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MBF Australia Limited  
ABN 81 000 057 590

# Information Memorandum



Financial Adviser  
**GRANT SAMUEL**



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## 7.1 WHEN WILL I RECEIVE MY ENTITLEMENT?

If the Scheme is implemented, MBF must pay your Entitlement within 10 Business Days after the Implementation Date. At the date of this Information Memorandum, the Implementation Date is expected to be 16 June 2008.

## 7.2 WHAT ARE THE TAX CONSEQUENCES OF RECEIVING MY ENTITLEMENT?

This tax summary is general in nature only, does not purport to be a complete statement of the law and is based on the law at the date of this Information Memorandum. The Australian taxation consequences of the Scheme for Participating Contributors will depend on their individual circumstances.

**Participating Contributors should make their own enquiries and seek appropriate independent professional advice on their own circumstances.** A more detailed discussion of the taxation implications of the Scheme is included in the Tax Advice Letter in Schedule 9.

By way of a press release from the Assistant Treasurer dated 26 February 2008, the Australian Government announced its intention to amend the income tax law with effect from 1 July 2007, the effect of which will be to ensure that private health insurers which demutualise will be afforded similar tax concessions as those granted to mutual organisations that have previously demutualised.

MBF has been advised that the proposed amendments to the income tax law proposed by the Australian Government should not be contentious and the relevant legislation will be passed by Parliament in due course.

In summary, the following tax treatment should apply to Participating Contributors (other than those Participating Contributors that are not Australian residents).

- a. Participating Contributors will be taxed on disposal of their membership rights in MBF. Participating Contributors will be required to calculate the capital gain arising from the receipt of their Entitlement which will be the Entitlement received less the tax cost base.
- b. Under the current tax law, there would be no tax cost base for Participating Contributors other than Company Members who will have a tax cost base equal to the amount paid for membership. For Company Members who have held their membership since before 20 September 1985, any net capital gain arising on disposal will not be subject to tax.
- c. The Assistant Treasurer's press release dated 26 February 2008 announced the Australian Government's intention to provide a tax cost base for policyholders of demutualising private health insurers. If enacted, the tax cost base for Participating Contributors who acquired their Qualifying Policy on or after 20 September 1985 will be based on the net tangible assets of MBF. For Participating Contributors who acquired their Qualifying Policy before 20 September 1985, any net capital gain arising on disposal will not be subject to tax.
- d. For Participating Contributors who are subject to tax on the resulting capital gain, the amount will be included in their tax return for the year ended 30 June 2008.
- e. Any payment from the Residual Amount will represent part of the consideration received on disposal of the membership rights. Where a Participating Contributor has already lodged their tax return before the Residual Amount is determined he or she will, if taxable on the capital gain, be required to

amend his or her tax return for the year ended 30 June 2008 to include the additional capital gain.

- f. The tax consequences that apply to:
- i. persons who have applied to the Review Committee and who the Review Committee has determined on or after 10 May 2008 should have been included as Participating Contributors; and
  - ii. Company Members who cease to be company members before the Scheme becomes effective,
- may be different from that set out above. These people should seek their own tax advice.
- g. Health insurance benefit payments to policyholders will continue to be tax free to policyholders.

As more information in relation to the proposed amendments becomes known, MBF will publish updates on its website [www.mbf.com.au](http://www.mbf.com.au).

### 7.3 WHAT ARE THE SOCIAL SECURITY CONSEQUENCES OF RECEIVING MY ENTITLEMENT?

If you or your dependents currently receive social security payments (for example, pensions, allowances or veterans' affairs payments), you should consider whether these payments will be affected as a result of receiving your Entitlement.

Depending on the amount of your Entitlement, the level of your other income and assets, and whether your pensions and allowances are means tested, receiving your Entitlement may affect your social security payments. However, the Board recommends that you carefully consider your personal circumstances.

Both Centrelink and the Department of Veterans' Affairs have been notified of the Scheme.

The Department of Veterans' Affairs has advised that if you are in receipt of any income support payment from the Department of Veterans' Affairs, you are obliged to notify the Department about the payment within 14 days of its receipt. The Department of Veterans' Affairs has also advised that it proposes to regard any payment received as a result of the Scheme as an exempt lump sum under section 5H(12) of the *Veterans' Entitlements Act 1986* (Cth). This will exclude the payment from assessment under the income test. However, if the payment is invested as a financial asset, then deeming provisions will apply.

Centrelink has advised that it will treat the payment as an asset, not income. Centrelink's normal notification requirements for a change in assets will apply. If you are Centrelink customer you should refer to the asset notification requirements you have been advised of by Centrelink. Normally, you will not need to notify Centrelink if the payment received is less than \$1,000.

If you would like more information about whether or not any of your social security payments are affected, you can find out more by contacting:

- Centrelink on 13 23 00 (for age pension) or 13 27 17 (for disability, illness or injury and carer entitlements) or 13 28 50 (for Newstart Allowance) or 13 24 90 (for Youth Allowance); or
- Department of Veterans' Affairs on 13 32 54 or your nearest Veterans' Affairs office.

Alternatively, you should consider consulting your financial planner or adviser to determine the impact of receiving your Entitlement.

If you are entitled to receive an overseas government pension or allowance, you should contact the relevant overseas body to determine the impact of receiving your Entitlement.

### 7.4 IMPACT ON CUSTOMERS OF OTHER COMPANIES IN THE MBF GROUP

Persons who are customers only of MBF Alliances, MBF Life, ClearView Financial Solutions, ClearView Life Nominees and/or MBF Travel are not Participating Contributors, and will not receive an Entitlement if the Scheme is implemented.

The Scheme will not alter the terms and conditions of contracts issued by subsidiaries of MBF which means that MBF Alliances, MBF Life, ClearView Financial Solutions, ClearView Life Nominees and MBF Travel customers will retain their contractual rights.

### 7.5 CANCELLATION OF COMPANY MEMBERSHIPS

One of the key steps under the Scheme is the cancellation of the company memberships of Scheme Members (including the Trustee and Remaining Company Members) other than BUPA Member.