



# **The NRMA Tax Transparency Report 2021**

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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 2021 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. After 100 years of pursuing our mission to help and to keep Australians moving, we're looking to the future and beginning to shape what the next 100 years will look like. Our focus has evolved to encompass the journey and destination through leisure, transport and tourism. Our purpose today is to provide the freedom to move, explore and connect with people and places for a brighter shared future.

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 2021 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

May 2022

# 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 controls. 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. The NRMA has received a high level of assurance rating in relation to income tax as part of the ATO's Top 1000 combined assurance program. This means that the ATO has obtained assurance that the NRMA paid the right amount of Australian income tax for the review period. The NRMA is currently engaging with the ATO as part of a GST assurance review for the financial year ended 30 June 2020.

## 2.2 International related party dealings

As stated in the NRMA Annual Report 2021, we hold 100% of the shares in a New Zealand entity called NRMA New Zealand Limited (formerly Motoka Rentals Limited). The licence to operate the Thrifty brand in New Zealand expired on 30 November 2021. As a result, NRMA New Zealand Limited was classified as a discontinued operation in the NRMA Annual Report 2021 as the business is winding down.

The dealings between the Australian business and NRMA New Zealand 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 2021 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. The NRMA is the head company of the tax consolidated group. The tax consolidated group holds investments in associates and joint ventures which are detailed in the NRMA Annual Report 2021.

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 2021, as published in the NRMA Annual Report 2021.

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.

	2021 \$000	2020 \$000
Accounting profit / (loss) before tax from continuing operations	51,651	(41,095)
Profit / (loss) before tax from a discontinued operation <sup>1</sup>	19,867	(45,890)
<b>Accounting profit / (loss) before income tax</b>	<b>71,518</b>	<b>(86,985)</b>
Income tax expense / (benefit) calculated at 30% (2020: 30%)	21,455	(26,096)
<b>Tax effect of permanent differences:</b>		
Tax offsets <sup>2</sup>	(3,581)	(1,663)
Non-assessable net mutual benefit <sup>3</sup>	(6,047)	(6,158)
Derecognition of deferred tax asset	7,634	0
Non-deductible capital losses	2,068	0
Non-deductible asset impairments and carrying value adjustments	4,229	3,202
Non-deductible acquisition related costs	1,216	1,524
Non-assessable accounting income	0	(945)
Other	25	673
<b>Adjustment recognised in the current year in relation to:</b>		
- the current tax of prior years	(2,346)	(3,218)
- the deferred tax of prior years	1,949	2,216
<b>Total tax expense</b>	<b>26,602</b>	<b>(30,465)</b>
<b>Effective tax rate (for Australian operations)</b>	<b>26.5%</b>	<b>0.0%</b>
<b>Effective tax rate (for Global operations)</b>	<b>37.2%</b>	<b>0.0%</b>

<sup>1</sup> The investment in the Tuckerbox Hotel Trust and the NZ entity NRMA New Zealand Limited have been classified as discontinued operations.

<sup>2</sup> Tax offsets represent franking credits from dividends the NRMA has received. The franking credits represent income tax already paid by Australian resident companies.

<sup>3</sup> This amount represents transactions with Members which are not subject to company tax.

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

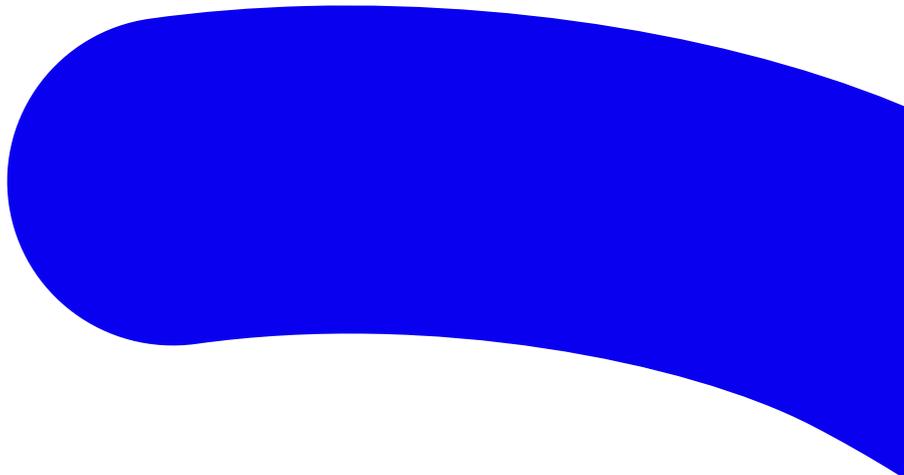
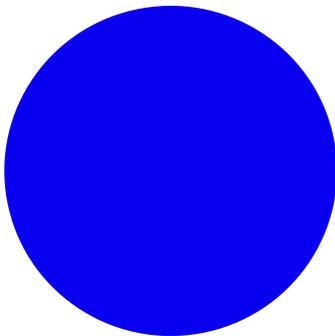
The below table provides a reconciliation of income tax expense to current year income tax payable for the NRMA for the year ended 30 June 2021.

	2021 \$000	2020 \$000
<b>Total tax expense on profit before income tax</b>	<b>26,602</b>	(30,465)
Adjustments relating to prior years	<b>2,346</b>	3,218
<b>Timing differences recognised in deferred tax</b>		
Trade and other receivables	<b>1,039</b>	894
Financial assets at fair value through profit or loss	<b>(14,969)</b>	9,084
Financial assets at fair value through other comprehensive income	<b>0</b>	(111)
Equity accounted investments	<b>(11,001)</b>	8,388
Property, plant and equipment	<b>(1,560)</b>	14,790
Intangibles	<b>105</b>	4,384
Investment property	<b>1</b>	0
Defined benefit asset	<b>(6)</b>	(82)
Lease liability	<b>(8,448)</b>	73,189
Trade and other payables	<b>2,403</b>	213
Provisions	<b>(174)</b>	306
Tax losses	<b>(2,683)</b>	2,282
Right – of – use assets	<b>8,983</b>	(79,898)
Other assets and liabilities	<b>(860)</b>	(473)
	<b>(27,170)</b>	32,966
<b>Current year income tax payable</b>	<b>1,778</b>	5,719

### 3.3 A reconciliation of income tax payable

The below table provides a reconciliation of income tax payable as at 30 June 2021 per the consolidated balance sheet in the NRMA Annual Report 2021.

	2021 \$000	2020 \$000
<b>Income tax payable at beginning of financial year</b>	<b>872</b>	15,349
Less: income tax paid during the year	<b>(4,038)</b>	(16,579)
Less: adjustment relating to prior income years	<b>(5,674)</b>	(3,617)
Add: income tax payable for current financial year	<b>1,777</b>	5,719
<b>Income tax payable / (receivable) at end of financial year</b>	<b>(7,063)</b>	872



# 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 2021 financial year. The majority of these taxes are paid in Australia.

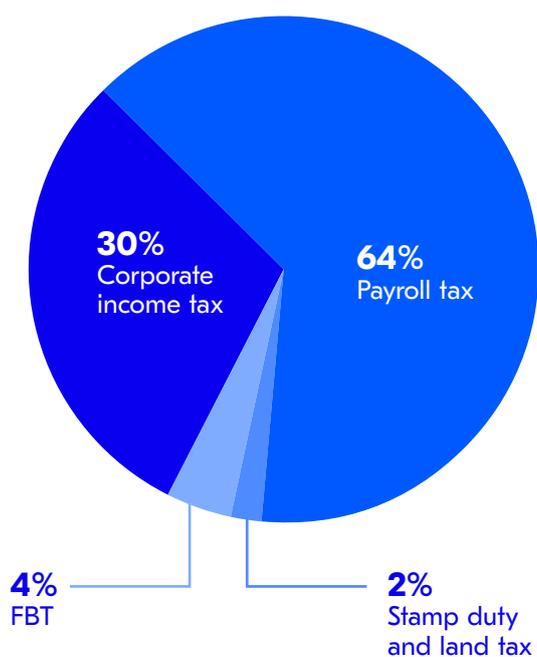
## Taxes paid by the NRMA

	2021 \$m	2020 \$m
Corporate income tax <sup>1</sup>	4.0	16.6
Payroll tax	8.7	10.9
FBT	0.5	1.0
Stamp duty and land tax	0.2	1.3
<b>Total</b>	<b>13.4 <sup>2</sup></b>	<b>29.8</b>

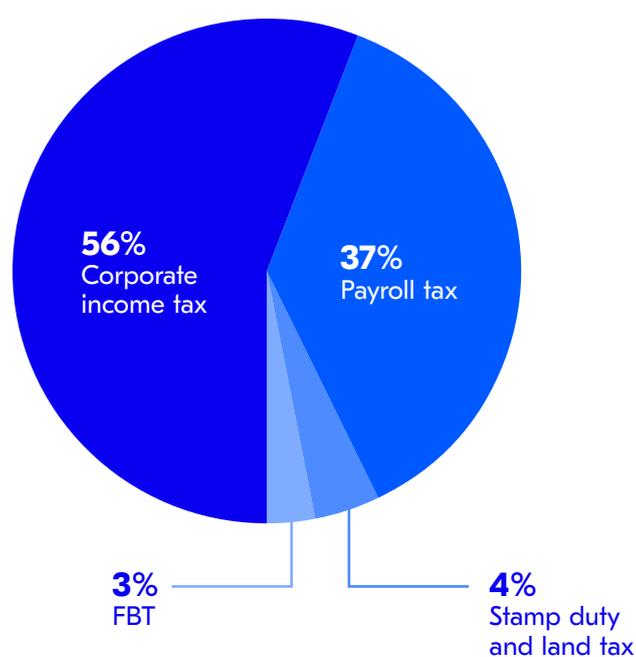
<sup>1</sup> Corporate income tax paid represents the tax refund for the year ended 30 June 2020 and the income tax instalments paid during the year ended 30 June 2021.

<sup>2</sup> The reduction in total taxes paid since the 2020 financial year is largely due to the impact of COVID 19.

### Taxes paid by the NRMA - 2021



### Taxes paid by the NRMA - 2020



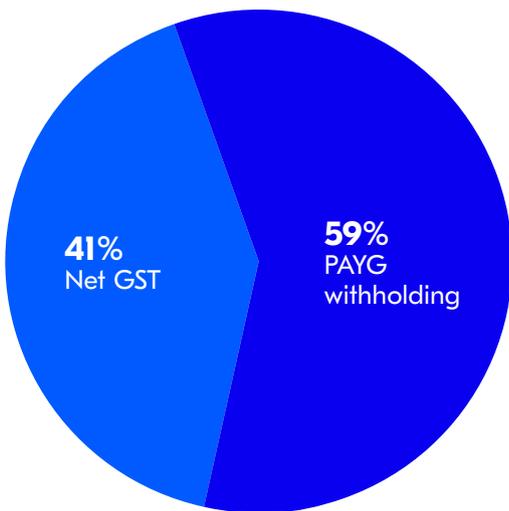
## Taxes collected by the NRMA

	2021 \$m	2020 \$m
PAYG withholding	42.1 <sup>1</sup>	53.1
Net GST <sup>2</sup>	29.6	23.9
<b>Total</b>	<b>71.7</b>	<b>77.0</b>

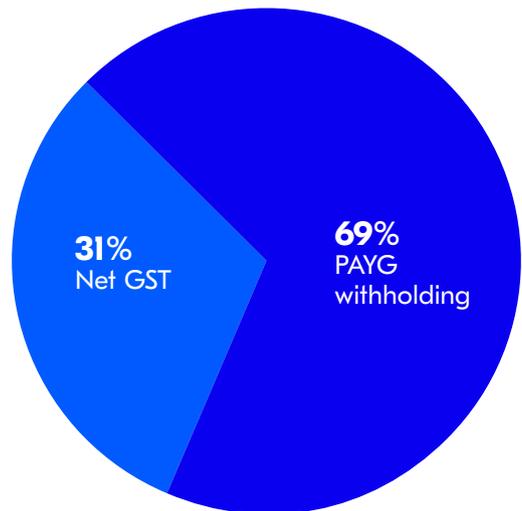
<sup>1</sup> The reduction in PAYG withholding taxes collected since the 2020 financial year is largely due to the impact of COVID 19.

<sup>2</sup> Net GST represents GST collected on sales less the input tax credits claimed on supplies.

### Taxes collected by the NRMA - 2021



### Taxes collected by the NRMA - 2020



# 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 2020 and 30 June 2019.

	2020 \$	2019 \$
Total income	<b>662,674,198</b>	706,394,174
Taxable income	<b>20,318,337</b>	68,384,203
Tax payable	<b>3,099,199</b>	13,662,260

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.

