



# 2021

Tax Transparency Report

# Message from the Chief Financial Officer

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In a year that continued to provide a challenging environment across many of Australian Unity Limited's (**Australian Unity**) business units, Australian Unity was able to continue to progress its strategic agenda through the delivery of health, wealth and care products and services. The group has remained focused on meeting the wellbeing needs of its members and customers—and deliver community and social value.

We value the contribution we make to the community and remain committed to providing accessible and transparent information about our businesses, including tax contributions and our approach to tax strategy. Australian Unity voluntarily adopted the Tax Transparency Code in 2017 in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Transparency Code (**TTC**).

This report shows that the Australian Unity Consolidated Group paid \$38 million of taxes and \$108.3 million of taxes were collected and remitted for the financial year ended 30 June 2021.

## **Darren Mann**

Group Executive Finance & Strategy  
and  
Chief Financial Officer

### About Australian Unity

Established in 1840, we were Australia's first member-owned wellbeing company, delivering health, wealth and care services. We're committed to real wellbeing for all Australians, and for us, real wellbeing means so much more than physical health. It's about your standard of living and feeling safe in your home. It's your personal relationships and being connected to your community. It's about what you want to achieve in life, while having the security to get out and do what makes you happy.

Being a member-owned company—also called a mutual—gives us the freedom to invest money back into the services and solutions that matter most to our members, customers and the Australian community.

### Australian Unity's Tax Profile

Australian Unity is a company limited by shares and guarantee, however, no shares ordinary have been issued. Australian Unity made the necessary amendments to its constitution to allow for the issue of mutual capital instruments (MCI), a perpetual instrument that mutuals can issue. On 24 December 2020, Australian Unity issued \$120 million of Australian Unity MCIs. The holders of Australian Unity MCIs are expected to receive fully franked fixed rate dividend payments semi-annually. The first MCI dividend was paid on 15 April 2021.

Australian Unity and its wholly owned Australian controlled entities have formed a Tax Consolidated Group. As a mutual, while maintaining our purpose to help people thrive, we are subject to taxation on our activities and gains derived from the investment portfolio held on behalf of our life insurance policyholders. Tax paid by Australian Unity on mutual benefit fund income that is derived from policyholders are not available for franking dividends payable to holders of Australian Unity MCIs. However, tax paid on shareholder income will generate franking credits that are available for franking dividends payable to holders of the MCIs.

### Our approach to tax

We take our tax obligations seriously. Our approach to tax is predicated on integrity and transparency, which are the overarching principles governing the Australian Unity Group Tax Risk Management Framework (**Framework**) endorsed by our Board. These principles also govern our tax governance, reporting and strategy.

Key elements of our approach to tax include:

- Complying with all applicable tax laws from Federal to State;
- Applying the highest standards of compliance to meet our obligations under tax legislation and a low tolerance for failing to comply with our taxation obligations;
- Adopting a balanced risk appetite to tax structuring on a range of transactions and activities across the enterprise; and
- Maintaining a professional and transparent relationship with the Australian Taxation Office with early engagement on major transactions.

The General Manager of Taxation & Tax Counsel reports on the effectiveness of the design and operation of the Framework annually and escalates tax matters in accordance with the Framework to the Audit Committee.

The Australian Unity Tax Team embeds risk management in all of our critical business activities, functions, processes and systems through the following mechanisms:

- Risk assessments – we regularly assess known, new and emerging risks and if concerns are raised external advice is sought;
- Risk controls – we put controls in place over material risks, and periodically assess the design and operational effectiveness of those controls and rectify any deficiencies; and
- Reputational risk – we assess the materiality of a risk based on the degree of financial and non-financial impacts, including community, reputational and legal impacts.

We assess the tolerability of a tax-related risk based on a combination of residual risk and control effectiveness.

## Income taxes disclosed in the Consolidated Financial Statements

Income taxes are disclosed at Note 4 to the Consolidated Financial Statements of Australian Unity's FY 2020 and FY 2021 Annual Reports. It sets out the reconciliation of accounting profit to income tax expense and contains income tax payable:

<b>Reconciliation of income tax expense/(benefit) to prima facie tax payable</b> <i>(see Note 4(b) of Australian Unity's Consolidated Financial Statements)</i>	<b>FY 2021</b>	<b>FY 2020*</b>	<b>FY 2020</b>
	<b>\$'000</b>	<b>(Restated)</b>	<b>(Previous)</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Profit/(loss) before income tax for the year</b>	<b>85,608</b>	<b>(17,705)</b>	<b>(9,600)</b>
<b>Less: profit/(loss) in benefit funds</b>	<b>(57,890)</b>	<b>10,107</b>	<b>10,107</b>
	<b>27,718</b>	<b>(7,598)</b>	<b>507</b>
<b>Tax at the Australian tax rate of 30%</b>	8,315	(2,279)	152
Non-assessable income	(7,938)	(9,034)	(9,034)
Other assessable amounts	296	385	385
Non-deductible expenditure	742	1,401	1,236
Other deductible expenditure	(2,141)	(2,001)	(2,001)
Under/ (over) provision in prior years	(1,785)	(6,315)	(6,315)
Tax credits	(799)	1,068	1,068
Other adjustments	(1,879)	52	52
Tax in benefit funds	57,890	(10,107)	(10,107)
<b>Income tax expense/(benefit)</b>	<b>52,701</b>	<b>(26,830)</b>	<b>(24,564)</b>
<b>Reconciliation of income tax expense/(benefit) to income tax payable/(recoverable)</b>			
Income tax expense/(benefit)	52,701	(26,830)	(24,564)
Temporary differences: deferred tax	(27,582)	4,699	5,296
Adjustments for current tax of prior periods	(12,719)	14,989	14,989
<b>Income tax payable/(recoverable)</b> <i>(see current tax expense/(benefit) at Note 4(a) of Australian Unity's Consolidated Financial Statements)</i>	<b>12,400</b>	<b>(7,142)</b>	<b>(4,279)</b>

\* Australian Unity has identified a number of adjustments resulting in the restatement of its FY 2020 financial statements. The tax impact of the restatement has been reflected in the table above, and further details are available in Australian Unity's FY 2021 annual report.

The key differences between Australian Unity's Effective Tax Rate (ETR) per the Consolidated Financial Statements and the corporate tax rate of 30% for the FY 2021 can be attributed to the following key factors:

### Items increasing Income Tax Expense and ETR

- **non-deductible expenditure:** attributed to expenditure and outgoings incurred on certain life insurance products issued before 1 January 2003 which are not subject to tax under the tax law and non-deductible entertainment; and
- **tax in benefit funds:** attributed to the tax paid on returns from investments held on behalf of life insurance policyholders.

### Items decreasing Income Tax Expense and ETR

- **non-assessable income:** attributed to the following:
  - management fee income on certain life insurance products issued before 1 January 2003 which are not subject to tax under the tax law;
  - receipt of loan amounts from residents on entering a retirement village which are non-assessable;
- **other deductible expenditure:** attributed to expenditure incurred for lease repayments to residents on leaving a retirement village; and
- **tax credits:** represents the franking credits receivable from external investments.

## Effective tax rate

The ETR is calculated as income tax expense divided by accounting profit. For comparability, as required under the TTC guidance, prior year assessments and tax return under/overs are to be excluded:

	FY 2021 Per Annual Report	FY 2021 \$'000 Adjustment for one-off	FY 2020 (Restated)* \$'000 Per Annual Report	FY 2020 (Restated)* \$'000 Adjustment for one-off	FY 2020 (Previous) \$'000 Per Annual Report	FY 2020 (Previous) \$'000 Adjustment for one-off
<b>Effective Tax Rate</b>						
<b>Income tax expense/(benefit) per Annual Report</b>	52,701	52,701	(26,830)	(26,830)	(24,564)	(24,564)
Adjustments for over provision in prior years	-	1,785 <sup>†</sup>	-	6,315	-	6,315
<b>Income tax expense/(benefit) adjustment for one-off</b>	-	54,486	-	(20,515)	-	(18,249)
Profit/(loss) before Income Tax	85,608	85,608	(17,705)	(17,705)	(9,600)	(9,600)
<b>Effective Tax Rate %</b>	62%	64%	0% <sup>††</sup>	0% <sup>††</sup>	0% <sup>††</sup>	0% <sup>††</sup>

<sup>†</sup> Adjustments for over provision are primarily due to the differences between the income tax return and income tax provision.

<sup>††</sup> In the prior year (FY 2020), Australian Unity reported an income tax benefit and accounting loss before tax, with tax payable estimated to be nil (after tax offsets and credits). In line with the guidance in the AASB's Draft Appendix to the Tax Transparency Code, the ETR was disclosed as nil for FY 2020.

\* Australian Unity has identified a number of adjustments resulting in the restatement of its FY 2020 financial statements. The tax impact of the restatement has been reflected in the table above, and further details are available in Australian Unity's FY 2021 annual report.

## Total tax contribution summary

The following tables and chart provide a summary of Australian Unity's contribution to the Australian tax system (both Federal and State taxes) in FY 2020 and FY 2021.

	2021 \$'000	2020 \$'000
<b>Total taxes borne by Australian Unity</b>		
Corporate income tax <sup>§</sup>	12,400	-
Employer - payroll tax <sup>§§</sup>	21,829	23,296
Non recoverable GST <sup>§§§</sup>	3,588	6,323
Fringe benefits tax <sup>§§§§</sup>	256	916
<b>Total</b>	<b>38,073</b>	<b>30,535</b>

<sup>§</sup> As per tax provision at June 30. While the estimated tax payable based on the FY 2020 tax provision was calculated to be nil, the final income tax liability was \$8.5 million (after tax offsets and credits) as per Australian Unity's 2020 lodged consolidated income tax return.

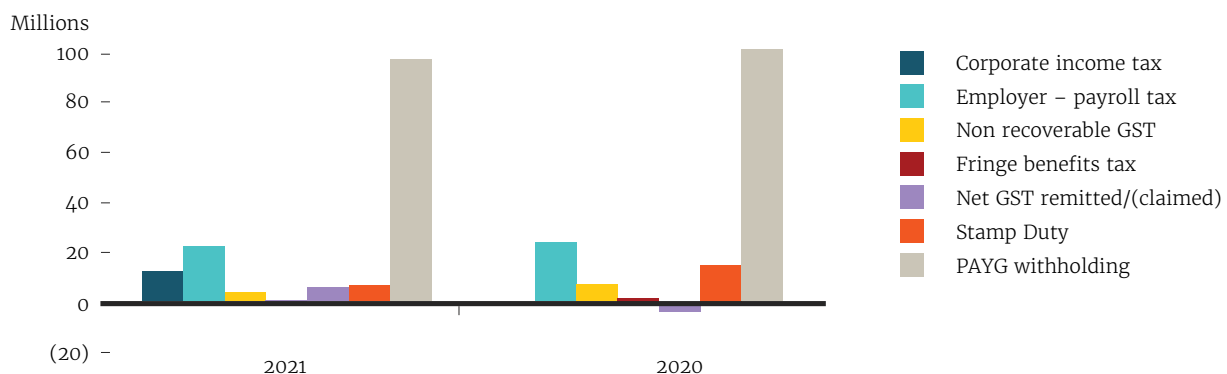
<sup>§§</sup> Our operations employ slightly over 7,000 employees. During FY 2020, payroll tax payments totalling \$6.95m were deferred to FY 2021 due to the application of COVID-19 concessions.

<sup>§§§</sup> This amount represents the GST paid by Australian Unity in relation to making input taxed supplies (i.e. financial supplies and retirement village accommodation) that are not recoverable from the ATO.

<sup>§§§§</sup> Fringe benefits tax paid during the 2021 FBT year decreased significantly due to the impact of COVID-19 and a reduction in the amount of fringe benefits provided to employees.

	2021 \$'000	2020 \$'000
<b>Total taxes collected and remitted by Australian Unity</b>		
GST collected <sup>¶</sup>	131,852	36,058
GST claimed <sup>¶</sup>	(126,760)	(38,385)
Net GST remitted/(claimed)	5,092	(2,327)
Stamp Duty	6,228	14,343
PAYG withholding	97,019	103,006
<b>Total</b>	<b>108,339</b>	<b>115,022</b>

<sup>¶</sup> The increase in GST liability and GST claimed predominantly relates to the development of the Herston Quarter and the upfront receipt of leasing income relating to the Herston Car Park.



# For Real Wellbeing Since 1840

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