Avant Mutual Group Limited

2023 Tax Transparency Report

For the year ended 30 June 2023

Avant
By doctors for doctors

A message from our Chief Financial Officer

On behalf of the Board of Directors, I am pleased to present the 2023 Tax Transparency Report for Avant Mutual Group Limited and its subsidiaries (collectively referred to in this report as Avant).

As a member-owned organisation, we have a responsibility to act in our members' best interests and in a way they can take pride. We value the contribution we make to the community and remain committed to providing accessible and transparent information about our businesses, including Avant's tax contributions and its approach to tax strategy.

Therefore, we have prepared this voluntary Tax Transparency Report for public disclosure of our tax information. It is also in line with the Board of Taxation's Voluntary Tax Transparency Code and in accordance with the Australian Taxation Office's (ATO) recommendations.

Adrian Urquhart

Adrian Urquhart
Chief Financial Officer

Introduction, tax policy and strategy

Avant has a proud heritage of protecting doctors for more than 130 years and supports over half of all doctors in Australia. Our focus is on being a trusted protector and adviser for our members, and we take pride in being a socially responsible corporate citizen in relation to all taxation matters. Avant's tax policies, strategies, resources, procedures and controls have been established and implemented in harmony with our vision.

The Board acknowledges and requires Avant to:

- actively monitor, identify and manage tax risks;
- comply with all statutory obligations, administrative requirements and required disclosures;
- pay the amount of tax that is legally required to be paid in all jurisdictions in which Avant operates;
- maintain documented policies and procedures in relation to tax risk management; and
- maintain open, transparent, and professional relationships with revenue authorities, both local and international.

The Board has delegated to the Avant Group Audit Committee the authority to review and approve the Tax Governance Policy under its Charter.

The Tax Governance Policy applies to Avant Mutual Group Limited and its controlled subsidiaries. The Board, executives, employees, advisers, and parties who perform work for Avant and its subsidiaries are required to comply with Avant's Tax Governance Policy.

This Tax Transparency Report sets out relevant tax information for Avant and its subsidiaries for the year ended 30 June 2023 with comparatives provided for 30 June 2022.

Avant's tax profile

Avant operates for the mutual benefit of its members. Avant Mutual Group Limited's wholly owned Australian subsidiaries have formed a tax consolidated group.

Certain activities are treated as mutual dealings for which Avant is not liable for income tax (e.g. membership revenue and subscription fees), nor are the outgoings related to those mutual dealings allowable as income tax deductions. Avant is however liable for income tax on investment income, capital gains, income from non-mutual dealings (e.g. its insurance related activities), and income from its other non-insurance related businesses.

All financial information presented in this document, unless otherwise stated, relates to Avant Mutual Group Limited and its wholly owned Australian subsidiaries.

Our approach to tax

Avant has a robust tax governance and risk management framework that governs the operations of its business. Tax is an important subset of these frameworks, which are predicated on integrity and transparency to ensure high standards of corporate and social responsibility.

The key elements of Avant's approach to tax include:

- complying with all applicable tax laws;
- meeting all taxation obligations in accordance with applicable legislation and requirements and a low appetite of unknowingly failing to comply with its taxation obligations;
- adopting a low-risk appetite to tax structuring on a range of transactions and activities across the business;
- maintaining a professional and transparent relationship with the ATO and other applicable revenue authorities, with early engagement on relevant transactions;
- seeking professional advice or a taxation ruling from the ATO and/or other applicable revenue authorities, in circumstances where the potential taxation outcome is uncertain;
- implementing controls over material risks, and periodically assessing the effectiveness of those controls and rectifying any deficiencies;
- reviewing key tax-related controls as part of the internal audit plan to ensure relevant processes and controls are appropriately reviewed; and
- assessing the materiality of a risk based on the degree of financial and non-financial impacts, including community, reputational and legal impacts.

Avant has, and is committed to, always engage with the ATO and other revenue authorities in an open and transparent manner.

Tax paid and collected

The following table details the types of taxes paid and collected by Avant and its subsidiaries to and/or on behalf of Australian federal and state governments.

Taxes	FY23 $m	FY23 %	FY22 $m	FY22 %
Corporate income tax (net of refunds received)[1]	44.4	33.5%	32.3	29.6%
Goods and Services Tax (GST)[2]	24.3	18.3%	20.5	18.8%
Stamp Duty[3]	24.7	18.6%	21	19.2%
Pay As You Go (PAYG) – Employees[4]	33.5	25.3%	30.2	27.7%
Payroll Tax[5]	5.4	4.1%	4.9	4.5%
Fringe Benefits Tax (FBT)[6]	0.2	0.2%	0.2	0.2%
Total taxes paid	**132.5**	**100.0%**	**109.1**	**100.0%**

[1] Corporate income tax paid reflects the income tax instalments paid less refunds received during the respective financial years. Note that:

- Net tax payments of $34.3 million, including a tax refund of $2.5m that was received on 31 March 2023, in relation to the 2022 income tax return were paid during the 2023 financial year. These were not included in the amount paid in the 2022 financial year but have been reflected in the 2023 financial year disclosure.
- Avant's June 2023 income tax instalment of $3.5m was made in July 2023 and will be reflected in the 2024 tax transparency report.
- A final income tax payment of $28 million in relation to the 2021 income tax return was made on 1 December 2021. This payment was included in the 2022 financial year.

[2] GST collected less the input tax credits claimed on supplies during the respective financial years.

[3] Stamp Duty represents the duty collected on the sale of insurance policies during the respective financial years.

[4] PAYG represents the employee income tax remitted to the ATO on remuneration paid to employees during the respective financial years.

[5] Payroll tax paid on Avant's employment costs during the respective financial years.

[6] FBT paid on benefits provided to employees during the respective financial years.

Reconciliation of accounting profit/(loss) to income tax expense/(benefit) and current income tax payable

The reconciliation of accounting profit/(loss) to tax expense/(benefit) below was published in Avant's 2023 Financial Report in Note 8(a). The disclosure was prepared for Avant and its subsidiaries[7] for the year ended 30 June 2023 in accordance with the relevant Australian Accounting Standards.

Income tax expense/(benefit) in the statement of comprehensive income is calculated by multiplying accounting profit/(loss) for the year, adjusted for permanent differences by the current applicable Australian tax rate of 30%.

Reconciliation of accounting profit / (loss) to income tax expense	FY23[8] $'million	FY22[8] $'million
Profit/(loss) from continuing operations before income tax	**129.7**	**(76.9)**
Income tax expense / (benefit) using the Australian corporate tax rate of 30%	38.9	(23.0)
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income		
Net mutual income – non assessable	(3.9)	(4.4)
Other permanent differences	4.1	3.1
Effect of franking credits	(3.0)	(3.1)
	36.1	**(27.4)**
Over provision in prior years	(3.1)	(1.4)
Income tax expense/(benefit)	**33.0**	**(28.8)**

Reconciliation of income tax expense to current income tax payable	FY23[8] $'million	FY22[8] $'million
Income tax expense/(benefit)	**33.0**	**(28.8)**
Deferred tax expense/(benefit)	(12.4)	60.8
Over provision in prior years	3.1	1.4
Current year income tax payable	**23.7**	**33.4**

Effective company tax rates

The effective tax rate is calculated as income tax expense divided by profit before tax. It is used as a comparison against the Australia corporate income tax rate of 30%.

Effective tax rate	FY23[8] $'million	FY22[8] $'million
Income tax expense/(benefit)	33.0	(28.8)
Profit/(loss) before income tax	129.7	(76.9)
Effective tax rate	**25.4%**	**37.5%**

In FY23, the effective tax rate is 4.6% lower than the Australian corporate tax rate of 30%. In FY22, the effective tax rate was 7.5% higher than the Australian corporate tax rate of 30%. For both financial years, the difference is mainly attributable to net mutual income (before tax effect) of $13.0 million in FY23 and $14.7 million in FY22 which is included in the accounting profit/(loss) before tax but is excluded for income tax purposes as it is non-assessable. While the amount of net mutual income in FY23 and FY22 are comparable, the proportion of net mutual income relative to the corresponding year's profit/(loss) before income tax varied significantly (FY23: 10.0% vs FY22: 19.1%).

Further information

Further information and publications about Avant and its operations are available from the Group's website **avant.org.au**.

[7] Includes a non-wholly owned subsidiary that is not part of the tax consolidated group.

[8] These amounts are as per the tax provision calculations reflected in the annual financial statements. Adjustments between these amounts and the outcome of the final tax return will be reflected in the following year's financial statements.