



# Tax Transparency Report

2022



## CONTENTS

# 1

Chief Financial Officer  
statement

# 2

Tax strategy  
and governance

# 3

Australian tax  
contribution summary

# 4

Income taxes disclosed in  
2022 Annual Financial Report





# 1. Chief Financial Officer statement

We are pleased to present our Tax Transparency Report for 2022 for the Royal Automobile Club of Victoria (RACV) Limited.

RACV has prepared this report in accordance with the recommendations and guidelines set out in the Board of Taxation's Tax Transparency Code (TTC). It should be read in conjunction with the RACV Group's 2022 Annual Report, which may be found on our website, [racv.com.au](https://racv.com.au). RACV remains committed to providing transparent information to its members and the community about its tax affairs, which is why it is a signatory to the TTC Register.

This report presents an overview of RACV's conservative appetite for tax, its approach to tax strategy and governance, and the tax contributions made to the Australian State and Commonwealth Governments.

During the 2022 financial year, RACV contributed, directly and indirectly, \$46.7 million in various taxes, and collected and remitted to the Australian Taxation Office (ATO) an additional \$82.1 million in tax on behalf of others. RACV continues to monitor its tax framework, taking into account best practice and regulatory developments.

**Michael Sheehy**  
Chief Financial Officer  
30 June 2023







## 2. Tax strategy and governance

### 2.1 Approach to risk management and governance

RACV has a conservative appetite towards tax risk. It seeks to comply with applicable tax laws fully and properly, and to maintain a high standard of integrity in managing its tax obligations. It is committed to ensuring its systems, procedures, and practices reflect a high standard of corporate governance and risk management to ensure the correct amount of tax is paid.

Pursuant to RACV's Corporate Governance Statement 2022, which may be found on our website, [racv.com.au](http://racv.com.au), the Directors have implemented a Risk Management Framework, which mandates balanced and considered risk to achieve business objectives. This involves input from all levels within RACV, from Directors providing oversight and guidance on the organisation's risk appetite and policy to individual departments identifying and managing the risks inherent in their activities, processes, and systems. Key risks and mitigating strategies are also the subject of ongoing monitoring and review by management and Directors.

Responsibility for RACV's tax strategy sits with the Board and management. The Board oversees and reviews tax risks in the context of the organisation's Risk Management Framework, and monitors tax compliance and reporting obligations. Management operationalises tax strategy and manages tax affairs on a day-to-day basis. Tax is also included within the ambit of the internal audit review process as a mechanism to ensure adequate controls are in place.

RACV has a framework for managing tax risk, which encompasses both policies and layers of defence, to minimise breaches from occurring. Policies include mechanisms to measure and assess significant transactions, procedures to ensure tax compliance and payment obligations are met in a timely manner, and governance to ensure an appropriately resourced tax

function with experienced professionals who manage tax risks through regular reporting and engagement of external tax advisors where necessary.

### 2.2 Attitude towards tax planning

RACV's attitude towards tax planning is to ensure that transactions and compliance activities are undertaken within a minimal risk-tolerance environment. RACV seeks to fully and properly comply with applicable tax laws, and to maintain a high standard of integrity in managing its overall tax position. RACV does not establish or maintain operations in jurisdictions that are considered tax havens, nor participate in aggressive tax arrangements.

Where RACV has a potential uncertain tax outcome in relation to a material business transaction or initiative, it will seek advice from an independent external tax advisor to consider and support its position.

RACV does not enter arrangements that are artificial and not linked to business requirements, or that rely on non-disclosure.

### 2.3 Approach to engagement with the ATO

RACV maintains an open and transparent relationship with the ATO and other tax revenue authorities. RACV has been a participant in the ATO's Early Engagement Initiative since 2015. During a GST Engagement Program in 2019, the ATO considered that RACV's information systems that may impact its compliance with indirect tax obligations constitute a low level of risk.

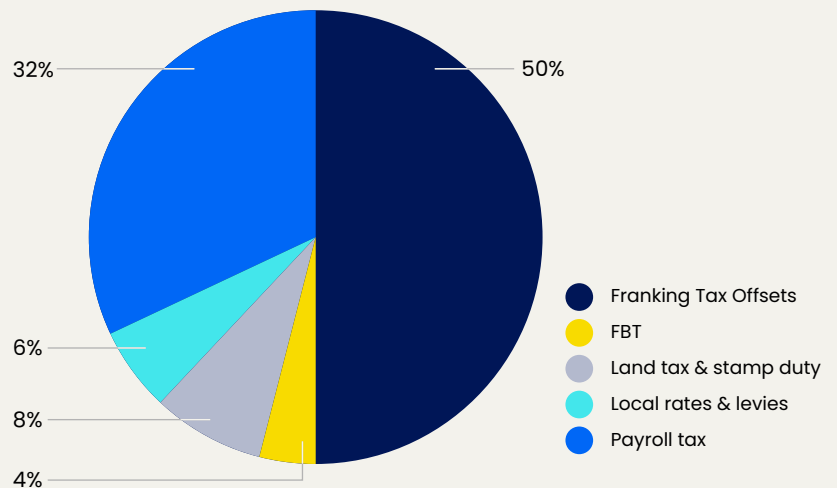
### 2.4 International related party dealings

RACV has a number of indirect interests in foreign entities with operations in high-tax jurisdictions. It has not entered into aggressive international related party transactions or structures, and has no related party dealings with entities in low-tax jurisdictions.

# 3. Australian tax contribution summary

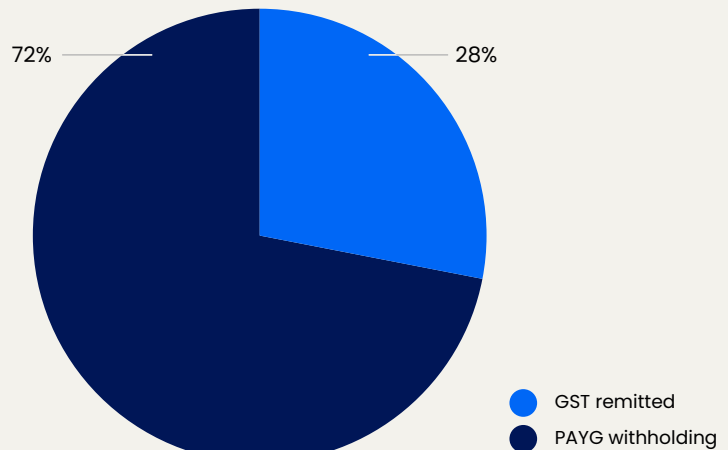
A summary of the RACV’s tax contribution to the Australian tax authorities (both Federal and State) for the 2022 financial year is outlined below. RACV’s taxes are paid in Australia.

Total taxes borne* by RACV	FY22 \$m
Franking Tax Offsets	23.5
FBT	1.8
Land tax & stamp duty	3.7
Local rates & levies	2.6
Payroll tax	15.1
<b>Total</b>	<b>46.7</b>



\* Under the Australian dividend imputation system, company income received as dividends by shareholders is taxed at the recipient taxpayer’s marginal income tax rate. Shareholders also receive a franking tax offset representing the company tax already paid on that income. The franking tax offset may be offset against the shareholder’s tax liability, or redeemed in cash by certain shareholders if the liability is exhausted. On this basis, RACV has included non-refundable franking tax offsets in its taxes borne.

Total taxes collected by RACV on behalf of others	FY22 \$m
GST collected	66.6
GST claimed	(43.5)
Net GST remitted	23.1
PAYG withholding	59.0
<b>Total</b>	<b>82.1</b>







## 4. Income taxes disclosed in 2022 Annual Financial Report

### 4.1 RACV's tax position

RACV Limited is a company limited by guarantee. It is a tax resident of Australia and operates predominantly within Australia. As a mutual organisation, it is not taxed on member contributions or receipts from member dealings that are not of a commercial nature, nor is expenditure incurred in deriving mutual receipts tax deductible. However, it is subject to tax on the commercial activities it conducts with members and non-members, and on gains derived from its investment portfolio.

RACV Limited and its wholly owned Australian entities have formed an income tax consolidated group, and are taxed as a single entity for income tax purposes.

RACV holds interests in a number of associates and joint venture companies, which are reflected in its accounting financial results using the equity method. These entities are taxed as separate entities to the RACV Tax Consolidated Group as they are not wholly owned. Dividends received by RACV from associates and partially owned subsidiaries are included in the RACV Tax Consolidated Group's taxable income.

To the extent that RACV receives franked dividends from partially owned entities and through its investment portfolio, its tax payable is reduced to the extent of the franking credits via a tax offset. This reflects that the underlying income has already been subject to corporate tax at source.

### 4.2 Income tax expense in Annual Financial Report

The RACV Group Income Tax Expense ("ITE") Reconciliation is published in the RACV Group's 2022 Annual Financial Report in Note 14, which is largely reproduced overleaf in 4.3. The disclosure was prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards.

The ITE disclosed in a company's income statement does not represent its liability to the ATO, but rather ITE is calculated in accordance with Australian accounting standards and represents the accounting profit multiplied by the prima facie corporate income tax rate, with subsequent adjustments for amounts which are not taxable or tax-deductible, or specifically assessable where not already included in profit. These adjustments take into account the difference between expense and income recognition criteria under accounting principles and the income tax legislation. Some examples include non-deductible expenses such as certain penalties, impairment of goodwill, non-assessable mutual receipts, or concessional taxed income.

RACV calculates its Effective Tax Rate ("ETR") based on an accounting methodology as ITE divided by accounting profit before income tax. For 2022, the ETR for RACV is demonstrated in Table 1 on page 7. This method of calculating the ETR should not be compared to the corporate income tax rate of 30%, as it is distorted by a number of factors. An explanation of these factors is outlined in 4.3 below.

### 4.3 Reconciliation of accounting profit to income tax expense

Table 1 below sets out a reconciliation of accounting profit to ITE and the ETR for the RACV Group of companies as disclosed in RACV's Annual Report for the year ended 30 June 2022.

Table 1: Income Tax Expense Reconciliation	2022 \$m
Statutory Profit before income tax expense	11.9
<b>Prima facie income tax at the Australian tax rate of 30%</b>	<b>3.6</b>
<b>Add / (Deduct) tax effect of amounts not deductible / (assessable)</b>	
Over provision of tax from previous year	(0.7)
Profit attributable to mutual dealings	(15.2)
Share of net profit of equity accounted investments <sup>(1)</sup>	(21.1)
Impairment of investments	6.4
Current year tax losses derecognised <sup>(2)</sup>	22.2
Deferred tax derecognised <sup>(3)</sup>	9.2
Sundry items	(4.7)
Income tax expense on profit before income tax	<b>(0.3)</b>
<b>Cash tax ETR</b>	<b>0.0%</b>

#### Notes:

<sup>(1)</sup> This represents the profits from associated entities that have been recognised for accounting purposes in the Group's Profit before income tax, but should be excluded for tax purposes given these entities pay taxes to the ATO in their own right as they are not part of the RACV Group for tax purposes.

<sup>(2)</sup> In accordance with the RACV's tax loss recognition policy and taking into account the expected future utilisation of income tax losses, a deferred tax asset of \$22.2 million relating to income tax losses from the current financial year was derecognised.

<sup>(3)</sup> RACV has derecognised \$9.2 million of current year net deferred tax assets on the basis that it is not probable that sufficient future tax liabilities will be generated to utilise these assets.

RACV's ITE does not accurately reflect income taxes paid at source on dividend income that has been fully franked. The majority of RACV's accounting profit consists of franked dividends from associated entities and its investment portfolio. As franking credits attached to these dividends represent income tax that has previously been paid, the income tax effect of these dividends is not included in RACV's ITE. As stated in 4.1, RACV is a mutual organisation that generates receipts and incurs costs in relation to certain transactions with members that are not subject to company tax.

RACV's ETR exceeds the corporate tax rate of 30% when based on taxes paid at source and after adjusting for net mutual receipts and tax losses and deferred tax assets that are no longer recognised.

#### 4.4 Reconciliation of income tax benefit to income tax payable

A reconciliation of income tax benefit to income tax payable for the RACV Group for the year ended 30 June 2022 is set out in Table 2 below.

Table 2: Reconciliation of Income Tax Expense to Income Tax Payable	2022	
	\$m	\$m
<b>Income tax expense on profit before income tax</b>		<b>(0.3)</b>
Timing differences recognised in deferred tax:		
Property, plant and equipment	(7.5)	
Provisions and accruals	(0.1)	
Unearned income	(2.3)	
Available for sale financial assets	17.2	
Finance leases	0.3	
Intangible assets	(1.4)	
Other	1.5	
Derecognition of deferred tax assets	(7.4)	
		<b>0.3</b>
<b>Income tax payable per Financial Statements</b>		<b>0.0</b>

A reconciliation of income tax payable for the RACV Group as of 30 June 2022 is set out in Table 3 below.

Table 3: Income Taxes Payable	2022 \$m
Income Tax Payable at beginning of financial year	1.5
Less: Income tax paid during the year*	(1.5)
Over provided in prior years	(0.7)
Income taxes payable for the current financial year	-
<b>Income Tax Payable as at 30 June 2022</b>	<b>-</b>

#### Notes:

\* Relate to taxes paid by subsidiaries that were not part of the tax consolidated group.



## 4.5 ATO tax transparency disclosures

As one of its tax transparency initiatives, the ATO annually publishes on the [data.gov.au](https://data.gov.au) website the "Report of entity tax information" for entities with income of \$100 million or more. The RACV income tax consolidated Group's current tax information published by the ATO for the year ended 30 June 2021, along with the expected disclosures relating to the year ended 30 June 2022, are outlined below.

RACV	2022	2021
Total income	\$796,354,546	\$792,626,829
Taxable income	\$ -	\$173,307,586
<b>Tax payable</b>	<b>\$ -</b>	<b>\$ -</b>

Total income represents RACV's accounting income before offsetting expenses.

Taxable income is calculated by subtracting allowable tax deductions from RACV's assessable income. The ATO does not report taxable income of zero or less, and as RACV's allowable tax deductions exceed its assessable income, the ATO has left this disclosure blank.

The reduction in RACV's taxable income in FY22 is primarily due to the continued impact of COVID-19 pandemic restrictions, and a reduction in returns from an associated insurance entity that has arisen from a significant increase in natural perils insurance claims.

The tax payable amount is calculated by applying the corporate income tax rate (30%) to taxable income, reduced by available tax offsets. Given that RACV's taxable income is below zero, and it has available tax offsets relating predominantly to franking credits attached to dividends received from associated entities, RACV has zero income tax payable, and consequently, this disclosure is blank.



Level 7, 485 Bourke Street  
Melbourne Victoria 3000

Royal Automobile Club of Victoria  
(RACV) Limited  
ABN 44 004 060 833

[racv.com.au](http://racv.com.au)

**RACV**