



**APA GROUP**  
**TAX TRANSPARENCY REPORT**  
**2020**

As a leading energy infrastructure business in Australia, APA Group (APA) is committed to meeting the highest standards of tax governance. Compliance with all State and Federal tax laws is mandatory.

As part of this commitment APA has voluntarily adopted the Board of Taxation's Tax Transparency Code and therefore releases a Tax Transparency Report for each year ended 30 June.

**Tax Governance and Oversight**

Responsibility for tax risk resides with the APA Board. Levels of delegated tax risk and responsibility are specified in the APA Delegated Limits of Authority policy and within APA's Enterprise Risk Management Framework.

APA's tax governance framework, which forms a part of APA's Enterprise Risk Management Framework, includes documented tax policies, guides and procedures that are reviewed and updated annually. APA has appropriate systems, processes and controls in place to identify, monitor, manage and escalate tax risks arising from material transactions undertaken and in its business affairs generally. Controls are tested regularly to ensure they are working appropriately. APA's tax governance framework broadly complies with the ATO's governance control guidelines.

APA also maintains a formal Tax Compliance Plan which recognises required tax compliance obligations and sets out controls that are in place to ensure these are met.

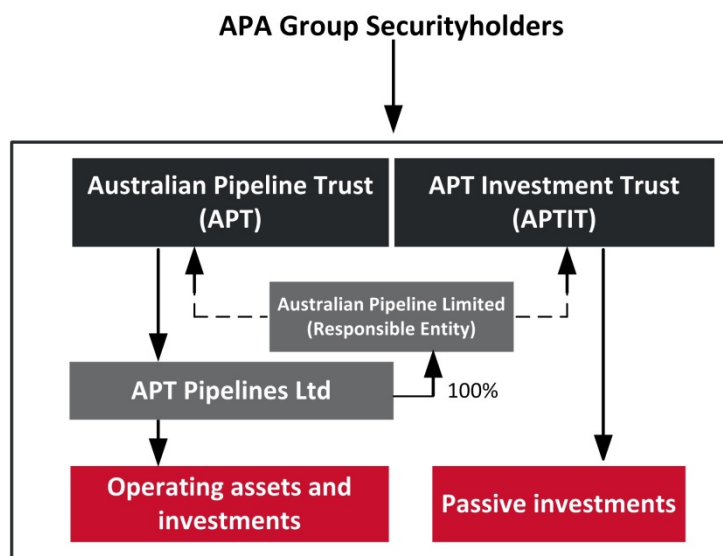
APA has an experienced in-house tax team that reports six monthly to the Audit and Risk Management Committee of the Board confirming that material tax risks have been identified and dealt with in accordance with the APA Tax Policy. Additional oversight is provided by APA's internal and external auditors. In addition APA uses a range of highly qualified external taxation advisers, typically from the "Big 4" accounting firms to provide specific advice in respect of tax risks arising in respect of material transactions.

**Tax Risk Profile**

Consistent with its approach to its business, APA considers itself to be a low risk tax payer. Where there is a choice between an aggressive tax position, and a more conservative position, APA will take the more conservative approach.



## APA Group Structure



APA Group is a stapled trust structure comprising Australian Pipeline Trust (APT) and APT Investment Trust (APTIT). APA Group operates primarily in Australia. A single subsidiary is resident in the United States. Service fees for the United States subsidiary have been charged and documented using an appropriate arm's length methodology. No businesses are conducted in or through tax haven jurisdictions.

APT is a Division 6C public trading trust which is treated as if it were a company for tax purposes. APT carries on APA's active businesses and is the head of the APT tax consolidated group (APT TCG). As head of the APT TCG, APT is liable for corporate tax of 30% in respect of its business activities.

APTIT is a Division 6 "flow through" trust which owns a land asset used by APT and provides some funding to APT. Cross staple charges of rent and interest by APTIT are at appropriate arm's length market rates. Net income derived by APTIT is fully distributed annually to APA securityholders on a "present entitlement" basis and is taxed in their hands at their applicable marginal tax rates.

### APA Group Distributions

APA makes distributions to securityholders based on available operating cash flows. Distributions are made on a profits first basis. Where there are insufficient profits in any period, returns of capital are made to securityholders.

Australian resident securityholders are subject to income tax at their applicable tax rate on APT profit distributions received. Where tax has been paid by APT, profit distributions will include applicable franking credits which can be used by securityholders to offset their tax liabilities.



Where tax has not been paid by APT, profit distributions will generally be fully taxed in the hands of resident securityholders<sup>(1)</sup>. This is consistent with Australia's dividend imputation regime whereby company profits are only taxed once at a relevant securityholder's applicable marginal rate.

Non-resident securityholders are subject to withholding tax of up to 30% on unfranked APT profit distributions. No withholding tax is deducted from franked APT profit distributions.

APTIT profit distributions are taxed in the hands of Australian resident securityholders at their applicable marginal tax rate.

Non-resident securityholders are subject to withholding tax of 10% on APTIT profit distributions.

Returns of capital by APT and APTIT are "tax deferred" to securityholders. This means that the amount of the capital return reduces the cost base of the units held with tax only being paid once the cost base reduces below nil or the units are sold for consideration in excess of the reduced cost base.

Distributions paid by APA during the 2020 financial year totalled \$572.3 million. This comprised APT franked profit distributions of \$201.2 million, APT unfranked profit distributions of \$34.6 million, APTIT profit distributions of \$58.4 million and a return of capital of \$278.1 million. The APT unfranked profit distributions and the APTIT profit distributions will be either fully taxed in the hands of Australian resident securityholders or were subject to withholding tax at relevant rates in the hands of non-resident securityholders.

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<sup>(1)</sup> Security holders should always consider their own tax position in determining assessability of APA distributions and should seek their own tax advice.



**Reconciliation of Accounting Profit to Income Tax Expense  
Financial Year 2020**

	\$000
<b>Profit before tax</b>	<b>505,015</b>
Income tax expense calculated at 30%	(151,505)
Non-assessable trust income (APTIT)	15,906
Non deductible expenses <sup>(2)</sup>	(59,816)
Non assessable income	114
	<b>(195,301)</b>
Franking credits received	5,310
Previously unrecognised tax losses	1,038
Adjustment recognised in the current year in relation to the current tax of prior years	25
R&D Tax incentive	1,018
<b>Income Tax Expense</b>	<b>(187,909)</b>

**Effective Tax Rate Financial Year 2020**

The accounting effective tax rate for 2020 is 37.2%.

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<sup>(2)</sup> Predominantly amortisation/write off of contract intangibles that are not deductible for tax



## Reconciliation from Income Tax Expense to Income Tax Payable

### Financial Year 2020

	\$000
<b>Profit/(loss) Before Tax</b>	<b>505,015</b>
Adjustments made in determining income tax expense <sup>(3)</sup>	145,987
<b>Adjusted Profit Before Tax</b>	<b>651,003</b>
Accounting depreciation	456,291
Tax depreciation	(677,830)
Capitalised interest deductible for tax purposes	(23,208)
Movement in provisions and accruals	(8,235)
Movement in prepayments	(2,840)
Capital expenditure deductible for tax over 5 years	(4,500)
Hedging adjustments	(1,902)
Revenue assessable for tax in prior periods but deferred in accounts	(3,537)
Other adjustments	18,597
<b>Gross Taxable Income</b>	<b>403,838</b>
Transferred tax losses utilised	(88,589)
<b>Taxable income after loss utilisation</b>	<b>315,250</b>
Tax @ 30%	94,575
Imputation Credit Offset	(5,310)
R&D Tax Offset	(3,961)
<b>Income Tax Payable in respect of the FY20 tax year</b>	<b>85,304</b>

<sup>(3)</sup> Generally non-deductible amortisation of contract intangibles offset by non-assessable trust income (APTIT)



The most significant tax timing difference in the above reconciliation is the capped 20 year tax life allowed by Australian tax laws to gas transmission and distribution assets. These capped lives result in accelerated tax depreciation being claimed on APA's long life pipeline assets over a 20 year effective life as opposed to an accounting effective life of, generally, around 40 years. Included in the tax depreciation claimed is \$82.1 million of expenditure that was capitalised for accounting purposes but that is immediately deductible in 2020 for tax purposes.

### Taxes Paid/Payable

The table below shows taxes paid or payable by APA either in its own capacity or on behalf of employees/contractors/customers in respect of the year ended 30 June 2020. All taxes shown are payable in Australia with the exception of \$0.4 million income tax which is payable in the United States.

	<b>\$000</b>
Corporate Income Tax <sup>(4)</sup>	85,304
Goods & Services Tax	156,262
Fringe Benefits Tax	1,005
Payroll Taxes	15,695
Employee Pay-As-You-Go Withholding	91,054
Land Tax	56
Excise	3,049
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Total Taxes Payable/Paid	352,425
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<sup>(4)</sup> Payable by 1 December 2020