd (former RACQ Autoglass Pty Ltd) for the seven months ended 30 June 2019. RACQ Operations Pty Ltd acquired the remaining 50% shares in Automotive Assistance Services on 20 November 2018.

Total net taxes collected and remitted 2020 $208.0m (2019: $185.7m)



ACCOUNTING PROFIT TO INCOME TAX PAYABLE RECONCILIATION

The table below provides a reconciliation between income tax expense and income tax payable for the financial year ended 30 June 2019 and 30 June 2020 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 2019 and 30 June 2020. Income tax expense is calculated based on the Australian Accounting Standards.

Reconciliation of surplus before income tax to income tax expense	**2020 $'000**	**2019 $'000**
Surplus before income tax per Consolidated Income Statement	**22,502**	**45,559**
Income tax at corporate tax rate of 30%	6,750	13,668
Adjust for tax effect of:		
Non-deductible expenses	5,315	2,858
Non-assessable income	(20)	(524)
Tax offset in franked dividends	(1,369)	(2,023)
Foreign income tax offsets	(5)	(12)
Withholding tax credits	–	–
Prior year under provision	(1,109)	(1,874)
Income tax expense per Consolidated Income Statement	**9,562**	**12,093**
Effective tax rate	**42.49%**	**26.54%**

Reconciliation of income tax expense to income tax payable	**2020 $'000**	**2019 $'000**
Income tax expense per Consolidated Income Statement	**9,562**	**12,093**
Current tax expense impact of prior year true up	642	778
Deferred tax expense impact of movement in deferred tax balances[5]:		
Property, plant and equipment and intangibles	(2,805)	3,864
Acquisition Adjustment	981	2,244
Investments	2,115	(7,403)
Claims handling costs on outstanding Claims	1,507	888
Employee benefits	347	232
Provisions	989	339
Other items	(631)	2,022
Tax offsets carried forward	2,408	(1,592)
Tax losses recognised	8,224	3,751
Amendment of prior year income tax returns in 2020	178	
Pre-acquisition period income tax payable – Automotive Assistance		134[6]
Income tax payable for the current year	**23,517**	**17,350**
Adjust for:		
Income tax paid in the current year	(24,996)	(26,360)
Income tax payable per Consolidated Balance Sheet	**(1,479)**	**(9,010)**

[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.

[6]The audited financial statements of RACQ Limited and its controlled entities for the year ended 30 June 2019 includes the surplus before income tax and income tax expense for Automotive Assistance Services Pty Ltd (former RACQ Autoglass Pty Ltd) for the seven months ended 30 June 2019.

APPENDIX
RACQ's controlled entities:

	2020	2019
RACQ Operations Pty Ltd	100%	100%
The Road Ahead Publishing Co 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	75%	75%
Hug Insurance Pty Ltd	75%	75%
Basecamp Innovations Pty Ltd	75%	75%

	2020	2019
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	100%	100%
RACQ Foundation Pty Ltd	100%	100%
RACQ Foundation Fund	100%	100%
RACQ Foundation Trust	100%	100%

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