



# Tax Transparency Report 2019-20

Building futures and protecting what matters





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# Message from the Group Chief Financial Officer

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In a year that has brought an extraordinary amount of change, uncertainty and challenge for individuals and businesses, it's more important than ever that companies like Suncorp contribute fairly to the communities in which we operate, and be accountable through full transparency on our tax payments and policies.

Our 2019-20 *Tax Transparency Report* details contributions made by Suncorp in Australia and New Zealand for the financial year ended 30 June 2020.

Suncorp voluntarily adopted the Tax Transparency Code in 2016 in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Transparency Code. This includes reporting annually on our tax contributions and our approach to tax strategy.

This report continues to reflect our commitment to transparency and open communication with our stakeholders.



**JEREMY ROBSON**  
GROUP CHIEF FINANCIAL OFFICER

Since 1902, Suncorp Group Limited has been building futures and protecting what matters. We offer insurance, banking and wealth products and services through some of Australia and New Zealand's most recognised financial brands including Suncorp, AAMI, GIO, Apia, Shannons and Vero, as well as those from our partners. With \$96 billion in assets, we are committed to building a sustainable and responsible financial services organisation that values customer, shareholder and community outcomes.

# Suncorp tax strategy

Suncorp's tax strategy is to support sustainable returns to shareholders and to contribute to the community through the payment of taxes, while complying with revenue laws and operating within Suncorp's governance parameters.



Sustainable returns



Contribute to the community through the payment of taxes



Compliance with revenue laws



Operating within Suncorp's governance framework

# Tax governance

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Suncorp has a low tolerance for tax risk. This is in line with the group's broader approach to risk, as set out in the Risk Appetite Statement (RAS), which mandates for balanced and considered risk to achieve business objectives.

The RAS also requires the identification of tax risks, and determination of risk targets and tolerable risk levels. All business decisions, including those relating to tax, are made in accordance with these principles.

Suncorp's Tax Risk Management and Governance Standard was prepared with reference to the Australian Tax Office's best practice framework. The standard has been endorsed by the Suncorp Board Audit Committee.

The purpose of the Tax Risk Management and Governance Standard is to set out processes, roles, responsibilities and accountabilities to ensure a consistent and compliant approach to all tax matters across Suncorp.

The Suncorp Board is committed to conducting Suncorp's business in accordance with high standards of corporate governance. Responsibility for Suncorp's tax strategy sits with the Board and management. The Board oversees and reviews tax risks, tax compliance and reporting obligations. Management operationalises tax strategy and manages significant tax matters and risks on a day-to-day basis.

Suncorp ensures its tax processes, systems, and controls are robust. Suncorp has controls to test the integrity of tax data, a strong focus on technology to support tax compliance, and carries out regular tax due diligence and verification processes.

Formal risk management procedures incorporating tax include the following:

- Enterprise Risk Management Framework
- Risk Appetite Statement
- Corporate Governance Statement
- Tax guidelines relating to taxes, tax concessions and relationships with regulators
- Tax Risk Management and Governance Standard, and
- Significant Transaction Identification and Tax Risk Escalation Guideline.
- Quarterly tax compliance papers submitted to the Board Audit Committee.

These formal mechanisms are complemented by informal, day-to-day procedures to manage tax risk. These include management obligations to:

- provide an appropriately resourced tax function with experienced professionals who manage tax risks through regular tax reporting
- implement mechanisms to measure significant transactions, materiality and risk
- engage external tax advisors where necessary and adhere to Suncorp's group-wide governance policies, and
- obtain tax rulings from the relevant regulators on complex or uncertain areas of the law.

# Relationships with regulators

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Suncorp values positive and cooperative relationships with all revenue authorities, including the Australian Tax Office (ATO) and New Zealand Inland Revenue (IR).

Suncorp has been at the forefront of tax transparency with the ATO, as one of the first adopters of an Annual Compliance Arrangement (ACA) in 2011. Suncorp's ACA is a transparent and co-operative tax arrangement with the ATO, where material tax risks are disclosed to the ATO in real time and Suncorp collaborates with the ATO to manage these risks in an effective and timely manner.

The ATO concluded their Top 100 Justified Trust review up to 30 June 2019. The purpose of the review was to obtain objective evidence to conclude that Suncorp had paid the correct amount of tax. The review focused on the following four key areas:

- understanding Suncorp's tax governance framework
- identifying tax risks flagged to the market
- understanding significant and new transactions, and
- understanding why tax and accounting results vary.

The ATO designated an overall level of High assurance for Suncorp Group Limited in respect of the financial year ending 30 June 2018. This rating confirms Suncorp has an effectively designed and operating tax control framework.

The ATO will seek to re-assess its overall level of assurance in respect of the financial year ending 30 June 2021.

In 2020 an internal audit was conducted to test the operational effectiveness of the tax control framework. The audit concluded there was nothing to evidence that the controls were not designed or operating effectively in order to achieve the appropriate governance outcomes outlined by the ATO.

Suncorp is committed to applying tax legislation within the spirit and policy intent of the law and regulations.

For further information on justified trust, please refer to the ATO's website, [www.ato.gov.au/business/largebusiness/justifiedtrust/](http://www.ato.gov.au/business/largebusiness/justifiedtrust/)

In New Zealand, the IR fully supports the *Guidance on tax control frameworks* released by the OECD's Forum on Tax Administration. Suncorp ensures our tax processes, systems and controls are effective, and the right amount of tax is paid in each jurisdiction in which Suncorp operates. This is consistent with the ATO's Justified Trust concepts and the OECD recommendations for responsible business conduct.

# Taxes borne and collected

Suncorp paid an effective corporate income tax rate for 2020 which aligns closely with the statutory corporate tax rate in both the Australian and New Zealand (NZ) jurisdictions in which the Group operates in respect of continuing operations.

Suncorp recognises appropriate management of effective tax rates is essential to ensure customer pricing is not adversely impacted. Suncorp collects and pays other taxes in addition to corporate income tax, such as goods and services tax (GST) and fringe benefits tax (FBT). Refer to page 12 for definitions of these taxes. Suncorp also collects and pays other Australian State/Territory duties and levies such as fire service levy, insurance duty, payroll tax, and levies in NZ such as the Earthquake Commission levy and fire service levy.

In addition to taxes borne by Suncorp, Suncorp customers and Suncorp employees pay taxes which apply to Suncorp's business activities. For example, Suncorp's products are subject to a range of indirect taxes which are borne by customers. Suncorp is responsible for the collection and remittance of these taxes to the relevant revenue authorities. Taxes borne and collected by Suncorp for the financial year ended 30 June 2020 are summarised on the right.

1. Continuing operations represented in the Income Tax table is consistent with presentation in the statutory accounts. In FY20, continuing operations excludes the Capital SMART and ACM Parts businesses sold in Oct-19.

In FY19, continuing operations excludes the Australian Life Insurance Business sold in February 19 and is also restated to exclude the Capital SMART and ACM Parts businesses.

Several factors contributed to a tax rate of 32.1% from continuing operations (rather than 30.0%). The most significant single factor is interest expense relating to certain convertible instruments which is not deductible for income tax purposes.

Suncorp's global effective tax rate of 28.5% (2019: 61.2%) is primarily due to differences between the tax and accounting gains and losses on sale from discontinued operations, including the utilisation of previously unrecognised capital losses on the sale of the Capital SMART business.

2. Includes Suncorp Group Limited and its 100 per cent-owned subsidiaries. Excludes taxes borne and collected by other companies, does not include all levies and withholdings, but seeks to provide an illustration of primary taxes and levies.

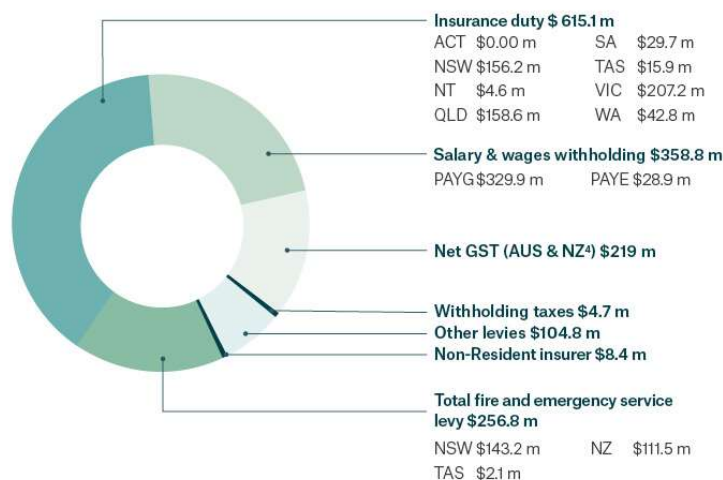
3. Taxes payable/incurred for the relevant period.

4. NZ taxes collected and paid are represented in AUD.

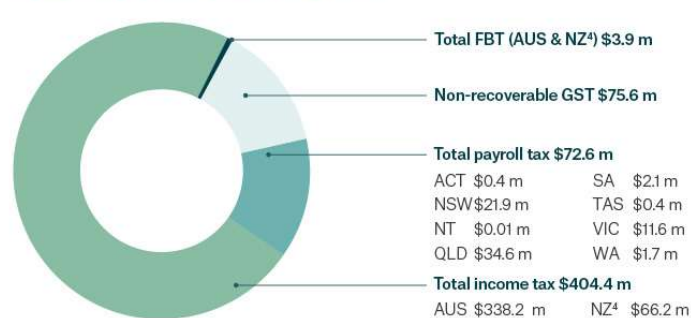
Corporate Tax	2019-20	2018-19
Suncorp's total corporate income tax contribution (\$m - AUD)	404	390
Suncorp's effective tax rate from continuing operations (%) <sup>1</sup>	32.1	29.8
Suncorp's global effective tax rate (%) <sup>1</sup>	28.5	61.2
Suncorp's Australian effective tax rate (%) <sup>1</sup>	29.0	126.8
Suncorp's New Zealand effective tax rate (%)	26.6	26.6

Taxes borne and collected by Suncorp <sup>2</sup>	2019-20 (\$m - AUD)	2018-19 (\$m - AUD)
Taxes borne by Suncorp <sup>3</sup>	556	463
Taxes collected from customers and employees and remitted by Suncorp	1,567	1,533

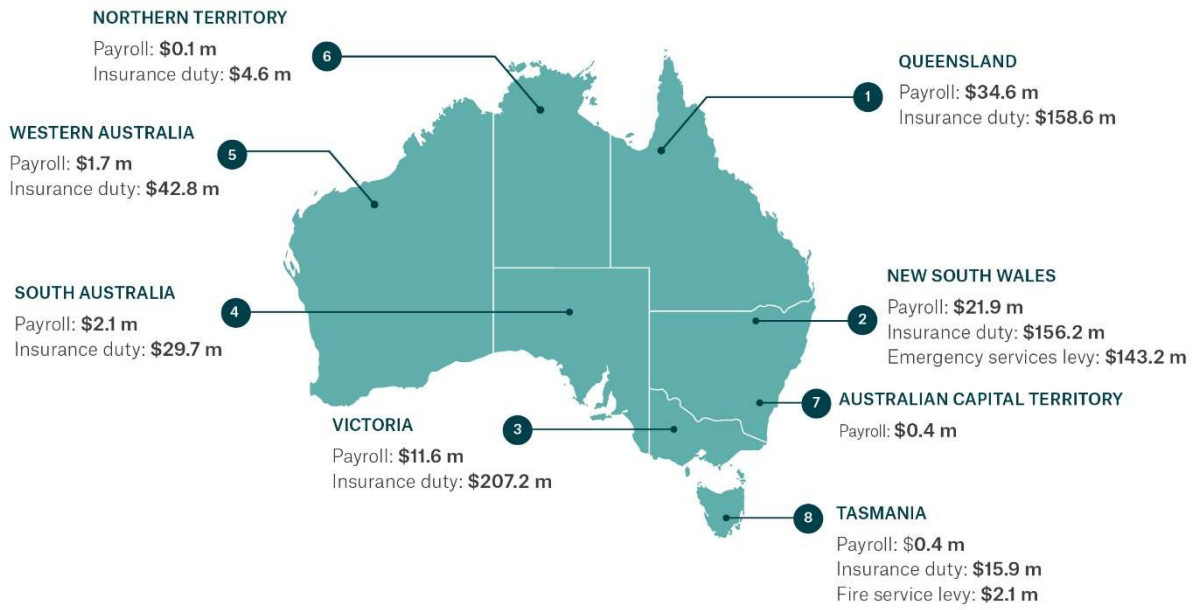
## TOTAL TAXES REMITTED BY SUNCORP \$1,567 M



## TOTAL TAXES BORNE BY SUNCORP \$556 M



**STATE AND TERRITORY TAXES PAID**





# Company tax position

Across Australia and New Zealand, Suncorp operates as three core businesses: Insurance, Banking & Wealth, and Suncorp New Zealand. These businesses are subject to a range of tax regimes and statutory tax rates.

In Australia, Suncorp Group Limited and its wholly owned Australian subsidiaries have elected to be taxed as a tax consolidated group. All members of the group are taxed as one single entity, at the 30 per cent corporate tax rate.

In New Zealand, there is a tax consolidated group and standalone company taxpayers, all taxed at the corporate tax rate of 28 per cent.

In New Zealand insurance businesses, Suncorp paid tax on participating policyholders' investment income, generated from the investment of their policy premiums. The tax paid by Suncorp in respect of these participating interests has been included in the corporate tax paid, in accordance with the treatment under tax legislation.

## ATO report of entity tax information

The Australian Taxation Office (ATO) publishes limited tax information in relation to large taxpayers, with the most recent being information released in respect of the financial year ending 30 June 2019. The ATO publishes three amounts, being total income, taxable income and tax payable. The information disclosed is taken from the income tax return lodged by Suncorp Group Limited as head entity of the SGL tax consolidated group, using records held by the ATO on 1st September 2020.

	<b>Suncorp Group</b>
	<b>2018-19</b>
	(\$m - AUD)
<b>Total Income<sup>5</sup></b>	<b>18,217</b>
<b>Taxable Income</b>	<b>1,149</b>
Tax at 30% corporate tax rate	345
Life company adjustment	(4)
Foreign income tax offsets	(1)
Franking credit offsets	(11)
Research & development credits	-
<b>Tax Payable</b>	<b>329</b>

*5. The tax payable published by the ATO does not include amounts referable to the New Zealand business. Tax payable amounts shown on page 11 are in respect of the Group and will include New Zealand.*

# Offshore-related party dealings

Suncorp's businesses in Australia and New Zealand routinely deal with each other when it is in the best interests of Suncorp to do so.

Suncorp undertakes a comprehensive analysis of each related party transaction to ensure they are conducted on terms, including pricing, that are consistent with established arm's length principles.

By pricing in accordance with arm's length principles and methodologies as prescribed by the Australian transfer pricing laws and the OECD guidelines, this allows Suncorp to mitigate the possibility of tax being paid in one country at the expense of another.

In 2020, Suncorp lodged its third Country-by-Country (CbC) report for the year ended 30 June 2019. CbC reporting is part of a wide range of international measures that seek to promote more comprehensive exchanges of information between countries.

Related party transactions are outlined below.

Related party transaction	Why it is in the best interests of Suncorp
Provision of management and administration services	A number of management and administration functions are performed centrally by Suncorp's Australian business, for the benefit of both Australia and New Zealand. This is more efficient than if Suncorp New Zealand were to also perform these same functions.
Reinsurance	AAI Limited provides reinsurance to the New Zealand insurance businesses. In addition, Suncorp's Australian and New Zealand insurance businesses obtain reinsurance from third parties on a collective basis, to maximise cost efficiencies.
Allocation of direct employee costs, software development and investment management charges	A number of shared service functions are performed centrally by Suncorp's Australian business, for the benefit of both Australia and New Zealand. This is more efficient than if Suncorp New Zealand were to also perform these same functions.
Loans	Suncorp's Australian business has financing-related activities, including amounts loaned to New Zealand subsidiaries. Suncorp receives interest income on the amounts loaned in accordance with arm's length principals.

# Accounting profit-to-income taxes payable reconciliation

The table below outlines the relationship between accounting profit and income tax expense and the difference between income tax expense and income tax payable for the 2019 and 2020 financial years.

Income tax expense is calculated in accordance with accounting standards and represents accounting profit multiplied by Australia's corporate tax rate of 30%, adjusted for what are known as 'non-temporary' differences. A non-temporary difference arises where a business transaction is treated differently for accounting and tax purposes. Non-temporary differences do not reverse over time.

Income tax expense is not the same as income tax paid or payable due to 'temporary' differences. Temporary differences occur when business transactions are recognised at a different time for accounting purposes than they are for tax purposes.

	<b>Suncorp Group</b>	
	<b>2019-20</b>	<b>2018-19</b>
	(\$m - AUD)	(\$m - AUD)
<b>Profit before tax</b>	<b>1,303</b>	<b>502</b>
Income tax using the domestic corporation tax rate of 30%	391	151
Effect of tax rates in foreign jurisdictions	(6)	(7)
Effect of income taxed at non-corporate tax rate - Life	1	1
Non-temporary differences <sup>6</sup>	(16)	234
<b>Income tax expense - current year profit</b>	<b>370</b>	<b>379</b>
Income tax expense - prior year adjustments	1	(72)
<b>Total income tax expense</b>	<b>371</b>	<b>307</b>
Temporary differences -Deferred tax expense <sup>7</sup>	(87)	(24)
<b>Total tax paid/payable - current year and prior year adjustments</b>	<b>458</b>	<b>331</b>

A detailed reconciliation of the Group's accounting profit-to-income tax expense is provided in the tax note in [Suncorp's 2020 Annual Report](#).

6. The increase in non-temporary differences in FY19 is primarily driven by the accounting loss on sale of Suncorp Life & Superannuation Limited. The accounting loss on sale is not deductible for tax purposes. The non-temporary differences in FY20 primarily relate to the sale of the Capital SMART business and the utilisation of previously unbooked capital losses as a result of this sale.

7. Deferred tax expense includes temporary differences related to current year profit, adjustments for prior financial years, and other movements in the tax balance sheet which do not impact current or prior year tax payable. In FY20, the most significant contribution to the difference between income tax expense and tax paid/payable is the Provision for Impairment on loans and advances in Suncorp-Metway Limited, which is not deductible in FY20 for income tax purposes.

# Definitions

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## **GST (GOODS AND SERVICES TAX)**

Suncorp remits GST to the Australian Government in respect of certain taxable products and services provided by Suncorp, and is entitled to claim input tax credits to recover GST included in costs associated with providing these taxable products and services.

Suncorp also provides certain products and services that are classified as 'GST-free' and 'input taxed.' For these products and services, GST is not charged by Suncorp. Suncorp is entitled to claim input tax credits to recover the GST included in costs relating to 'GST-free' products and services, but is not entitled to claim input tax credits in respect of costs associated with providing 'input taxed' products and services, except where entitlement exists under the GST regulations.

## **PAYROLL TAX**

Payroll tax is a tax imposed on an employer. Specifically, it is a state and territory tax assessed on taxable wages paid or payable by an employer to an employee, when the total taxable wages exceeds the prescribed threshold. Suncorp employs approximately 13,500 people across Australia and is liable for payroll tax in all states and territories. Payroll tax returns were lodged for the period 1 July 2019 to 30 June 2020.

## **FBT (FRINGE BENEFITS TAX)**

A fringe benefit is a benefit an employee (or an employee's associate) receives because of their employment. FBT is a tax payable by employers on fringe benefits provided to employees (or employees' associates) in respect of their employment.

FBT is separate to income tax and is calculated on the grossed-up taxable value of the fringe benefit provided during the FBT year (1 April to 31 March). Australian FBT returns were lodged for the period 1 April 2019 to 31 March 2020.

In New Zealand, FBT returns are submitted quarterly with the March quarter being the final FBT return.

## **PAYG (PAY AS YOU GO)/PAYE (PAY AS YOU EARN) WITHHOLDING TAX**

In 2019-20, Suncorp withheld and remitted taxes to the relevant authorities from salary and wages payments on behalf of employees, both in Australia (PAYG) and New Zealand (PAYE).

In 2019-20, Suncorp withheld and remitted taxes to the ATO from interest and royalties paid to non-residents in Australia.

## **ETR (EFFECTIVE TAX RATE)**

This is the rate recognised in the financial statements and is calculated as income tax expense divided by the profit before income tax.

## **EARTHQUAKE COMMISSION LEVY**

The Earthquake Commission (EQC) is a New Zealand Crown entity funded by levies applied to certain insurance premiums. EQC provides natural disaster insurance for residential property, administers the New Zealand Natural Disaster Fund, and funds research and education on natural disasters. New Zealand insurance companies collect EQC levies from customers as part of the cost of insurance.

## **INSURANCE DUTY**

Insurance duty is a duty imposed by Australian state and territory governments for certain insurance policies. The types of insurance policies that are subject to duty vary between the states and territories. The rate of duty varies according to the type of insurance and value of the transaction involved and may not be charged on all transactions in every jurisdiction.


## **FIRE AND EMERGENCY SERVICES LEVY**

The Fire and Emergency Services Levy is the expense levied on premiums for insurance policies with a fire risk component, which is recoverable from insurance companies by the applicable state government in Australia or by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges.



### **Connect**

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