

Tax Transparency Report

For the year ended 30 June 2022

A message from the Chief Financial Officer

On behalf of the Board of Directors, I am pleased to present the 2022 Tax Transparency Report (Report) for Avant Mutual Group Limited (a company limited by guarantee) and its subsidiaries (Avant).

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.

In line with the Board of Taxation's Voluntary Tax Transparency Code (TTC), Avant has prepared this voluntary Report for public disclosure of tax information in accordance with the Australian Taxation Office's (ATO) recommendations.

Daniel Vanderkemp
Chief Financial Officer

Introduction, tax policy and strategy

Avant is Australia's leading medical defence organisation with a proud heritage of protecting the Australian medical profession for almost 130 years.

Avant focuses on being a trusted protector and advisor for their members and takes 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 Avant's vision.

The Board acknowledges and requires Avant to:

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

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

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

This Report sets out relevant tax information for Avant for the year ended 30 June 2022 with comparatives for 30 June 2021.

Avant's tax profile

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

Certain activities of the Avant tax consolidated group are treated as mutual dealings for which Avant is not liable for income tax, e.g., member fee income, nor are the outgoings related to those mutual dealings allowable as income tax deductions. The Avant tax consolidated group, however, is liable for income tax on investment income, capital profits, and income from non-mutual dealings (for example: insurance related activities).

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:

- a) Complying with all applicable tax laws;
- b) Meeting all taxation obligations in accordance with applicable legislation and requirements and a low appetite of unknowingly failing to comply with its taxation obligations;
- c) Adopting a low-risk appetite to tax structuring on a range of transactions and activities across the business;
- d) Maintaining a professional and transparent relationship with the ATO and other applicable revenue authorities, with early engagement on relevant transactions;
- e) Seeking professional advice or a taxation ruling from the ATO, and other applicable revenue authorities, in circumstances where the potential taxation outcome is uncertain;
- f) Implementing controls over material risks, and periodically assessing the effectiveness of those controls and rectifying any deficiencies;
- g) Reviewing key tax-related controls as part of the Internal Audit plan to ensure relevant processes and controls are appropriately reviewed; and
- h) Assessing the materiality of a risk based on the degree of financial and non-financial impacts, including community, reputational and legal impacts.

Avant has always engaged with the ATO and other revenue authorities in an open and transparent manner.

Tax paid and collected analysis

The following table details the types of taxes paid and collected by Avant to and/or on behalf of Australian Federal and State governments in the 2021 and 2022 financial years.

Nature of tax	Note	FY22 \$'million	FY22 %	FY21 \$'million	FY21 %
Corporate Income Tax paid (net of refund received)	1&2	32.3	29.6%	5.5	7.3%
Goods and Services Tax (GST)	3	20.5	18.8%	20.3	26.9%
Stamp Duty	4	21.0	19.3%	21.5	28.4%
Pay As You Go (PAYG) – Employees	5	30.2	27.7%	23.7	31.4%
Payroll Tax	6	4.9	4.5%	4.2	5.6%
Fringe Benefits Tax (FBT)	7	0.2	0.1%	0.3	0.4%
Total taxes paid		109.1	100.0%	75.5	100.0%

Notes

- Corporate Income Tax paid reflects the income tax instalments paid less refunds received during the respective financial years. Note that:
 - Further tax instalments of \$36 million in relation to the 2022 income tax return were paid between 30 June 2022 and 2 December 2022. As this was paid during the 2023 financial year, this was not included in the amount paid in the 2022 financial year. Any further tax payments or refunds relating to the 2022 income tax return will be reflected in the 2023 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 has hence been included in the 2022 financial year.
- The significant difference year on year is the result of a materially higher taxable income in FY21 as compared to FY20. As a result, the tax top up payment for FY20 (paid in FY21) was materially lower than that for FY21 (paid in FY22).
- GST collected less the input tax credits claimed on supplies during the respective financial years.
- Stamp Duty represents the duty collected on the sale of insurance policies during the respective financial years.
- PAYG represents the employee income tax remitted to the ATO on remuneration paid to Avant employees during the respective financial years.
- Payroll Tax paid on Avant's employment costs during the respective financial years.
- FBT paid on benefits provided to employees during the respective financial years.

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

The reconciliation of accounting (loss) / profit to income tax (benefit) / expense below is published in Avant's 2022 Annual Report in note 8 (a). The disclosure was prepared for the statutory accounts of Avant for the year ended 30 June 2022 in accordance with relevant Australian Accounting Standards.

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

Reconciliation of accounting (loss) / profit to income tax expense	FY22 ¹ \$'million	FY21 ¹ \$'million
(Loss) / profit before income tax – continuing operations	(76.9)	222.9
Income tax (benefit) / expense using the Australian corporate tax rate of 30%	(23)	66.9
Tax effect of amounts which are not (taxable) / deductible in calculating taxable income		
Net mutual income – non assessable	(4.4)	(4.5)
Other permanent differences	3.1	1.6
Effect of franking credits	(3.1)	(1.2)
	(27.4)	62.8
Adjustments relating to prior periods	(1.4)	(1.7)
Income tax (benefit) / expense	(28.8)	61.1

¹ These amounts are as per Avant's 30 June 2022 financial statements.

Reconciliation from income tax (benefit) / expense to current income tax payable	FY22 ¹ \$'million	FY21 ¹ \$'million
Income tax (benefit) / expense	(28.8)	61.1
Deferred tax benefit / (expense)	60.8	(26.4)
Adjustments to current income tax relating to prior periods	1.4	1.7
Current year income tax payable	33.4	36.4

Effective tax rates

The effective tax rate is calculated as income tax (benefit) / expense divided by (loss) / profit before income tax. It is used as a comparison against the Australian corporate income tax rate of 30%.

Effective tax rate	FY22 ¹ \$'million	FY21 ¹ \$'million
Income tax (benefit) / expense	(28.8)	61.1
(Loss) / profit before income tax	(76.9)	222.9
Effective tax rate	(37.5%)	27.4%

In FY22, the effective tax rate is 750 basis points (7.5%) greater, in absolute terms, than the Australian corporate income tax rate of 30%. In FY21, the effective tax rate is 260 basis point (2.6%) less 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 \$14.7 million in FY22 and \$14.9 million in FY21 which is included in the accounting (loss) / profit before income tax but is excluded for income tax purposes as it is non-assessable. Whilst the amount of net mutual income in FY22 and FY21 are comparable, the proportion of net mutual income relative to corresponding year's (loss) / profit before income tax varied significantly (FY22: 19% vs FY21: 6.7%).

Further information

Further information and publications about Avant and its operations are available from its website avant.org.au.