



The NRMA Tax Transparency Report 2020

Contents

1.	A message from the Chief Financial Officer	3
2.	Tax policy, strategy and governance	4
	2.1 Our engagement with revenue authorities	4
	2.2 International related party dealings	4
3.	The NRMA 2020 annual tax position	5
	3.1 A reconciliation of accounting profit to income tax expense	5
	3.2 A reconciliation of income tax expense to current year income tax payable	6
	3.3 A reconciliation of income tax payable	7
4.	Total tax contribution of the NRMA	8
5.	ATO's tax transparency disclosures	10

1. A message from the Chief Financial Officer

On behalf of the Board of Directors, I am pleased to present the 2020 Tax Transparency Report for the National Roads and Motorists' Association Limited (the NRMA).

Our common purpose has always been to keep people moving through our core motoring services. Over time, our focus has evolved to encompass the journey and destination through tourism and leisure.

The NRMA turned 100 this year and continues to be Australia's largest member-owned organisation. Our milestone year was impacted by the COVID-19 pandemic and we focused on using our staff, energy and resources to help those in the community most in need. This would become our centenary legacy.

The NRMA remains focused on complying with legislative and regulatory requirements in accordance with our Risk Appetite Statement, and is committed to meeting all tax compliance obligations and being open, transparent and cooperative about our tax affairs.

This report is based on the principles outlined in the Board of Taxation's Voluntary Tax Transparency Code and for the year ended 30 June 2020 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

March 2021

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 contravene 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. Following on from NRMA's involvement in the ATO's Top 1,000 Justified Trust program in 2018, NRMA is currently part of the ATO's Top 1000 combined assurance program, which involves a review of our income tax and goods and services tax position.

2.2 International related party dealings

As stated in the NRMA Annual Report 2020, 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 2020 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 2020.

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 2020, as published in the NRMA Annual Report 2020.

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.

	2020 \$000	2019 \$000
Profit/(loss) before income tax	(86,985)	12,675
Income tax expense/(credit) calculated at 30% (2019: 30%)	(26,096)	3,802
Tax effect of permanent differences:		
Tax offsets ¹	(1,663)	(4,022)
Non-deductible net mutual (benefit)/expense ²	(6,158)	(1,485)
Adjustment recognised in the current year in relation to:		
- the current tax of prior years	(3,218)	(1,406)
- the deferred tax of prior years	2,216	1,296
Non-deductible asset impairments and carrying value adjustments	3,202	0
Non-deductible acquisition related costs	1,524	1,244
Non-assessable accounting income	(945)	0
Other	673	452
Total tax expense	(30,465)	(119)
Effective tax rate (for Australian operations)	0.0%	0.0%
Effective tax rate (for Global operations) ³	0.0%	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 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 2020.

	2020 \$000	2019 \$000
Total tax expense on profit before income tax	(30,465)	(119)
Adjustments relating to prior years	3,218	1,224
Timing differences recognised in deferred tax		
Trade and other receivables	894	(51)
Financial assets at fair value through profit or loss	9,084	5,894
Financial assets at fair value through other comprehensive income	(111)	115
Equity accounted investments	8,388	6,489
Property, plant and equipment	14,790	(7,143)
Intangibles	4,384	2,043
Defined benefit asset	(82)	(38)
Lease liability	73,189	6,921
Trade and other payables	213	(544)
Provisions	306	345
Tax losses	2,282	518
Right – of – use assets	(79,898)	0
Other assets and liabilities	(473)	834
	32,966	15,383
Current year income tax payable	5,719	16,488

3.3 A reconciliation of income tax payable

The below table provides a reconciliation of income tax payable as at 30 June 2020 per the consolidated balance sheet in the NRMA Annual Report 2020.

	2020 \$000	2019 \$000
Income tax payable at beginning of financial year	15,349	30,410
Less: income tax paid during the year	(16,579)	(20,350)
Less: rerecognition of tax losses used in prior year tax return	0	(11,199)
Less: adjustment relating to prior income years	(3,617)	0
Add: Income tax payable for current financial year	5,719	16,488
Income tax payable at end of financial year	872	15,349

4. Total tax contribution of the NRMA

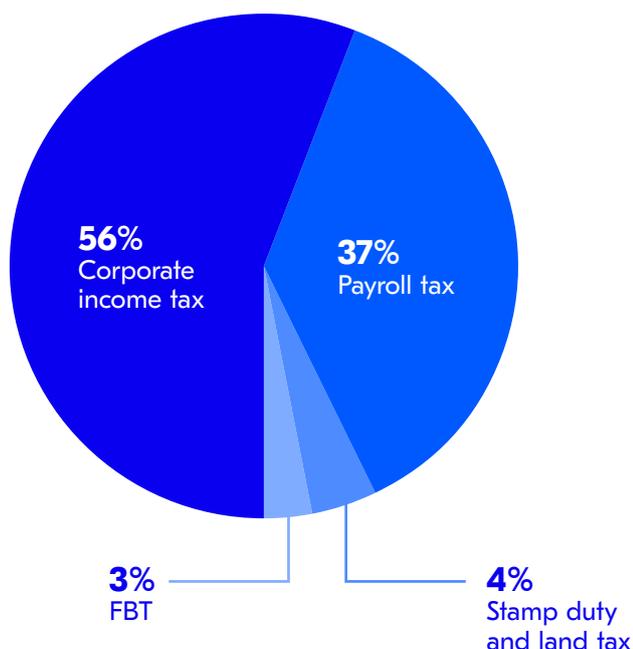
The below tables and diagrams detail the types of taxes paid and collected by the NRMA to Australian and New Zealand revenue authorities in relation to the 2020 financial year. The majority of these taxes are paid in Australia.

Taxes paid by the NRMA

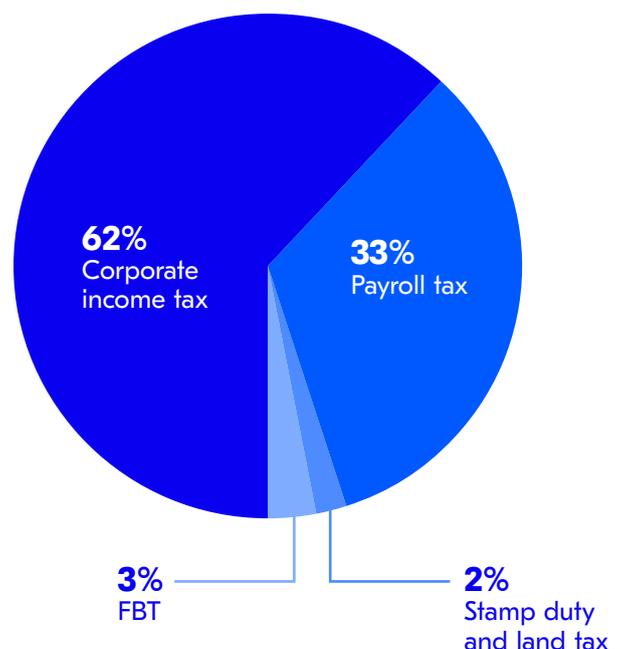
	2020 \$m	2019 \$m
Corporate income tax ¹	16.6	20.4
Payroll tax	10.9	10.7
FBT	1.0	1.1
Stamp duty and land tax	1.3	0.6
Total	29.8	32.8

¹ Corporate income tax paid represents the tax liability for the year ended 30 June 2019 and the income tax instalments paid during the year ended 30 June 2020.

Taxes paid by the NRMA - 2020



Taxes paid by the NRMA - 2019

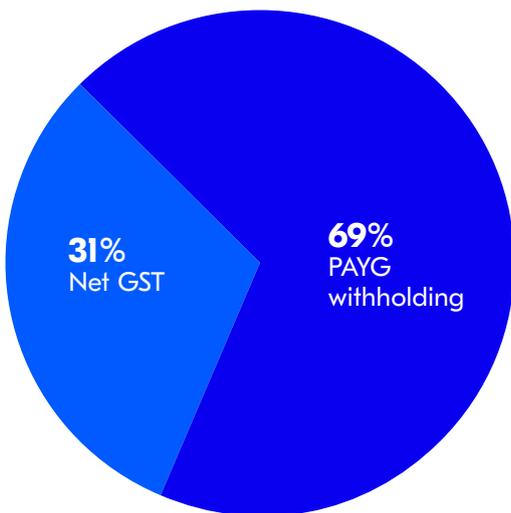


Taxes collected by the NRMA

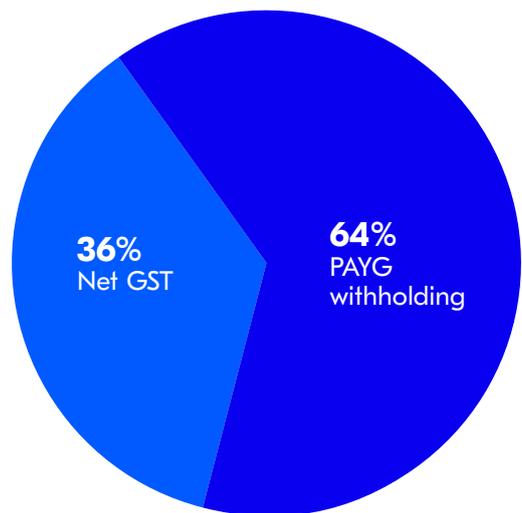
	2020 \$m	2019 \$m
PAYG withholding	53.1	53.5
Net GST ¹	23.9	29.8
Total	77.0	83.3

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

Taxes collected by the NRMA - 2020



Taxes collected by the NRMA - 2019



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. The ATO has published the following information for the NRMA relating to the years ended 30 June 2018 and 30 June 2019.

	2019 \$	2018 \$
Total income	706,394,174	710,094,622
Taxable income	68,384,203	78,683,199
Tax payable	13,662,260	18,353,983

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.

