

IAG TAX TRANSPARENCY REPORT 2017



MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present IAG's first tax transparency report, for the financial year ended 30 June 2017.

Our purpose is to make your world a safer place and we believe that the financial contribution we make to the community in paying claims, providing employment, buying products and services and paying taxes is aligned to our purpose as we contribute to the strength and resilience of the communities in which we operate.

INTRODUCTION

This report outlines IAG's approach to tax, including the principles that guide us, and sets out details of the tax-related payments we made across IAG in the year ended 30 June 2017.

We are voluntarily disclosing this information in support of the Australian Government's promotion of tax transparency.

In deciding on what to include in this report, we have complied with the Australian Board of Taxation's Voluntary Tax Code.

IAG makes a wide range of tax-related payments to governments in the jurisdictions in which we operate. However, the majority of our tax payments are to Australian governments. These taxes include corporate tax levied on the profits we generate for our shareholders, goods and services tax (GST), fringe benefits tax (FBT), payroll taxes (PAYG), stamp duties, and other insurance levies.

ABOUT IAG

IAG is a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia.

Our businesses receive over \$11 billion of premium income per annum, selling insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India.

TAX PRINCIPLES

IAG's approach to tax is guided by the following principles which have been endorsed by our Board:

- In all the jurisdictions in which we operate, we conduct our activities to achieve tax outcomes that are based on underlying economic activity and that comply with all applicable laws and meet our risk requirements.
- We comply with the arm's length principles for international related party and intra-group transactions.
- We apply the highest standards of compliance to meet our obligations under tax legislation, and invest sufficiently in people and systems so we can achieve this, including engaging external advisers when required.
- We maintain a constructive and professional relationship with the relevant tax authorities, having particular regard to the need for transparency.
- We regularly review our approach to take into account any changes within the company, or external developments.

We are committed to the highest standards of compliance in the recognition, calculation and timely payment of all tax returns and liabilities.

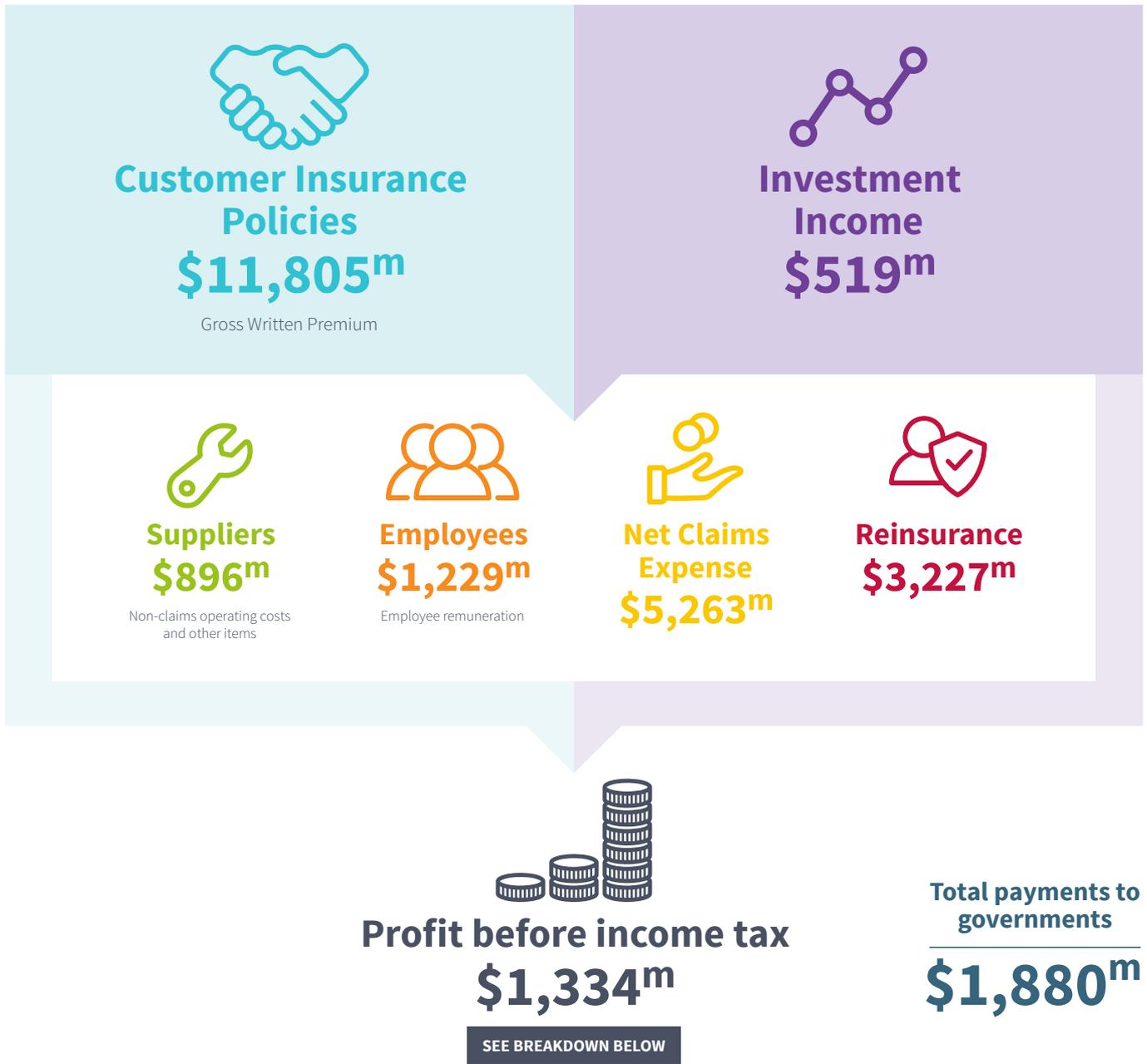
TAX GENERATED, COLLECTED AND PAID BY IAG

The following diagram shows the sources and flows of tax generated, collected and paid by IAG to demonstrate the contribution our businesses make to the communities in which we operate. As such, it does not reflect all the items set out in IAG’s Consolidated Statement of

Comprehensive Income. We have shown a breakdown of the taxes we bear and those we remit.

In total, from the \$11.8 billion of gross written premium we collected in the last 12 months, we paid approximately \$1.9 billion in taxes.

TAX AND GENERAL INSURANCE VALUE CHAIN



TAXES BORNE

FBT \$16m

TOTAL PAYROLL TAX \$54m

VIC:	\$15.6m
NSW:	\$29.6m
QLD:	\$2.7m
SA:	\$1.5m
WA:	\$3.9m
TAS:	\$0.2m
NT:	\$0.1m
ACT:	\$0.3m



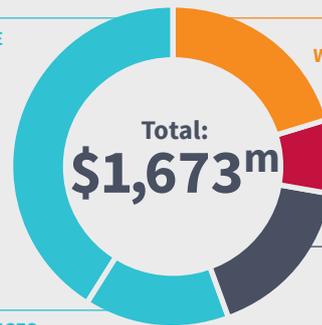
TOTAL INCOME TAX \$137m

TAXES REMITTED

TOTAL INSURANCE DUTY \$688m

VIC:	\$207m
NSW:	\$241m
QLD:	\$89m
SA:	\$60m
WA:	\$77m
TAS:	\$10m
NT:	\$4m
ACT:	\$0.2m

EMERGENCY SERVICES LEVIES \$244m



SALARY AND WAGES WITHHOLDING \$338m

PAYG: (Australia)	\$252m
PAYE: (New Zealand)	\$86m

WITHHOLDING TAXES \$126m

NET GST \$277m

Corporate taxes of \$137 million represent the actual tax paid in the last 12 months. IAG expects to pay a further \$179 million of tax on profits of \$1,334 million after our 30 June 2017 financial year end. This payment is explained further in the following section, tax paid analysis.

Apart from the company tax incurred on our profits, there are a number of other significant taxes arising from IAG's operations including:

- insurance duty and GST collected on insurance premiums levied to customers;
- employment taxes; and
- withholding tax on reinsurance premiums paid.

TAX PAID ANALYSIS

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE	CONSOLIDATED JUNE 17	CONSOLIDATED JUNE 16
	\$m	\$m
Profit for the year before income tax	1,334	920
Income tax calculated at 30% (2016: 30%)	400	276
Amounts recognised in profit but not included in taxable income		
Recurring items		
Difference in tax rate	-32	19
The amounts shown here are the result of differences between the Australian corporate tax rate of 30% and the tax rate applied to IAG's foreign operations, principally in New Zealand, Singapore and Malaysia.		
Rebateable dividends	-5	-8
These amounts are rebates IAG received for its investment activities.		
Interest on capital notes and convertible preference shares	6	5
These amounts are for dividends paid on capital notes and convertible preference shares. These are treated as interest for accounting purposes and non-deductible dividends for taxation purposes.		
Other	-4	-1
Income tax expense applicable to current year	365	291
Adjustment relating to prior year	-36	-73
These amounts largely reflect a new concessional tax rate applied to reinsurance recoveries in Singapore following a review by its tax authorities.		
Income tax expense attributable to profit	329	218
RECONCILIATION OF INCOME TAX EXPENSE TO INCOME TAXES PAID		
	CONSOLIDATED JUNE 17	CONSOLIDATED JUNE 16
	\$m	\$m
Income tax expense attributable to profit	329	218
Differences between tax and accounting recognition	-13	-
These differences occur where tax legislation and accounting standards differ in when they allow income and the deductibility of expenses to be recognised. This leads to temporary timing differences between accounting profit reported and tax profit on which tax is calculated.		
Timing difference in the payment of tax	-179	170
There are differences in the timing of the payment of tax because tax instalments paid during the relevant financial year are influenced by the level of tax paid in the previous financial year. Companies are then required to pay the balance of any income tax payable on 1 December of the subsequent financial year.		
Total corporate income tax paid by IAG	137	388

Reference: Note 5 (Income Tax) to the 2017 Financial Statements.

EFFECTIVE TAX RATE	CONSOLIDATED JUNE 17	CONSOLIDATED JUNE 16
Accounting effective company tax rate for:		
- Australian operations	29.35%	22.49%
- Global operations	24.66%	23.70%

The effective tax rate for global operations is less than the Australian corporate tax rate of 30% because of the difference in tax rates that apply to IAG's foreign operations, principally in New Zealand, Singapore and Malaysia.

The lower tax rate for the Australian operations in the year ended 30 June 2016 is a result of the resolution of a tax audit of the financing of IAG's former UK operations.