



# Tax transparency statement

Financial year 30 June 2017

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## 1. Introduction

Healthscope Limited ("Healthscope") is one of Australia's leading healthcare providers, operating private hospitals across Australia. The group is also a provider of pathology services in New Zealand, Singapore, Malaysia and Vietnam and has over 18,000 employees across all countries.

Our vision is to be a recognised leader of quality private health care services which is underpinned by our STAR<sup>1</sup> values. We consider 'responsibility' of our actions and impact that these actions have on others a key component of the STAR values. This extends to being transparent about the taxes we collect and pay to governments.

We are pleased to publish this, our first tax transparency statement, which has been prepared to meet the requirements of the Australian Board of Taxation's Tax Transparency Code.

## 2. Tax corporate governance

The Healthscope Board (the Board) is committed to conducting Healthscope's business in accordance with high standards of corporate governance. To this end, the Board has adopted a system of internal controls, risk management processes and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of Healthscope.

Taxation is an important element of this corporate governance framework. Healthscope's Tax Corporate Governance Policy details how Healthscope approaches its tax obligations.

### The key principles which underpin this policy are:

- Commitment to achieving compliance with statutory obligations across all tax jurisdictions in which the group operates, and engagement with revenue authorities on material tax risk issues in line with this tax corporate governance policy
- Ongoing application of Healthscope's risk management framework to all tax matters and completion of thorough risk assessments before entering into any material transaction with a possible tax consequence
- Developing and maintaining strong relations with revenue authorities, and actively considering the implications of tax for Healthscope's wider corporate reputation
- Management of tax affairs in a pro-active manner that seeks to maximise shareholder value in accordance with applicable laws and regulations

## 3. Tax profile

Healthscope re-listed on the Australian Securities Exchange ("ASX") in July 2014 following a period of ownership by a consortium of private equity funds.

**A summary of the income tax profile of Healthscope's operations is set out below:**

Taxpayer	Jurisdiction	Statutory tax rate	Percentage of NPBT* of Healthscope Group	Type of taxpayer
Healthscope Limited	Australia	30%	77%	Australian income tax consolidated group for all wholly owned Australian entities
Healthscope New Zealand Consolidated Group	New Zealand	28%	16%	New Zealand income tax consolidated group for all wholly owned New Zealand entities
Quest Laboratories Pte Ltd	Singapore	17%	4%	Stand alone taxpayer
Gribbles Pathology (Malaysia) Sdn. Bhd. & Gribbles Cytology Services Sdn. Bhd.	Malaysia	24%	3%	Stand alone taxpayers
Quest Laboratories Vietnam Co. Ltd	Vietnam	25%	<1%	Stand alone taxpayer

\* Net profit before tax and impairment losses as disclosed in note 13 to the financial statements

At the time of listing on the ASX in July 2014, the Australian business had carry forward tax losses. The carry forward tax losses have offset taxable profits of the Australian business in FY15, FY16 and FY17. Therefore income tax was not payable.

Income tax is only one component of Healthscope's total taxation contribution. Healthscope pays payroll tax, fringe benefits tax, land tax and stamp duty. Healthscope is responsible for collecting and remitting tax deducted from employee salaries and unfranked dividends paid to non-resident shareholders.

1 STAR values: Service Excellence, Teamwork & Integrity, Aspiration and Responsibility

#### 4. Reconciliation of accounting profit to tax expense and tax expense to income tax payable

The Healthscope Group generated an income tax expense of A\$63.6m for FY17 that resulted in an effective tax rate of 27.7%. The cash tax liability for the group was A\$15.1m after the utilisation of carry forward tax losses.

Provided below is the reconciliation of tax expense and income tax payable for the Healthscope Group in respect of FY17. Tax expense is calculated by adjusting the accounting profit of the group for 'differences' in how business transactions are treated for accounting and tax purposes in accordance with respective regulations. These differences are permanent in nature and do not reverse over time (referred to as non-temporary differences).

Importantly income tax expense is not the same as income tax payable. Tax 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.

	A\$m
<b>Net profit before tax</b>	174.5
Prima facie income tax at domestic rate of 30%	52.4
Effect of non-deductible expenses	17.6
Tax effect of prior year under/over – current tax	(0.2)
Tax effect of prior year under/over – deferred tax	(2.4)
Effect of tax rate in foreign jurisdictions	(2.3)
Effect of non-assessable income	(0.7)
Other adjustments recognised in the current year	(0.8)
<b>Income tax expense</b>	63.6
<b>Reversal of items adjusted to tax expense that do not impact current year income tax payable</b>	
Tax effect of prior year under/over – deferred tax	2.4
Tax effect of deferred balance written back	1.1
<b>Temporary differences</b>	
Transaction costs	(4.1)
Borrowings (arising from hedge accounting)	(9.4)
Derivative financial instruments	8.5
Other	0.8
Net tax payable	62.9
Less: tax losses utilised	(47.8)
<b>Total income tax payable</b>	15.1

## 5. Effective tax rate for the Australian business and Healthscope Group

The effective tax rate is an accounting concept and is calculated by dividing tax expense by accounting profit. Calculated below is the FY17 effective tax rate for the Australian business and Healthscope Group.

Australia	Healthscope Group
41.6%	36.4%

In FY17 Healthscope recognised an impairment of \$54.7m for discontinued operations in respect of the standalone Medical Centres business. The asset impairment was treated as a non-temporary adjustment which resulted in an increase to the effective tax rate for the Australian business and Healthscope Group. When the impact of the asset impairment is removed, the effective tax rate for the Australian business is 28.5% and Healthscope Group is 27.7%.

## 6. Tax contributions

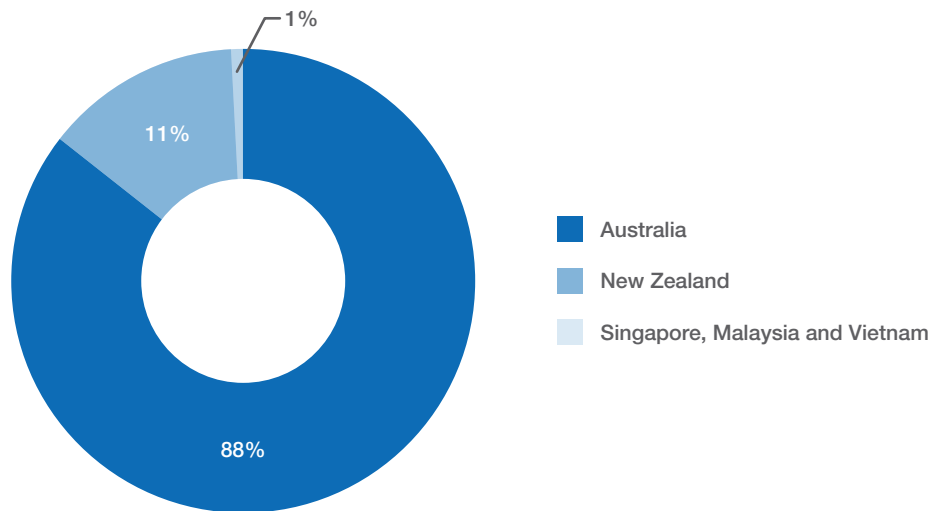
The table below highlights the relevant tax contributions by the Healthscope Group during the FY17 year. The split of tax contributions by country is also illustrated.

	Total (A\$'000)	Australia (A\$'000)	Overseas (A\$'000)
<b>Taxes borne by Healthscope</b>			
Company tax (refer note below)	13,750	864	12,886
Fringe benefits tax	826	716	110
Interest and royalty withholding tax	443	-	443
Land tax	3,433	3,433	-
Local rates and levies (rates and taxes)	3,203	3,203	-
Payroll tax	45,795	45,795	-
Stamp duty	270	-	270
<b>Total</b>	<b>67,720</b>	<b>54,011</b>	<b>13,709</b>
<b>Taxes borne by Healthscope's employees and non-resident shareholders</b>			
Employee withholding	220,388	197,977	22,411
Non-resident withholding tax	1,050	1,050	-
<b>Total</b>	<b>221,438</b>	<b>199,027</b>	<b>22,411</b>

**Note:** Company tax contributions made by the Australian business are in respect of two incorporated joint ventures that do not form part of the Healthscope tax consolidated group. As noted above, carried forward tax losses have resulted in nil tax payable for the Australian tax consolidated group.

Healthscope has not disclosed its net GST position as it remits the GST charged to and borne by its customers and claims an input tax credit for the GST it is charged by its suppliers. In countries (such as Australia) where the provision of medical services are generally not subject to GST, Healthscope is a net claimant of GST. In countries where the provision of medical services is subject to GST, Healthscope is a net remitter of GST. In all cases, no material amounts of GST are borne by Healthscope.

### Total tax contribution by jurisdiction



## 7. International related party dealings

Healthscope's Australian operations and its foreign subsidiaries routinely deal with each other.

A description and explanation of these transactions is provided below:

- Licencing to New Zealand for the use of intellectual property including but not limited to information technology systems, policies, procedures and associated know how, branding and logos
- Money loaned between Healthscope businesses to fund working capital and to facilitate effective cash management for the group
- Dividends received by the Australian business from the foreign subsidiaries
- Management services provided by the Australian business to the New Zealand, Singapore and Malaysian businesses including but not limited to advice and management of pathology services, accounts management, accounting and payroll services
- Cost recharges from the Australian business to the overseas businesses

The international related party dealings are in accordance with arm's length principles and represent a small proportion of Healthscope's overall transactions.