



medibank

Tax Report 2021

For the year ended 30 June 2021

Message

It is important that the corporate sector is transparent and compliant in its approach to Australia's tax laws. The Australian Government's voluntary tax transparency code is one way the sector, including Medibank, can deliver on this responsibility.

I'm pleased to provide the latest report on Medibank's tax governance and strategy along with our tax-related payments for the year ended 30 June 2021 (FY21). This report represents the sixth year in a row where we have voluntarily published information that aligns with the code.

Medibank paid \$425.2 million in taxes and levies to Australian revenue authorities in FY21. We also supported our people and customers over this time in response to the COVID pandemic, without accessing any forms of taxpayer-funded government relief. The commitment we made at the beginning of the pandemic to not profit from COVID remains, with the postponement of premium increases, cash give backs and financial hardship assistance among the range of customer support we have delivered to date.

With 100% of our operations based in Australia during FY21, we made tax payments solely in Australia. We do not engage in tax avoidance schemes or aggressive tax positions, with our effective tax rate of 30.2% reflecting this position.

As a top 100 taxpayer in Australia, we are proud of the contribution we make to Australia's public finances. We also recognise the expectations of our customers, regulators and community to pay our fair share. To keep delivering on both counts, we will continue to be transparent in how we manage this responsibility.

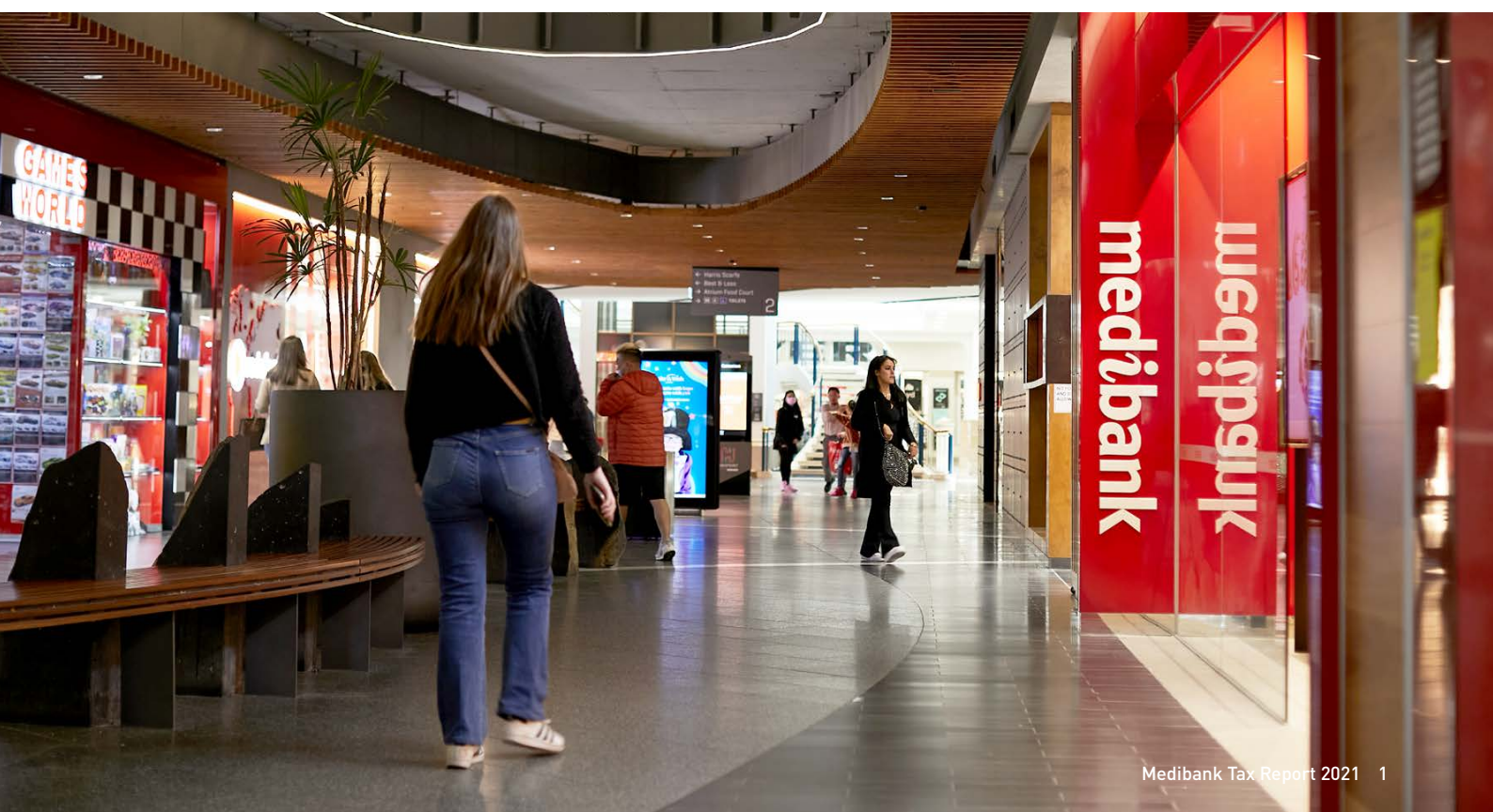
Mark Rogers

Group Executive – Chief Financial Officer & Group Strategy



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Tax solely paid
in Australia

100%

of our operations
were in Australia

We are a **top 100**
taxpayer in Australia

6th year in a row
publishing a Tax Report

Paid

\$425.2 million



taxes and levies paid to
Australian revenue authorities



Medibank's
effective tax rate

30.2%

3,866 employees

including around

1,400 health
professionals



Headcount at 30 June 2021

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Introduction

This report provides information on Medibank Private Limited's (Medibank/our/we) and its wholly-owned subsidiaries' approach to tax governance and strategy, and details our tax-related payments for the year ended 30 June 2021 (FY21).

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.

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 FY21, we made tax payments solely in Australia.

We have looked after the health and wellbeing of Australians for more than 45 years. As a health company, our team of almost 3,900 people including around 1,400 health professionals are focused on delivering our Better Health for Better Lives purpose. Together, we are looking to achieve our 2030 Vision to deliver the best health and wellbeing for Australia.

Our core business is Health Insurance, whereby we underwrite and distribute private health insurance policies under the Medibank and ahm brands. Medibank Health complements our Health Insurance business by leveraging our experience and expertise to provide and coordinate health services to support our customers and the community. Medibank Health also includes diversified insurance products such as travel, life and pet. As we maintain assets to satisfy our regulatory reserves, we also generate investment income from our portfolio of investment assets.

Tax governance and strategy

Tax risk management is an integral part of corporate governance at Medibank. Our Tax Governance Policy sets out the way we manage our tax framework and strategy. Medibank's Board reviews and approves this policy every two years, with the most recent approval undertaken 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. In addition, we have supported our employees and customers throughout the COVID pandemic without accessing any form of taxpayer-funded government relief.

We maintain a transparent and productive relationship with revenue authorities, as shown through the voluntary disclosure of tax information contained in this report. As a top 100 taxpayer, the ATO undertook various review activities in relation to Medibank's tax affairs during FY21. We continue to engage with the ATO in an open and transparent manner.

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 on page 4. 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 and expense align over time.

Tax Report

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

Medibank's effective tax rate for FY21 is 30.2% (FY20: 29.9%) of our accounting profits based on the FY21 audited financial report. The income tax expense / (benefit) is made up of the following:

(a) Income tax expense

	2021 \$m	2020 \$m
Current tax	182.2	226.8
Deferred tax	8.6	(93.9)
Adjustment for tax of prior period	0.3	1.7
Income tax expense reported in the statement of comprehensive income	191.1	134.6

Source – Note 15: Income tax (Medibank Annual Report 2021). For more information on COVID-19 claims liability, see Note 3(b) of the same annual report.

Medibank's effective tax rate is higher 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

	2021 \$m	2020 \$m
Profit for the year from continuing operations before income tax expense	632.3	450.2
Tax at the Australian tax rate of 30%	189.7	135.1
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	2.8	-
Tax offset for franked dividends	(1.2)	(1.8)
Other items	(0.5)	(0.4)
	190.8	132.9
Adjustment for tax of prior period	0.3	1.7
Income tax expense reported in the statement of comprehensive income	191.1	134.6

Source – Note 15: Income tax (Medibank Annual Report 2021).

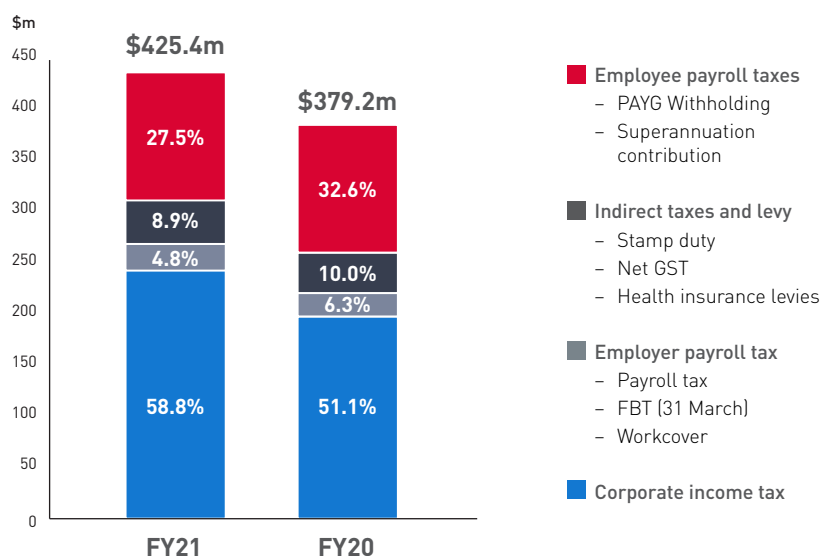
Notes on the above table:

1. Tax offset for franked dividends – 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. Non-deductible expenses – consists of costs associated with Medibank's investments in associates and joint ventures and non-deductible legal costs.
3. Other items – consists mainly of adjustments made to Medibank's investment portfolio.
4. Adjustment for tax of prior period – relates to adjustments made to Medibank's accounting tax estimates for prior periods, generally as a result of additional information.

Taxes paid

We are proud of the contributions Medibank makes to Australia's public finances and our role as the employer of almost 3,900 people, including around 1,400 health professionals as at 30 June 2021 (excluding employees in associates and joint ventures). In addition to corporate income tax, we make significant payroll and employer tax payments in Australia in our capacity as an employer. We also manage employee taxes withheld from employees' remuneration and paid to the government.

The chart shows the taxes and levies paid by Medibank to the Australian revenue authorities during FY21 and FY20.



Note: The movement in year-on-year tax contribution is primarily due to the timing of corporate tax payments.

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Medibank Private Limited

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