



 PMP LIMITED

# Tax Transparency Code Part A

## Income Tax Expense and Taxes paid/payable disclosure

### 1) Tax Expense as presented in statutory accounts

	PMP Group
YEAR ENDED 30 JUNE 2016	2016 \$'000
<b>Income tax</b>	
<b>(a) Reconciliation of income tax expense</b>	
<b>Profit before income tax</b>	<b>2,753</b>
<b>Prima facie income tax expense thereon at 30%</b>	<b>826</b>
<b>Tax effect of non temporary and other differences:</b>	
Effect of differences in overseas tax rate	(136)
Income tax (over) provided in previous year	(72)
Non deductible items for tax purposes	545
Tax deductible items not in profit	(436)
Benefit of tax losses not brought to account	1,841
<b>Income tax expense attributable to profit</b>	<b>2,568</b>
<b>Major component of income tax expense:</b>	
Current tax expense	223
Deferred tax expense	2,345
<b>Income tax expense attributable to profit</b>	<b>2,568</b>

#### Additional notes:

The overseas tax rate difference accounts for the profit of the New Zealand group being taxed at 28% rather than 30%.

The benefit of tax losses not brought to account represents the estimated Australian tax loss for the 2016 year not brought to account (therefore as there is no increase in the Deferred Tax Asset a deferred tax expense arises).

## 2) Tax Expense composition

	PMP Group 2016 \$'000
<b>Current tax expense comprises</b>	
Total net reduction in current year tax losses	11
Prior year tax movement (including temporary differences)	208
Non resident insurers and franking deficits tax movement	4
	<b>223</b>
<b>Deferred tax expense comprises</b>	
Movement in deferred taxes, including prior year adjustments	615
Prior year adjustment to reduce tax losses not recognised	(111)
Current year tax loss not recognised	1,841
	<b>2,345</b>

## 3) Effective tax rate (ETR)

	PMP Group 2016 \$'000	Australian Closed Group 2016 \$'000
<b>Profit before tax</b>	<b>2,753</b>	5,075
<b>Total Tax Expense</b>	<b>2,568</b>	546
Adjust for the effect of tax losses not recognised and prior year taxes over provided	<b>(1,841)</b> 72	(1,841) 99
Adjust for non assessable foreign dividends and non deductible impairment of foreign investments	-	2,744
<b>Notional tax expense</b>	<b>799</b>	1,548
<b>ETR</b>	<b>29.0%</b>	30.5%

The ETR is calculated by dividing total notional tax expense by total profit before tax, however given that the Australian tax losses are not being recognised (and have not been recognised since 2013) the impact of this and prior year adjustments have been taken into account so that a meaningful ETR can be disclosed.

The Australian closed group ETR also needs to be adjusted for the non assessable dividends from New Zealand and non deductible impairment of its foreign investments so that a meaningful ETR can be disclosed.

The group ETR of 29% is in line with the corporate Australian tax rate of 30% and the corporate New Zealand tax rate of 28%.

#### 4) Taxes paid/taxes payable

The income taxes paid in the 2016 financial year of \$8,000 related only to the tax due in New Zealand for Non Resident Insurers tax. The income taxes payable in 2016 of \$12,000 include this same New Zealand tax due of \$9,000, plus \$3,000 due for Australian franking deficits tax.

Due to historic tax losses in Australia, and subsequent tax losses incurred in both Australia and New Zealand before transformation, it is expected that no other income taxes will be payable for around 2 years in New Zealand and for around 7 years in Australia.

In arriving at the estimated current year tax losses utilised in New Zealand of \$1.85 million and the estimated tax loss incurred in Australia of \$1.84 million (being a tax loss not recognised) the following material temporary and non temporary differences have been taken into account in respect of the net \$11,000 tax loss reduction:

	PMP Group
	2016 \$'000
<b>Profit before income tax</b>	<b>2,753</b>
Prima facie income tax expense thereon at 30%	<b>826</b>
Tax effect of non temporary and other differences:	
Effect of differences in overseas tax rate	<b>(136)</b>
Non tax deductible non temporary items:	
Amortisation of intangible	238
Share based payments in profit	181
Other non deductible costs	126
Tax deductible items not in profit:	
Share based payments settled in cash or on market share purchases	<b>(436)</b>
Tax effect of temporary differences:	
Capital allowances	1,300
Losses on asset disposals	(1,255)
Provision movements	(1,224)
Lease surrender payments	(300)
Amortisation of rebates	686
Other	5
<b>Total net reduction in tax losses</b>	<b>11</b>
Add back Australian tax losses not recognised	1,841
<b>New Zealand current year loss utilisation</b>	<b>1,852</b>
Add prior year New Zealand loss utilisation recognised 2016	147
<b>Total utilisation of losses in Deferred Tax Asset (DTA)</b>	<b>1,999</b>

There was a gross reduction in the DTA from FY15 to FY16 of \$2.121 million from \$40.3 million to \$38.2 million, which included the tax loss utilisation by New Zealand of \$1.999 million and \$122,000 relating to foreign exchange movements and amendment of New Zealand 2013 and 2014 tax returns.

# Tax Transparency Code Part B

## Tax policy, tax strategy and governance summary

In the Ethical Business Conduct document published on the Corporate Governance section of PMP's website, the following is part of that Code of Conduct:

PMP will continually strive to be a good corporate citizen, including complying with laws and regulations of Australia and New Zealand and in each state and territory in which it operates.

Further to this, the following is documented in the PMP Policy and Procedure manual:

The PMP consolidated group aims to ensure it pays its fair and correct share of income tax, and other taxes, based on the relevant taxation legislation in the two countries it now operates in, being Australia and New Zealand. In this regard PMP is risk adverse in relation to the taxation treatment to be adopted, and will seek external advice and if considered necessary, based on that advice, private rulings or determinations from the relevant tax authorities.

PMP has a tax policy framework in place which is reviewed from time to time. In this regard PMP has historically openly engaged in the past with the ATO (and New Zealand Inland Revenue Department "IRD") to resolve all matters and is currently rated low risk in respect of both income tax and GST by the ATO.

## Tax contribution summary

PMP generated a tax loss in Australia for the 2015 and 2016 years and has therefore paid no income taxes in 2016 (as disclosed in Part A). In New Zealand PMP utilised part of its tax losses and therefore also paid no income taxes in 2016 (other than paying A\$8K for non resident insurers tax).

PMP employs around 800 employees in Australia and around 400 employees in New Zealand. As a large employer it has contributed \$4.86 million of Australian state payroll tax on 2016 wages. PMP has also collected and remitted on behalf of the ATO, and the IRD, substantial PAYG/PAYE withholding tax being \$22 million of taxes withheld from Australian employee wages and NZ\$6.3 million from New Zealand employee wages for the 2016 tax year.

PMP collects and remits GST on behalf of the ATO and the IRD. The Australian GST collected on 2016 annual sales (but not borne by PMP) less GST claimed on inputs was also substantial, being net GST paid to the ATO of \$20.5 million. Likewise in New Zealand the net GST paid to the IRD for the 2016 year was NZ\$5.3 million.

PMP has not been subject to any other material federal or state government taxes in Australia or New Zealand during 2016 (with immaterial amounts of fringe benefits tax paid).

## International related party dealings summary

PMP's Australian operations have no international related party dealings of a material nature with its New Zealand operations, and accordingly there is no material impact on the Australian taxable income with respect to these dealings. PMP Australia has minimal cross border sales or purchases with PMP New Zealand, but PMP Australia does however charge appropriate fees for financing and management assistance provided to New Zealand, which it considers to be arm's length in nature. Full transfer pricing documentation is held by PMP in respect of these dealings.



Level 12, 67 Albert Avenue, Chatswood NSW 2067 | TEL 02 9412 6000 | FAX 02 9413 3942 | WEB [pmplimited.com.au](http://pmplimited.com.au)