Tax Transparency Statement

Financial year 30 June 2018

Healthscope

A message from the

Chief Financial Officer

We are pleased to publish our 2018 tax transparency statement which details our approach to tax and the tax contributions made by Healthscope during the year ended 30 June 2018 in Australia and internationally.

The report is published on a voluntary basis and has been prepared to meet the requirements of the Australian Board of Taxation's Tax Transparency Code.

We are committed to being transparent about our tax payments and actions to ensure we pay our fair share of tax in the countries in which we operate. We always communicate in an honest and transparent manner with all of our stakeholders.

Michael Sammells
Chief Financial Officer

Tax strategy and approach

1. Introduction

Healthscope Limited ("Healthscope") is a leading private healthcare provider with 43 private hospitals in Australia and 24 pathology laboratories in New Zealand.

During FY18 Healthscope also operated a pathology business in Singapore, Malaysia and Vietnam.

Our vision is to be a recognised leader of quality private health care services which is underpinned by our STAR values[1]. We consider 'responsibility' for 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.

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
- Ongoing application of Healthscope's risk management framework to all tax matters and completion of thorough risk assessments before entering into a material transaction with a possible tax consequence
- Developing and maintaining strong relations with revenue authorities, and actively considering the implications of tax on 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 summarised below:

Taxpayer	Jurisdiction	Statutory tax rate	Percentage of NPBT* of Healthscope Group	Type of taxpayer
Healthscope Limited	Australia	30%	73.8%	Australian income tax consolidated group for all wholly owned Australian entities
Healthscope New Zealand Consolidated Group	New Zealand	28%	19.5%	New Zealand income tax consolidated group for all wholly owned New Zealand entities
Quest Laboratories Pte Ltd	Singapore	17%	4.1%	Stand alone taxpayer
Gribbles Pathology (Malaysia) Sdn. Bhd. & Gribbles Cytology Services Sdn. Bhd.	Malaysia	24%	2.4%	Stand alone taxpayer
Quest Laboratories Vietnam Co. Ltd	Vietnam	20%	0.2%	Stand alone taxpayer

*** Net profit before tax and non-recurring items**

At the time of listing on the ASX in July 2014, the Australian business had carry forward tax losses. The carry forward tax losses were fully utilised during the year and the Australian business started paying company tax instalments in FY18.

Healthscope is regularly subject to information requests and audit activities by tax authorities in countries in which it operates.

In July 2018, the ATO completed a streamlined assurance review of Healthscope's Australian business as part of its program of reviewing Australia's top 1000 companies. The ATO has indicated that it may undertake a more detailed review in respect of various matters that relate to the pre-ASX listing period, and Healthscope's utilisation of tax losses generated prior to listing on the ASX.

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 dividends paid to shareholders.

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

Tax strategy and approach

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$35.5m for FY18 that resulted in an effective tax rate of 28.4%. The cash tax liability for the group was A$30m after the utilisation of carry forward tax losses.

Provided below is the reconciliation of income tax expense and income tax payable for the Healthscope Group for FY18. Income 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. 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
Profit Before Tax	124.9
Prima facie income tax at domestic rate of 30%	37.5
Effect of non-deductible expenses	1.9
Tax effect of prior year under/over – current tax	(0.3)
Effect of tax rate in foreign jurisdictions	(2.3)
Effect of non-assessable income	(1.1)
Other adjustments recognised in the current year	(0.2)
Income tax expense	35.5
Temporary differences	
Provisions	22.5
Transaction costs	(3.3)
Borrowings (arising from hedge accounting)	(0.1)
Derivative financial instruments	0.9
Other	2.8
Net tax payable	58.3
Less: tax losses utilised	(28.3)
Total income tax payable	30.0

Tax strategy and approach

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

The effective tax rate is an accounting concept and is calculated by dividing income tax expense by accounting profit before tax. The effective tax rate for the Australian business and Healthscope Group for FY18 are:

Australia	Healthscope Group
31.25%	28.40%

The difference between the Australian business effective tax rate and the corporate tax rate of 30% is due to a number of accounting expenses not deductible for income tax purposes. Examples include asset impairments, share based payments and interest charges.

6. Tax contributions

The table below highlights the relevant tax contributions by the Healthscope Group during FY18. The split of tax contributions by country is also illustrated.

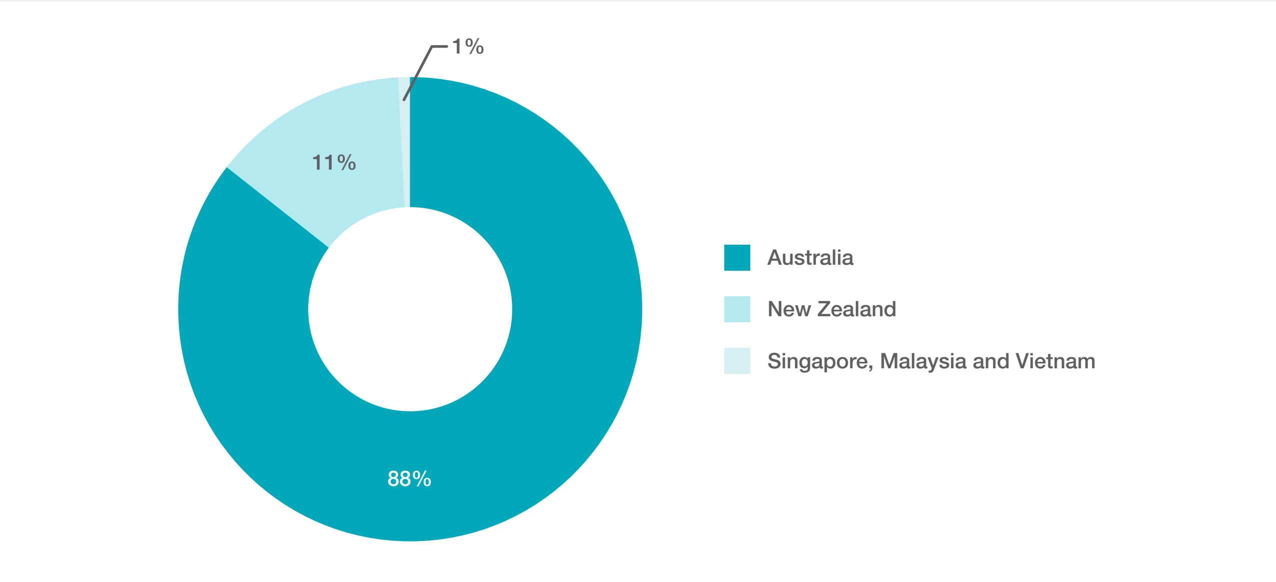
	Total (A$'000)	Australia (A$'000)	Overseas (A$'000)
Taxes borne by Healthscope			
Company tax (refer note below)	15,367	3,640	11,727
Fringe benefits tax	664	548	116
Interest and royalty withholding tax	314	60	254
Land tax	3,916	3,916	-
Local rates and levies (rates and taxes)	3,217	3,217	-
Payroll tax	47,228	47,228	-
Stamp duty	976	976	-
Total	71,682	59,585	12,097
Taxes borne by Healthscope's employees, shareholders and suppliers			
Employee withholding	231,331	208,958	22,373
Shareholder and supplier withholding	1,218	1,215	3
	232,549	210,173	22,376

Note: Company tax payments for Australia represent the company tax instalments paid for FY18. The balance of FY18 Australian company tax will be paid during FY19.

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.

Tax strategy and approach

Total Tax Contribution by Jurisdiction



7. International related party dealings

Healthscope's Australian business and those operated by its foreign subsidiaries routinely deal with each other. Pricing for these dealings are in accordance with arm's length principles and represent a small proportion of Healthscope's overall transactions.

These dealings include:

- Intellectual property including for, but not limited to, information technology systems, policies, procedures and associated know how, branding and logos is licenced by the Australian business for use by the New Zealand business
- Money lending between Healthscope's businesses to fund working capital and to facilitate effective cash management for the group
- Dividends paid by foreign subsidiaries to repatriate profits to Australia
- Management services including, but not limited to, advice and management of pathology services, accounts management, accounting and payroll services are provided by the Australian business to the New Zealand, Singapore and Malaysian businesses
- Recharges of any other costs incurred by the Australian business which relate to an 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.