

Tax Transparency Report

2022



Message from the Chief Financial Officer

Despite another year of disruption and uncertainty in the year under review, Australian Unity Limited (Australian Unity) continued to progress its strategic agenda through the delivery of health, wealth and care products and services. The Group remained focused on meeting the wellbeing needs of our members and customers—and delivering community and social value.

We value the contribution we make to the community and remain committed to pursuing an approach to tax that is principled, transparent and sustainable for the long term. 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) and has published a tax transparency report annually since then.

This report shows that the Australian Unity Consolidated Group paid \$45.3 million of taxes and \$132.6 million of taxes were collected and remitted for the financial year ended 30 June 2022.



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 are 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 2022 and FY 2021 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	FY 2022 \$'000	FY 2021 \$'000
<i>(see Note 4(b) of Australian Unity's Consolidated Financial Statements)</i>		
Profit/ (loss) before income tax for the year	(35,900)	85,608
Less: profit/(loss) in benefit funds	64,737	(57,890)
	28,837	27,718
Tax at the Australian tax rate of 30%	8,651	8,315
Non-assessable income	(26,171)	(7,938)
Other assessable amounts	1,281	296
Non-deductible expenditure	5,919	742
Other deductible expenditure	(1,641)	(2,141)
Under/ (over) provision in prior years	291	(1,785)
Tax credits	(1,313)	(799)
Other adjustments	(3,899)	(1,879)
Tax in benefit funds	(64,737)	57,890
Income tax expense/(benefit)	(81,619)	52,701
Reconciliation of income tax expense/(benefit) to income tax payable/(recoverable)		
Income tax expense/(benefit)	(81,619)	52,701
Temporary differences: deferred tax	84,640	(27,582)
Adjustments for current tax of prior periods	(1,149)	(12,719)
Income tax payable/(recoverable)		
<i>(see current tax expense/(benefit) at Note 4(a) of Australian Unity's Consolidated Financial Statements)</i>	1,872	12,400

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 2022 can be attributed to the following key factors:

Items increasing Income Tax Expense and ETR

- **other assessable amounts:** represents the gross up of franking credits received from external investments;
- **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;
- **tax credits:** represents the franking credits receivable from external investments; and
- **other adjustments:** attributed to the book-to-tax adjustment on the sale of a retirement village.

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 2022	FY 2022	FY 2021	FY 2021
	\$'000	\$'000	\$'000	\$'000
	Per Annual Report	Adjustment for one-off	Per Annual Report	Adjustment for one-off
Income Tax Expense/(benefit) per Annual Report	(81,619)	(81,619)	52,701	52,701
Adjustments for over provision in prior years	-	(291) *	-	1,785
Income Tax Expense/(benefit) adjustment for one-off	-	(81,910)	-	54,486
Profit/(loss) before Income Tax	(35,900)	(35,900)	85,608	85,608
Effective Tax Rate %	0%	0%	62%	64%

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

For the 2022 year, 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 2020 Australian tax information for large public companies (Australian public tax entities with total income of \$100 million or more) in December 2021. The following table of Australian Unity's FY 2020 tax return information was reported by the ATO.

Australian Unity Limited ABN: 23 087 648 888	FY 2020 Tax Return \$
Total Income	1,412,401,122
Taxable Income**	47,659,099
30% on taxable income	14,297,731
Franking Credits	(5,009,468)
Foreign Tax Credits	(801,375)
Income Tax Payable***	8,486,888

** 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 17.8% in FY 2020. The difference was due to available tax offsets, including franking credit offset and foreign income tax offset. As noted in Australian Unity's FY 2021 tax transparency report, there was a difference between the tax payable per Australian Unity's 2020 lodged consolidated income tax return (\$8.5m) and the estimated tax payable (nil) per the FY 2020 tax provision. The difference was due 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 2022 and FY 2021.

Total taxes borne by Australian Unity	2022 \$'000s	2021 \$'000s
Corporate income tax [†]	1,872	12,400
Employer - payroll tax ^{††}	40,453	21,829
Non recoverable GST ^{†††}	2,705	3,588
Fringe benefits tax	259	256
Total	45,287	38,073

[†] As per tax provision at June 30.

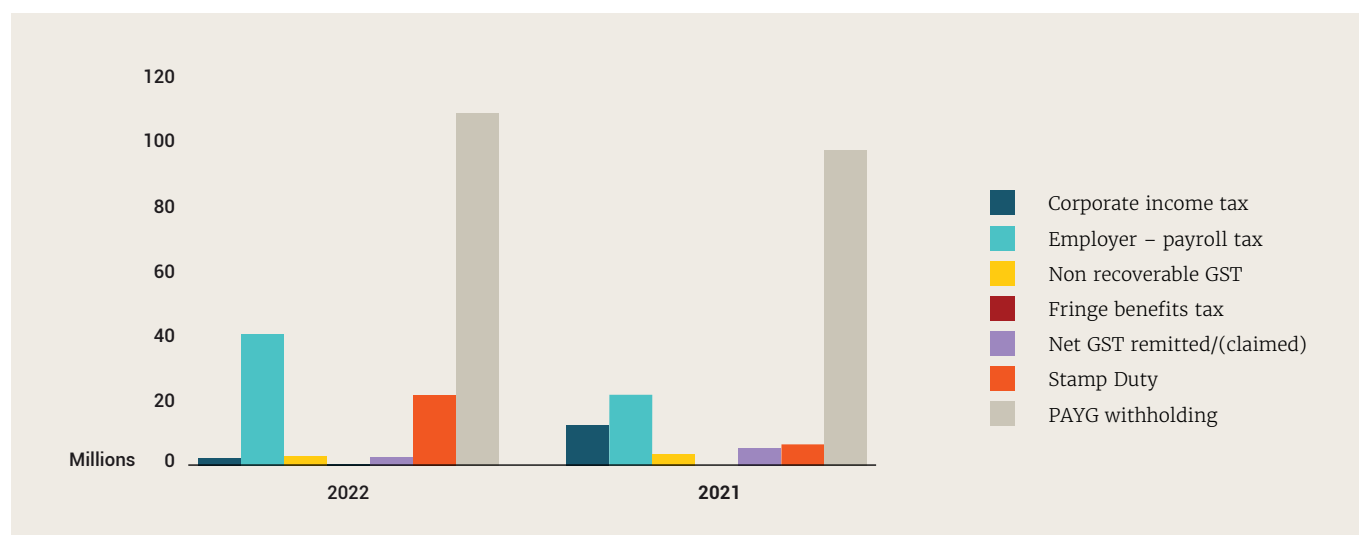
^{††} Our operations employ almost 7,000 employees. Higher FY 2022 amount compared to FY 2021 due to specific COVID concessions that were applied in FY 2021.

^{†††} 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	2022 \$'000s	2021 \$'000s
GST collected	46,745	131,852
GST claimed	(44,258)	(126,760)
Net GST remitted/(claimed) [†]	2,487	5,092
Stamp Duty ^{††}	21,627	6,228
PAYG withholding	108,444	97,019
Total	132,558	108,339

[†] The GST liability and GST claimed amounts in FY 2021 were higher than in FY 2022, predominantly due to the development of the Herston Quarter and the upfront receipt of leasing income relating to the Herston Car Park during FY 2021.

^{††} The increase in stamp duty paid during FY 2022 predominantly relates to the purchase of Greengate Partnership Pty Ltd by Australian Unity.



This report should be read in conjunction with the Australian Unity 2022 Annual Report: australianunity.com.au/companyperformance

For Real Wellbeing Since 1840

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