

ASX Announcement (ASX: HLS)

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Update on Tax Case for Financial Years 2003 to 2007

Healius Limited (“Healius”) today announced that, with reference to a court case relating to the tax treatment of healthcare practitioners lump sum payments, the Federal Court of Australia today decided in favour of Healius.

By way of background, Healius (then “Primary Health Care Limited”) was advised in 2015 that lump sum payments made by Healius to healthcare practitioners for the financial years 2010 to 2014 were tax deductible. Healius subsequently filed an application for similar tax deductions for the financial years 2003 to 2007¹, which was subject to the Commissioner of Taxation’s (“Commissioner’s”) discretion in allowing Healius to lodge an out-of-time objection.

Following the Commissioner’s decision not to allow the objection, Healius commenced legal proceedings, which culminated in the decision of the Court today. The favourable decision remains subject to the Commissioner’s right of appeal to the Full Court of the Federal Court of Australia.

Subject to any such appeal, Healius can pursue a refund of tax payments and associated interest. The refund was initially estimated at \$60 million, as disclosed on 9 June 2015. The final refund is still expected to be material in the context of Healius’ debt and cash balances.

Upon successful receipt, if any, of a refund, Healius expects to adopt the same accounting treatment as it employed in FY 2015, namely to recognise the amounts as non-underlying items, with the balance to be credited to income tax expense and interest expense as applicable.

It is unlikely that any refund of tax payments and associated interest will be received in the current financial year if the Commissioner appeals.

Irrespective of the final decision, Healius understands that in the ordinary course the Australian Taxation Office will not have the ability to amend tax assessments for individual healthcare practitioners for the financial years 2003 to 2007, as they will be out-of-time.

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¹ Healius was in a loss-making position for taxation purposes during FY 2008 and FY 2009.

For over 30 years Healius has been one of Australia's leading healthcare companies with a commitment to supporting quality, affordable and accessible healthcare for all Australians. Today Healius has three main businesses – pathology, medical centres and imaging - and three emerging businesses – dental, IVF and day hospitals. Through its unique footprint of centres and 13,000 employees, Healius provides diagnostic services to consumers and their referring practitioners, as well as enabling a range of independent healthcare professionals to deliver patient care in partnership with Healius' nurses and support staff.