



Tax Transparency Report

2023

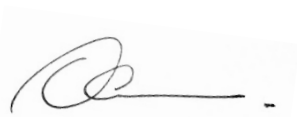
Message from the Chief Financial Officer

I am pleased to present Australian Unity Limited's (Australian Unity) Tax Transparency Report for the financial year ended 30 June 2023, which details our tax profile, tax contributions and how we manage our tax obligations.

While the year under review saw the unwinding of most COVID-19 restrictions, the economy faced the post-pandemic impact of significant market disruption—increasing inflation and consequent policy changes, including rapidly increasing interest rates and policy interventions in industry settings. Despite this volatility, the Group remained focused on progressing our strategic agenda through the delivery of health, wealth and care products and services for our members and customers—and delivering community and social value.

We are proud of the contribution we make to the community and are pleased to be a signatory to the Australian Board of Taxation voluntary Tax Transparency Code. This annual Tax Transparency Report reflects our sustained commitment to providing enhanced levels of transparency.

This report shows that the Australian Unity Consolidated Group paid \$10.6 million of taxes and \$137.8 million of taxes were collected and remitted.



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 more 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 ordinary shares have been issued. In 2019, 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. This was followed by a second tranche of MCIs being issued (\$230.1 million) on 3 November 2021. The holders of Australian Unity MCIs are expected to receive fully franked fixed rate dividend payments semi-annually, noting that payment of dividends is within the Australian Unity board's discretion. 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 is not available to frank the dividends payable to holders of Australian Unity MCIs. However, tax paid on non-policyholder income will generate franking credits that are available to frank 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 2023 and FY 2022 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 2023 \$'000	FY 2022 \$'000
Profit/ (loss) before income tax for the year	101,058	(35,900)
Less: profit/(loss) in benefit funds	(34,085)	64,737
	66,973	28,837
Tax at the Australian tax rate of 30%	20,092	8,651
Non-assessable income	(9,978)	(26,171)
Other assessable amounts	11	1,281
Non-deductible expenditure	3,287	5,919
Other deductible expenditure	(2,481)	(1,641)
Under/ (over) provision in prior years	1,554	291
Tax credits	711	(1,313)
Other adjustments	(3,001)	(3,899)
Tax in benefit funds	34,085	(64,737)
Income tax expense/(benefit)	44,280	(81,619)
Reconciliation of income tax expense/(benefit) to income tax payable/(recoverable)		
Income tax expense/(benefit)	44,280	(81,619)
Temporary differences: deferred tax	(73,621)	84,640
Adjustments for current tax of prior periods	6,558	(1,149)
Income tax payable/(recoverable) <i>(see current tax expense/(benefit) at Note 4(a) of Australian Unity's Consolidated Financial Statements)</i>	(22,783)	1,872

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 2023 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, intangibles written-off for accounting purposes 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; and
- **other deductible expenditure:** attributed to expenditure incurred for lease repayments to residents on leaving a retirement village;
- **tax credits:** represents the franking credits receivable from external investments and write-off of foreign income tax offsets; and
- **other adjustments:** attributed to a reassessment of the deferred tax liability balance relating to an investment.

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:

Effective Tax Rate	FY 2023 \$'000 Per Annual Report	FY 2023 \$'000 Adjustment for one-off	FY 2022 \$'000 Per Annual Report	FY 2022 \$'000 Adjustment for one-off
Income Tax Expense/(benefit) per Annual Report	44,280	44,280	(81,619)	(81,619)
Adjustments for over provision in prior years	—	(1,554)*	—	(291)
Income Tax Expense/(benefit) adjustment for one-off	—	42,726	—	(81,910)
Profit/ (loss) before Income Tax	101,058	101,058	(35,900)	(35,900)
Effective Tax Rate %	44%	42%	0%	0%

* Adjustments for over provision are primarily due to the differences between the income tax return and income tax provision.

In the prior year (FY 2022), Australian Unity reported an income tax benefit and accounting loss before tax. In line with the guidance in the AASB's *Draft Appendix to the Tax Transparency Code*, the ETR has been disclosed as **nil** for FY 2022.

Australian Tax Return Information Published by the ATO

The ATO has published FY 2021 Australian tax information for large public companies (Australian public tax entities with total income of \$100 million or more) in November 2022. The following table of Australian Unity's FY 2021 tax return information was reported by the ATO.

Australian Unity Limited ABN: 23 087 648 888	FY2021 Tax Return \$'000
Total Income	1,709,075
Taxable Income**	52,622
30% on taxable income	15,786
Franking Credits	4,778
Foreign Tax Credits	965
Income Tax Payable***	10,043

** Taxable income is calculated based on accounting profit (total income less total expenses) adjusted for allowable tax differences provided for under Australian income tax law.

*** Australian Unity's prima facie tax payable is 30% of taxable income, however the ratio of tax payable to taxable income was 19% in FY 2021. The difference was due to available tax offsets, including franking credit offsets and foreign income tax offsets. The difference between the tax payable per Australian Unity's 2021 lodged consolidated income tax return (\$10m) and the estimated tax payable (\$12.4m) per the FY 2021 tax provision relates to under/over provision adjustments.

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 2023 and FY 2022.

Total taxes borne by Australian Unity	2023 \$'000s	2022 \$'000s
Corporate income tax [†]	(22,783)	1,872
Employer - payroll tax ^{††}	29,751	24,780 ^{†††}
Non recoverable GST ^{††††}	3,219	2,705
Fringe benefits tax	454	259
Total	10,641	29,616

[†] As per tax provision at June 30.

^{††} Our operations employ almost 7,700 employees.

^{†††} The 2022 amount has been restated (previously disclosed as \$40,453,000 in the 2022 tax transparency report) and has no impact on Australian Unity's statutory obligations reported.

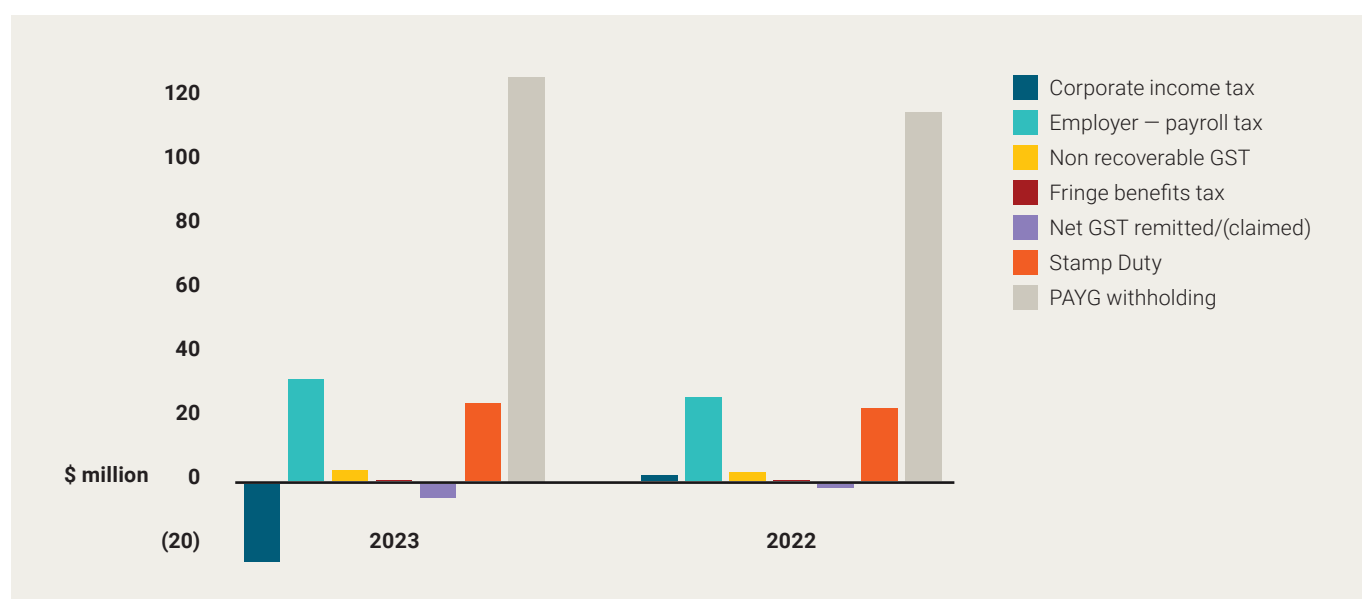
^{††††} This amount represents the GST paid by Australian Unity in relation to making input taxed supplies (i.e. financial supplies and retirement village accommodation) that are not recoverable from the ATO.

Total taxes collected and remitted by Australian Unity	2023 \$'000s	2022 \$'000s
GST collected	39,110	46,745
GST claimed	(42,982)	(47,945) ^{††}
Net GST remitted/(claimed) [†]	(3,872)	(1,200) ^{††}
Stamp Duty ^{†††}	22,867	21,627
PAYG withholding	118,783	108,444
Total	137,778	128,871

[†] The GST liability in FY 2022 was higher than in FY 2023, predominantly due to the timing of accounting for GST in Home Care services.

^{††} The 2022 amount has been restated – previously disclosed as \$44,258,000 GST claimed and \$2,487,000 net GST remitted/(claimed) in the 2022 tax transparency report.

^{†††} Majority of stamp duty paid during FY 2023 relates to the purchasing and selling of properties by Australian Unity funds.



For Real Wellbeing Since 1840

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