

# Tax Transparency Report

2019



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## Message from the Chief Financial Officer

In the year under review, Australian Unity Limited (Australian Unity) has substantially advanced its strategic plans to build a sustainable portfolio of businesses that foster individual and community wellbeing. Our purpose—to help people thrive—is what drives our approach, whether through the products and services we deliver to our members and customers or the broader contribution we make to the community.

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.

The Tax Transparency Report is based on the overarching principles of the Tax Transparency Code (TTC). It shows that Australian Unity Consolidated Group paid \$48.1 million of taxes and \$99.6 million of taxes were collected and remitted for the financial year ended 30 June 2019.



**Darren Mann**  
Deputy Head of Finance  
& Chief Financial Officer

## About Australian Unity

Established in 1840, Australian Unity is one of Australia's first member-owned wellbeing companies.

From our early days, we've been here to help people thrive and been strong advocates in the community for positive change and the wellbeing of Australians. Today, while we've grown to a company of more than 7,000 employees with hundreds of thousands of members and customers, we remain true to our roots. Our broad range of products and services are focused on enhancing the wellbeing of Australians.

## Australian Unity's Tax Profile

Australian Unity is a company limited by shares and guarantee, however, no shares have been issued as Australian Unity is a mutual company governed by, and for the benefit of, its members. 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. However, as a mutual, Australian Unity is unable to access one of the key benefits available to a corporate taxpayer being that we are not able to make distributions to our members and pass on franking credits.

Australian Unity's mutual status has also meant it has been restricted in raising different forms of capital. However, legislation that passed through the Federal Parliament this year allows mutuals to raise permanent capital through the issue of a specific financial product called a Mutual Capital Instrument (MCI). Australian Unity is required to amend its constitution to facilitate the issuance of MCI's with such amendments requiring a special resolution of voting members to pass.

## 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 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 in each business; and
- Maintaining a professional and transparent relationship with the Australian Taxation Office with early engagement on major transactions.

The General Manager of Taxation reports on the operation and effectiveness of the Framework annually to the Risk & Compliance Committee 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 effectiveness of those controls and rectify any deficiencies; and
- Risk materiality and tolerability evaluation – 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 2017, FY 2018 and FY 2019 Annual Reports. It sets out the reconciliation of accounting profit to income tax expense and contains income tax payable:

Reconciliation of income tax expense/(benefit) to prima facie tax payable <i>(See Note 4(b) of Australian Unity's Consolidated Financial Statements)</i>	FY 2019 \$'000	FY 2018 \$'000	FY 2017 \$'000
<b>Profit before income tax for the year</b>	<b>97,229</b>	73,478	45,266
<b>Less: profit in benefit funds</b>	<b>(37,112)</b>	<b>(25,072)</b>	<b>(12,034)</b>
	<b>60,117</b>	<b>48,406</b>	<b>33,232</b>
<b>Tax at the Australian tax rate of 30%</b>	<b>18,035</b>	14,522	9,970
Non-assessable income	(5,695)	(11,695)	(12,315)
Non-deductible expenditure	1,660	3,362	3,953
Other deductible expenditure	(1,497)	(1,133)	(3,549)
Over provision in prior years	(4,006)	(7,944)	(11,669)
Tax credits	(948)	(248)	(6)
Other Deferred Tax Adjustments	(433)	0	0
Tax in benefit funds	37,112	25,072	12,034
<b>Income tax expense/(benefit)</b>	<b>44,228</b>	<b>21,936</b>	<b>(1,582)</b>
<b>Reconciliation of income tax expense/(benefit) to income tax payable</b>			
Income tax expense/(benefit)	44,228	21,936	(1,582)
Temporary differences: deferred tax	(29,877)	(5,203)	(2,204)
Adjustments for current tax of prior periods and others	7,781	19,052	16,307
<b>Current year tax paid or payable</b> <i>(See current tax expense at Note 4(a) of Australian Unity's Consolidated Financial Statements)</i>	<b>22,132</b>	<b>35,785</b>	<b>12,521</b>

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 2019 can be attributed to the following key factors:

#### Items increasing Income Tax Expense and ETR

- **non-deductible expenditure:** attributed to the non-recognition of a deferred tax asset in respect of share of loss in joint venture companies;
- **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 management fee income on certain life insurance products issued before 1 January 2003 which are not subject to tax under the tax law;
- **non-assessable income:** attributed to the receipt of loan amounts which are non-assessable; and
- **other deferred tax adjustments:** attributed to net capital loss not previously recognised.

### 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 is to be excluded:

	FY 2019 \$'000	FY 2019 \$'000	FY 2018 \$'000	FY 2019 \$'000	FY 2017 \$'000	FY 2017 \$'000
Effective Tax Rate	Per Annual Report	Adjustment for one-off	Per Annual Report	Adjustment for one-off	Per Annual Report	Adjustment for one-off
<b>Income Tax Expense/(benefit) per Annual Report</b>	44,228	44,228	21,936	21,936	(1,582)	(1,582)
Adjustments for over provision in prior years		4,006 <sup>#</sup>		7,944		11,669
<b>Income Tax Expense/(benefit) adjustment for one-off</b>		48,234		29,880		10,087
Profit before Income Tax	97,229	97,229	73,478	73,478	45,266	45,266
<b>Effective Tax Rate %</b>	45%	50%	30%	41%	(3)%	22%

<sup>#</sup> Adjustments for current tax of prior periods includes a one-off "adjustment of over provision in prior years' assessments" of \$5.4m and provision for R&D tax incentive claim of \$1.4m under review.

## 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 2017, FY 2018 and FY 2019.

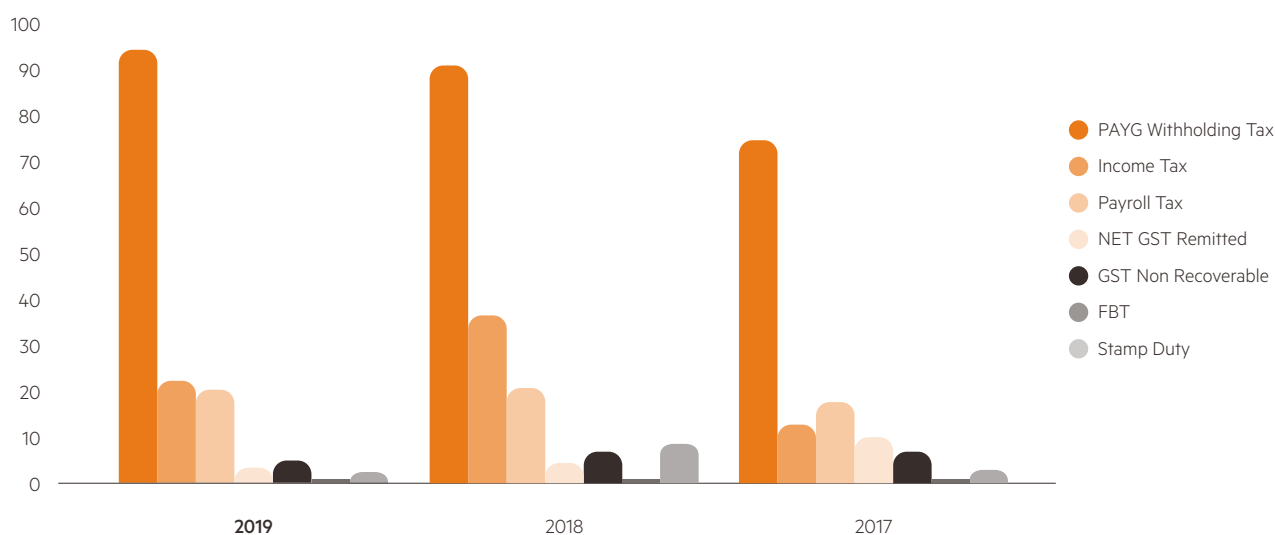
Total taxes borne by Australian Unity	FY 2019 \$'000	FY 2018 \$'000	FY 2017 \$'000
Corporate income tax*	22,132	35,785	12,521
Employer - payroll tax^	20,485	20,484	16,726
Non recoverable GST	4,748	6,693	6,731
Fringe benefits tax	715	747	674
<b>Total</b>	<b>48,080</b>	<b>63,709</b>	<b>36,652</b>

\* as per tax provision at June 30

^ our operations employ 7,000 employees

Total taxes collected and remitted by Australian Unity	FY 2019 \$'000	FY 2018 \$'000	FY 2017 \$'000
GST collected on supplies	34,216	37,854	44,010
GST claimed on acquisitions	(30,867)	(33,537)	(34,105)
Net GST remitted	3,349	4,317	9,905
Stamp Duty	2,351	8,430	2,788
PAYG withholding	93,913	90,497	74,299
<b>Total</b>	<b>99,613</b>	<b>103,244</b>	<b>86,992</b>

Total tax contribution summary (\$ millions)



This report should be read in conjunction with the Australian Unity 2019 Annual Report:  
[australianunity.com.au/companyperformance](http://australianunity.com.au/companyperformance)

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