



The NRMA Tax Transparency Report 2019

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1. A message from the Chief Financial Officer

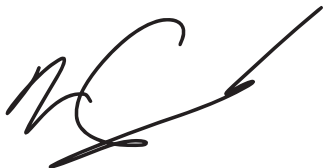
On behalf of the Board of Directors, I am pleased to present the 2019 Tax Transparency Report for the National Roads and Motorists' Association Limited (the NRMA).

As Australia's largest member organisation, the NRMA is a household name. We are evolving to meet the challenging needs of our Members and customers; broadening our core services beyond motoring to provide greater transport options and accessible tourism opportunities.

In delivering our services and strategic objectives, we will comply with legislative and regulatory requirements in accordance with our Risk Appetite Statement. We are committed to meeting all tax compliance obligations and being open, transparent and cooperative about our tax affairs.

We have adopted the Board of Taxation's Voluntary Tax Transparency Code (TTC). This report is based on the principles outlined in the TTC and for the year ended 30 June 2019 we present:

- Our approach to tax policy, strategy and governance
- Reconciliations of income tax expense, effective tax rate and income tax payable
- Our tax contribution to the community



Michael Gabriel
Chief Financial Officer

October 2019

2. Tax policy, strategy and governance

The NRMA is a purpose-led organisation with a focus on creating shared value for Members, customers and the wider community. As a community focused Mutual, we approach our tax obligations with integrity and transparency.

Our Tax Policy sets out clear principles for managing tax risk. The Board of Directors (the Board) has approved this document and it is reviewed every two years.

The key principles of our Tax Policy are:

- The NRMA has no appetite for tax outcomes which are contrary to the spirit of the law
- The tax legislation will be applied within the spirit and policy intent of the law
- Community and Member responsibilities must be balanced
- Dealings with revenue authorities will be approached in an open and transparent manner

The NRMA Tax Management Framework (TMF) provides further detail on how tax risk will be identified, quantified and managed.

The key principles of the NRMA TMF are:

- The identification, measurement and management of tax risks will be in accordance with the Group Risk Management Framework
- Tax processes and controls are in place to ensure the NRMA pays the right amount of tax
- Tax is included in the internal audit program to ensure relevant processes and controls are appropriately reviewed
- Tax advice from an external advisor will be sought where there is uncertainty on the interpretation or application of the tax legislation

The NRMA Audit and Risk Management Committee (ARMC) is a sub-committee of the Board. Under the Board approved ARMC Charter, the ARMC must approve all tax related policies and procedures. There is also regular tax reporting to the ARMC and the full Board.

2.1 Our engagement with revenue authorities

The NRMA engages with the Australian Taxation Office (ATO) and other revenue authorities in an open and transparent manner. As one of the Top 1000 entities, the ATO has carried out a Streamlined Assurance Review for the income years ended 30 June 2014 to 30 June 2016. The ATO concluded that their overall level of assurance was high with no adjustments required to tax payments made by the NRMA.

2.2 International related party dealings

As stated in the NRMA Annual Report 2019, we hold 100% of the shares in a New Zealand entity called Motoka Rentals Limited. The dealings between the Australian business and Motoka Rentals Limited do not have a material impact on the Australian taxable income of the NRMA. We do not engage in activities in no or low tax jurisdictions.

3. The NRMA 2019 annual tax position

The NRMA predominantly has operations in Australia. The NRMA and its wholly owned Australian subsidiaries are part of a tax consolidated group under Australian tax law. We are the head company of the tax consolidated group. We also hold investments in associates and joint ventures which are detailed in the NRMA Annual Report 2019.

We are a Mutual organisation and as such derive income and incur costs in our transactions with Members as owners of the company. These transactions with Members are not subject to company tax.

3.1 A reconciliation of accounting profit to income tax expense

The below table provides a reconciliation of accounting profit to income tax expense and the effective tax rate (for Australian and global operations) for the NRMA and its controlled entities for the year ended 30 June 2019, as published in the NRMA Annual Report 2019.

Income tax expense is calculated in accordance with Australian Accounting Standards and is calculated by multiplying accounting profit before income tax by the relevant corporate tax rate (30% in Australia), and then adjusting for non-temporary differences.

The effective tax rate is calculated as income tax expense divided by accounting profit before tax.

	2019 \$000
Profit before income tax	12,675
Income tax expense calculated at 30%	3,802
Tax effect of permanent differences:	
Tax offsets ⁽¹⁾	(4,022)
Non-deductible net mutual (benefit) / expense ⁽²⁾	(1,485)
Adjustment recognised in the current year in relation to:	
- the current tax of prior years	(1,406)
- the deferred tax of prior years	1,296
Non-deductible acquisition related costs	1,244
Other	452
Total tax expense⁽³⁾	(119)
Effective tax rate (for Australian operations) ⁽³⁾	0.0%
Effective tax rate (for Global operations) ⁽⁴⁾	0.0%

1 Tax offsets represent franking credits from dividends the NRMA has received. The franking credits represent income tax already paid by Australian resident companies.

2 This amount represents transactions with Members which are not subject to company tax.

3 Total tax expense reduces to a small credit predominantly due to the tax offsets and mutual benefit, which consequently results in a nil effective tax rate.

4 The effective tax rate for the global operations is the same as for the Australian operations as the New Zealand operations do not have a material impact on the NRMA group.

3.2 A reconciliation of income tax expense to current year income tax payable

The below table provides a reconciliation of income tax expense to current year income tax payable for the NRMA for the year ended 30 June 2019.

	2019 \$000
Total tax expense on profit before income tax	(119)
Adjustments relating to prior years	1,224
Timing differences recognised in deferred tax	
Trade and other receivables	(51)
Financial assets at fair value through profit or loss	5,894
Financial assets at fair value through other comprehensive income	115
Equity accounted investments	6,489
Property, plant and equipment	(7,143)
Intangibles	2,043
Defined benefit asset	(38)
Lease liability	6,921
Trade and other payables	(544)
Provisions	345
Tax losses	518
Other assets and liabilities	834
	15,383
Current year income tax payable	16,488

3.3 A reconciliation of income tax payable as at 30 June 2019

The below table provides a reconciliation of income tax payable as at 30 June 2019 per the consolidated balance sheet in the NRMA Annual Report 2019.

	2019 \$000
Income tax payable at beginning of financial year	30,410
Less: income tax paid during the year	(20,350)
Less: rerecognition of tax losses used in prior year tax return	(11,199)
Income tax payable for current financial year	16,488
Income tax payable as at 30 June 2019	15,349

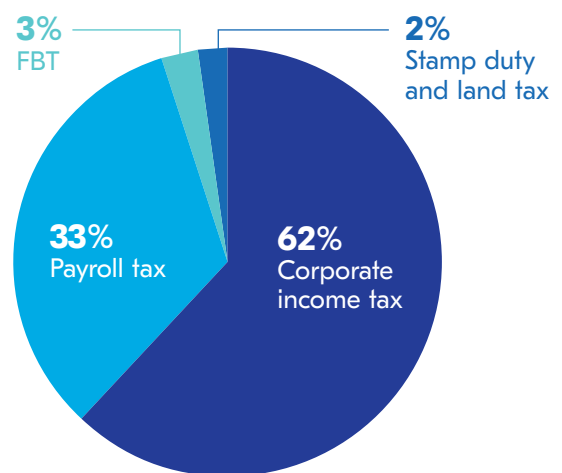
4. Total tax contribution of the NRMA

The below tables and diagrams detail the types of taxes paid and collected by the NRMA to Australian and New Zealand revenue authorities in relation to the 2019 financial year. The majority of these taxes are paid in Australia.

Taxes paid by the NRMA

	2019 \$m
Corporate income tax ⁽¹⁾	20.4
Payroll tax	10.7
FBT	1.1
Stamp duty and land tax	0.6
Total	32.8

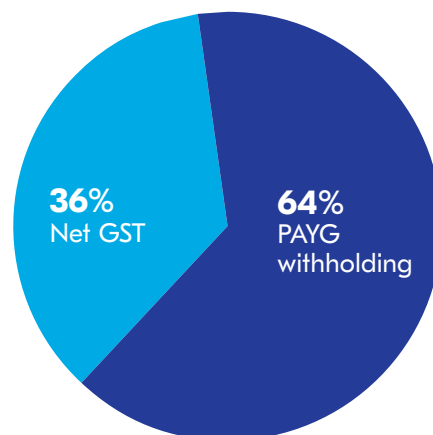
¹ Corporate income tax paid represents the tax liability for the year ended 30 June 2018 and the income tax instalments paid during the year ended 30 June 2019.



Taxes collected by the NRMA

	2019 \$m
PAYG withholding	53.5
Net GST ⁽¹⁾	29.8
Total	83.3

¹ Net GST represents GST collected on sales less the input tax credits claimed on supplies.



5. ATO's tax transparency disclosures

The ATO publishes an annual 'Report of entity tax information' for entities with total income of \$100m or more. In December 2018, the ATO published the following information for the NRMA relating to the year ended 30 June 2017. We have included in the below table the disclosures expected to be published for the year ended 30 June 2018.

	Expected disclosures 2018 \$	2017 \$
Total income	710,094,622	624,022,216
Taxable income	78,683,199	19,951,404
Tax payable	18,353,983	160,278

Taxable income is calculated based on accounting profit adjusted for allowable temporary and non-temporary differences in accordance with the Australian tax law. The tax payable amount is then determined by multiplying the taxable income by the 30% corporate tax rate, reduced by available tax offsets. The tax payable amount in 2017 was predominantly reduced by the utilisation of prior year tax losses and franking credits attached to dividends from our investment portfolio.