

# Tax Transparency Report FY21



# Reporting suite

## **Tax Transparency Report—(this report)**

Overview of our corporate structure, approach to tax and tax position for FY21.

## **FY22 Corporate Report<sup>1</sup>**

The holistic performance of Transurban in FY22 including our Financial Statements and Sustainability Supplement.

## **FY22 Results Presentation**

Management presentation of financial and non-financial results, including non-statutory analysis.

## **FY22 Climate Change Disclosure<sup>2</sup>**

Our response to the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations.

## **FY22 Sustainability Data<sup>2</sup>**

Our progress against the UN Sustainable Development Goals and other sustainability performance data.

## **Corporate Governance Statement**

Corporate Governance Statement made in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).

## **Modern Slavery Statement**

Overview of how we identify, manage and mitigate the specific risks of modern slavery in our operations and supply chains—available late 2022.



All available at [transurban.com](https://www.transurban.com)

<sup>1</sup> We have integrated some of our Sustainability Supplement into our FY22 Corporate Report. This approach provides additional information on our non-financial performance (including environmental, social and governance performance) and progress in achieving our Sustainability Strategy

<sup>2</sup> Previously incorporated in our Sustainability Supplement

**Transurban  
in numbers**

**21**

*assets in  
operation*

**7**

*major  
infrastructure  
projects in  
development*

**2M**

*trips daily  
across our  
roads*

**9.7M**

*customers  
globally*

**9,000+**

*total  
workforce<sup>1</sup>*

**1996**

*listed on  
the ASX*

# About Transurban

***As one of the world's largest toll road developers and operators, our business is to get people where they want to go as quickly and safely as possible.***

For us, this is about much more than laying asphalt and building tunnels. By understanding what matters to our stakeholders, we create road transport solutions that make us a partner of choice.

Transurban's roads connect key industry, freight, employment and community centres and keep cities moving safely and efficiently.

Since opening CityLink in Melbourne in 1999, our company has grown to include 21 toll roads in Australia, the United States and Canada, with more on the way. We have 6 million customers in Australia and 3.7 million customers in North America.

During the past two decades we have established a strong track record of partnering with governments to successfully deliver and manage key road infrastructure. We have seven projects in development or delivery in Australia and North America. These projects are designed to solve critical congestion issues and improve city connectivity, community liveability and economic growth.

We have also built a reputation for bringing innovative solutions to our operations, using

technology to improve safety and increase the efficiency of our own roads and cities' wider transport networks. And our efforts are paying off: Independent research has found our roads are twice as safe as like roads.<sup>2</sup>

Our purpose is to strengthen communities through transport and we aim to achieve this in many different ways. From our 24/7 traffic control room operators to the transport planners who forecast where congestion hot spots could be in a decade's time, we are focused on making travel easier now and in the future.

As a leading global toll road owner and operator, listed on the Australian Securities Exchange (ASX), Transurban represents one of the most significant infrastructure investment opportunities available to investors.

We have more than 3,600 people<sup>3</sup> working across Australia and North America, as well as more than 5,000 subcontractors through the delivery of major projects. We foster an engaged and diverse workforce that prides itself on making a significant and lasting contribution to the cities and communities in which we operate.

We also continuously challenge ourselves in how we respond to social and environmental issues—and we invest in both to create social inclusion and manage our environmental impacts. Our Social Licence Framework helps us identify the initiatives, investments and partnerships that will have the greatest social, economic and environmental benefits for the regions we operate in.

Success for us means achieving our purpose and creating value for all our stakeholders, including the customers and communities that we serve.

<sup>1</sup> Total workforce includes direct workforce and sub-contractors working on major infrastructure projects

<sup>2</sup> Monash University Accident Research Centre (MUARC), 2021

<sup>3</sup> Direct workforce includes direct employees (which include casual, fixed term and permanent employees (excluding leave of absence and non-executive directors)) and temporary workers and workers contracted through our partner organisations

# Message from our CFO

*Michelle Jablko*



Over the past two decades, Transurban has partnered with governments to successfully deliver and manage road infrastructure that is integral to keeping transport routes in the cities in which we operate moving safely and efficiently.

Each year our roads save drivers thousands of hours in travel-time, improving the productivity as well as liveability of our major cities.

Since listing on the Australian Securities Exchange (ASX) in 1996, Transurban has grown from owning and operating one toll road – CityLink in Melbourne – to 21 assets across Australia, the United States and Canada, with seven projects in development or delivery. These projects are designed to improve city connectivity by addressing significant congestion issues. They are also highly visible examples of how we go about achieving our company purpose to strengthen communities through transport.

As a growing business, we and our partners have invested billions of dollars in our assets and projects. However, just as the benefits of the toll roads are long term, so too is our investment.

Investment in infrastructure, whether it be through acquiring, upgrading or building roads incurs significant upfront capital. These costs, along with those required to maintain a toll road over its life, are borne by Transurban and our project partners. This means our business generates accounting and tax losses in the early years of an investment.

This report explains how our investment activity has influenced our current tax position and details our FY21 tax contributions. It also explains our corporate structure, which enables the payment of distributions to investors while we are generating accounting and tax losses. The distributions are subject to tax in the hands of investors. We estimate that more than two billion dollars of tax has been paid by our investors on distributions to date.

This is our sixth Tax Transparency Report since the Australian Government endorsed the voluntary Tax Transparency Code in May 2016. The consistency in our approach reflects our focus on simplicity and usefulness of our disclosures.

Corporate tax rules can be complex, particularly as they relate to a large infrastructure business such as ours. Each year we aim to make the information as easy to understand as possible, guided by best-practice corporate governance, and our commitment to transparency and accountability.

A handwritten signature in blue ink, appearing to read 'Michelle Jablko'.

*Michelle Jablko*  
Chief Financial Officer  
August, 2022

# Our corporate structure

*Transurban has operated as a stapled structure since listing on the Australian Securities Exchange (ASX) in March 1996.*

This means that investors in Transurban hold stapled securities that comprise one share in each of Transurban Holdings Limited (**THL**) and Transurban International Limited (**TIL**), and one unit in Transurban Holding Trust (**THT**).

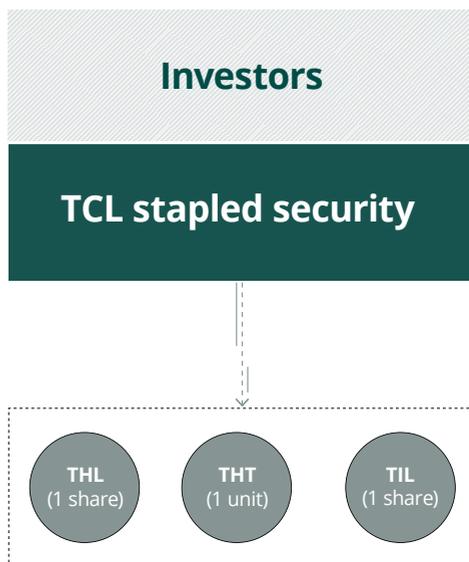
THT is an Australian resident unit trust that qualifies as an attribution managed investment trust. It operates as a flow-through trust for tax purposes.

THL is an Australian resident company, and the parent company of the Transurban Group for financial reporting purposes<sup>1</sup>. TIL, an Australian resident company, is the holding company for Transurban's operations in North America.

Our stapled structure enables us to pay distributions to our investors through THT and dividends through THL and TIL.

Resident investors are subject to Australian tax on their distributions at their respective marginal tax rates. Non-resident investors are generally subject to withholding tax on their distributions.

Stapled groups<sup>2</sup> have contributed to Australia developing successful public-private partnering models for infrastructure investment.



Transurban's investors have valued transparent outcomes for their investment and have invested through Transurban's stapled structure to fund significant road infrastructure projects.

<sup>1</sup> Transurban Group (or Transurban) prepares consolidated financial statements. THL is identified as the parent and controlling entity of the stapled structure for financial reporting purposes, and consolidated financial statements are prepared on this basis. The consolidated financial statements of THL include the other members of the stapled group being TIL and its controlled entities and Transurban Infrastructure Management Limited (TIML) as the responsible entity of THT and its controlled entities. Transurban also has a controlling, non 100% ownership interest in Airport Motorway Group and Transurban Queensland. The non-controlling interest in each of THL, TIL, THT, Airport Motorway Group and Transurban Queensland is presented within equity for financial reporting purposes

<sup>2</sup> A stapled structure is common for infrastructure assets given the capital intensive nature of the projects

# Our approach to tax



Transurban continues to foster a partnering relationship with the Australian Taxation Office (ATO) to allow for effective engagement and compliance. Transurban maintains a co-operative relationship with other revenue authorities in Australia and overseas. Transurban supports greater transparency and has adopted the Voluntary Tax Transparency Code of the Australian Board of Taxation.

In the context of tax risk management and tax governance, Transurban's internal corporate governance functions support our Board's role in maintaining oversight and monitoring the effectiveness of the tax governance framework.

The Transurban Board, supported by the Audit and Risk Committee, oversees an internal control framework that provides guidance on how risks, including tax risks, are identified and managed within the business. To support our overall tax governance objectives, Transurban continues to enhance our tax risk management and Board reporting for tax, including periodic internal independent testing of tax controls.

The existence and operation of corporate governance frameworks are one of the key areas of ATO focus under the Justified Trust project. Accordingly, Transurban undertakes self-assessment activities with a view to being well positioned to meet the ATO's expectations in this regard.

Transurban's Board-approved Tax Risk Management Policy is premised on the principle of accountability and ownership of tax risk. As such, our approach is governed by Transurban's commitment to best-practice corporate governance, transparency and accountability. This is essential for the long-term performance and sustainability of the business, and to protect and enhance the interests of security holders and other stakeholders. Transurban recognises the value its investors place in its compliance with tax laws, while maximising operational efficiencies, which reduces the risk of penalties and maintains its reputation as a compliant corporate taxpayer.

# Our tax position explained

## Our capital-intensive operations

Transurban operates its toll roads through contractual agreements entered into with government authorities (known as “concessions”) under which we are entitled to collect toll revenue in return for designing, constructing, operating and maintaining toll roads in accordance with strict government requirements. At the end of concession periods, toll roads revert to the relevant government authorities for no consideration. Transurban’s business is capital intensive and requires significant upfront and ongoing capital investment to develop, operate and maintain roads that are critical to the transport needs of the cities in which we operate. This upfront investment generally leads to accounting and tax losses in the early years post development.

## Our stapled structure

A company is generally precluded from paying dividends where it is generating accounting losses. Transurban is structured as a stapled group comprising corporate and trust entities to allow distributions to be paid in the early years of investment to investors from the trust when accounting and tax losses are being generated by the company. The investors are subject to tax on the distributions received. The restriction on paying dividends would have significantly constrained Transurban’s ability to raise capital from equity markets to fund toll road investments.

A stapled structure is not unique to Transurban, but common practice across infrastructure investments with significant

capital intensive upfront costs. It has been fundamental in helping stimulate private investment in infrastructure. In Transurban’s case it has allowed the development of nationally significant road infrastructure that is critical in meeting transportation requirements, while relieving the financing burden and associated risks for governments.

## Transurban Group of wholly owned entities

Under Australian tax law, Transurban’s income is subject to tax at the investor level, through trust distributions, and our Australian resident corporate entities are taxed at a 30 per cent tax rate on their taxable income.

THT, as a flow-through trust for tax purposes, does not pay income tax itself. Resident investors pay tax on trust distributions received based on their respective marginal tax rates, whereas non-resident investors are subject to withholding tax. To assist resident investors in complying with their tax obligations, Transurban publishes an annual **Tax Statement Guide**<sup>1</sup> advising our investors on how distributions should be disclosed in their tax returns. The tax payable by resident investors on trust distributions is the responsibility of investors and governed by their relationship with the ATO.

THL and TIL are both Australian resident entities that pay corporate tax at 30 per cent on their taxable income. As head companies of tax consolidated groups, THL and TIL along with their respective wholly owned Australian entities have implemented the tax consolidation legislation.

<sup>1</sup> [transurban.com/investor-centre/distributions-and-tax/tax-guides](https://www.transurban.com/investor-centre/distributions-and-tax/tax-guides)

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THL and TIL each lodge a single income tax return on behalf of their respective tax consolidated groups.

TIL's operations in FY21 were solely based in the US and Canada.

TIL is funded by a mix of debt and equity and has largely invested into the US via equity contributions. Dividends received from wholly owned US entities are not assessable under Australian income tax law. Interest income is treated as assessable income.

THL operates and maintains Australian roads. The income tax position for FY21 reflects the depreciation of our substantial infrastructure investments and the interest costs on the funds borrowed to make these investments.

A reconciliation of accounting profit to income tax payable for FY21 is included in Figure 1.



# Our income tax position for FY21

**Figure 1: FY21 Income Tax Transparency Disclosure—THL Reconciliation to Total Tax Payable**

Reconciliation of Accounting Profit to Tax	2021 \$M
Revenue <sup>1</sup>	2,886
Expenses	(1,195)
<b>EBITDA Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes</b>	<b>1,691</b>
Total depreciation and amortisation <sup>2</sup>	(1,140)
Net finance costs <sup>3</sup>	(870)
Share of net loss of equity accounted investments <sup>4</sup>	(161)
<b>Profit (loss) before income tax</b>	<b>(480)</b>

<sup>1</sup> Note B5: Revenue, Section B: Notes to the Group financial statements, 2021 Transurban Corporate Report

<sup>2</sup> Note B17: Other intangible assets, Section B: Notes to the Group financial statements, 2021 Transurban Corporate Report. See also Consolidated statement of comprehensive income, Section A: Group Financial Statements

<sup>3</sup> Note B13: Net finance costs, Section B: Notes to the Group financial statements, 2021 Transurban Corporate Report

<sup>4</sup> Note B25: Equity accounted investments, Section B: Notes to the Group financial statements, 2021 Transurban Corporate Report

Reconciliation of Accounting Profit to Tax	2021 \$M
<b>Profit (loss) before income tax</b>	<b>(480)</b>
Adjustments for entities not comprising members of the THL tax consolidated group and excluding tax consolidated group transactions	228
<b>Tax adjustments</b>	
Accounting depreciation and IFRIC12	417
Concession fees	111
IFRIC 12 R&M	(33)
Provisions and accruals	67
Tax depreciation	(191)
Other	9
Franking credits	23
Tax losses utilised	(59)
<b>Net taxable income (loss)</b>	<b>92</b>
<b>30% tax on taxable income</b>	<b>28</b>
Franking credit tax offset applied	(23)
Foreign income tax offsets applied	(5)
<b>Tax Payable</b>	<b>0</b>

Figure 2: FY21 Australian tax contribution

**\$31M** employment-related taxes and levies

**\$167M** Total GST payable reported

**\$124M** Total GST credits reported

# International dealings with related parties in FY21

In addition to our Australian operations, we have operations across the North American region comprising of the 95, 395 and 495 Express Lanes in the Greater Washington area (US), and the A25 in Montreal (Canada). To support the effective operations of our North American assets, some of our Australian entities engaged in international-related party dealings and during FY21 these dealings broadly comprised the following:

- Funding and related services - each of THL, TIL<sup>1</sup> and THT were involved in the provision of funding support to our North American assets. The two largest international-related party dealings in this regard were:
  - An interest-bearing loan to a related party resident in the US which facilitated the operation and development of two of our assets in the US; and
  - An interest-bearing loan to a related party resident in Canada which facilitated our 100% acquisition of the A25 asset.
- Management services - THL<sup>2</sup> was involved in the provision of management services to a related party resident in the US. These management services supported the day-to-day operations (consisting of back office support and corporate services) of all

our entities situated in the US and consistent with the requirements of domestic and international tax laws, the management services provided have been priced according to arm's length principles that use the behaviour of independent parties as a benchmark to determine the pricing of services between related parties in international dealings. This involves a comparison between what an entity has done and what an independent party would have done in the same or similar circumstance.

- Software licence - THL<sup>2</sup> and a related party resident in the US entered into an arrangement for the transfer of a cloud based tolling platform from the US to Australia. A development, enhancement, maintenance, protection and exploitation (DEMPE) analysis was performed. Post acquisition by THL, the cloud based tolling platform was licensed to the US related party to permit the use of the software. Both the transfer and the software licence were priced according to arm's length principles.

*1 THL and TIL in their capacities as Head Entities of their respective income tax consolidated groups*

*2 THL in its capacity as Head Entity of its income tax consolidated group*

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## **Further information**

Visit our website for more information about our tax position, tax guides and financial statements: [transurban.com/distributions-and-tax](https://transurban.com/distributions-and-tax)

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