



# Suncorp Tax Transparency Report

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Suncorp Group Limited  
ABN 66 145 290 124



2015/16

## THE SUNCORP BUSINESS AND CORPORATE STRUCTURE



### MESSAGE FROM THE CFO

I am pleased to present the first Tax Transparency Report for Suncorp Group Limited.

Suncorp is committed to providing all stakeholders with transparent information about our business, including tax contributions and our approach to tax strategy.

We have based this report on the principles of the Australian Board of Taxation's Voluntary Tax Transparency Code. It details the tax contributions we made in Australia and New Zealand in the financial year ended 30 June 2016 (2015/16), and is reflective of our leadership approach to reporting transparently.

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

STEVE JOHNSTON,  
CHIEF FINANCIAL OFFICER

Suncorp Group Limited is a top 20 ASX-listed company with \$96 billion in assets. The company has evolved into a unique marketplace business, delivering highly-valued banking, wealth, and insurance products and services across Australia and New Zealand.

Suncorp employs approximately 13,500 employees and serves close to nine million customers through its trusted brands including Suncorp, AAMI, GIO, Shannons, Vero and Apia.

Suncorp is one of Australia's largest general insurers by gross written premium and the second largest general insurer in New Zealand. Suncorp Bank is one of Australia's leading banks serving one million personal, small to medium enterprise and agribusiness customers. Life insurance and superannuation products are provided through Suncorp's brands and via aligned and independent financial advisers.

Suncorp's purpose is to *Create a better today* for all of our stakeholders, including our customers, shareholders, people and communities. This means we help people live the life they want now and plan for the life they want tomorrow.

In 2011, Suncorp adopted the Australian Tax Office (ATO) Advance Compliance Arrangement (ACA) and began proactive engagement with the ATO in relation to tax compliance. We have now also adopted the Australian Board of Taxation's Voluntary Tax Transparency Code.

Importantly, this report provides information beyond what is required by the Code and in advance of the potential broadening of tax transparency requirements in New Zealand.

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In this tax transparency report, the term 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 (e.g. dividend imputation credits and research and development concessions).

The ETR is impacted by different statutory corporate income tax rates, which vary across our business and the countries in which we operate.

## TAXES BORNE AND COLLECTED

Suncorp pays 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 we operate. 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's corporate income tax contribution for the financial year ended 30 June 2016 is outlined below.

Corporate Tax	2015/16
Suncorp's total corporate income tax contribution (A\$m)	469
Suncorp's global effective tax rate (%)	30.7
Suncorp's Australian effective tax rate (%)	31.1
Suncorp's New Zealand effective tax rate (%)	28.2

Suncorp collects and pays other taxes in addition to corporate income tax, such as goods and services tax (GST) and fringe benefits tax (FBT). See page 9 for definitions of these taxes. Suncorp also collects and pays other Australian State duties and levies such as fire services levy, insurance duty and payroll tax.

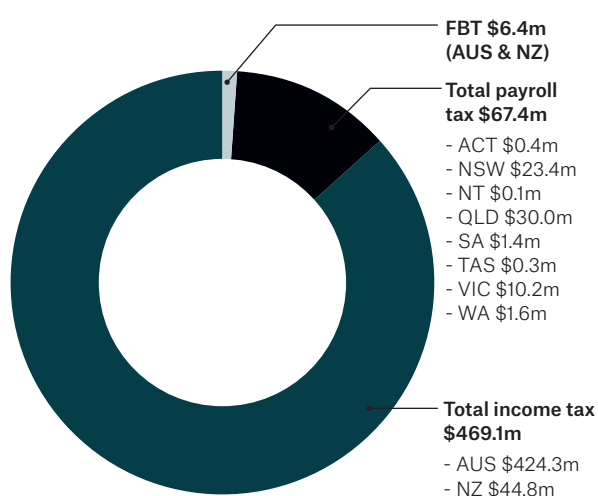
In addition to taxes borne by Suncorp, our customers and our employees pay taxes which apply to our business activities. For example, Suncorp's products are subject to a range of indirect taxes which are borne by our customers. We are responsible for the collection and remittance of these taxes to the relevant revenue authorities. Taxes borne and collected by Suncorp for the financial year ended 30 June 2016 are detailed below.

Taxes borne and collected by Suncorp <sup>1</sup>	2015/16 A\$m
Taxes borne by Suncorp <sup>2</sup>	543
Taxes collected from customers and employees and remitted by Suncorp	1,473

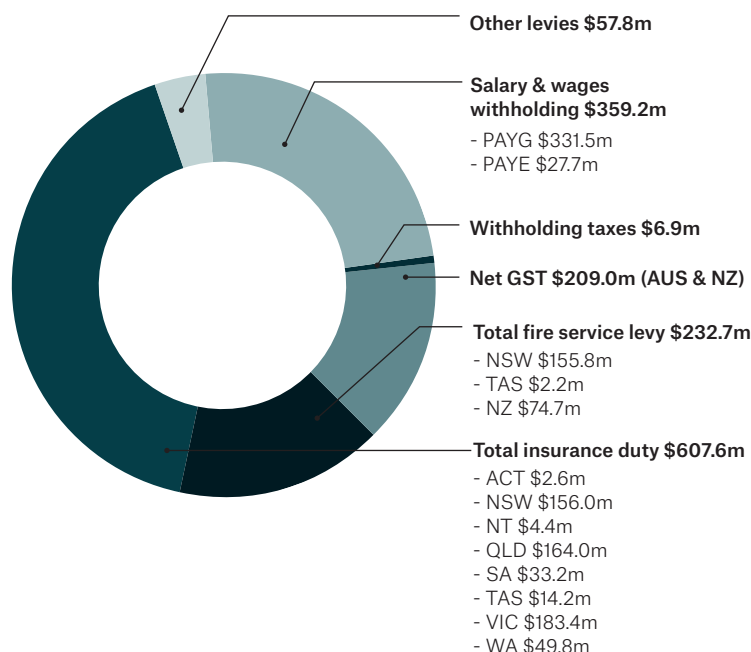
1. Includes Suncorp Group Limited and its 100% owned subsidiaries. Excludes taxes borne and collected by other companies. Does not include all levies and withholdings, but seeks to provide an illustration of primary taxes and withholdings.

2. Taxes payable/incurred for the relevant period.

### Total taxes borne by Suncorp - \$543m



### Total taxes remitted by Suncorp - \$1,473m





# TAX POLICY, STRATEGY AND GOVERNANCE

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.

## THINK BIG

We value our tax contributions and those of our customers in the countries and communities where we operate.

## KICK GOALS

We actively monitor tax risk and take action to ensure that we act in accordance with community expectations.

## SHOW YOU CARE

We are proud of our proactive stance on compliance issues and we do the right thing when faced with complex issues.

## BE YOUR BEST

We strive to be seen as a proactive contributor to the growth of Australia and New Zealand and see tax as one avenue of contributing back to our customers and their communities.



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.

Suncorp seeks to act in the best interests of customers and 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. A conservative stance is taken to tax planning for both taxes paid by Suncorp, and those that Suncorp remits on behalf of its employees and customers. This is in line with Suncorp'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, and we carry out regular tax due diligence and verification processes.

Formal risk management policies and 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
- 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; and
- engage external tax advisors where necessary and adhere to Suncorp's group-wide governance policies.

## Relationships with Revenue Regulators

Suncorp's commitment to being our best and showing we care applies to our relationships with all revenue authorities, including the ATO and New Zealand Inland Revenue. Our high level of engagement with the ATO is illustrated by our actions, as follows:

- Suncorp has been at the forefront of tax transparency with the ATO, as one of the first adopters of an ACA in 2011. Our ACA is a transparent and co-operative tax arrangement with the ATO, where we disclose our tax risks to the ATO in real time.
- Our tax affairs are subject to review by the ATO under the ATO's ordinary compliance activities with large business taxpayers.
- We address all regulator enquiries co-operatively and comprehensively.
- We regularly keep the ATO informed of material transactions.

## COMPANY TAX POSITION

Suncorp operates as three core businesses across Australia and 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 group. All members of the group are taxed as part of a single entity either at the prevailing 30% corporate tax rate or, in the case of the life insurance business, at the following rates:

<b>Applicable tax rate for classes of life insurance business</b>	<b>2015/16 %</b>
Annuity and pension business (Segregated Exempt Assets)	Exempt
Complying superannuation business	15
Ordinary class of business	30
Shareholder 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%.

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. Examples of related party transactions are provided in the table below. 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.

<b>Related party transaction</b>	<b>Why it is in the best interest of Suncorp</b>
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 financial year ended 30 June 2016, using tax note categories. Please refer to page 8 for a further explanation of each key reconciling item.

	2015/16 A\$m	
<b>Accounting profit before tax</b>	<b>1,507</b>	
<b>Income tax using the domestic corporation tax rate of 30%</b>	<b>452</b>	
Effect of tax rates in foreign jurisdictions	(5)	
Effect of income taxed at non-corporate tax rate - Life	4	
<b>Tax effect of amounts not deductible/(assessable) in calculating taxable income:</b>		
Non-deductible expenses	14	
Non-deductible expenses - Life	11	
Amortisation of intangible assets	7	
Dividend adjustments	9	
Tax exempt revenues	(2)	
Current year rebates and credits	(31)	
Other permanent adjustments	(2)	
Investment securities	42	
Property, plant and equipment	(6)	
Intangible assets	13	
Provision for impairment on loans and advances	(9)	
Provision for employee benefits	(7)	
Other adjustments	1	
<b>Income tax payable – current year profit</b>	<b>492</b>	
Income tax payable – prior year adjustments	(33)	
<b>Total current tax expense (per financial statements)</b>	<b>459</b>	
Effective tax rate using income tax payable	30.5%	
<b>Effective tax rate summary</b>		
	<b>A\$m</b>	<b>%</b>
Current tax expense	459	30.5
Deferred tax expense	3	0.2

## KEY RECONCILING ITEMS

Difference	Description
Income tax using the domestic corporation tax rate of 30%	Tax charge based on the statutory Australian corporate tax rate of 30%.
Effect of tax rates in foreign jurisdictions	Differences between the Australian corporate tax rate of 30% and the tax rate applied in the jurisdiction in which that income is taxed.
Effect of income taxed at non-corporate tax rate - Life	Differences between the statutory Australian corporate tax rate of 30% and the tax rate applied on life company Ordinary class, Complying Superannuation Fund class and Segregated Exempt Asset class income.
Non-deductible expenses	Charges to the accounting statement of financial performance for which there is no corresponding income tax deduction in the current year or the future.
Non-deductible expenses - Life	Charges to the accounting statement of financial performance relating to life risk claim payments and premiums that are non-deductible or non-assessable for tax.
Amortisation of intangible assets	Amortisation charges to the accounting statement of financial performance in relation to intangible assets, for which there is no corresponding income tax deduction in the current year or the future.
Dividend adjustments	Dividend income received is assessable income for tax purposes. Intercompany dividends between members of the tax consolidated group are eliminated. Also includes Suncorp's share of dividend income from joint ventures.
Tax exempt revenues	Income recognised in the accounting statement of financial performance which is exempt from income tax. Also includes income tax offsets and credits allowable under specific tax provisions.
Current year rebates and credits	Rebates and credits from allowable concessions under tax law, including dividend imputation credits, research & development concessions and foreign income tax offsets.
Other permanent adjustments	Adjustments for revenue and expense items that do not constitute assessable income or allowable deductions for tax purposes.
Investment securities	Fair value adjustments on investments which are included in the accounting statement of financial performance, but do not constitute assessable income or allowable deductions for tax purposes.
Property, plant and equipment	Differences in the amount of depreciation recognised in the accounting statement of financial performance, and the tax deduction allowable under the tax law.
Intangible assets	The tax base to be attributed to an intangible asset depends on whether the asset is held for use or held for sale, depreciated or not depreciated for tax. Generally, the amortisation of intangibles is treated as non-deductible and a deferred tax liability is recognised.



Difference	Description
Provision for impairment on loans and advances	Provisions are generally non-deductible for tax purposes until the amounts are definite or realised. A deduction is only available if Suncorp is definitively committed to the expense. Comprises provisions in relation to claims handling costs and doubtful debts.
Provision for employee benefits	Provisions are generally non-deductible for tax purposes until the amounts are definite or realised. A deduction is only available when Suncorp is definitively committed to the expense. Comprises provisions in relation to employee benefits such as leave entitlements.
Other adjustments	Other temporary difference movements resulting from differences in accounting and tax values of assets and liabilities.
Income tax payable – prior year adjustments	Any changes to a tax position which relates to and was reported in a prior year.

## DEFINITIONS

### GST

Certain products and services provided by Suncorp are 'input taxed' for Australian and New Zealand GST purposes. This means that we do not charge GST to our customers for those products and services, and we are not able to claim full GST input tax credits for costs relating to those products and services. GST is charged to customers on other products and services provided by Suncorp and that GST is remitted to the Government. Suncorp is able to claim a full input tax credit for goods and services acquired to deliver these 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 13,500 people across Australia and is liable for payroll tax in all states.

### FBT


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 employee's associates) in respect of their employment. FBT is separate to income tax and is calculated on the taxable value of the fringe benefit provided.

### Salary and wages (PAYG/PAYE) withheld

In 2015/2016, Suncorp withheld and remitted \$359m of taxes to the relevant authorities from salary and wages payments on behalf of our employees, both in Australia and New Zealand. This is referred to as PAYG withholding in Australia and PAYE withholding in New Zealand.

### Other levies

Other levies includes Earthquake Commission levy paid in New Zealand.

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