

**APA GROUP**  
**TAX TRANSPARENCY REPORT**  
**2022**

APA is a leading Australian energy infrastructure business. We own and/or manage and operate a portfolio of assets of around \$21 billion.

Our purpose is to strengthen communities through responsible energy. In fulfilling our purpose APA recognises its responsibilities to contribute to the financial wellbeing of the communities in which we operate by paying our fair share of tax. APA is therefore committed to meeting the highest standards of tax governance. This means that APA:

- Will comply with all appropriate tax laws;
- Will only undertake transactions that have a clear commercial purpose; and
- Will not enter a transaction for the purpose of avoiding tax.

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 Group Executive Delegation 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 a documented tax policy, together with 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.

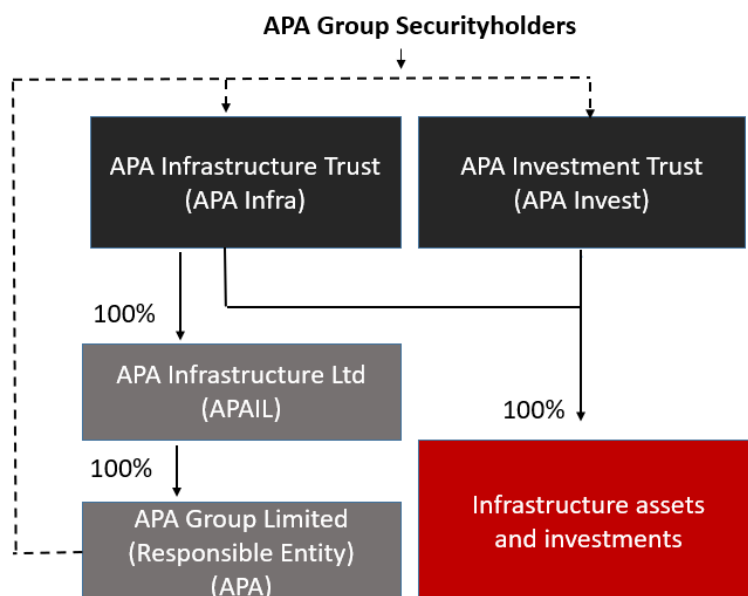
APA also maintains a formal Tax Compliance Plan which recognises required tax compliance obligations and sets out controls that are in place to ensure these are met.

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 on material transactions.

## Tax Risk Profile

Consistent with its approach to its business and recognising the need to provide sustainable shareholder value, APA considers itself to be a low risk tax payer. APA will not engage in aggressive tax planning, but will avail itself of available tax benefits, concessions, incentives and exemptions.

## APA Group Structure



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

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

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

## APA Group Distributions

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

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

Where tax has not been paid by APA Infrastructure, profit distributions will generally be fully taxed in the hands of resident security holders<sup>(1)</sup>. This is consistent with Australia's dividend imputation regime.

Non-resident security holders are subject to withholding tax of up to 30% on unfranked APA Infrastructure profit distributions. No withholding tax is deducted from franked APA Infrastructure profit distributions.

APA Investments profit distributions are taxed in the hands of Australian resident security holders at their applicable marginal tax rate.

Non-resident security holders are generally subject to withholding tax of 10% on APA Investments profit distributions.

Returns of capital by APA Infrastructure and APA Investments are "tax deferred" to security holders. 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 2022 financial year totalled \$613.5 million. This comprised APA Infrastructure franked profit distributions of \$111.3 million, APA Investments profit distributions of \$35.4 million and a return of capital of \$466.8 million.

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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 2022**

	\$000
<b>Profit before tax</b>	<b>440,090</b>
Income tax expense calculated at 30%	(132,027)
Non-assessable trust income (APA Investments)	8,745
Non-deductible expenses <sup>(2)</sup>	(60,790)
Non assessable income	63
	<b>(184,009)</b>
Franking credits received	1,769
Previously unrecognised tax losses	1,026
Adjustment recognised in the current year in relation to the current tax of prior years	117
R&D Tax incentive	718
<b>Income Tax Expense</b>	<b>(180,379)</b>

**Effective Tax Rate Financial Year 2022**

The accounting effective tax rate for 2022 is 41.0% (41.7% excluding significant items).

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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

	\$000
<b>Profit/(loss) Before Tax</b>	<b>440,090</b>
Adjustments made in determining income tax expense <sup>(3)</sup>	173,274
<b>Adjusted Profit Before Tax</b>	<b>613,364</b>
Accounting depreciation & amortisation	523,933
Impairment reversal	(28,106)
Tax depreciation	(817,251)
Capitalised interest deductible for tax purposes	(11,275)
Hedging adjustments	40,340
Revenue assessable for tax but deferred in accounts	12,528
Movement in provisions and accruals	51,906
Capital expenditure deductible for tax over 5 years	(4,762)
Movement in prepayments	(496)
Other adjustments	6,784
<b>Gross Taxable Income</b>	<b>386,965</b>
Transferred tax losses utilised	(86,206)
<b>Taxable income after loss utilisation</b>	<b>300,759</b>
Tax @ 30%	90,228
Imputation Credit Offset	(1,769)
R&D Tax Offset	(2,894)
<b>Income Tax Payable in respect of the FY22 tax year</b>	<b>85,565</b>

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

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 \$105.5 million of expenditure that was capitalised for accounting purposes but that is immediately deductible in 2022 for tax purposes and \$120.8 million of expenditure eligible for the temporary tax concessions announced by the Government that allow businesses to claim an immediate deduction for the full cost of eligible depreciable assets.

### 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 2022. All taxes shown are payable in Australia with the exception of \$0.21 million income tax which is payable in the United States.

	<b>\$000</b>
Corporate Income Tax <sup>(4)</sup>	85,565
Goods & Services Tax	150,703
Fringe Benefits Tax	536
Payroll Taxes	17,474
Employee Pay-As-You-Go Withholding	98,070
Land Tax	6,377
Excise	2,539
Total Taxes Payable/Paid	<u>361,264</u>

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<sup>(4)</sup> Including final tax payment that is payable by 1 December 2022