



20 April 2018

Senator Chris Ketter  
Chair of the Senate Economics References Committee  
Parliament House  
Canberra ACT 2600

Via email: [economics.sen@sph.gov.au](mailto:economics.sen@sph.gov.au)

Dear Senator Ketter,

**RE: INQUIRY INTO THE COMMITMENT TO THE SENATE ISSUED BY THE BUSINESS COUNCIL OF AUSTRALIA**

Thank you for your enquiry and for the Written Questions on Notice. We are proud of MYOB's contribution to the Australian economy, not only through the impact that our products have in our clients' businesses, which simplify key financial and compliance workflows, but also through the diverse group of Australians that we employ. We are also committed to employing more Australians if the company tax rate were to be lowered.

MYOB's vision is to help businesses succeed. We believe businesses play a positive role in the lives of Australians and we are proud of our role in supporting them in their work. Our clients operate businesses that invest in new, innovative solutions that improve the lives of our citizens; stimulate economic growth that underpins our tax base; and employ and develop the skills of a large portion of the Australian workforce. At MYOB we also undertake all these activities inside our own business.

It is our belief that we need to take collective responsibility to ensure the Australian economy continues to prosper. This means the government ensuring a business environment that is competitive with other nations, and business leaders investing their shareholders' capital in well researched business opportunities, which make a commercial return.

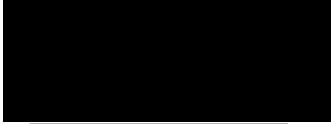
Importantly, we do not propose that Australia should have low company taxes. Australia is a great nation in which to do business and we don't need to compete purely on price. Equally, we believe it is naive to think that global business investment decisions won't be negatively impacted by a high company tax rate. We note that over the past 26 years of sustained economic growth, Australian governments have twice lowered the company tax rate to take it slightly below the OECD average. Each time, as other nations have then lowered their company tax rate, our relative position has drifted back to the upper end of the scale.

Today, we again find Australia in this position, and believe that if we hope to enjoy another 26 years of sustained economic growth, it is critical to address this situation by supporting all elements of the government's Enterprise Tax Plan.



Due to ASX listing rules and disclosure requirements we cannot provide full responses to Questions 2 and 3. I hope the responses given help the committee understand MYOB's position.

Yours sincerely,



**Tim Reed**  
**Chief Executive Officer, MYOB**

## RESPONSES TO WRITTEN QUESTIONS ON NOTICE

### Question 1

The information in the table below is taken from MYOB Group's (MYOB'S) Financial Statements in the Annual Reports available at [investors.myob.com.au](http://investors.myob.com.au). The table outlines MYOB's statutory profit or loss after tax, income tax expense or benefit recorded, carried forward tax loss positions and company tax paid for the 5 years to 2017. Note, MYOB uses the calendar year for financial reporting so the periods noted below are to 31 December.

Financial (Calendar) Year	Statutory profit / (loss) after tax (\$m)	Income tax expense/(benefit): Australia only (\$m)	Carried forward tax losses (\$m)	Company tax paid (\$)
2013	(55.1)	(23.1)	26.2	Nil
2014	(71.6)	(28.3)	38.7	Nil
2015	(42.3)	(27.2)	53.1	Nil
2016	51.2	13.1	35.8	Nil
2017	60.7	18.6	7.0	Nil

Due to accumulated losses prior to 2013, and statutory losses incurred in the 3 years to 2015, MYOB has not been required to pay company tax during the financial years outlined above. Over 2016 and 2017, these tax losses have reduced significantly due to utilisation against taxable profits in those years and the Group will return to paying company tax for FY18. It is worth noting that during 2017 MYOB paid and collected a total of \$67m of other federal, state and territory taxes.

MYOB is a signatory to the Board of Taxation's Corporate Tax Transparency Code Register. This reflects MYOB's commitment to the Voluntary Tax Transparency Code (TTC). As MYOB is classified as a medium business under the TTC, Part A disclosures as required have been included in MYOB's FY16 and FY17 financial statements and annual reports.

It is important to note that through this time period, MYOB has continued to review salaries on an annual basis, and even in 2013 – 2015 when the business operated at a statutory loss, lifted its investment in its team by increasing the number of Australians employed in the business and provided salary increases to existing employees.

### Question 2

MYOB provides guidance for the current calendar year as part of its ongoing continuous disclosure, most recently in February 2018 in the "outlook" section of MYOB's FY17 financial results presentation available at [investors.myob.com.au](http://investors.myob.com.au). MYOB does not issue forward looking revenue or profit projections beyond the current financial (calendar) year.

Over the past 27 years MYOB has grown into a leading provider of business management solutions to almost 1.2 million SMEs, accountants in public practice and larger enterprises. It helps businesses succeed by simplifying accounting, payroll, tax, practice management, payments and more, which supports SMEs, the bedrock of the Australian and New Zealand economies. MYOB's range of online solutions help small business compete with larger enterprises and, in an increasingly digital age, with global competitors.

MYOB is growing quickly, and currently employs around 1,600 team members across Australia and New Zealand, more than twice as many as just 6 years ago. Most of the team is employed in Australia, which also accounts for more than 80% of MYOB's total revenue.

Much of MYOB's recent headcount growth has been in the software engineering team, supported by R&D tax concessions in Australia and innovation grants in New Zealand. Over the past 3 years, MYOB has invested more than \$170 million in research and development, the majority of which is in Australia. This investment has grown by more than 20 per cent per year since 2015, which is reflected in the software engineering team growing from less than 300 to more than 450 in the 2 years to December 2017, with most of that growth in Melbourne and Sydney.

In 2016 MYOB invested a further \$4 million in fitting out a new R&D "technology hub" office for the software engineering team in Cremorne, Melbourne. Due to the significant growth in this team, a further \$3 million is being invested in 2018 to expand its capacity to house almost 500 staff. MYOB has also added more than 200 non-engineering staff over the 2 years to December 2017.

These investments are contingent on the continued strength of Australia's economy and a healthy SME population.

### Question 3

As noted in Question 2, MYOB cannot provide forecast and modelling beyond the current year due to regulatory disclosure requirements. However, in October 2017 MYOB issued a Tax reform impact statement where the Group outlined the expected impact from a reduced corporate tax rate in Australia.

Updating the figures in this statement for MYOB's 2017 results, MYOB's 2017 profit before tax was \$85.5 million, which resulted in a tax expense of \$24.8 million (the effective tax rate of 29% driven by the ~1% reduction in tax rate MYOB receives from R&D tax concessions), and an after-tax profit of \$60.7 million. Under a 25% tax rate (plus the ~1% reduction in tax rate noted above), MYOB could have delivered the same \$60.7m after-tax result to shareholders from a pre-tax profit of \$79.9 million, which would have allowed MYOB to reinvest ~\$5 million back into the business. If MYOB maintains its current growth, this number would be higher.

With the proven track record for reinvestment for growth noted in question 2, it would be consistent with MYOB's current investment behaviour that all of this tax saving would be used to fund additional investment. In effect this would mean hiring approximately 50 more software developers in Australia, which would have delivered the benefits noted above to our clients, as well as supporting the tertiary education sector in Australia.

MYOB competes with software companies that are based in other jurisdictions – including the USA. As their tax rates are lowered we will be at a competitive disadvantage if the Australian government does not act to lower company taxes.

In summary we believe it is critical that corporate tax reform continues, for MYOB and our clients alike, and feel this will deliver a significant contribution to Australian businesses and the broader economy.