

Tax Transparency Report FY22



Reporting suite

Tax Transparency Report (this report)

Overview of our corporate structure, approach to tax and tax position for FY22.

Corporate Report¹

Transurban's holistic performance for FY23, including our Financial Statements.

Corporate Governance Statement

Statement made in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) for FY23.

Results Presentation

Management presentation of FY23 financial and non-financial results, including non-statutory analysis.

Sustainability Data Pack

FY23 data sets for sustainability metrics, including GRI, SASB, and TCFD indices, and our progress against the UN SDGs.

Modern Slavery Statement

FY23 overview of how we identify, manage and mitigate the specific risks of modern slavery in our operations and supply chain – available late 2023.

 **All available on our website
transurban.com**

¹ Our sustainability reporting is integrated in the FY23 Corporate Report, including our climate change disclosure



Message from our CFO

Michelle Jablko

For more than 20 years, we have been partnering with governments to deliver critical road infrastructure. The roads we design, build and operate are integral to keeping cities' transport moving safely and efficiently – connecting with vital routes and centres of commercial and community activity while also saving drivers thousands of hours in travel-time.

When Transurban listed on the Australian Securities Exchange (ASX) in 1996, we owned and operated one toll road – CityLink in Melbourne. Today we have 22 assets across Australia, the United States and Canada, and have four major projects in development or delivery.

These projects are designed to improve city connectivity by addressing significant congestion issues. They are also recognisable examples of how we generate value for our stakeholders and deliver on our strategy: by understanding what matters to our stakeholders, we create road transport solutions that make us a partner of choice.

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 FY22 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 seventh 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. We have presented our tax information as clearly and simply as is 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, 2023

Our corporate structure

Transurban has operated as a stapled structure since listing on the 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).

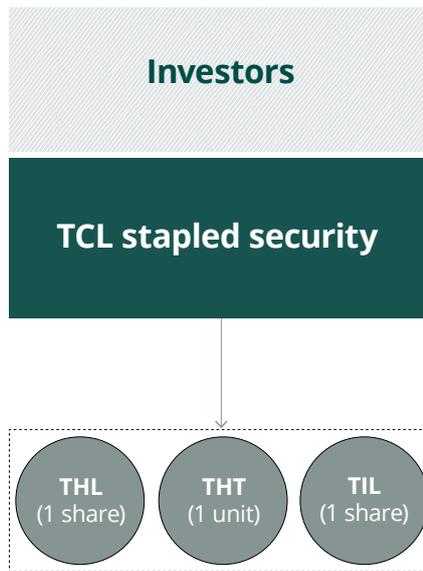
THT is an Australian resident unit trust that qualifies as an attribution managed investment trust. It operates as a flow-through trust for tax purposes.

THL is an Australian resident company, and the parent company of the Transurban Group for financial reporting purposes¹. 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 groups² 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.



¹ 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

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





Citylink, Melbourne

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 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](#)¹ 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.

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

TIL’s operations in FY22 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 FY22 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 FY22 is shown in Figure 1. Other Australian tax contribution is summarised in Figure 2.

¹ Transurban’s annual Tax Statement Guide available at transurban.com/tax-guide-2023

Our income tax position for FY22

Figure 1: FY22 Income Tax Transparency Disclosure—THL Reconciliation to Total Tax Payable

Reconciliation of Accounting Profit to Tax	2022 \$M	Reconciliation of Accounting Profit to Tax	2022 \$M
Revenue ¹	3,406	Profit/(loss) before income tax	(260)
Expenses	(1,725)	Adjustments for entities not comprising members of the THL tax consolidated group and excluding tax consolidated group transactions	(366)
EBITDA Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	1,681	Tax adjustments	
Total depreciation and amortisation²	(1,107)	Accounting depreciation and IFRIC12	383
Net finance costs³	(466)	Concession fees	229
Share of net loss of equity accounted investments⁴	(368)	IFRIC 12 R&M	(30)
Profit (loss) before income tax	(260)	Provisions and accruals	73
		Tax depreciation	(177)
		Other	10
		Franking credits	0
		Tax losses utilised	0
		Net taxable income/(loss)	(138)
		30% tax on taxable income	0
		Franking credit tax offset applied	0
		Foreign income tax offset applied	0
		Tax Payable	0

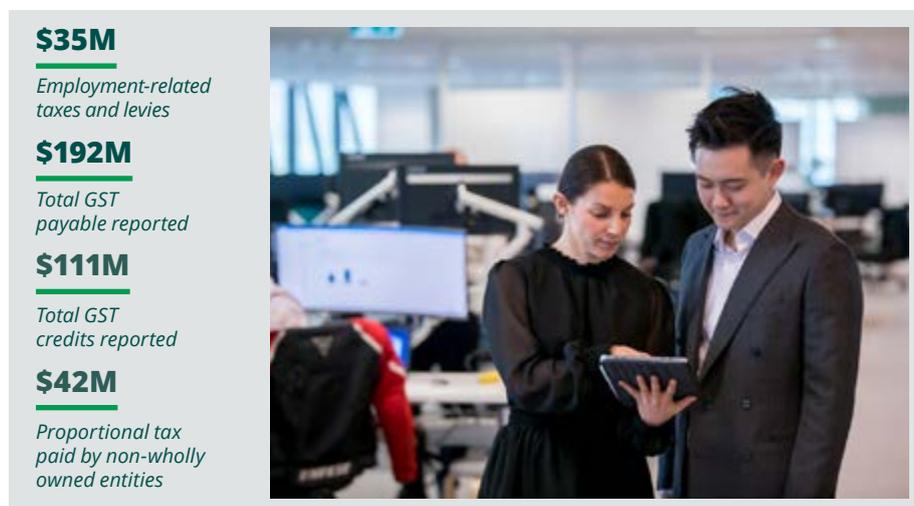
1 Note B5: Revenue, Section B: Notes to the Group financial statements, 2022 Transurban Corporate Report.

2 Note B17: Other intangible assets, Section B: Notes to the Group financial statements, 2022 Transurban Corporate Report. See also Consolidated statement of comprehensive income, Section A: Group Financial Statements.

3 Note B13: Net finance costs, Section B: Notes to the Group financial statements, 2022 Transurban Corporate Report.

4 Note B25: Equity accounted investments, Section B: Notes to the Group financial statements, 2022 Transurban Corporate Report.

Figure 2: FY22 Australian tax contribution



International dealings with related parties in FY22

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 FY22 these dealings broadly comprised the following:

- Funding and related services - each of THL, TIL¹ 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 - THL² 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 of our entities located 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 - THL² 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 in FY21. 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