

# Tax Report 2020

For the year ended 30 June 2020



# Message from the Chief Financial Officer

The Australian Government's voluntary Tax Transparency Code is designed to encourage greater transparency within the corporate sector and enhance community understanding of the sector's compliance with Australia's tax laws.

Medibank supports the public disclosure of tax information and it's in this spirit that I present our Tax Report for the 2020 financial year (FY20). This is the fifth year in a row we have voluntarily made this information publicly available.

To meet the expectations of our customers, regulators and wider community, it is our policy to not engage in tax avoidance schemes or aggressive tax positions. In FY20 we made tax payments solely in Australia, reflecting our 100% domestic operations. We paid \$379.2 million in taxes and levies to Australian revenue authorities over this period, with our effective tax rate of 29.9% up from 29.0% in the previous year.

We are proud of Medibank's contribution to Australia's public finances and remain committed to our ongoing transparency in this area.

**Mark Rogers**  
Chief Financial Officer



## Contents

1. Introduction	2
2. Our business	2
3. Tax governance and strategy	3
4. Income tax disclosures	3
5. Tax contributions	5



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## 1. Introduction

This report provides information on Medibank Private Limited's (Medibank/our/we) approach to tax governance and strategy, and details our tax-related payments for the year ended 30 June 2020 (FY20).

We make a wide range of tax-related payments to governments in the jurisdictions in which we operate. In addition to paying corporate tax levied on profits generated for shareholders, we pay goods and services tax (GST), fringe benefits tax (FBT), payroll tax, stamp duties, and health insurance levies. As an Australian employer, we also collect and pay "pay-as-you-go" (PAYG) taxes on behalf of our employees, as well as contributing to their superannuation.

We make a wide range of tax-related payments to governments in the jurisdictions in which we operate

Paid   
**\$379.2 million**  
in taxes and levies to  
Australian revenue authorities

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## 2. Our business

Medibank is a publicly listed company on the Australian Securities Exchange. Our policy is to ensure we comply with all statutory tax obligations in the jurisdictions in which we operate. With 100% of our operations based in Australia during FY20, we made tax payments solely in Australia.

Our core business is the underwriting and distribution of private health insurance through two brands, Medibank and ahm. We offer hospital and extras policies to customers in Australia as well as health insurance to overseas visitors, students and workers. In addition, we distribute diversified insurance products including travel, life and pet insurance products, on behalf of other insurers.

Medibank delivers telehealth, allied health services, hospital in the home, chronic disease management and integrated care coordination. In addition, we provide a range of telephone and web-based health support services on behalf of government, business and not-for-profit clients. These services include nurse triage, mental health counselling and health support services.

As part of our obligations to hold sufficient capital as a regulated health insurer, we also maintain a portfolio of investments to satisfy our regulatory reserves. We also generate income from these investments.

**100%**  
of our operations were  
in Australia during FY20



Our policy is to ensure we comply with all statutory tax obligations in the jurisdictions in which we operate



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### 3. Tax governance and strategy

Tax risk management is an integral part of corporate governance at Medibank.

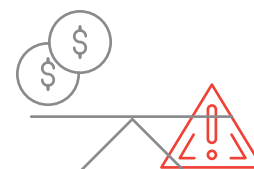
We manage our tax framework and strategy in accordance with our Tax Governance Policy, which the Medibank Board reviews and approves every two years. This policy was last approved in December 2020.

The policy and framework outline the process we follow to ensure we manage all our tax risks promptly and appropriately. We report our tax-related activities to the Board's Audit Committee on a regular basis.

In conducting our business, we are committed to ensuring that Medibank is compliant with all statutory tax obligations in the jurisdictions in which we operate. We do not engage in tax avoidance schemes or aggressive tax positions.

We maintain a transparent and productive relationship with revenue authorities, as shown through the voluntary disclosure of tax information contained in this report. The ATO undertook various review activities in relation to Medibank's tax affairs during FY20. In particular, the ATO completed its FY19 pre-lodgement compliance review. We continue to engage with the ATO in an open and transparent manner.

Tax risk management is an integral part of corporate governance at Medibank



We do not engage in tax avoidance schemes or aggressive tax positions

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### 4. Income tax disclosures

#### Tax consolidated group

Medibank and its wholly-owned Australian subsidiaries are members of an Australian income tax consolidated group and subject to tax as a single taxpayer for income tax purposes.

#### Effective tax rate

The "effective tax rate" is calculated by dividing Medibank's income tax expense by accounting profit before tax. Medibank's income tax expense utilised in the calculation of this effective tax rate is based solely on corporate income tax and excludes other types of non-corporate income taxes referenced in Section 5. As the effective tax rate is a concept calculated based on accounting profit rather than taxable income, it necessarily differs from a corporation's income tax liability, which is calculated based on the Australian tax legislation that reflects government policies and intent with respect to the taxation of corporations. In most instances, these differences are only timing in nature, as the accounting and tax concepts of income align over time.



Medibank's effective tax rate

29.9% for FY20

## Why is Medibank's effective tax rate less than 30%?

Medibank's effective tax rate for FY20 is 29.9% (FY19: 29.0%) of our accounting profits based on the FY20 audited financial report. The income tax expense / (benefit) is made up of the following:

### (a) Income tax expense

	2020 \$m	2019 \$m
<b>Continuing operations</b>		
Current tax	226.8	184.2
Deferred tax <sup>1</sup>	(93.9)	(2.9)
Adjustment for tax of prior period	1.7	(2.7)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>134.6</b>	<b>178.6</b>

1. Includes deferred tax of \$89.1 million (2019: nil) in relation to the COVID-19 claims liability. Refer to Note 3(b) in the Medibank Annual Report 2020 for further information on the COVID-19 claims liability.

Source: Medibank Annual Report 2020 (Note 14: Income tax)

Medibank's effective tax rate is lower than the Australian corporate tax rate of 30% due to several items detailed in the following table:

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	2020 \$m	2019 \$m
<b>Profit for the year from continuing operations before income tax expense</b>	<b>450.2</b>	<b>616.3</b>
Tax at the Australian tax rate of 30%	135.1	184.9
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non assessable gains on disposal	-	(0.1)
Tax offset for franked dividends	(1.8)	(1.5)
Other items	(0.4)	(2.0)
	<b>132.9</b>	<b>181.3</b>
Adjustment for tax of prior period	1.7	(2.7)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>134.6</b>	<b>178.6</b>

Source: Medibank Annual Report 2020 (Note 14: Income tax)

Notes on the above table:

1. Tax offset for franked dividends - This relates to dividend imputation credits received by Medibank from our investment activities. These imputation credits arise on franked dividends received by Medibank on profits which have previously been taxed in Australia and are passed on to our shareholders on payment of dividends.
2. Other items - This consists mainly of timing adjustments made to Medibank's investment portfolio.
3. Adjustment for tax of prior period - This relates to adjustments made to Medibank's accounting tax estimates for prior periods, generally as a result of additional information.
4. Amounts shown represent results for continuing operations only.

## 5. Tax contributions

We are proud of our contribution to Australia's public finances. We are also proud of our role as the employer of almost 4,000 people, including around 1,500 health professionals.

In addition to corporate income tax, we also make significant payroll and employer tax payments in Australia in our capacity as an employer. In addition, we manage employee taxes withheld from employees' remuneration and paid to the government.

The chart below shows the taxes and levies paid by Medibank to the Australian revenue authorities during FY20 and FY19.



**We are proud of our contribution to Australia's public finances**

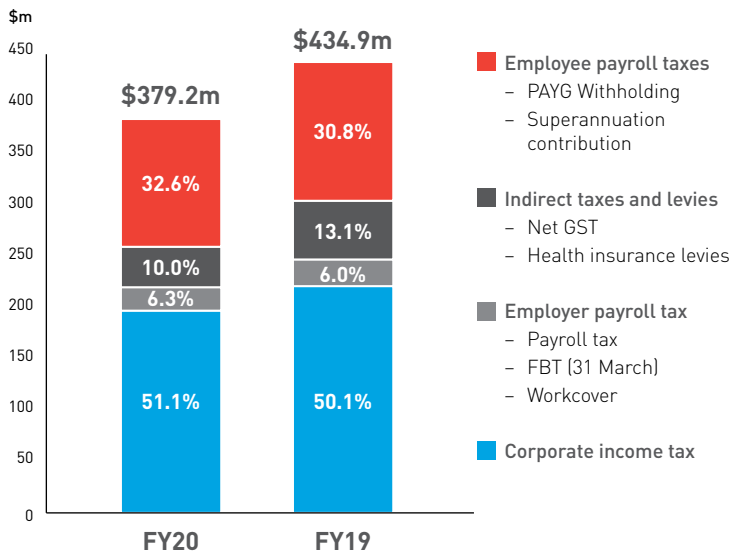
**3,982**  
employees

including around

**1,500**  
health professionals



Headcount at 30 June 2020



Note: The tax and levies paid by Medibank per the graph above are in millions (\$m). The movement in year-on-year tax contribution is primarily due to the conclusion of Medibank Health's contract with the Department of Defence reducing employees and employer related taxes, and the timing of corporate tax payments.

**medibank**

Medibank Private Limited

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