

180
YEARS

Australian
Unity 
Real Wellbeing



Tax Transparency Report 2020

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 the Australian Unity Consolidated Group paid \$30.5 million of taxes and \$115.0 million of taxes were collected and remitted for the financial year ended 30 June 2020. The impact of COVID-19 has contributed to an overall accounting loss before tax and an income tax benefit for the consolidated group. Accordingly, the effective tax rate for FY 2020 was reported as nil.



Darren Mann
Group Executive Finance & Strategy
and Chief Financial Officer

About Australian Unity

Established in 1840, Australian Unity is Australia’s first member-owned wellbeing company.

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 almost 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. Australian Unity has made the necessary amendments to its constitution to allow for the issue of mutual capital instruments (MCI), a perpetual instrument that mutuals can issue. MCIs allow mutuals to raise permanent capital. No MCIs have been issued as at the date of this report. 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.

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 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 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 2019 and FY 2020 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 2020 \$'000	FY 2019 \$'000
Profit/(loss) before income tax for the year	(9,600)	97,229
Less: Loss/(profit) in benefit funds	10,107	(37,112)
	507	60,117
Tax at the Australian tax rate of 30%	152	18,035
Non-assessable income	(9,034)	(5,695)
Other assessable amounts	385	-
Non-deductible expenditure	1,236	1,660
Other deductible expenditure	(2,001)	(1,497)
Over provision in prior years	(6,315)	(4,006)
Tax credits	1,068	(948)
Other adjustments	52	(433)
Tax in benefit funds	(10,107)	37,112
Income tax expense/(benefit)	(24,564)	44,228
Reconciliation of income tax expense/(benefit) to income tax payable/(recoverable)		
Income tax expense/(benefit)	(24,564)	44,228
Temporary differences: deferred tax	5,296	(29,877)
Adjustments for current tax of prior periods and others	14,989	7,781
Income tax payable/(recoverable) <i>(see current tax expense/(benefit) at Note 4(a) of Australian Unity's Consolidated Financial Statements)</i>	(4,279)	22,132

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 2020 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 credits:** represents the estimated foreign income tax offsets forgone based on the 30 June 2020 tax provision calculation for the AUL tax consolidated group.

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 which are non-assessable;
- **other deductible expenditure:** attributed to expenditure incurred for lease repayments; and
- **tax in benefit funds:** attributed to the tax benefit on returns from investments held on behalf of life insurance policyholders.

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 2020 \$'000 Per Annual Report	FY 2020 \$'000 Adjustment for one-off	FY 2019 \$'000 Per Annual Report	FY 2019 \$'000 Adjustment for one-off
Effective Tax Rate				
Income tax expense/(benefit) per Annual Report	(24,564)	(24,564)	44,228	44,228
Adjustments for over provision in prior years		6,315 [#]		4,006
Income tax expense/(benefit) adjustment for one-off		(18,249)		48,234
Profit/(loss) before Income Tax	(9,600)	(9,600)	97,229	97,229
Effective Tax Rate %	0%	0%	45%	50%

Adjustments for current tax of prior periods are primarily due to one-off benefits totalling \$5.8m, arising from adjustments to prior year tax positions.

For the 2020 year, 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 has been disclosed as **nil** for FY 2020.

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 2019 and FY 2020.

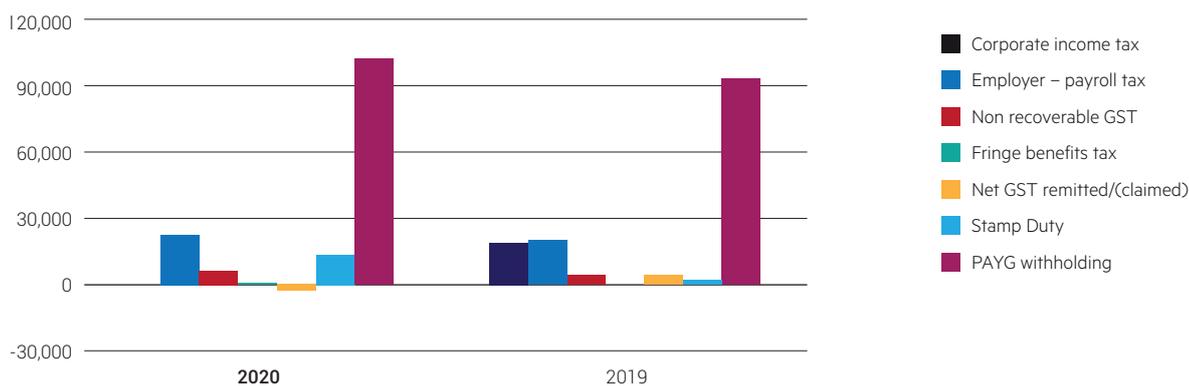
Total taxes borne by Australian Unity	\$'000 FY 2020	\$'000 FY 2019
Corporate income tax*	0	22,132
Employer - payroll tax^	23,296	20,485
Non recoverable GST	6,323	4,748
Fringe benefits tax	916	715
Total	30,535	48,080

* as per tax provision at June 30. An estimated nil tax payable (after tax offsets and credits) has been calculated for the AUL tax consolidated group in FY 2020.

^ our operations employ almost 7,000 employees. Payments totalling \$6.95m relating to payroll tax incurred during FY 2020 were deferred to the following financial year due to the application of COVID-19 concessions.

Total taxes collected and remitted by Australian Unity	\$'000 FY 2020	\$'000 FY 2019
GST collected on supplies	36,058	34,216
GST claimed on acquisitions	(38,385)	(30,867)
Net GST remitted/(claimed)	(2,327)	3,349
Stamp Duty	14,343	2,351
PAYG withholding	103,006	93,913
Total	115,022	99,613

Total tax contribution summary (\$ millions)



This report should be read in conjunction with the Australian Unity 2020 Annual Report:
australianunity.com.au/companyperformance

For Real Wellbeing Since 1840

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