



Suncorp Tax Transparency Report 2016-17

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Create a better today

SUNCORP 

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 2017 financial year for Suncorp Group Limited.

Suncorp has voluntarily adopted the Tax Transparency Code, which includes reporting annually on our tax contributions and our approach to tax strategy.

Our report details contributions made by Suncorp in Australia and New Zealand for the financial year ended 30 June 2017.

The report reflects our commitment to always communicating honestly and being transparent with all of our stakeholders.

**STEVE JOHNSTON,
CHIEF FINANCIAL OFFICER**

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

Suncorp is a top-20 ASX-listed company with \$97 billion in assets. We employ approximately 13,400 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 and Shannons, as well as those from our partners.

Since 1902, Suncorp has created value for stakeholders while being a responsible and resilient business. During 2016-17 we delivered a cash return on average shareholders' equity of 8.4 per cent, achieved customer satisfaction of 82 per cent across our consumer brands, reached gender parity in our leadership roles and further reduced our greenhouse gas emissions by 11 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

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 our 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.

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 our tax processes, systems, and controls are robust. We have controls to test the integrity of tax data, a strong focus on technology to support tax compliance, and we carry 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.

Our approach to transparent tax reporting is illustrative of the behaviours that guide the way we work, make decisions and build trust with our customers.

Relationships with Regulators

Suncorp is committed to having positive 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. Our ACA is a transparent and co-operative tax arrangement with the ATO, where we disclose our material tax risks to the ATO in real time.

In 2017, Suncorp began actively working with the ATO towards attaining Justified Trust. Justified Trust is designed to give the general

public the confidence that large corporations are paying the right amount of tax.

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 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.

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.

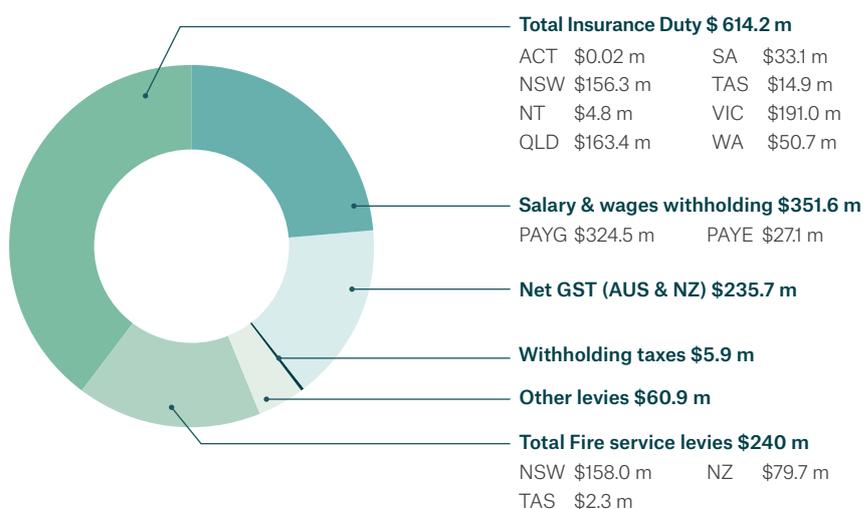
Suncorp's leadership and tax teams do not have rewards or key performance indicators linked to the tax paid by the organisation. Suncorp recognises that appropriate management of effective tax rates is essential to ensure our customer pricing is not adversely impacted. Suncorp collects and pays other 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, our customers and our employees pay taxes which apply to our business activities. For example, Suncorp's products are subject to a range of indirect taxes which are borne by our customers. We are 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 2017 are summarised on the right.

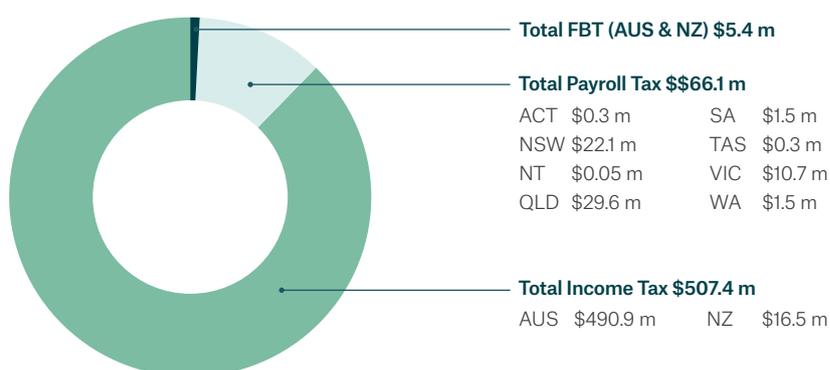
Corporate Tax	2016/17	2015/16
Suncorp's total corporate income tax contribution (\$m - AUD)	507	469
Suncorp's global effective tax rate (%)	32.5	30.7
Suncorp's Australian effective tax rate (%)	32.2	31.1
Suncorp's New Zealand effective tax rate (%) ¹	38	28.2

Taxes borne and collected by Suncorp ²	2016/17 (\$m - AUD)	2015/16 (\$m - AUD)
Taxes borne by Suncorp ³	578	543
Taxes collected from customers and employees and remitted by Suncorp	1,508	1,473

TOTAL TAXES REMITTED BY SUNCORP - \$1,508M



TOTAL TAXES BORNE BY SUNCORP \$578M

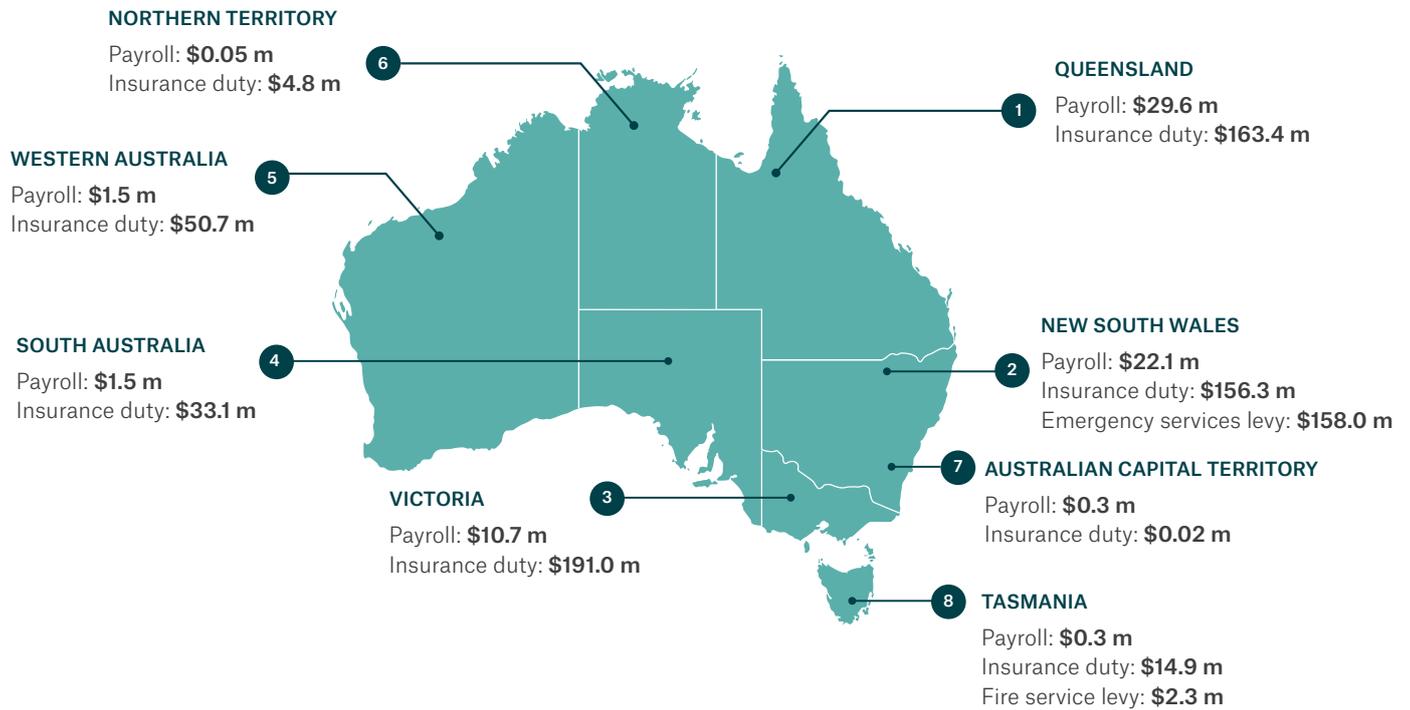


1. A large non-deductible realised loss on disposal of a business segment pushed the effective tax rate up higher for 2017.

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

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

Applicable rate for classes of life insurance business	2016/17 %
Annuity and pension business (Segregated Exempt Assets)	Exempt
Complying superannuation business	15
Ordinary class of business	30
Shareholders funds	30

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.

Offshore related party dealings

Our 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. This allows us to mitigate the possibility of tax being paid in one country at the expense of another. We disclose these transactions to revenue authorities. 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

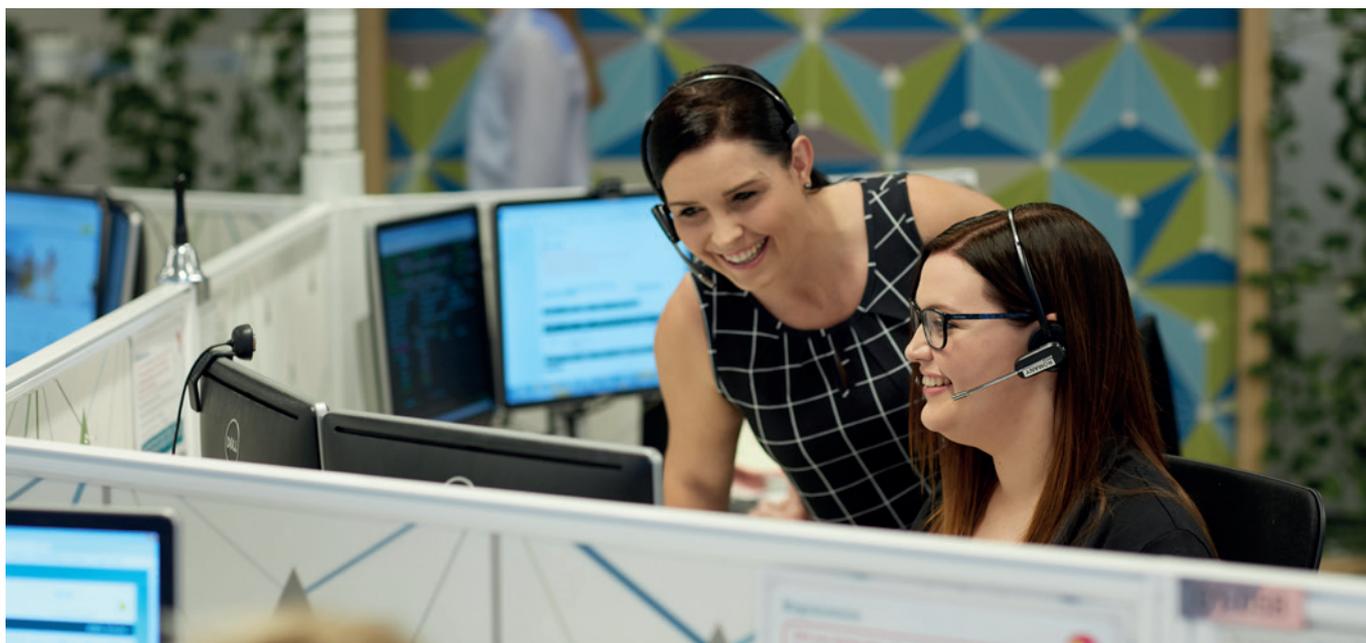
It is more efficient for Suncorp's Australian and New Zealand insurance businesses to obtain reinsurance from third parties on a collective basis, rather than separately.

Catastrophe cover reinsurance recoveries

Consistent with the comment above, it is more efficient for Suncorp's Australian and New Zealand insurance businesses to obtain reinsurance from third parties on a collective basis, rather than separately.

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.



Accounting profit to income taxes payable reconciliation

The table below outlines key differences between income tax expense and income tax payable for the 2016 and 2017 financial years.

	SUNCORP GROUP	
	2016/17	2015/16
	\$M (AUD)	\$M (AUD)
Profit before tax	1,608	1,507
Income tax using the domestic corporation tax rate of 30%	482	452
Effect of tax rates in foreign jurisdictions	(2)	(5)
Effect of income taxed at non-corporate tax rate - Life	2	4
Tax effect of amounts not deductible/(assessable) in calculating taxable income:		
Permanent Adjustments	41	6
DTA and DTL charged to income	40	34
Other Adjustments	(36)	1
Total	527	492
Adjustments for prior financial years	(4)	(33)
Total income tax expense / (credit) on pre-tax net profit	523	459
Effective Tax Rate	32.5%	30.5%

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

Definitions

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 13,400 people across Australia and is liable for payroll tax in all states. The payroll tax return is lodged for the period 1 July 2016 to 30 June 2017.

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 2016 to 31 March 2017 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 2016/2017, Suncorp withheld and remitted \$351.6 million of taxes to the relevant authorities from salary and wages payments on behalf of our employees, both in Australia (PAYG) and New Zealand (PAYE).

ETR (EFFECTIVE TAX RATE)

The Effective Tax Rate (ETR) refers to the income tax paid as a percentage of total profit before the income tax is charged. The calculation of ETR can be complex as it is affected by non-taxed income, such as life insurance premium income received from pension-phase superannuation fund customers. The ETR can also be affected by statutory credits and rebates, for example; dividend imputation credits and research and development concessions.

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.

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