



APA GROUP
TAX TRANSPARENCY REPORT
2016

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

APA has an experienced in-house tax team that reports regularly to the Audit and Risk Management Committee of the Board. Additional oversight is provided by APA's internal and external auditors. In addition APA regularly uses a range of highly qualified external taxation advisers, typically from the "Big 4" accounting firms to provide specific advice on large scale transactions.

APA's tax governance framework includes formal tax policies 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.

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 is a stapled trust structure comprising Australian Pipeline Trust (APT) and APT Investment Trust (APTIT). APT is a Division 6C public trading trust which is taxed as if it were a company. APT carries on APA's active businesses and is the head of the APT tax consolidated group. APTIT is a Division 6 "flow through" trust which owns a number of passive assets used by APT and provides some funding to APT. Cross staple charges by APTIT are at appropriate arm's length market rates. Net income derived by APTIT is fully distributed annually to APA security holders and is taxed in their hands at their applicable marginal tax rates.

APA makes distributions to security holders based on available operating cash flows. Where tax has been paid by APT, 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 APT, distributions will



generally be taxed in the hands of security holders¹. This is consistent with Australia's dividend imputation regime whereby company profits are only taxed once at a relevant security holder's applicable marginal rate.

Distributions paid by APA during the 2016 financial year totalled \$440m. This comprised APT unfranked dividends of \$371m and APTIT trust distributions of \$69m. These distributions will either be fully taxed in the hands of Australian security holders or were subject to withholding tax at relevant rates in the hands of non-resident security holders.

Reconciliation of Accounting Profit to Income Tax Expense Financial Year 2016

	\$000
Profit before tax	301,995
Income tax expense calculated at 30%	(90,599)
Non-assessable trust distribution (APTIT)	25,530
Non-deductible expenses ²	(65,049)
Non-assessable income	2,984
	(127,134)
Imputation credits	2,164
Previously unbooked losses	229
Adjustment recognised in the current year in relation to the current tax of prior years	2,216
Income tax expense	(122,524)

¹ Security holders should always consider their own tax position in determining assessability of APT distributions and should seek their own tax advice.

² Predominantly amortisation/write off of contract intangibles that are not deductible for tax



Australian Effective Tax Rate Financial Year 2016

The accounting effective tax rate for 2016 is 40.6%.

Reconciliation from Income Tax Expense to Income Tax Payable Financial Year 2016

	\$000
Profit/(loss) Before Tax	301,995
Adjustments made in determining income tax expense	121,783
Adjusted Profit Before Tax	423,778
Reverse accounting depreciation	337,426
Take up tax depreciation	(656,309)
Capitalised interest deductible for tax purposes	(6,157)
Movement in provisions and accruals	6,094
Capital expenditure deductible for tax over 5 years	(15,644)
Hedging adjustments	2,419
Revenue assessable for tax but deferred in accounts	13,644
Other adjustments	(5,080)
Gross Taxable Income	100,171
Group tax losses utilised	(10,873)
Transferred tax losses utilised	(35,925)
Taxable income after loss utilisation	53,373
Tax @ 30%	16,012
Imputation Credit Offset	(2,164)
Income Tax Payable	13,848

The most significant tax timing difference in the reconciliation above results from 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.



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 2016.

	\$000
Corporate Income Tax ³	13,848
Goods & Services Tax	131,836
Fringe Benefits Tax	1,227
Payroll Taxes	12,528
Employee Pay-As-You-Go Withholding	69,407
Stamp Duties	137,239
Property Rates & Taxes	1,731
Excise	3,643

³ Payable by 28 February 2017