

# Tax Transparency Report

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For the year ended 30 June 2021

## A message from the Chief Financial Officer

On behalf of the Board of Directors, I am pleased to present the 2021 Tax Transparency Report (Report) for Avant.

We value the contribution we make to the community and remain committed to providing accessible and transparent information about our businesses, including tax contributions and our approach to tax strategy.

In line with the Board of Taxation's Voluntary Tax Transparency Code (TTC), Avant have prepared this voluntary Report for public disclosure of tax information in accordance with ATO recommendations.

**Daniel Vanderkemp**  
Chief Financial Officer

## Introduction, tax policy and strategy

Avant Mutual Group Limited (Avant) is Australia's leading medical defence organisation with a proud heritage of protecting the Australian medical profession that spans more than 125 years.

Avant focuses on being a trusted protector and advisor for their members and takes pride in being a socially responsible corporate citizen in relation to taxation matters. Avant's policy, strategies, resources, procedures and controls in relation to taxation have been established and implemented in harmony with Avant's vision.

The Board acknowledges and requires Avant to:

- a) actively monitor, identify and manage tax risks;
- b) comply with statutory obligations, administrative requirements and required disclosures in Australia;
- c) pay the amount of tax that is legally required to be paid in all jurisdictions in which Avant operates;
- d) maintain documented policies and procedures in relation to tax risk management; and
- e) maintain open, transparent and professional relationships with Revenue Authorities, both local and international.

The Board has delegated to the Avant Board Group Audit Committee the authority to review and approve the Tax Governance Policy under the Group Audit Committee Charter.

The Tax Governance Policy applies to Avant Mutual Group Limited and its subsidiaries. The Board, executives, employees, advisors and parties who perform work for Avant and its subsidiaries are required to comply with the Tax Governance Policy.

This Report sets out relevant tax information for Avant and its subsidiaries for the year ended 30 June 2021 with comparatives for 30 June 2020.

## Avant's tax profile

Avant (a company limited by guarantee) and its subsidiaries, operates for the mutual benefit of its members. Avant and its wholly owned Australian subsidiaries have formed a tax consolidated group.

Certain activities of the Avant tax consolidated group are treated as mutual dealings such that Avant is not liable for income tax on mutual dealings e.g. member fee income nor are the outgoings related to those mutual dealings allowable as income tax deductions. The Avant tax consolidated group, however, is liable to income tax on investment income, capital profits, and income from non-mutual dealings (for example; insurance related activities).

## Our approach to tax

Avant has a robust tax governance and risk management framework that governs the operations of the business. Tax is an important subset of these frameworks, which are predicated on integrity and transparency to ensure high standards of corporate and social responsibility.

The key elements of Avant's approach to tax include:

- a) Complying with all applicable tax laws;
- b) Meeting all taxation obligations in accordance with applicable legislation and requirements and a low appetite unknowingly failing to comply with our taxation obligations;
- c) Adopting a low risk appetite to tax structuring on a range of transactions and activities across the business;
- d) Maintaining a professional and transparent relationship with the Australian Taxation Office (ATO) with early engagement on relevant transactions;
- e) Seeking professional advice or a taxation ruling from ATO in circumstances where the potential taxation outcome is uncertain;
- f) Implementing controls over material risks, and periodically assessing the effectiveness of those controls and rectifying any deficiencies;
- g) Reviewing key tax-related controls as part of the Internal Audit plan to ensure relevant processes and controls are appropriately reviewed;
- h) Assessing the materiality of a risk based on the degree of financial and non-financial impacts, including community, reputational and legal impacts.

Avant has always engaged with the ATO and other revenue authorities in an open and transparent manner.

## Tax paid and collected analysis

The following table details the types of taxes paid and collected by Avant and its subsidiaries to and/or behalf of Australia Federal and State governments in the 2020 and 2021 financial years.

Taxes	FY21 \$'million	FY21 %	FY20 \$'million	FY20 %
Corporate Income Tax paid (net of refund received)	5.5 <sup>(a)</sup>	7.3%	(1.2)	(1.7%)
Goods and Services Tax (GST)	20.3	26.9%	20.2	29.9%
Stamp Duty	21.5	28.5%	21.0	31.1%
Pay As You Go (PAYG) – Employees	23.7	31.3%	23.1	34.3%
Payroll Tax	4.2	5.6%	4.1	6.0%
Fringe Benefits Tax (FBT)	0.3	0.4%	0.3	0.4%
<b>Total taxes paid</b>	<b>75.5</b>	<b>100.0%</b>	<b>67.5</b>	<b>100.0%</b>

- Corporate Income Tax paid reflects the income tax instalments paid less refunds received during the financial year.
- GST represents GST collected less the input tax credits claimed on supplies.
- Stamp duty represents the duty collected on the sale of insurance policies.
- PAYG represents the employee income tax remitted to the ATO on remuneration paid to Avant employees.
- Payroll tax represents payroll tax paid on Avant's employment costs.
- FBT represents FBT paid on benefits provided to staff.

Note (a): A final income tax payment \$28 million in relation to the 2021 income tax return was made by 1 December 2021. As this was paid during the 2022 financial year, this was not included in the amount paid during the 2021 financial year.

## Reconciliation of accounting profit to income tax expense and current income tax payable

The reconciliation of accounting profit to tax expense contained in this Report is published in Avant's 2021 Annual Report in note 8 (a). The disclosure was prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards. These statutory accounts reflect Avant and its subsidiaries for the year ended 30 June 2021.

Income tax expense reported on a company's statement of comprehensive income is calculated by multiplying accounting profit for the year, adjusted for permanent differences by the current applicable Australian tax rate of 30%.

Reconciliation of accounting profit to income tax expense	FY21 \$'million	FY20 \$'million
<b>Profit / (loss) before income tax - continuing operations</b>	<b>222.9</b>	<b>(30.0)</b>
Income tax expense / (benefit) using the Australian corporate tax rate of 30%	66.9	(9.0)
<b>Tax effect of amounts which are not (taxable)/deductible in calculating taxable income</b>		
Net mutual income - non assessable	(4.5)	(4.6)
Other permanent differences	1.6	1.2
Effect of franking credits	(1.2)	(1.2)
	<b>62.8</b>	<b>(13.6)</b>
Adjustments relating to prior periods	(1.7)	(1.8)
<b>Income tax expense / (benefit)</b>	<b>61.1</b>	<b>(15.4)</b>

Reconciliation from income tax expense to current income tax payable	FY21 \$'million	FY20 \$'million
<b>Income tax expense / (benefit)</b>	<b>61.1</b>	<b>(15.4)</b>
Deferred tax (benefit) / expense	(26.4)	23.9
Adjustments to current tax relating to prior periods	1.7	1.8
<b>Current year income tax payable</b>	<b>36.4</b>	<b>10.3</b>

## Effective company tax rates

The effective tax rate is calculated as income tax expense divided by profit before tax. It is used to compared against the Australia corporate income tax rate of 30%.

Effective Tax Rate	FY21 \$'million	FY20 \$'million
Income tax expense / (benefit)	61.1	(15.4)
Profit / (loss) before income tax	222.9	(30.0)
<b>Effective tax rate</b>	<b>27.4%</b>	<b>(51.2%)</b>

In FY21, the effective tax rate is 260 basis point (2.6%) less than the Australian corporate tax rate of 30%. In FY20, the effective tax rate is 2,120 basis point (21.2%) greater than the Australian corporate tax rate. For both financial years, the difference is mainly attributable to net mutual income (before tax effect) of \$14.9 million in FY21 and \$15.3 million in FY20 which is included in the accounting profit before tax but is excluded for income tax purposes as it is non-assessable. Whilst the amount of net mutual income in FY21 and FY20 are comparable, the proportion of net mutual income relative to corresponding year's profit (loss) before income tax varied significantly (FY21: 6.7% vs FY20: 51%). This resulted in the variance in the effective tax rate between FY21 and FY20.

## Further information

Further information and publications about Avant and its operations are available from the Group's website [avant.org.au](http://avant.org.au).