

# Tax Transparency Code

## AstraZeneca Australia Tax Contribution Report

For Year Ended 31 December 2018





## Chief Financial Officer's Statement

I am pleased to present AstraZeneca Australia's (AZA) Tax Contribution Report for 2018.

In preparing this report we have followed the recommendations of the Board of Taxation's Tax Transparency Code, we support the adoption of this voluntary code as AZA has a strong commitment to compliance, governance and transparency.

AstraZeneca operates in the highly regulated global industry of manufacture and wholesaling of pharmaceuticals used for the treatment of cardiovascular disease, diabetes, oncology and respiratory illness. AstraZeneca must ensure it enters into transactions in an ethical manner to maintain its reputation with regulators, governments, health care professions & patients.

To meet this objective and to make a positive difference to the lives of our patients and staff, AstraZeneca manages its global and local tax obligations in line with domestic and international laws and regulations which is consistent with its overall approach to risk management and compliance.

Signed



**Peter Sean Fahey**  
Chief Financial Officer  
Date: 23/09/2019

## Introduction to AstraZeneca Australia

Established on 30 October 1957, AZA is a biopharmaceutical company engaged primarily in the manufacture, marketing, distribution and sale of prescription medicines in both domestic and export markets.

AZA is a subsidiary of AstraZeneca plc a UK based global biopharmaceutical company employing 64,600 staff worldwide.

AZA has manufacturing facilities and head office located in Macquarie Park, New South Wales with sales and other staff based throughout the country.

AZA focuses on four areas of healthcare: Oncology, CVRM (Cardiovascular, Renal and Metabolic disease including Diabetes), Respiratory & Other Disease Areas (Autoimmunity, Infection, Neuroscience and Gastroenterology).

AZA is the largest national manufacturer of pharmaceuticals, providing A\$392 million of medicines to the local market and approximately A\$678 million in exports to 10 international markets including, China, UK, Canada, Japan and New Zealand. We are a major supplier of AstraZeneca's respiratory medicines to China and Japan.

AZA also participates in the Group's R&D work and is currently involved in more than 49 clinical trials across Australia with the trials focusing on potential treatments for Cancer, Cardiovascular disease, Diabetes and Respiratory illnesses.

AZA currently employs over 900 people who are dedicated to the manufacture, supply and distribution of medicines that aim to improve the health and wellbeing of Australians. We invest in our people to ensure we have a well-educated and well-trained workforce.

We have a record of sustained investment in Australia and we continue to expand our manufacturing capacity. The expanded manufacturing capacity will boost international exports from the North Ryde site and result in an increased jobs at the facility. Our latest investment is an example of the tremendous opportunities presented by high-tech manufacturing and productivity, creating jobs, boosting exports and ultimately making a positive impact on the Australian economy



## Overall contribution to the Australian Economy

2017 marked the 60<sup>th</sup> anniversary of AstraZeneca Australia (AZA). Since humble beginnings in a converted ex World War II army canteen in the Brisbane suburb of Rockdale, AZA has contributed to the Australian economy through its own operations and via other industries that supply the intermediate inputs including packaging used in AZA's manufacturing facility.

AZA has been manufacturing continuously since 1958, & manufacturing at Macquarie Park, North Ryde, Sydney, since 1970 after relocating from Brisbane. The manufacturing facility has experienced strong growth since 2011 as export revenue has increased by strong demand from China over the past 8 years. The expanded manufacturing capacity will boost international exports from the North Ryde site and result in an increased jobs at the facility.

This contribution to the national economy and to employment assists with reducing unemployment in Australia, thereby lending itself to improved socioeconomic outcomes for the wider population. Sustained growth in AZA's manufacturing capabilities demonstrate the potential for high-tech manufacturing in Australia, in the face of a sustained contraction in the broader manufacturing sector in Australia. Growth in export volumes to China would also further strengthen Australia's trading relationships in Asia and could act as a catalyst for creating new export relationships for further opportunities in this fast-growing region.

Gains in patient wellbeing due to conditions treated by medicines developed by AstraZeneca also contribute in improved quality of life, reduced health system expenditure, increased workforce productivity and other financial benefits to society.

## Tax Governance

AstraZeneca manages its global tax obligations strictly in compliance with domestic and international tax laws and regulations. This underpins AstraZeneca's global tax policy, the key principles of which are:

- AstraZeneca fully complies with the letter and spirit of the laws and regulations in the countries in which we operate
- AstraZeneca has established and is committed to maintaining compliance governance processes to ensure the integrity of tax returns, and timely and accurate tax payments in all the countries in which we operate
- AstraZeneca maintains professional and transparent relationships with tax authorities and ensures there is access to relevant information necessary to confirm the integrity of our tax processes, returns and payments.
- Government tax incentives are accessed only where appropriate and in line with substantial business activities and the intent of the Government policy.

These principles are consistent with AstraZeneca's broader approach to low risk tolerance in relation to taxation management and compliance. AstraZeneca maintains appropriate reporting lines to Senior Executive Officers and to the Group Audit Committee which ultimately reports to the AstraZeneca Plc Board.

## ATO public disclosure

It is expected that the Commissioner of Taxation will publicly disclose the following details in respect of AZA's consolidated entity AstraZeneca Holdings Pty Ltd's income tax return for the year ended 31 December, 2018.

| Name                         | AstraZeneca Holdings Pty Ltd |
|------------------------------|------------------------------|
| ABN                          | 59066876962                  |
| Total income                 | \$1,118,283,384              |
| Taxable/net income or (loss) | \$77,315,353                 |
| Income Tax Payable           | \$20,615,172                 |



## Income Tax Expense

Total income reported in the income tax return represents gross income for accounting purposes – i.e. income before any expenses are taken into account. Total income is not an indicator of the real, economic or taxable profits of an organisation. Accounting profit is a better indicator, as it takes into account both income received and expenses incurred.

We provide following a summary of AZA's total income & accounting profit for the year ended 31 December 2018, followed by a reconciliation of AstraZeneca's accounting profit to tax paid for the year ended 31 December 2018, as reported in the income tax return. All material differences have been disclosed in this reconciliation. Effective tax rate (ETR) has been calculated based on the company tax expense divided by accounting profit. The AstraZeneca Global effective tax rate is (3)% with favourable adjusted deferred tax, otherwise it would have been 21%.

The prior year is also included for comparison.

| <b>Total income &amp; accounting profit</b> | <b>2018</b>    |  | <b>2017</b>    |  |
|---|----------------|--|----------------|--|
|   | <b>A\$'000</b> |  | <b>A\$'000</b> |  |
| Total income                                | 1,118,283      |  | 1,024,789      |  |
| Less: total expenses (excluding tax)        | 1,046,401      |  | 945,109        |  |
| Profit before income tax                    | 71,882         |  | 79,679         |  |

| <b>Reconciliation of Accounting Profit to Income Tax Payable</b> |            |                |            |                |
|--|------------|----------------|------------|----------------|
|  |            | <b>2018</b>    |            | <b>2017</b>    |
|  | <b>ETR</b> | <b>A\$'000</b> | <b>ETR</b> | <b>A\$'000</b> |
| <b>Profit before income tax</b>                                  |            | <b>71,882</b>  |            | <b>79,679</b>  |
| Income tax at statutory rate                                     | 30%        | 21,565         | 30%        | 23,904         |
| Increase/(decrease) in income tax expense due to:                |            |                |            |                |
| – non-deductible expenses e.g. entertainment                     |            | 204            |            | 254            |
| – other  |            | (711)          |            | (1,200)        |
| – (over)/under provision of income tax in prior year             |            | 928            |            | (45)           |
| <b>Tax Expense recognised in Accounts</b>                        | <b>31%</b> | <b>21,986</b>  | <b>29%</b> | <b>22,913</b>  |
| Temporary & Permanent differences Net accounting add-back:       |            |                |            |                |
| – R&D expenses   |            | 2,010          |            | 2,158          |
| – Other differences  |            | (801)          |            | 982            |
| <b>Total Taxable income</b>                                      |            | <b>77,315</b>  |            | <b>86,842</b>  |
| Tax at 30%   | 30%        | 23,195         | 30%        | 26,053         |
| Less tax offset:   |            |                |            |                |
| – R&D tax offset   |            | (2,579)        |            | (2,769)        |
| <b>Tax Paid</b>  | <b>29%</b> | <b>20,615</b>  | <b>29%</b> | <b>23,283</b>  |

## Income Tax Expense continued

| Reconciliation of income tax expense to cash tax paid |         |         |
|---|---------|---------|
|   | 2018    | 2017    |
|   | A\$'000 | A\$'000 |
| Tax paid  | 20,615  | 23,283  |
| Current year tax instalments payable next year        | (1,915) | (3,203) |
| Prior year tax instalments paid this year             | 3,203   | 2,716   |
| Tax Refund  | 2,417   |         |
| Cash Tax Paid per cash flow statement                 | 24,320  | 22,796  |

## Net accounting add-back

There are differences between the recognition of income and expenses for accounting and tax purposes. AstraZeneca had a net accounting add-back of A\$6,699,828 which predominantly relates to the following:

1. Research and Development ("R&D") expenses: R&D expenses are added back before determining taxable income, as an equivalent amount is used in the calculation of the R&D tax offset (being the tax-effected amount shown above of A\$2,579,434).
2. Non-deductible business expenses: including certain legal fees which are capitalised for tax purposes, timing differences between tax and accounting in respect of depreciation and expenses accrued for accounting purposes (e.g. in respect of salary and wages) and permanent differences (e.g. certain entertainment expenses).

## R&D tax offset

As AstraZeneca engages in and invests a significant amount in R&D, it is entitled to the R&D tax incentive. This Government endorsed tax offset seeks to encourage more companies to engage in R&D for the benefit of the Australian economy.

On taking into account the impact of the R&D Offset, the effective tax rate for AstraZeneca for the year ended 31 December 2018 is approximately 29%.



## International Related Party Dealings

Medicines for the Australian market are either imported as finished products or processed and packaged in our local manufacturing site in Macquarie Park, Sydney. The company sources finished medicines and active pharmaceutical ingredients from AstraZeneca entities in the UK, Sweden, the Netherlands and France.

The company exports to AstraZeneca companies across the Asia region, New Zealand, Japan, Canada & South Africa.

| 2018                     |         | A\$'000              |         |
|--------------------------|---------|----------------------|---------|
| Exported Medicines       |         | Imported Goods       |         |
| China                    | 585,037 | Sweden               | 715,237 |
| Japan                    | 50,319  | United Kingdom       | 99,072  |
| United Kingdom           | 23,997  | The Netherlands      | 65,166  |
| Canada                   | 14,798  | France               | 16,525  |
| France                   | 2,065   | Total imported goods | 896,000 |
| South Africa             | 760     |                      |         |
| New Zealand              | 584     |                      |         |
| Hong Kong                | 395     |                      |         |
| Singapore                | 168     |                      |         |
| Sweden                   | 77      |                      |         |
| Philippines              | (66)    |                      |         |
| Total exported medicines | 678,135 |                      |         |

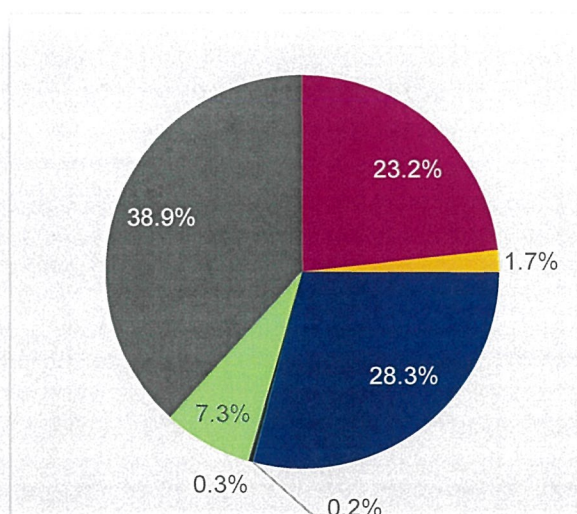
| Revenue R&D, other services |       | A\$'000              |        |
|-----------------------------|-------|----------------------|--------|
| Research & Development      |       | Net Other services   |        |
| Sweden                      | 7,632 | Sweden               | 21,397 |
| United States               | 1,021 | United Kingdom       | 17,914 |
| Total R&D                   | 8,653 | Other countries      | 2,354  |
|                             |       | Total other services | 41,666 |



## Total Cash Tax Contribution Summary

Provided below is a summary of AstraZeneca's total cash taxes paid to Australian tax authorities during the year ending 31st December 2018.

| <b>Cash Tax Contributions</b>                                |                |
|--|----------------|
| <b>Year ending 31 December 2018</b>                          | <b>A\$,000</b> |
| <b>Company Taxes</b>   |                |
| Company income tax   | 24,320         |
| Fringe Benefits Tax  | 1,745          |
| Net GST (net collected less tax credits)                     | 29,627         |
| Withholding taxes on dividends/interest/invoices without ABN | 216            |
| Property taxes   | 345            |
| Payroll Taxes  | 7,669          |
| <b>Total Company taxes</b>                                   | <b>63,922</b>  |
| <b>Employee Taxes</b>  |                |
| PAYG/PAYE salary withholding                                 | 40,779         |
| <b>Total Taxes Paid</b>                                      | <b>104,701</b> |



### Cash Tax Contributions by category Year ending 31 December 2018

- Company income tax – 23.2%
- Fringe benefits tax – 1.7%
- Net GST (net collected less tax credits) – 28.3%
- Withholding taxes on dividends/interest/invoices without ABN – 0.2%
- Property taxes – 0.3%
- Payroll taxes – 7.3%
- PAYG/PAYE salary withholding – 38.9%

## Conclusion

AstraZeneca takes its obligation to the Australian community and compliance with Australia's taxation laws very seriously. This reports provides clarity on our tax contribution.

We are committed to ensuring full compliance with both our reporting obligations and payment of taxes that are assessed by the ATO.

As a company, we engage honestly and openly with the ATO & other revenue authorities to ensure full compliance as a responsible corporate tax citizen.

For further information please refer to [www.astrazeneca.com.au](http://www.astrazeneca.com.au) .