



**medibank**  
For Better Health

# Tax Report 2018

For the year ended 30 June 2018

We **EMPLOY** more than

**4,000**

people in Australia



Tax only paid  
in **AUSTRALIA**

**PAID**

**\$231** million

in corporate income tax in FY18



Medibank's effective  
**TAX RATE**

**29.2%** for FY18



# Message from the Chief Financial Officer

Medibank Private Limited (Medibank) continues to support the Australian Government's voluntary Tax Transparency Code – an initiative designed to encourage greater openness and accountability in the corporate sector. This is the third year Medibank has made our Tax Report publicly available.

We are committed to 'Better Health for Better Lives' for all Australians. We provide private health insurance to customers through our Medibank and ahm brands, as well as delivering a wide range of health services across Australia including telehealth, in-home care and care management in the broader community.

In FY18, Medibank made its tax payments solely in Australia, reflecting our domestic presence. We are proudly Australian based – contributing to public finances as an employer of more than 4,000 people and through compliance with corporate tax laws.

I present to you Medibank's Tax Report (the Report) for 2018.

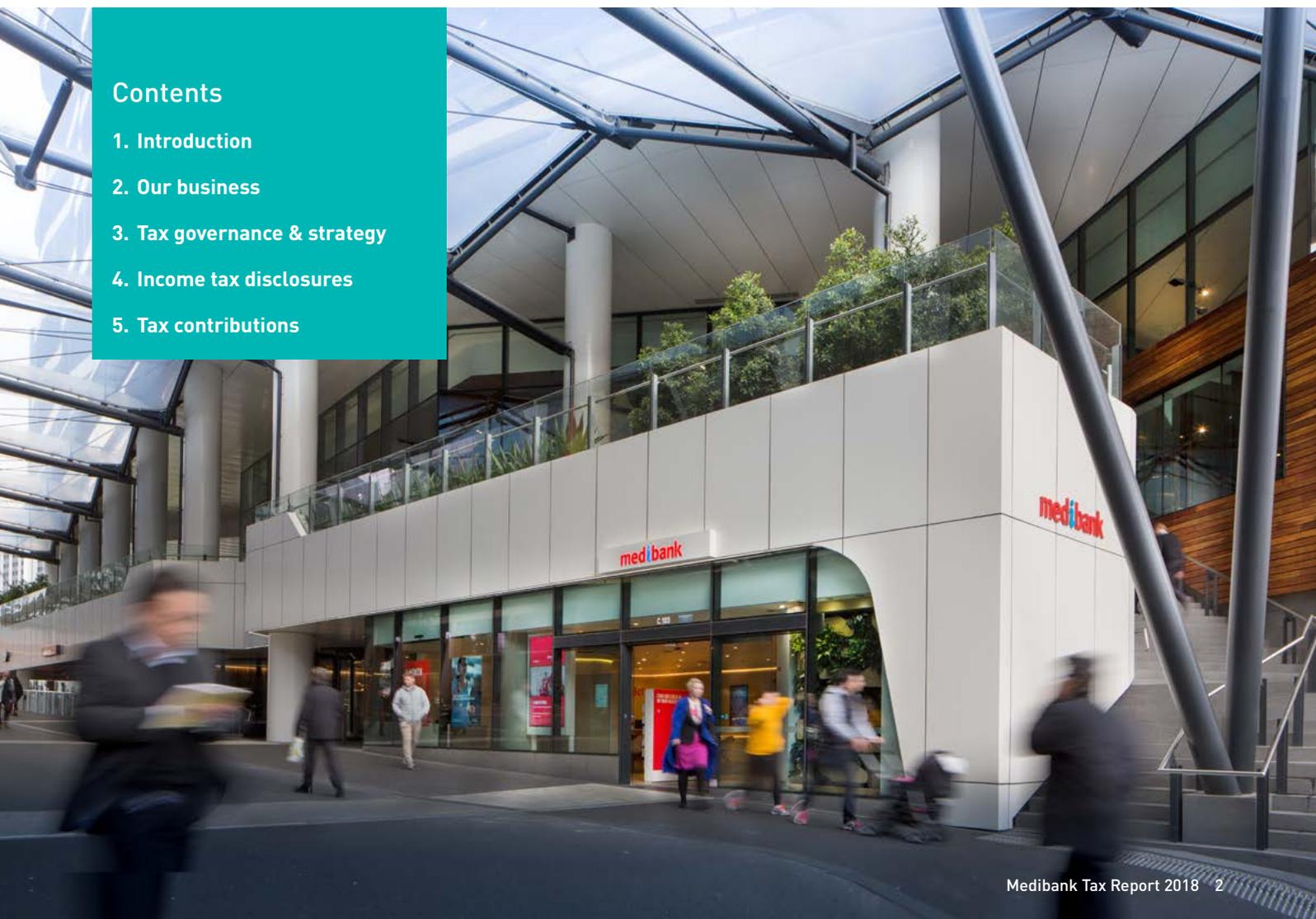
## Mark Rogers

Chief Financial Officer



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# Tax Report

## 1. Introduction

This Report provides information on Medibank's approach to tax governance and strategy, detailing tax-related payments for the year ended 30 June 2018 (FY18).

Medibank makes a wide range of tax-related payments to governments in the jurisdictions in which it operates. In addition to paying corporate tax levied on profits generated for its shareholders, Medibank also pays goods and services tax (GST), fringe benefits tax (FBT), payroll tax, stamp duties, and health insurance levies. As an Australian employer, Medibank also collects and pays 'pay-as-you-go' (PAYG) taxes on behalf of employees, as well as contributing to our employees' superannuation.

## 2. Our business

Medibank is a publicly listed company on the Australian Securities Exchange - operating in Australia - having deregistered its non-Australian subsidiaries in August 2017. Medibank's policy is to ensure it is compliant with all statutory tax obligations in the jurisdictions in which it operates. In FY18, Medibank made its tax payments solely in Australia as a reflection of our domestic presence. Medibank is one of Australia's leading private health insurers, earning its revenue from health insurance and other health service activities in Australia. Medibank undertakes the following businesses:

- **Health Insurance** – the provision of private health insurance policies to persons under the Medibank and ahm brands;
- **Medibank Health** – the provision of health management services by leveraging our experience and expertise to provide and coordinate health services and supporting the Health Insurance business. This includes helping customers to more actively and successfully manage their health by supporting and identifying pathways to optimal health and care.

As part of our obligations to hold sufficient capital as a regulated health insurer, Medibank maintains a portfolio of investments to satisfy its regulatory reserves. Medibank also generates income from these investments.

## 3. Tax governance & strategy

At Medibank, tax risk management is seen as an integral part of good corporate governance.

Medibank manages its tax framework and strategy in accordance with our tax governance policy, which is reviewed and approved by the Board every two years. The policy was last approved in December 2018. The tax governance policy and framework outlines the appropriate course of action required to ensure that all tax risks are managed promptly and appropriately. Medibank reports its tax-related activities to the Audit Committee on a regular basis.

In conducting its business, Medibank is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates. Medibank does not engage in tax avoidance schemes or aggressive tax positions.

Medibank maintains a transparent and productive relationship with the revenue authorities, as shown through the voluntary disclosure of tax information contained in this Report. Medibank has been classified as a 'Key Taxpayer' by the ATO for income tax purposes which is the lowest rating that can be reached taking into consideration the size and complexity of Medibank.

The ATO has undertaken various review activities in relation to Medibank's tax affairs during FY18. In particular, the ATO issued its first Tax Assurance Report (TAR) following the completion of the pre-lodgement compliance review for the year ended 30 June 2017. Medibank will continue to engage with the ATO in an open and transparent manner.

## 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

'Effective tax rate' is calculated by dividing Medibank's income tax expense by its accounting profit before tax. The effective tax rate is calculated solely with reference to income tax and excludes other types of taxes. 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.

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

Medibank's effective tax rate for FY18 is 29.2% (FY17: 28.5%) of its accounting profits based on the FY18 audited financial report. The income tax expense / (benefit) is made up of the following:

	FY 2018 \$m	FY 2017 \$m
Current tax	193.8	171.4
Deferred tax	(6.9)	9.7
Adjustment for tax of prior period	(3.7)	(1.9)
<b>Income tax expense</b>	<b>183.2</b>	<b>179.2</b>

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

	FY 2018 \$m	FY 2017 \$m
Profit for the year before income tax expense	628.3	628.7
Tax at the Australian tax rate of 30%	188.5	188.6
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non assessable gains on disposal	(0.1)	(0.9)
Tax offset for franked dividends	(2.0)	(3.2)
Other items	0.5	(3.4)
	<b>186.9</b>	<b>181.1</b>
Adjustment for tax of prior period	(3.7)	(1.9)
<b>Income tax expense</b>	<b>183.2</b>	<b>179.2</b>

Source: Note 14: Income tax of Medibank's 2018 annual report.

Additional notes:

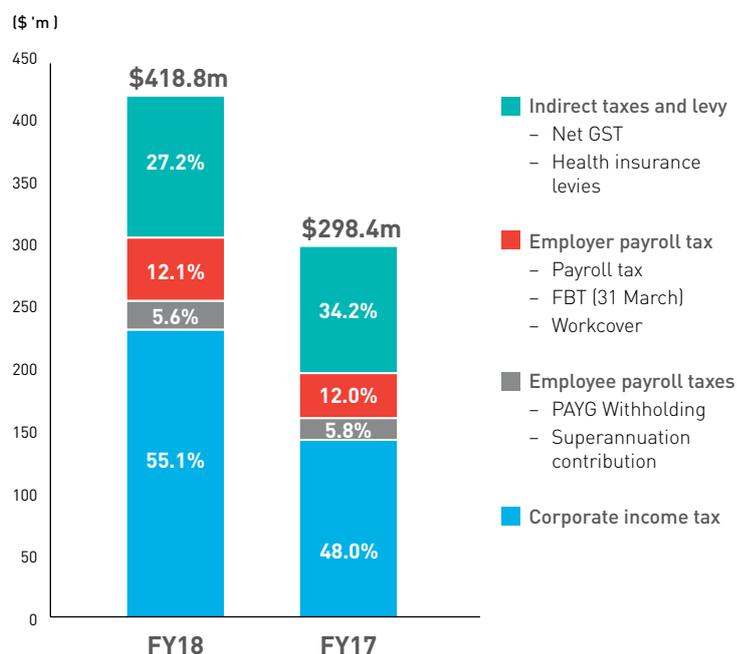
1. Tax offset for franked dividends – This relates to dividend imputation credits received by Medibank from its investment activities. These imputation credits arise on franked dividends received by Medibank on profits which have previously been taxed in Australia and are passed on to Medibank's shareholders 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 tax estimates for prior periods, generally as a result of additional information.

## 5. Tax contributions

Medibank is proud of the contributions it makes to Australia's public finances and its role as the employer of 4,155 people in Australia, including around 1,500 health professionals. Medibank has historically had subsidiaries outside of Australia, however as they have been non-operational, we have not paid tax in those jurisdictions. These subsidiaries were deregistered during FY18.

In addition to income tax, Medibank has also made significant payroll and employer tax payments in Australia in its capacity as an employer and manages employee taxes withheld from employees' remuneration and paid to the government.

The graph below provides an illustration of the taxes and levies made by Medibank to the Australian revenue authorities during FY17 and FY18.



**medibank**

Medibank Private Limited

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