



# Suncorp Tax Transparency Report 2017-18

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Create a better today



Suncorp Group Limited  
ABN 66 145 290 124

# Message from the Chief Financial Officer



I am pleased to present the *Tax Transparency Report* for the 2018 financial year for Suncorp Group Limited.

Suncorp has voluntarily adopted the Tax Transparency Code in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Transparency Code, which includes reporting annually on our tax contributions and our approach to tax strategy. We are committed to full transparency regarding Suncorp's tax payments and policies, and to contributing fairly to the communities in which we operate.

Our report details contributions made by Suncorp in Australia and New Zealand for the financial year ended 30 June 2018.

The report reflects our commitment to communicating openly and being transparent with all our stakeholders.

A handwritten signature in black ink, appearing to read 'Steve Johnston', with a horizontal line underneath.

**STEVE JOHNSTON,  
CHIEF FINANCIAL OFFICER**

Suncorp Group Limited is a leading financial services provider, helping customers to make good choices and take positive action to improve their financial wellbeing.

Suncorp is a top-20 ASX-listed company with \$99 billion in assets. We employ approximately 13,300 people and serve close to nine million customers across Australia and New Zealand. Our products, services and experiences are designed to make it easier for our customers to meet their financial needs. We have a strong portfolio of banking, wealth management

and insurance solutions from across our many brands including Suncorp, AAMI, GIO, Apia, Shannons and Vero, as well as those from our partners.

Since 1902, Suncorp has created value for stakeholders while being a responsible and resilient business. During 2017-18 we delivered a cash return on average shareholders' equity of eight per cent, invested in local communities with \$10.1 million, maintained gender parity in our leadership roles and further reduced our greenhouse gas emissions by seven per cent.

# 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 seeks to act in the best interests of customers and to ensure all tax matters relating to customers are supported clearly in the tax law, or confirmed by taxation rulings or opinions issued by the appropriate revenue authority.

Suncorp has a low tolerance for tax risk. This is in line with the company's broader approach to risk, as set out in the Risk Appetite Statement, which mandates for balanced and considered risk to achieve business objectives. The Risk Appetite Statement 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 ATO'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 is committed to ensuring 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
- Audit Committee Charter.

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
- obtain tax rulings from the relevant regulators on complex or uncertain areas of the law.

Suncorp's approach to transparent tax reporting is illustrative of the behaviours that guide the way Suncorp works, makes decisions and builds trust with customers.

# Relationships with Regulators

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Suncorp is committed to having 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.

Suncorp is actively working with the ATO towards attaining a Justified Trust Credential. Justified Trust was implemented in 2017 as a recommendation of the Organisation for Economic Co-operation and Development (OECD) and is designed to give the general

public confidence that large corporations are paying the right amount of tax. The ATO has assessed the overall level of assurance that Suncorp has paid the right amount of tax as medium-high in the 2017 Tax Assurance Report. This is reflective of the iterative review process whereby high assurance may only be obtained once all business units are reviewed. Suncorp will continue to work with the ATO towards achieving a Justified Trust Credential by the end of the review.

Under the Justified Trust regime, corporations will need to ensure they have tax governance and risk frameworks in place. Suncorp is dedicated to establishing sufficient control frameworks to ensure tax risks are identified and managed effectively.

The IR fully supports the Guidance on tax control frameworks released by the OECD's Forum on Tax Administration. Suncorp is committed to ensuring tax processes, systems and controls are effective, ensuring 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.

Suncorp is committed to ensuring its tax processes, systems, and controls are effective by undertaking:

- daily management of significant matters and risks
- tax data integrity testing
- a strong technology focus to support tax
- regular completion of tax due diligence and verification processes
- liaising with ATO and IR relationship officers to manage risk areas as they present.



# Taxes borne and collected

Suncorp paid an effective corporate income tax rate which aligns closely with the statutory corporate tax rate in both the Australian and New Zealand jurisdictions in which the Group operates.

Suncorp's leadership and tax teams do not have rewards or key performance indicators linked to the tax paid by the organisation.

Suncorp recognises that 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 9 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.

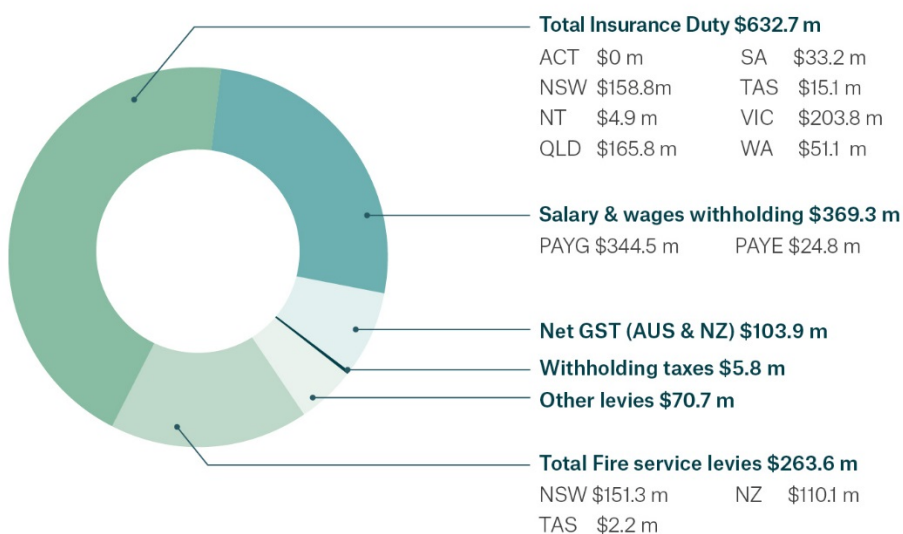
In addition to taxes borne by Suncorp, Suncorp customers and Suncorp employees pay taxes which apply to Suncorp's business activities. For example, Suncorp's products are subject to a range of indirect taxes which are borne by customers. Suncorp is responsible for the collection and remittance of these taxes to the relevant revenue authorities. Taxes borne and collected by Suncorp for the financial year ended 30 June 2018 are summarised on the right.

Corporate Tax	2017/18	2016/17
Suncorp's total corporate income tax contribution (\$m - AUD)	392	507
Suncorp's global effective tax rate (%)	32.0	32.5
Suncorp's Australian effective tax rate (%)	32.0	32.2
Suncorp's New Zealand effective tax rate (%) <sup>1</sup>	32.1	38.0

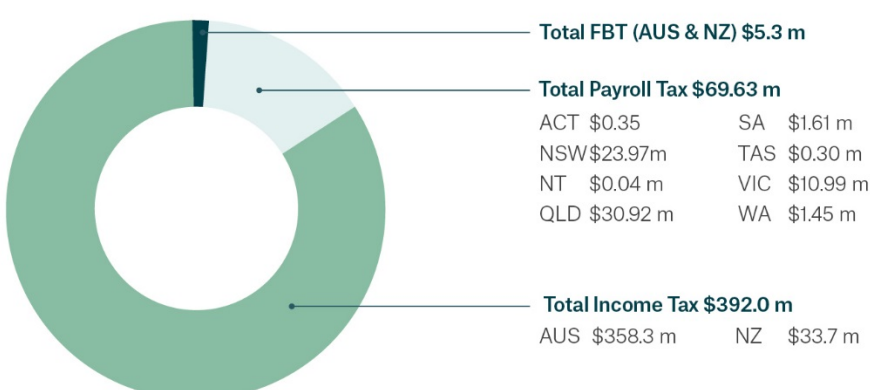
  

Taxes borne and collected by Suncorp <sup>2</sup>	2017/18 (\$m - AUD)	2016/17 (\$m - AUD)
Taxes borne by Suncorp <sup>3</sup>	467	578
Taxes collected from customers and employees and remitted by Suncorp	1,446	1,508

## TOTAL TAXES REMITTED BY SUNCORP - \$1,446 M



## TOTAL TAXES BORNE BY SUNCORP \$466.9 M

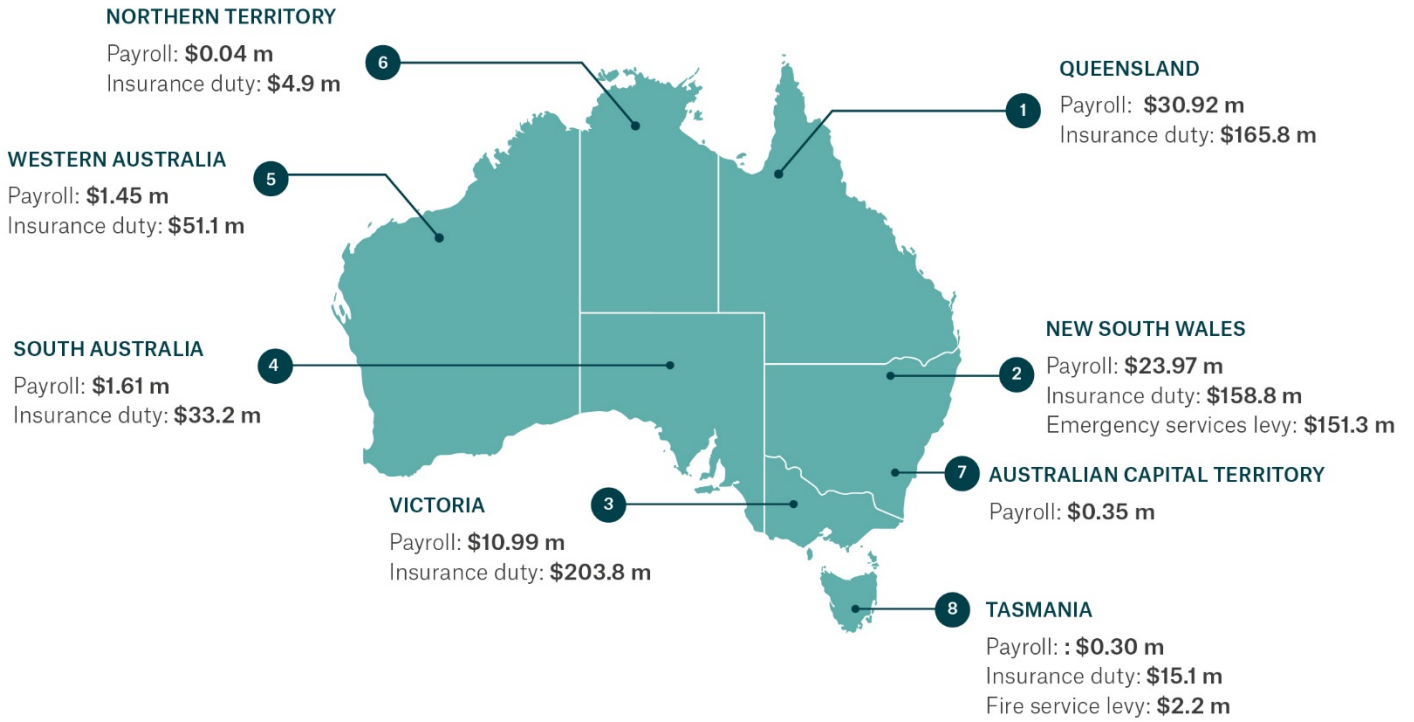


1. A large non-deductible realised loss on disposal of Autosure of \$26m pushed the effective tax rate up higher for 2017.

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.

## STATE AND TERRITORY TAXES PAID



# Company tax position

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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, taxed at the 30 per cent corporate tax rate, except for the Life insurance business which is at the following rates:

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

In both the Australian and New Zealand insurance businesses, Suncorp pays tax on behalf of policyholders who participate in the 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.

Applicable rate for classes of life insurance business	2017/18 %
Annuity and pension business (Segregated Exempt Assets)	Exempt
Complying superannuation business	15
Ordinary class of business	30
Shareholders' funds	30



# Offshore related party dealings

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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 2018, Suncorp lodged its first Country-by-Country (CbC) report for the year ended 30 June 2017.

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.

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## RELATED PARTY TRANSACTION

## WHY IT IS IN THE BEST INTERESTS OF SUNCORP

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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.

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# Accounting profit to income taxes payable reconciliation

The table below outlines key differences between income tax expense and income tax payable for the 2017 and 2018 financial years.

Importantly, income tax expense is not the same as income tax payable. The expense is required to be adjusted for what are known as 'temporary differences' to determine the income tax payable for the Group. Temporary differences occur because particular business transactions are recognised at different points in time under accounting and tax rules.

	<b>SUNCORP GROUP</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>\$M (AUD)</b>	<b>\$M (AUD)</b>
Profit before tax	1,577	1,608
Income tax using the domestic corporation tax rate of 30%	473	482
Effect of tax rates in foreign jurisdictions	(4)	(2)
Effect of income taxed at non-corporate tax rate - Life	2	2
Tax effect of amounts not deductible/(assessable) in calculating taxable income:		
Permanent Adjustments	38	41
DTA and DTL charged to income	(32)	40
Other Adjustments	(8)	(36)
<b>Total</b>	<b>469</b>	<b>527</b>
Adjustments for prior financial years	(1)	(4)
<b>Total current tax expense/(credit) on pre-tax net profit</b>	<b>468</b>	<b>523</b>

A detailed reconciliation of the Group's accounting profit to income tax expense is provided in the tax note in Suncorp's 2018 Annual Report.

# Definitions

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

Suncorp remits GST to the 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.

## **PAYROLL TAX**

Payroll tax is a tax imposed on employers. Specifically, it is a state and territory tax assessed on wages paid or payable by an employer to its employees, when the total wage bill of an employer (or group of employers) exceeds a threshold amount. Suncorp employs approximately 13,300 people across Australia and is liable for payroll tax in all states. The payroll tax return is lodged for the period 1 July 2017 to 30 June 2018.

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

A fringe benefit is a benefit that an employee (or an employee's associate) receives because of their employment. FBT is a tax payable by employers for benefits provided to employees (or employees' associates) in respect of their employment. FBT is separate to income tax and is calculated on the taxable value of the fringe benefit provided. The FBT return is lodged for the period 1 April 2017 to 31 March 2018 for Australia.

In New Zealand, FBT returns are submitted quarterly with an annual wash up in the March quarter.

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

In 2017-18, Suncorp withheld and remitted \$369.3 million of taxes to the relevant authorities from salary and wages payments on behalf of employees, both in Australia (PAYG) and New Zealand (PAYE).

In 2017-18, Suncorp withheld and remitted \$5.1 million of taxes to the ATO from interest and royalties paid to non-residents in Australia.

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

Suncorp's effective tax rate (ETR) for 2018 was 32.0% (2017: 32.5%). 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 state and territory governments for certain instruments. 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 in the case of New Zealand, by Fire and Emergency New Zealand. Fire service levies were established to cover corresponding fire brigade charges.

 [suncorpgroup.com.au](http://suncorpgroup.com.au)  
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