



LASA
LEADING AGE SERVICES
AUSTRALIA
The voice of aged care

FINANCIAL AND TAX PRACTICES OF FOR-PROFIT AGED CARE PROVIDERS

The Senate - Economics References Committee

December 2018

*A strong voice and a helping hand
for all providers of age services*

Leading Age Services Australia

Leading Age Services Australia (LASA) is the national peak body representing and supporting providers of age services across residential care, home care and retirement living. Our purpose is to enable a high performing, respected and sustainable age services industry delivering affordable, accessible, quality care and services for older Australians. We represent our Members by advocating their views on issues of importance and we support our Members by providing information, services, training and events that enhance performance and sustainability.

LASA's membership base is made up of organisations providing care, support and services to older Australians. Our Members include private, not-for-profit, faith-based and government operated organisations providing age services across residential aged care, home care and retirement living. 57% of our Members are not-for-profit, 33% are for-profit providers and 10% of our Members are government providers. Our diverse membership base provides LASA with the ability to speak with credibility and authority on issues of importance to older Australians and the age services industry.

Executive summary

The [Senate Inquiry](#) *Financial and tax practices of for-profit aged care providers* (the inquiry) reported in November 2018. A key trigger for the inquiry was the [Tax Justice Network-Australia report](#) (TJN-Aus report) *Tax avoidance by for-profit aged care companies: Profit shifting of public funds* commissioned by the Australian Nursing and Midwifery Federation and published in May 2018. The TJN-Aus report asked in particular questions about the use of stapled structures and related party transactions such as financing.

Findings

Tax practices of for-profit aged care providers and transparency issues

The Senate committee (the committee) could not with any certainty conclude that for-profit providers are engaging in improper tax or financial practices but is also unable to conclude that they are not (p.ix). However, the committee is concerned that some for-profit aged care providers are able to use the limitations of current accounting standards to obscure public scrutiny of their financial activities. The committee notes that the Australian Accounting Standards Board (AASB) is currently exploring how to improve the consistency, comparability and transparency of financial reports. The AASB has initiated this process in response to the International Accounting Standards Board's revised *Conceptual Framework for Financial Reporting* issued in March 2018 (p.56). (See Recommendations 1 & 4)

Australian Tax Office concerns

The ATO raised as areas of concern about income tax for for-profit providers: financing arrangements, use of tax consolidated groups and use of trusts.

The ATO expressed concerns about the financing arrangements used by certain multinational entities in the aged care industry (p.29). Some of the structures adopted by entities 'have the potential to obscure intra-group transactions for financial or public tax reporting' (p. x).

Profits over care

A large number of stakeholders expressed concerns that the financial practices of for-profit aged care providers may have a negative impact on the quality of care provided to residents. In the hearing a number of nurses unions strongly advocated for staff ratios. The committee contends that more can be done to increase the transparency and comparability of information relating to quality of care across the aged care sector (pp.31-37, 43). (See Recommendation 2)

Profitability of large for-profit providers

The Aged Care Guild (the Guild) agreed that its members compare well with other aged care providers in relation to their financial performance. The Guild cites as reasons for the better financial position the provision of 'additional services'¹ and the concentration of services in major population centres, attracting higher accommodation payments (p.40).

Senate committee view

The committee acknowledges that in the aged care sector expenses are high and profit margins low. However, the committee believes that complex corporate structures provide scope for providers to avoid or minimize tax obligations. The committee is concerned about being unable to gain a complete view of these practices by for-profit providers and notes ATO concerns related to these

¹ Fees which have previously reported as 'other income' by providers (p.40)

structures. The committee considers that a greater investigation of the tax and financial structures of aged care providers is warranted. The committee shares the view of some stakeholders that more can be done to enhance the availability and usability of financial information supplied by aged care providers (p.60).

Recommendations	
The committee recommends that,	LASA comment
R1 as part of its deliberations, the Royal Commission into Aged Care Quality and Safety consider the tax and financial structures of aged care providers.	The Royal Commission’s Terms of Reference do not include the tax and financial structures of aged care providers.
R2 the Australian Government explore opportunities to better share information about quality of care across the aged care sector, with the aim of increasing transparency and comparability, and supporting informed decision-making for aged care consumers and their families.	LASA’s responded the Carnell Paterson report’s Recommendation 4 <i>The Aged Care Commission will implement a star-rated system for public reporting of provider performance</i> that ‘LASA supports the ability of consumers to make informed comparisons between residential care homes but there can be risks of gaming and over-simplification with star rating systems.’ LASA proposed that more work be done to understand what consumers value and how they can get accurate information to help them make decisions.
R3 the Australian Accounting Standards Board implements the necessary changes to apply the International Accounting Standards Board’s revised Conceptual Framework as soon as practicable	The aged care industry will use any Conceptual Framework adopted generally for accounting purposes in Australia.
R4 the Australian Government investigate options to increase the public transparency of aged care providers’ financial information held by the Department of Health	LASA does not support Recommendation 4 as it considers aged care providers’ financial information to be commercial in confidence.
R5 the Australian Government convert the existing voluntary Tax Transparency Code to a mandatory code for all large and medium corporations operating in Australia, or adopt other strong transparency measures like the publication of data from country-by-country reporting.	LASA supports that the existing Tax Transparency Code remains voluntary and does not consider necessary the introduction of other strong transparency measures.