



2018 Tax Transparency Report

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Australian Unity Limited (“**Australian Unity**”) is pursuing a clear strategy to develop products and services that provide personal and community value and products and services designed to help people thrive.

We are proud of the contribution we make to the Australian community and are committed to providing accessible and transparent information about our businesses, including tax contributions and our approach to tax strategy.

This report is based on the overarching principles of the Tax Transparency Code (“**TTC**”) detailing the tax contributions Australian Unity made in Australia with \$63.7 million of taxes borne by Australian Unity and \$103.2 million of taxes collected and remitted by Australian Unity for the financial year ended 30 June 2018.



Darren Mann
Deputy Head of Finance
& Chief Financial Officer

ABOUT AUSTRALIAN UNITY

Australian Unity is a health, wealth and living organisation. We are working to create a brighter future by delivering services that help more than a million Australians thrive.

As a mutual company, we invest back into our products, services and the Australian community. We can trace our roots back more than 175 years; today our purpose remains the same. We put our customers and members front and centre of everything we do, from delivering sustainable performances to building strong communities.

Employing more than 7,500 employees in our operations, we continue to invest in the provision of social infrastructure in both its ‘hard’ and ‘soft’ forms; for example, in the growth of our Home & Disability Services business, Trustee Services business, Remedy Healthcare business, and in the development of our integrated health precinct, Herston Quarter, in Brisbane.

2018 SNAPSHOT

**Independent &
Assisted Living**

4.2m

Hours of home & disability
care provided

Retail

11 years

Australian Unity’s average premium
rise has been below the industry
average for 11 of the past 15 years

**Wealth &
Capital Markets**

\$1.25b

Multi-year pipeline of property
development opportunities

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.

As a mutual, while maintaining its 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 faces restrictions in raising different forms of capital while maintaining its mutual status. Therefore, we believe that government and regulators need to consider changing relevant legislation to enable mutual organisations to raise different forms of capital while being able to pay franked distributions. This would assist mutual organisations to fund growth in the services we provide to the community without the need to demutualise.

Australian Unity and its wholly owned Australian controlled entities have formed a tax consolidated group.

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 reporting, strategy and governance.

Key elements of our approach to tax include:

- Complying with all applicable tax laws;
- 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 Audit and Compliance Committee and escalates tax matters in accordance with the Framework.

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INCOME TAXES DISCLOSED IN 2018 CONSOLIDATED FINANCIAL STATEMENTS

Income taxes are disclosed at Note 4 to the Consolidated Financial Statements of Australian Unity's 2018 Annual Report. It sets out the reconciliation of accounting profit to income tax expense and contains income tax payable:

	FY 2018 \$'000
Reconciliation of income tax expense/(benefit) to prima facie tax payable	
<i>(see Note 4(b) of Australian Unity's 2018 Consolidated Financial Statements)</i>	
Profit before income tax for the year	48,406
Tax at the Australian tax rate of 30%	14,522
Non-assessable income	(11,695)
Non-deductible expenditure	3,362
Other deductible expenditure	(1,133)
Over provision in prior years	(7,944)
Tax credits	(248)
Tax in benefit funds	25,072
Income tax expense/(benefit)	21,936
Reconciliation of income tax expense/(benefit) to income tax payable	
Income tax expense/(benefit)	21,936
Temporary differences: deferred tax	(5,203)
Adjustments for current tax of prior periods	19,052
Current year tax paid or payable	35,785
<i>(see current tax expense at Note 4(a) of Australian Unity's 2018 Consolidated Financial Statements)</i>	

EFFECTIVE TAX RATE

The Effective Tax Rate ("ETR") is calculated as income tax expense divided by accounting profit. For comparability, as required under the TTC guidance, the \$7.9m related to prior year assessments and tax return under/overs is to be excluded:

	FY 2018 \$'000	
	Per Annual Report	Adjustment for one-off
Effective Tax Rate		
Income Tax Expense/(benefit) per Annual Report	21,936	21,936
Adjustments for over provision in prior years [#]	-	7,944
Income Tax Expense/(benefit) adjustment for one-off	-	29,880
Profit before Income Tax	48,406	48,406
Effective Tax Rate %	45%	62%

[#] Adjustments for current tax of prior periods includes a one-off "adjustment of over provision in prior years' assessments" of \$7.3m, which was processed by the ATO in FY 2018. The balance of \$0.6m related to the 2017 tax return under/overs.

The key difference between Australian Unity's ETR per the Consolidated Financial Statements and the corporate tax rate of 30% can be attributed to the following key factors:

Items increasing ETR

- **non-deductible expenditure:** attributed to the non-recognition of a deferred tax asset in respect of impairment and share of loss in joint venture companies.
- **non-deductible expenditure:** attributed to the impairment of goodwill.
- **non-deductible expenditure:** attributed to expenditure and outgoings incurred on certain life insurance products' income that is not deductible under the tax law.
- **tax in benefit funds:** attributed to the tax paid on returns from investments held on behalf of life insurance policyholders.

Items decreasing 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 a lower taxable capital gain than the accounting gain associated with divestments.
- **non-assessable income:** attributed to the receipt of loan amounts which are non-assessable.

TOTAL TAX CONTRIBUTION SUMMARY

The following charts provide a summary of Australian Unity’s contribution to the Australian tax system for the financial year ended 30 June 2018.

	FY 2018 \$'000
Total taxes borne by Australian Unity	63,709
Corporate income tax*	35,785
Employer – payroll tax^	20,484
Non recoverable GST	6,693
Fringe benefits tax	747
Total	63,709

* as per tax provision at June 2018

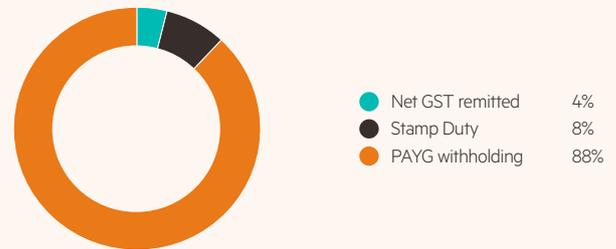
^ our operations employ more than 7,500 employees

Total taxes borne by Australian Unity
\$63.7m



	FY 2018 \$'000
Total taxes collected and remitted by Australian Unity	103,244
GST collected on supplies	37,854
GST claimed on acquisitions	(33,537)
Net GST remitted	4,317
Stamp Duty	8,430
PAYG withholding	90,497
Total	103,244

Total taxes collected and remitted by Australian Unity
\$103.2m



This report should be read in conjunction with the Australian Unity 2018 Annual Report:

australianunity.com.au/companyperformance

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