

# Tax Transparency Report

Financial year ended 30 June 2020



# Message from the Chief Financial Officer

For over 30 years, Healius Limited has been one of Australia's leading listed healthcare companies with a commitment to supporting quality, affordable and accessible healthcare.

Through an expansive network of multi-disciplinary pathology laboratories, diagnostic imaging centres and day hospitals, Healius provides facilities and support services to independent healthcare professionals, enabling them in turn to deliver patient care in partnership with Healius' pathologists, nurses and other support staff.

Healius is committed to delivering excellence in healthcare across Australia through accessible, high-quality healthcare services.

Healius' commitment to creating value for investors, customers and employees is underpinned by our regulatory compliance and reporting obligations.

That is why Healius welcomes the opportunity to present this Tax Transparency Report for 2020. In preparing the Tax Transparency Report, Healius has adopted the disclosure recommendations made by the Board of Taxation in the Voluntary Tax Transparency Code.

Consistent with our commitment to strong corporate governance and transparent relations with our stakeholders, we believe the Tax Transparency Report together with the Annual Report for 2020 provide comprehensive detail of Healius' tax matters including our tax strategy and approach to tax risk management.



**MAXINE JAQUET**  
Chief Financial Officer

1 November 2021

EFFECTIVE  
TAX RATE<sup>1</sup>

**45.2%**

TOTAL TAXES PAID  
(excl. PAYG Withholding)

**\$103.7M**

SHARE OF TAX PAID  
IN AUSTRALIA

**99%**

<sup>1</sup> Excludes under/(over) provision from prior years which relates to the 2003–2007 case with the Australian Taxation Office.

# Tax Transparency Report for the year ended 30 June 2020

## 1 Tax contribution summary

Healius pays a significant amount of tax, including corporate income tax, indirect tax and employer taxes. In the financial year ended 30 June 2020, Healius paid a total of \$103.7 million in taxes and remitted a further \$185.8 million to tax authorities on behalf of Healius' employees.

As support to large business impacted by COVID-19, Healius was granted approval from the ATO to vary its PAYG corporate income tax instalment rate to nil from March 2020 to June 2020 as well as claim a refund of the corporate income tax instalments previously paid of \$23.5 million in respect to the months of July 2019 to February 2020. As a result, Healius paid no corporate income tax in the year ended 30 June 2020. However, on 1 December 2020 Healius paid \$23 million in settlement of its corporate income tax liability for the year ended 30 June 2020.

Set out below is a summary of Australian and foreign taxes paid and collected by Healius for the financial year ended 30 June 2020. The majority of Healius' taxes are paid in Australia to the Australian Taxation Office. The summary excludes property taxes such as land tax and stamp duties.

TAX AUTHORITY	CORPORATE INCOME TAX A\$M	EMPLOYER TAXES <sup>1</sup> A\$M	INDIRECT TAXES <sup>2</sup> A\$M	TOTAL TAXES PAID A\$M	EMPLOYEE PAYG WITHHOLDING A\$M
Australia (Federal)	(1.7) <sup>4</sup>	–	60.2	58.5	185.8
Australia (State)	–	45.0	–	45.0	–
Foreign jurisdictions <sup>3</sup>	0.2	–	–	0.2	–
<b>Total</b>	<b>(1.5)</b>	<b>45.0</b>	<b>60.2</b>	<b>103.7</b>	<b>185.8</b>

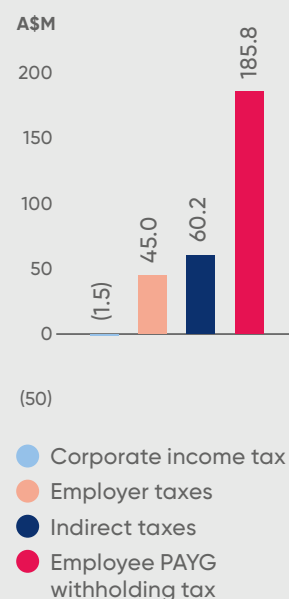
1 Fringe benefits tax and payroll tax.

2 GST net of recoveries is (\$24.2 million).

3 Income taxes paid in India and the Philippines. The subsidiary companies are treated as Controlled Foreign Companies for Australian income tax purposes and are subject to tax at the Australian corporate tax rate of 30% on any profits generated from any activities between the subsidiaries and Healius.

4 Tax refund received in 2020 relates to prior periods.

Taxes paid by tax type



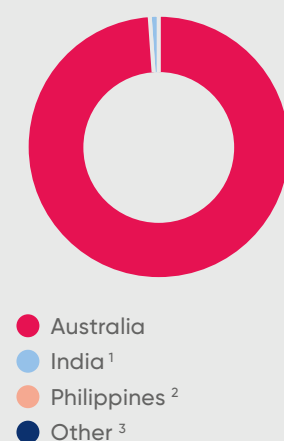
## 2 International related party dealings

There are limited international related party dealings between Healius and its foreign subsidiaries. These dealings primarily relate to the provision of administrative and data processing services by the India and Philippines subsidiaries to Australia. Healius also has presence in the US, UK, the Netherlands and Singapore, albeit these subsidiaries were dormant for the financial year ended 30 June 2020.

All dealings between related parties reflect the commercial and legal substance of the transactions and are priced on an arm's length basis in accordance with global transfer pricing laws and OECD guidelines. Notably, Healius' international related party dealings do not have a material impact on Healius' Australian tax position. Healius' Australian operations contribute more than 99% of Healius' total income tax paid globally.

The split of income tax contributions by country is illustrated below.

Total income tax contribution by jurisdiction



1 Per India income tax return for the year ended 31 March 2020.

2 Per Philippines income tax return for the year ended 31 December 2019.

3 Other subsidiaries include Healius' dormant subsidiaries in the US, UK, the Netherlands and Singapore.

## 3 Tax strategy and governance

Healius pursues a tax strategy that is governed by the following principles endorsed by its Board of Directors:

- Commitment to ensuring integrity in compliance with all statutory obligations, and full disclosure to Revenue Authorities.
- Maintenance of documented policies and procedures in relation to tax risk management and sustaining constructive and transparent relations with Revenue Authorities.
- Management of tax affairs in a pro-active manner that seeks to enhance shareholder value, while operating in accordance with all taxation laws.

The tax strategy is implemented through Healius' Tax Risk Management Framework which is founded on a low risk appetite to all taxation affairs including tax positions adopted in respect of strategic transactions, tax planning activities and compliance and reporting.

Healius' overarching and systematic approach to the management of tax risk involves the proactive assessment, mitigation, monitoring and reporting of identified risks. Healius' tax risks are regularly considered by its Management and Executive Risk Committees and tax is a regular agenda item for Audit Committee meetings with appropriate tax matters reported to the Board. Where appropriate, Healius engages external advisors on complex transactions and for review of compliance activities.

Healius' Tax Risk Management Framework has been documented and approved by its Audit Committee and is aligned with its overall Risk Management Policy and the Australian Taxation Office's Tax Risk Management and Governance Review Guide.



## 4 Income tax reported in Healius' 2020 Annual Report

The income tax expense disclosed in the Annual Report for 2020 is calculated based on Australian equivalents to International Financial Reporting Standards. In any year, there are common and typical differences between income tax expense reported in the Annual Report and the amount of cash taxes paid to Revenue Authorities due to factors such as timing differences and other taxes being excluded from income tax expense, such as FBT, payroll and employee taxes.

As reported in the 2020 Annual Report, Healius' effective tax rate for the 30 June 2020 year is mainly impacted by the difference in tax and accounting treatment of deferred consideration relating to acquisitions and share related expense, where these expenses have been treated as a non-deductible (permanent) difference for the purpose of calculating Healius' income tax expense.

# Tax Transparency Report for the year ended 30 June 2020

## 4.1 Reconciliation of accounting profit to income tax expense

Healius' effective tax rate calculated as income tax expense divided by accounting profit before income tax expense was (55.17%) for 2020. The under/(over) provision of \$46.6 million reflects the receivable booked in relation to the tax refund of the 2003-2007 case vs the Commissioner of Taxation in the Federal Court of Australia. Following the Full Federal Court finding in favour of the Commissioner on the 9<sup>th</sup> October 2020 and the subsequent refusal of Healius application for special leave by the High Court of Australia on 4<sup>th</sup> March 2021, this provision will be unwound. Excluding the impact of the significant permanent difference adjustment noted above, Healius' notional effective tax rate will be 45.2%.

The difference in Healius' effective tax rate in 2020 is attributable to the difference in the tax and accounting treatment of deferred consideration relating to acquisitions and share related expense by Healius. As noted above, these are treated as a non-deductible expense for the purposes of calculating Healius' income tax expense. Healius' expectation is that the long-term effective tax rate will be approximately 30% from the financial year ended 30 June 2021 onwards (based on the current structure and nature of its business).

The following table provides the calculation of income tax expense for Healius and shows the impact of adjustments to the income tax expense on the calculation of the effective tax rate.

HEALIUS LIMITED	2020		RESTATED 2019	
	A\$M	%	A\$M	%
Net profit/(loss)	72.0		57.2	
Income tax (benefit)/expense	(25.6)		24.8	
Profit/(loss) before income tax	46.4		82.0	
<b>Tax at the Australian tax rate of 30%</b>	<b>13.9</b>	<b>30.0</b>	24.6	30.00
Amortisation of pre FY15 contractual relationship intangibles	0.1	0.22	0.2	0.24
Share related expense	2.0	4.3	0.6	0.73
Deferred consideration for acquisitions	4.2	9.05	(1.2)	(1.46)
Other items	0.8	1.72	0.7	0.85
Under/(Over) provision in prior years	(46.6)	(100.43)	(0.1)	(0.12)
<b>Income tax (benefit)/expense on profit before income tax</b>	<b>(25.6)</b>	<b>(55.17)</b>	24.8	30.24

## 4.2 Reconciliation of income tax expense to cash tax paid

The following table shows the reconciliation of income tax expense to cash income tax paid.

HEALIUS LIMITED	2020 A\$M
<b>Income tax expense on profit before income tax</b>	<b>(25.6)</b>
Timing differences recognised in deferred tax Under/(Over) provision in prior years	4.9
Under/(Over) provision in prior years	46.6
<b>Current income tax expense reflected in 2020 financial statements</b>	<b>25.9</b>
Net tax payment not yet paid as at 30 June 2020	(22.9)
Tax refund received for prior periods in 2020	(3.2)
Tax payments relating to subsidiaries acquired in 2019	(1.5)
<b>Cash taxes paid/(received) per cash flow statement</b>	<b>(1.7)</b>

# Tax Transparency Report for the year ended 30 June 2020

## 5 ATO tax transparency disclosures

In December 2019, the Australian Taxation Office published the following taxation information from Healius' Australian tax consolidated group income tax return for the year ended 30 June 2018:

2018	A\$M
Total income	1,777.7
Taxable/net income	130.4
Total tax payable	38.7

Similarly, in December 2020, the Australian Taxation Office published the following taxation information from Healius' Australian tax consolidated group income tax return for the year ended 30 June 2019:

2019	A\$M
Total income	1,837.9
Taxable/net income	90.9
Total tax payable	27.0

Taxable income is calculated based on accounting concepts and adjusted for applicable tax timing and permanent difference adjustments required under the Australian taxation laws. Tax payable is calculated as taxable income at the corporate income tax rate (30% for 2018 and 2019), reduced by available tax offsets.

[www.healius.com.au](http://www.healius.com.au)

