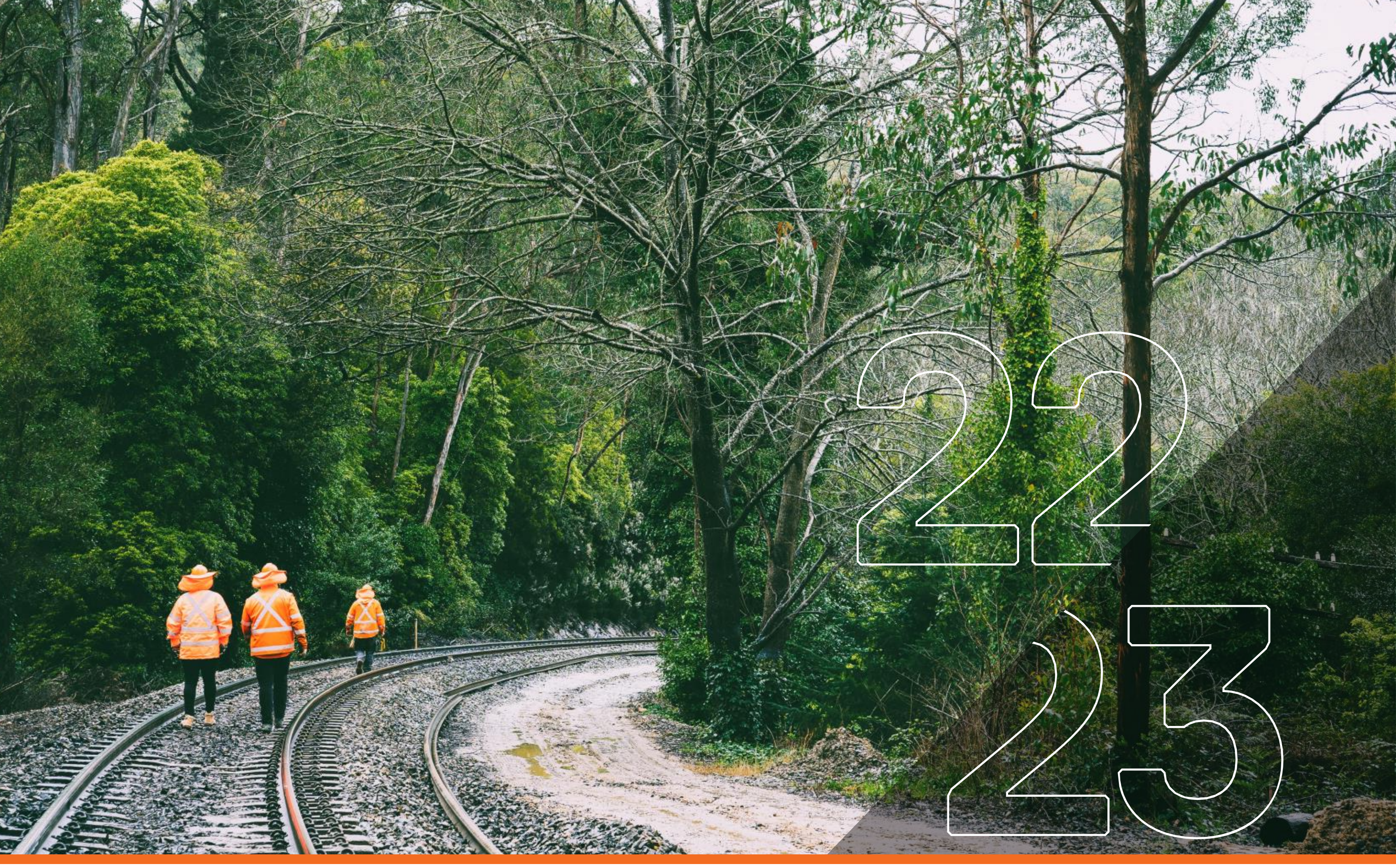


TAX TRANSPARENCY REPORT

Australian Rail Track Corporation
ABN 75 081 455 754
11 Sir Donald Bradman Drive
Keswick Terminal SA 5035

EXECUTIVE SUMMARY

ARTC adopts the Voluntary Tax Transparency Code as released by the Board of Taxation and supports the improved tax transparency and public accountability of large corporate taxpayers.

This report communicates ARTC's approach to Tax Governance and compliance with all aspects, standard and optional disclosures, of the Tax Transparency Code.

The details of the various taxes paid and collected by ARTC for the financial year and reconciliation of income tax payable to the tax expense stated in its financial statements is provided in this report.

ARTC made a net loss before tax of $1,844.8m (loss of $672.0m in 2022) and paid taxes (inclusive of direct and indirect taxes) of $201.1m ($162.5m in 2022) and collected taxes of $188.6m ($166.6m in 2022) for the 2023 financial year as set out in Tables 1 and 2 in this report. No income tax was payable in 2023 primarily due to tax deductible depreciation as set out in Table 4 in this report.

The information in this report complements the information disclosed in ARTC's 2023 audited Annual Report.

ABOUT ARTC

OUR PURPOSE

To improve Australia's productivity by making rail the mode of choice in the national logistics chain.

Our company was created due to the Commonwealth and mainland State Governments Inter-Governmental Agreement in 1997, for the establishment of a "one-stop shop" for rail operators seeking access to the interstate standard gauge rail network between Brisbane and Perth.

Our purpose is to improve Australia's productivity by making rail the mode of choice in the national logistics chain.

Our principal activities during the year were the provision of rail access and infrastructure management of rail networks, either owned or leased by ARTC and the delivery of the Inland Rail Project.

We are a company incorporated under the Corporations Act and a Government Business Enterprise (GBE) as prescribed under the Public Governance, Performance and Accountability (PGPA) Act. Our shares are owned by the Commonwealth of Australia which is represented by the Minister for Infrastructure, Transport and Regional Development, and the Minister for Finance.

We are governed by a Board of Directors appointed by our Shareholder Ministers.

WHO WE ARE

We are one of Australia's largest freight rail network owners with more than 20 years of experience in building, maintaining and operating rail infrastructure.

Our network extends for more than 8,500 route kilometres and transports agricultural products, general freight and passenger services, as well as millions of tonnes of coal and minerals through New South Wales, Queensland, South Australia, Victoria and Western Australia and includes the Hunter Valley coal rail network.

We continue to meet the changing needs of our customers and are committed to the health and safety of our people, the environment, and local communities in which we operate.

WHAT WE DO

We were established to modernise rail in Australia. Our experienced team has delivered billions of dollars' worth of investment to revive our rail network, providing the transport and logistics industry with a safe and reliable network to support the many industries that Australia's economy depends on.

We work with rail operators to provide access to rail for businesses and producers across Australia and, through this, we manage the seamless, safe transit of hundreds of freight and passenger trains across our network every day.

We continue to build new rail projects throughout Australia, including the Inland Rail project that will help us keep pace with the increasing freight demands of Australia's growing population.

INLAND RAIL UPDATE

Inland Rail is national infrastructure funded by the Australian Government, that will enhance supply chains and complete the backbone of the national freight network between Melbourne and Brisbane via regional Victoria, New South Wales and Queensland. It will connect regional Australia to markets more efficiently, drive substantial cost savings for producers and consumers, and deliver significant economic benefits.

In 2022-2023, the Inland Rail construction continued in New South Wales, with the Narrabri to North Star Phase 1 section set for completion in mid-2023, enabling trains to operate between North Star and Narrabri.

Extensive community consultation, planning and design also continued in New South Wales. State Government environmental approvals for the Narromine to Narrabri and North Star to NSW/Queensland border section were secured in early 2023, with Australian Government approvals expected in mid-2023.

In another major milestone, construction of Inland Rail started in Victoria, with the first tranche of major works underway in Glenrowan, Barnawartha North, Seymour and Wangaratta.

Designs for the second tranche of works – including modifications at Wandong, Broadford, Tallarook, Euroa and Benalla – also progressed during the year to reference design stage.

On 7 October 2022, the Australian Government announced the appointment of Dr Kerry Schott AO to lead an independent review to assess the governance and program delivery approaches of the Inland Rail Program.

Dr Schott delivered her report to Ministers on 13 January 2023. The review confirmed the importance of Inland Rail to Australia's growing freight task, including improving road safety and helping to decarbonise the Australian economy.

The Report outlined 19 recommendations to improve the delivery of Inland Rail including the creation of a subsidiary entity for Inland Rail. The entity, now known as Inland Rail Pty Ltd ("IRPL"), was established on 10 July. IRPL is a 100% owned subsidiary of ARTC and is part of the ARTC income tax consolidated Group. The separation of IRPL is not expected to have an impact on the overall taxation profile of the Group.

OUR PEOPLE

We are dedicated to making ARTC a great place to work and continued to drive a more collaborative and inclusive culture as part of our ongoing efforts to build a high-performing, commercially strong and customer-focused company.

As of 30 June 2023, we employed 2,187 people across our operations in five states – New South Wales, Victoria, Queensland, Western Australia, and South Australia. We are very conscious of the impact of our operations and are proud of our regional footprint and the investment and employment we provide to communities across Australia.

Tax payments are just one component of the significant contributions made by ARTC to the Australian economy.

Further information is available at www.artc.com.au

TAX STRATEGY, RISK MANAGEMENT AND GOVERNANCE

We developed a Board approved Tax Governance Policy to guide the way in which the Group manages its tax obligations. The Tax Governance Policy is consistent with the Group's corporate governance framework reflecting the ASX "Corporate Governance Principles and Recommendations" and the Group's cautious risk appetite to taxation matters. The Policy is supported by tax related procedures and processes which ensure we effectively manage our tax risk.

Our approach to taxation aligns with the Group's business strategy, code of conduct and values. As a Government Business Enterprise, ARTC is governed by the *Public Governance, Performance and Accountability Act* (2013) [PGPA Act] and Government Business Enterprise [GBE] Guidelines. ARTC considers the interests of its Shareholder in the adoption of cautious tax strategies and avoidance of non-compliant tax practices.

We seek to uphold the reputation of the Group and our Shareholder by giving due consideration to our social and corporate responsibility to pay the right amount of tax, at the right time, in the right jurisdiction and be transparent in the conduct of our tax affairs.

ASSURANCE REGIMES

We are subject to a comprehensive three-year Internal Audit Plan and annual external audit by the Australian National Audit Office under section 98 of the PGPA Act. Management implements and manages robust tax compliance procedures ensuring a comprehensive review of all lodged returns. This is achieved through an agreed timetable of preparation and review of each return including review and sign-off by external tax specialists.

Tax issues are regularly reported to the Board through the Audit and Compliance Committee for consideration and information.

TAX PLANNING

We do not undertake transactions of a contrived or artificial nature for the purpose of obtaining a tax benefit. All transactions are undertaken in the context of the commercial needs of the company, which are of primary importance. We engage in Tax Planning to legitimately achieve the best after tax outcomes, that is, through claiming available deductions, tax rebates, offsets and credits.

Due consideration is given to our reputation, brand, corporate and social responsibilities in conjunction with the legal and fiduciary duties of directors and employees when considering appropriate Tax Planning and initiatives.

We are committed to observing all applicable tax laws, rulings, and regulations in meeting its tax compliance obligations in all jurisdictions where we operate.

Professional opinions are obtained from reputable external advisors on matters where the amount of the tax involved is significant and the tax treatment is complex or relates to non-routine transactions.

RELATIONSHIP WITH TAX AUTHORITIES

We establish pro-active, respectful, and transparent relationships with tax authorities based on clear and early communication. Where management considers appropriate, we engage with the tax authorities to obtain formal guidance (including private binding rulings) in relation to the taxation consequences of complex or non-routine transactions or where there is uncertainty in the application of the tax laws.

AUSTRALIAN TAX CONTRIBUTION SUMMARY 2023

ARTC pays various taxes to State and Federal tax authorities and collects and remits various taxes on behalf of those authorities.

TABLE 1 – TAXES PAID IN AUSTRALIA

Tax Type	2023 $'000s	2022 $'000s
Corporate Income Tax*	0	0
GST Paid	180,103	142,766
Fringe Benefits Tax*	141	71
Employer Payroll Tax	18,348	16,648
Other Miscellaneous Taxes**	2,582	3,095
Total taxes paid	**201,174**	**162,580**

**ARTC pays monthly instalments of income tax, based on the instalment rate issued by the ATO, during the year with a balancing payment made (or refund of instalments received) in December after finalisation and lodgement of the tax return. The figures shown represent the net tax paid in respect of the 2023 income and FBT year not the amounts physically paid during the year. The reasons for net nil income tax payments are outlined in the following two sections of this report and summarised in Tables 3 and 4.*

***Includes individually immaterial amounts in relation to Land Tax, Stamp Duty, Emergency Services Levy and Council rates etc.*

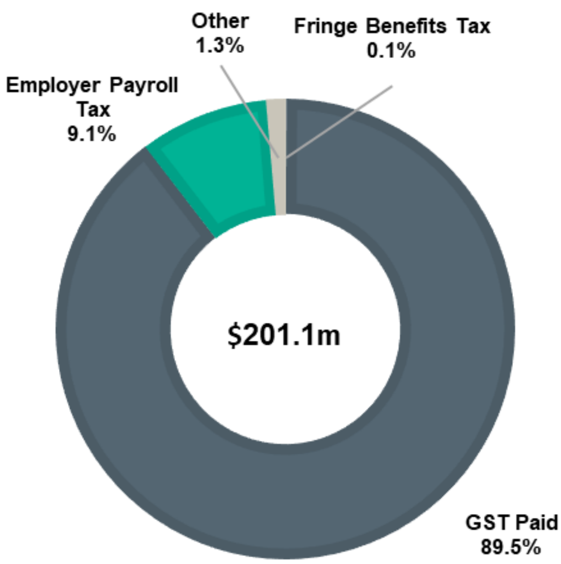
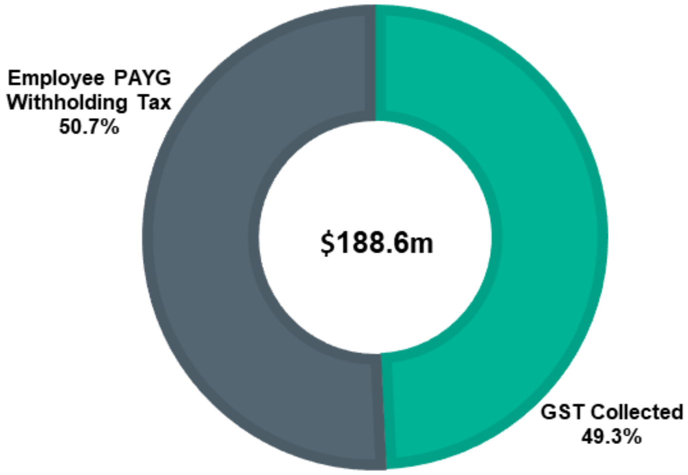


TABLE 2 – TAXES COLLECTED AND REMITTED IN AUSTRALIA

Tax Type	2023 $'000s	2022 $'000s
GST Collected	92,924	81,391
Employee PAYG Withholding Tax	95,745	85,245
Total taxes collected	**188,669**	**166,636**



RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

Australian Accounting Standards require an entity to calculate and disclose various tax balances including its tax expense for the period. Note 8 of the 2023 Financial Statements includes a reconciliation between accounting profit before tax and tax expense to show the relationship between accounting profit and tax expense and explain, numerically, why tax expense does not equal 30% of accounting profit.

The reconciliation is reproduced below.

TABLE 3 – RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

Item	2023 $m	2022 $m
Profit/(Loss) before tax	(1,844.8)	(672.0)
Prima Facie tax @ 30% corporate tax rate	(553.4)	(201.6)
Tax effect of adjustments for non-taxable items		
Adjustments in respect of prior periods	0.0	0.0
Change in recognised deductible temporary differences	597.9	247.1
Other	0.1	0.1
Tax Expense	**44.6**	**45.6**
Effective Tax Rate	**(2.4%)**	**(6.8%)**
Normalised Effective Tax Rate	**30.0%**	**30.0%**

Tax expense is an accounting concept which brings to account an estimate of the Company's tax payable for the period (current tax expense), and the tax effect of temporary differences i.e. items expected to be deductible or assessable in calculating current tax in future periods (deferred tax expense). Adjustments in respect of prior periods relate to the subsequent adjustment of estimates to finalise the income tax return for lodgement.

Effective Tax Rate (ETR) is defined in the Australian Accounting Standards as Tax Expense divided by profit before tax for the period.

The most significant item impacting on tax expense and ETR is the "Change in recognised deductible temporary differences". ARTC has a significant potential Deferred Tax Asset (DTA) in relation to its Division 58 assets[1] arising from the treatment of leased assets in NSW and the cumulative impact of impairments and fair value reductions to the accounting value of infrastructure assets. The potential DTA is reviewed annually in accordance with applicable accounting standards in relation to the recognition of deductible temporary differences in the financial accounts.

1 *Division 58 of the ITAA 1997 deals with assets acquired from a tax-exempt entity in connection with the acquisition of a business. The Division allows the acquirer to claim tax depreciation deductions based on the deemed cost of the assets, which in ARTC's case results in higher depreciation for tax purposes than for accounting purposes.

This can lead to changes in the recognition of deductible temporary differences from period to period which skew the ETR. This is purely a matter for accounts preparation purposes and does not impact on ARTC's ability to claim the tax deductions in its future income tax returns.

ARTC had an ETR of (2.4%) due to the DTA recognition issue. Excluding the DTA recognition issue, the Normalised ETR is 30.0%.

RECONCILIATION OF TAX EXPENSE/(BENEFIT) TO INCOME TAX PAYABLE

The tax law and accounting standards contain different rules around the timing of when amounts may be assessable or deductible. These differences give rise to temporary differences which are recognised in deferred tax expense.

The actual income tax paid differs from the tax expense due to deferred tax expense impacts:

TABLE 4 – RECONCILIATION OF TAX EXPENSE/(BENEFIT) TO INCOME TAX PAYABLE

Tax expense	**2023 $m**	**2022 $m**
Total Tax Expense/(Benefit) per accounts	44.6	45.6
Less movements in temporary differences recognised in deferred tax expense		
Property, plant & equipment - temporary differences allowable*	(19.5)	(24.2)
Other accrued amounts	(5.5)	(11.3)
Recognition/(utilisation) tax losses and offsets	(19.6)	(10.1)
Current Tax Expense	**0.0**	**0.0**
Less: adjustments to current tax in respect of prior periods	0.0	0.0
Plus: adjustments to current tax for this period	0.0	0.0
Income Tax Payable in respect of financial year	**0.0**	**0.0**

** The temporary differences in relation to property, plant & equipment exist due to ARTC's ability to claim tax depreciation on its leased assets in NSW under Division 58 of the Income Tax Assessment Act (1997), in addition to the cumulative impact of accelerated tax depreciation and impairments and fair value reductions to the accounting value of infrastructure assets.*

TAX INFORMATION DISCLOSED BY THE ATO

In December each year the ATO publishes its Report of Entity Tax Information for the preceding income year. The report to be published in December 2024 is expected to include the following information in relation to ARTC's recently lodged June 2023 tax return:

TABLE 5 – REPORT OF ENTITY INFORMATION

Name:	Australian Rail Track Corporation Limited
ABN:	75 081 455 754
Total income:	$868,695,297
Taxable income:	$0
Tax payable @ 30%:	$0

The total income represents ARTC's accounting income before offsetting expenses to arrive at the accounting loss before tax of $1,844.8m disclosed at Table 3 above.

Taxable income is calculated as all income assessable in the current income year less all expenses allowable as deductions under the income tax legislation but before applying any offsets or credits. The difference between taxable income and accounting profit before tax mostly consists of temporary differences i.e. expenditure is deductible for both tax and accounting purposes but in different periods. The most significant temporary difference is in relation to depreciation of property, plant & equipment resulting from ARTC's significant investment in infrastructure assets (including the Inland Rail route between Melbourne and Brisbane discussed above). ARTC's ability to claim tax depreciation deductions in relation to its past and current significant infrastructure projects is a key driver of the nil tax payable position.

Tax payable is the taxable income multiplied by the Corporate Tax Rate (30%) reduced by any applicable offsets or credits.

The ATO has published additional explanatory information on its website[2] which acknowledges that variations between an entity's tax expense as recorded in its statutory accounts and tax payable as recorded in a tax return can arise for reasons consistent with the matters noted above.

[2] Australian Taxation Office 2023, *Report of entity tax information*, accessed 26 October 2023, <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Report-of-entity-tax-information/>.


ADVANCED