30 August 2022

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RE: CONSULTATION MULTINATIONAL TAX INTEGRITY AND ENHANCED TAX TRANSPARENCY

Private Healthcare Australia is the peak body for private health insurance funds (PHI) in Australia. There are 34 such funds operating in Australia, 33 of which are wholly based in Australia, while BUPA, the sole international operator, has ~35% of its business in Australia. Private health funds are the custodians of members' contributions and these are limited both by affordability and regulatory pricing constraints.

While PHA is not directly affected by multinational tax minimisation strategies, our members are heavily exposed to the high costs charged by foreign device suppliers who simultaneously pursue strategies to minimise the tax they pay in Australia.

This linkage is important because:

1. Consumers, through PHI premiums, and the Commonwealth Government, via the PHI rebate, contribute unreasonably to these multinational firms through inflated prices for medical devices;

2. It is only because of the Commonwealth Government's support for the current regulatory arrangements for prostheses that multinational suppliers can unilaterally impose these excessive costs on PHI funds and their members; and,

3. Despite this guarantee of price arbitrage, medical device firms pay close to no tax in Australia.

It is important to note that the Commonwealth Government's average contribution of 25% of PHI premiums via the PHI rebate means it contributes around $625 million annually to the revenues of medical device companies. As noted below, even this partial contribution is more than double the total domestic income taxes paid by medical device companies supplying to the private sector.

The PHA staff and consultants involved in preparing this paper have substantial experience in the device industry including direct first-hand experience in the tax processes employed by global multinational enterprises (GME).

Our response to this consultation reflects this depth of experience, specific to the impacts of these actions on the taxpayers of Australia and the costs borne by PHI as opposed to the technical and legal aspects discussed in the consultation. Our responses to the specific questions in the consultation paper are at Appendix One while the following outlines our detailed concerns about our specific sector.

HIGH AUSTRALIAN DEVICE PRICES DO NOT DELIVER CORRESPONDINGLY HIGH TAX RECEIPTS

Ongoing Government reform of private device procurement via the Prostheses List (PL) recognises that private medical device prices in Australia are routinely between 30% and 400% more expensive than comparable markets in the UK, Europe, South Africa and New Zealand.

Pricing reform undertaken less than ten months ago in China now means that Australians pay 800% more than Chinese consumers for identical medical devices for hip and knee joint replacement surgery and over 1000% higher for drug eluting stents. These 3 groups alone account for around 50% of the $2.5bn spent by PHI on almost exclusively imported items from GMEs. This reduction to a fraction of the Australian price in China has not generated any market departures from those also supplying devices in Australia.

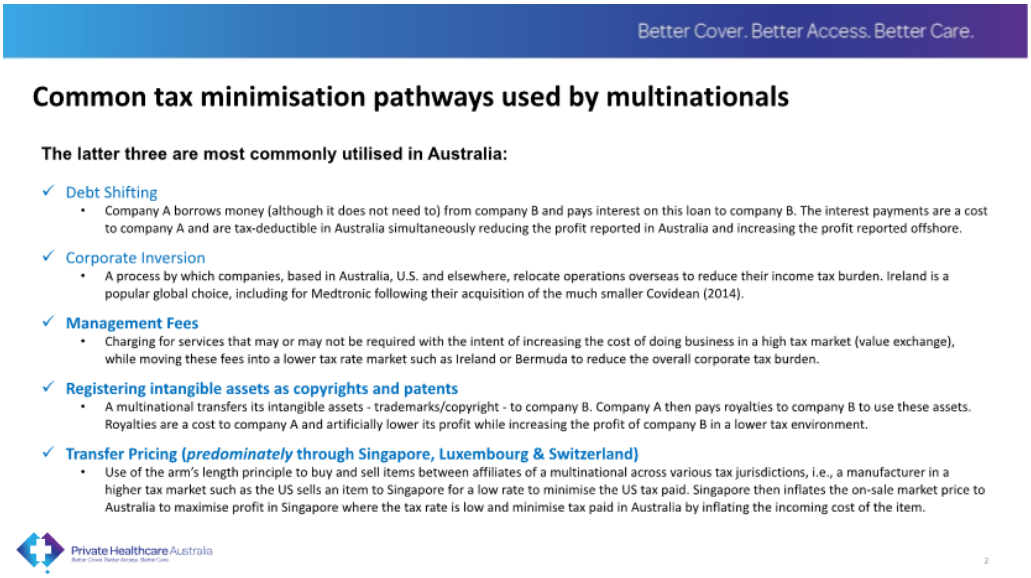
While the Chinese market is larger than Australia, that ratio is smaller than many realise. Chinese surgeons implant fewer than 5 times the number, or 600,000, total hip and knee replacement devices compared to Australia at 123,000. This 5:1 ratio is similar to that between Australia and NZ but, in NZ, identical orthopaedic devices are routinely 40-60% less than the price private health insurers are forced to pay in Australia under the fixed price regime of the Prostheses List. Further examples of Australia's excessive device prices can be found together with an explanation of Prostheses List price arrangements at Appendix Two.

While it is recognised that Australia has the highest device prices and effectively no local R&D, the tax rates paid by these leading multinationals averages 2.5%. This is substantially under their global effective tax rates which range between 10-20% as reported in their own annual reports.

With a reported Australian MedTech sector value of $12 billion p.a., a mean tax rate of 2.5% - as demonstrated in Appendix Three – implies industry tax paid of around $300 million annually. Leaving Australian corporate tax rates aside, if parity with a global effective rate of 20% was sought, the expected return to Treasury would be $2.4 billion, so a gap exists of $2.1 billion. This loss is attributable to tax minimisation for medical devices alone and does not include pharmaceuticals and other therapeutics.

TAX MINIMISATION STRATEGIES USED BY GMEs

The following table lists the most common tax minimisation pathways employed by medical device GMEs.



We support Treasury's focus on removing favourable tax treatment employed transnationally on management fees, intangible assets and debt shifting.

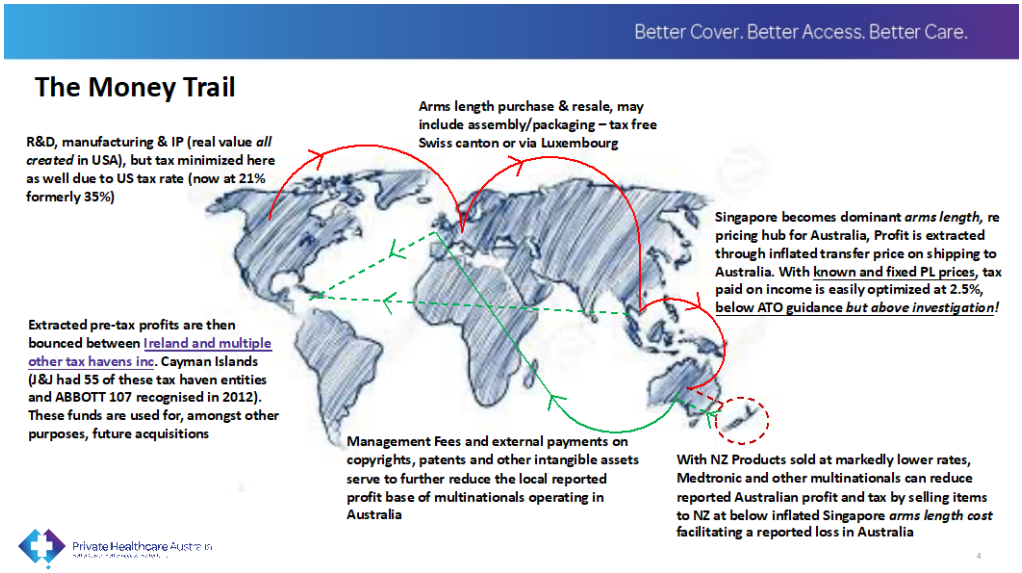
For medical device GMEs, one of the most concerning practices is their use of multiple tax havens including Singapore to ***stage*** delivery of devices from their manufacture source, commonly the USA, to Australia, often via Europe and almost certainly via Singapore.

This is in part due to the tremendous incentive provided by high Australian prices guaranteed by the Prostheses List, where the incremental difference in wholesale sales price must be booked prior to local delivery in order to take advantage of preferred international tax jurisdictions.

In addition to stripping precious tax dollars out of Australia, this also **creates the absurd opportunity for the Australian arm of the GME to sell these devices to New Zealand at a lower price than the goods are imported from Singapore at and thus record a tax deduction**. Below is a schematic of this flow and support provided by the International Consortium of Investigative Journalists.[1,2]

[1] N Chenoweth, "The Implant Files: Australian Taxation Office targets $12bn medical device industry", *Australian Financial Review* 26 November 2018.

[2] N Chenoweth, "The Implant Files: Medtronic's Global Money Trail", *Australian Financial Review,* 26 November 2018.



A specific illustration of this approach in relation to pacemakers is illustrated here.

GME TAX MINIMISATION IS A GLOBAL PROBLEM FOR DEVELOPED MARKETS

Most multinational suppliers are USA based. Their costs include research, design, regulatory, raw materials, manufacture, global marketing, packaging, clinical studies and core education. PHA would expect that the majority of activity is retained in the USA and should be reflected in taxation paid there. Global reporting suggests, however that, with comparable tax rates to Australia of 20-35%, GMEs under-report costs in the USA and instead **amplify costs in markets such as Singapore that act as box movers but provide the attractiveness of low taxation rates**. **This is well explained in the example of pacemakers above, as reported in the Australian Financial Review**.

While America's Internal Revenue Service has concerns over insufficient local income reporting, the ATO should also engage in a comprehensive review of why local GME

affiliates report routinely between 1-3% tax paid in Australia, despite uniquely high local prices and little to no local investment. Not only are local R&D and manufacturing virtually nonexistent by medical device GMEs but they have, under the *cloak of time,* substantively hollowed out the majority of their Australian footprint.

Almost all back-office functions of GMEs supporting Australian importers and marketers are located offshore in low cost Asian affiliates. A look behind the "*firewall*" by the ATO would show that Accounts Payable, Accounts Receivable, Payroll, HR and many operations roles are no longer performed in Australia for their Australian affiliates.

The footprint of the GME device industry in Australia predominantly involves salespeople, many of whom are trained to assist in surgery in order to guarantee preference for their device brand and in maximized quantities. With most surgeons, who are also clients in this instance, being worth over $1 million to suppliers each at over 80% profit levels, the excessive number of sales representatives has more to do with protecting this valuable clinician asset from other sales representatives than it is helping a highly trained or skilled surgeon place their thousandth hip stem from that supplier.[3] This is a source of deductions which is entirely subsidised by overpricing on the Prostheses List.

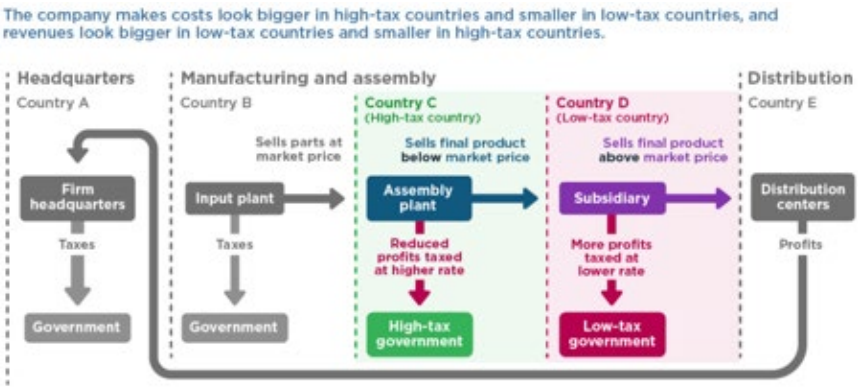
Further, what is not in dispute is that having more sales staff does not improve the outcomes for patients. In fact, evidence indicates higher revision rates in the private sector than in the public sector in peer matched cohorts.[4]

TRANSFER PRICING MUST ALSO BE ADDRESSED

In addition to the commitment of Treasury to remove favourable tax treatment on management fees, intangibles and debt shifting, it is critical focus is given to extracting the tax minimisation delivered through TRANSFER PRICING. Direct experience indicates that transfer pricing by GMEs and their creation of *"see-through-pricing"* is the most popular method used by medical device GMEs to reduce tax in Australia. The import of this is that wholesale prices from the final port of sale to Australia are not set until such time as the Australian Prostheses List price is confirmed. This way, profits registered in Australia can be kept to a fixed minimum level.

The transition of product from the manufacturer through often European tax havens – and certainly Singapore – is completely driven by tax with no value add at all provided to finished goods through this process, merely tax value stripping. This is commercially illustrated in the ICIJ chart above for Medtronic's Pacemakers and graphically represented in this flow diagram below by Djankov.[5]

[3] In high priced segments such as cardiac and orthopaedics, there are frequently more than one sales representatives employed per surgeon.
[4] Harris I, Cuthbert A, Loriner M, de Steiger R, Lewis P and Graves S., "Outcomes of hip and knee replacement surgery in private and public hospitals in Australia", *ANZ Journal of Surgery,* 2019.
[5] Djankov, "Some of the ways multinational companies reduce their tax bills," Peterson Institute for International Economics, 7/7/21



If Treasury does not focus simultaneously on transfer pricing at the same time as intangibles, management fees and debt shifting, then the rates of transfer pricing are likely to expand to sustain the current 2.5% tax paid average. **Formally, the optimal measure of Australian wholesale price should be a weighted average of prices in similar markets, potentially with some minor adjustments for shipping costs.** Using such a price would simultaneously:

1. Establish a more appropriate taxable profit share for Australia; and,

2. Place downward pressure on the Prostheses List, delivering savings to consumers and the Government.

Appendix Four includes some simplified slides on the various tax minimisation strategies used by GMEs including using management fees, royalties, copyrights and patents as well as a worked up example of transfer pricing using an actual trauma plate that is on the prostheses list under the most recent reforms at AUD1,048. It is otherwise identically listed with PHARMAC in NZ at NZD200 or AUD179.80 and has a likely manufacture cost of around USD30 where it is manufactured and designed. How intermediary markets, including Singapore, are used to price up the transferred cost of the device is highlighted.

AUSTRALIAN DEVICE COMPANIES CANNOT UTILISE THE SAME TAX MINIMISATION STRATEGIES AS GMEs

Tax minimisation has also created an uneven playing field for Australian medical device enterprises (AMEs) who cannot compete with GMEs due to their inability to utilise the range of tax strategies this Treasury paper discusses.

By default, it also implies the substantial investment made by consecutive Federal Governments in subsidies and tax breaks for local medical start-ups is money poorly spent. While investment may help fund IP creation and marketplace competency, those Australian companies will never be able to compete successfully in the local market or globally without reaching a scale to employ the same tax tactics as the GMEs they compete against.

It should come as no surprise that, despite being a highly valued and growing commercial sector, medical devices are disproportionately under-represented in Australian owned enterprises because of the inability to compete against powerful overseas interests with

favourable tax structures. Our only globally recognised medical device enterprise, Cochlear, which commenced over 40 years ago, if launched today, would not be able to compete with international suppliers purely due to tax. Cochlear have expanded their footprint globally to take advantage of many of the same loopholes and opportunities identified by other GMEs.

In conclusion, Private Healthcare Australia thanks the Government and Treasury for looking into this matter. More than any other sector, we believe that health in Australia has been exposed to wholesale tax avoidance, partly incentivised by the current Prostheses List arrangements delivering the world's highest device prices.

We look forward to working with Treasury and the ATO to further identify specific abuses and address all the issues we have raised.

Yours sincerely,

Dr Rachel David
Chief Executive Officer
Private Healthcare Australia

APPENDIX ONE: QUESTIONS FROM THE CONSULTATION PAPER

Page 7: Adopting an earnings-based safe harbour
PHA supports adopting the OECD rule. In medical devices, the GMEs involved are often amongst the top 500 commercial entities globally. Any lending between corporate head offices and Australia is strictly for tax benefits rather than an underlying lack of assets necessitating borrowing.

Page 8: Fixed Ratio Rule
Consistent with the comments above, the companies taking greatest advantage of current loopholes in the health sector are massive GMEs. Setting thresholds consistent with the UK, USA, Canada and so forth, would be appropriate and would in fact improve the competitiveness of smaller Australian enterprises that are not able to utilise similar tax minimisation strategies.

Page 8: Group Ratio Rule
For more mature suppliers in the health sector, there should be no reason to sustain high debt ratios – these are some of the most profitable and asset-rich organisations on the planet. These entities are all between 30 and over 150 years old with substantial market caps. They do not need to exist in highly geared structures in Australia particularly given the excessively high prices attained in Australia.

Page 10: Fixed Ratio Rule: the role of arm's length debt test
PHA does not view these enterprises as being at arms-length – they are mature established enterprises capitalising on highly evolved tax minimisation structures involving transfer pricing, debt shifting and the creation of questionable intangibles, for the specific purpose of reducing their tax payments in Australia.

Treasury needs to identify the appropriate mechanism for *all* industries but, from our experience, medical devices is one where all attempts to shift profit out of Australia are wrong and should be discouraged.

Page 14: Taxpayers in Scope
While Treasury and the ATO need to consider these issues across multiple industries, for the health sector PHA would certainly support the core framework focusing on Significant Global Entities (SGEs).

In Australia's health sector, it is the 25 or so GMEs that manipulate the tax structures to give themselves a favourable outcome over local Australian-based and owned enterprises. The gains made by multi-billion dollar offshore entities are profound and represent a disproportionate share of the Australian health market. This is due to their use of rebates and other mechanisms leveraged from the Prostheses List to restrict market access to smaller players, while simultaneously applying a raft of tax minimisation options.

Page 15: Payments relating to Intangibles and royalties in scope of this measure
PHA supports both being included.

As previously stated, within our sector these are highly mature brands and surgical procedures, typically reflecting older intellectual property with only incremental ongoing innovation. In view of the complexities in identifying these, we support the proposition of a single levied minimum tax rate on GMEs operating in Australia. These royalties are cynical book entries created to strip tax from higher tax jurisdictions and employ the benefits in lower tax jurisdictions. Willingness to supply devices to Chinese hospitals at around 1/8th of the price paid in Australia illustrates that the need for such royalties is a convenient fiction.

Page 15: Application to related and unrelated parties

PHA supports this being applied to both parties for the reasons outlined to ensure appropriate tax is paid in Australia.

Page 16: Insufficient tax

PHA endorses and supports Treasury and the ATO investigating all 5 mechanisms identified where insufficient tax may be being paid.

Page 18: International comparisons

PHA supports Treasury and the ATO adopting similar procedures to restrict offshoring of intangibles. Failure to do so may ultimately see Australia used as an alternate path of additional minimization to offset the closing of loopholes in other jurisdictions. We cannot comment specifically on the administrative experience, however our insight on GMEs is that processes to support these type of controls are centralized and likely will not involve resourcing from Australian affiliates, just as their tax advisory and expertise tends to be centralized in a selected location often close to the CEO and board.

Page 21: Tax transparency reporting

PHA support increased transparency to taxpayers of the actions of GMEs. We have for the last 3 years reviewed closely each December the ATO's report on tax payments by GMEs and it has been this increased awareness along with our experience of these entities profitability from within the organisations, that has, in part, inspired our submission and is referenced directly in Appendix 3.

Page 21: Public reporting of tax information on a country-by-country basis

PHA support the intent of Treasury and ATO on expanded public reporting. We consider that overseas based GMEs are likely to represent a greater threat to tax revenue than local entities and smaller mid-tier international organisations. We support this cascaded approach starting with large GMEs and working downwards over time.

Page 23: Public Country by Country reporting (EU standards)

PHA support Treasury adopting the EU standard. As indicated above tax reporting of this type is routinely managed by a single group within the entity, aligning our policies to those of Europe for the same intended purpose is a logical step and is likely to have minimal if any additional cost. We are not sufficiently informed to suggest any additional disclosures.

Page 25: Global Reporting Initiative - Tax Standard

PHA support the decision taken by Treasury and the ATO on what delivers the best tax outcome for Australia. While adoption of standards that are more consumer friendly are generally positive, we recognize that the levels of innovation employed by GMEs and their tax advisors are likely well beyond the remit of the average tax payer in the street. Therefore we support the mechanism that provides the best transparency to Treasury and the ATO as the priority, any additional transparency to the community should be viewed as a *nice to have* but is secondary to generating the information that allows Treasury and the ATO to understand the flows of money that impact tax revenues paid in Australia.

Page 26: Voluntary Tax Transparency Code

We are not sufficiently informed to determine if transferring the current voluntary code to a mandated reporting would result in a better quality of disclosure.

Page 27: Standardised public CBC reporting

PHA in general support a greater consistent adoption of reporting methodologies between global government jurisdictions (this will also reduce administration complexity). The challenges in achieving this, be it voluntarily or through mandate, has, in a large part contributed to the logic of a global standard tax rate (~15%) based on revenue per market, given the difficulties through differing tax laws by country (tax havens) and commercially sensitive privacy to pin down what is an appropriate tax payment per country. As indicated if this tax rate of ~15% was implemented in Australia, a market with the world highest medical device prices, then billions of dollars could be returned to be deployed in supporting the current over stretched public health system, and support reduced cost of Private Health Insurance further taking pressure from the public system and costs associated. The Federal and State Governments benefiting on multiple levels in the process.

Page 28: Other forms of high-risk tax arrangements

PHA will support the Treasury and ATO on the appropriate recognition of companies operating in low tax jurisdictions with material tax risk. Ultimately we believe adopting a single tax rate is a more effective mechanism than merely requiring GMEs to disclose to investors around their operating models. The existence of tax havens and practices by countries would not only be known to global investment funds supporting superannuation and other pooled investments, it is routinely published by groups such as the ICIJ in the general media. PHA has not observed the awareness around these type of tax structures impacting medical device GMEs in an adverse way, for this reform we support a stronger approach to ensuring appropriate tax (i.e. 15% or higher) is retained locally. While greater due diligence etc. are all nice to have, we observe that tax authorities are often one step behind the well-funded structures of these massive GMEs and their tax advisors.

Page 29 Requiring government tenderers to disclose their country of tax domicile

PHA support this position but are disappointed it is not extended to state governments. In the area of Health the vast majority of tenders are delivered at a state level. While this disclosure is a positive step it may have unintended consequences in areas where there is highly specialized competency or supply, it is also a periphery action as opposed to a more basic and appropriate single tax rate per country applied against income. Which is more easily administered and less open to claims of discrimination by companies and countries that have profited to date from tax haven status.

APPENDIX TWO: THE PROSTHESES LIST AND EXCESSIVE AUSTRALIAN DEVICE PRICES

The **Prostheses List (PL)** sets out the prostheses that private health insurers must pay benefits for (if the patient is covered) and the benefit amount per item listed, if the following conditions are met:

- the product is on the Prostheses List
- the patient receives the product as part of hospital treatment or hospital substitute treatment
- the patient has appropriate health insurance to cover for the treatment
- a Medicare benefit is payable for a service associated with the use of the product.

Examples of products on the Prostheses List include:

- hip, knee or shoulder joint replacement devices
- cardiac implantable electronic devices, like pacemakers and implantable cardioverter defibrillators
- vascular and cardiac stents
- human tissue items, bone and vascular grafts, corneas and heart valves

The Prostheses List includes:

- the billing code for each product and minimum amount private insurers must pay
- a name, description and size(s) of each product listed under the billing code

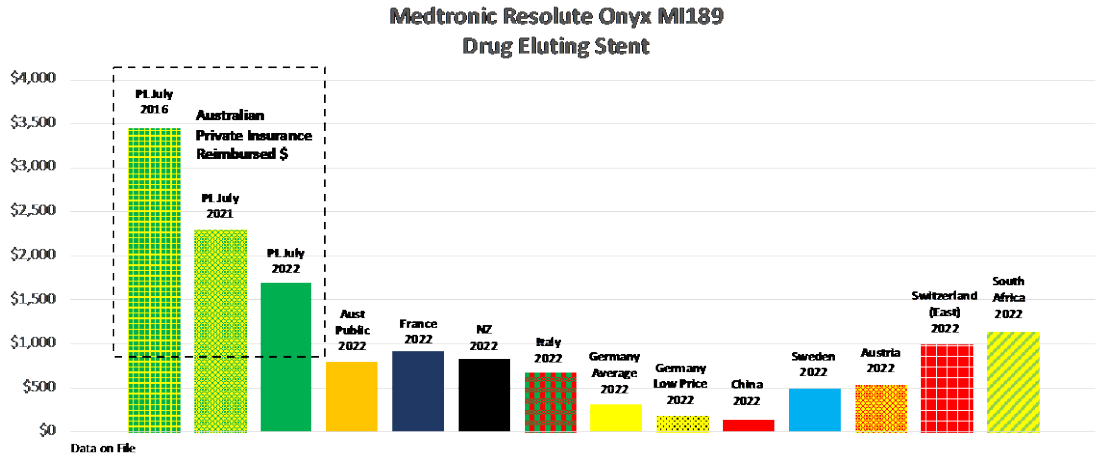
The Prostheses List was established in 1985, in response to concerns raised by clinicians over the impact Medicare might have on the viability and choice of devices within PHI. The list acts as both a floor and maximum price allowing suppliers to significantly influence their rate of taxation paid. It has little if any indexation (globally devices fall 2-10% a year) or comparison with competitive price negotiated markets. There is no restrictions on quantities or where devices are used including outside the manufacturer's own IFU and TGA approved use. The presence of sales staff in surgery facilitates expanded items invoiced as the hospital has no negative impacts from more items used increasing the cost of the operation. In many cases hospitals benefit from this expanded invoicing through rebates paid from suppliers to hospitals on growth of spend[11] over prior year or as percentage of total revenue.

Multiple department and government reviews including the senate inquiry (2015/16) chaired by Professor Graeme Samuel observed that a fixed price list reduced competition and resulted in excessive pricing. Recommendations from that review and the one following chaired by Professor Lloyd Sansom have either not been fully introduced or watered down via extensive lobbying by GMEs in the medical device sector. The Program Director of the Grattan Institute stating "*The current prostheses pricing arrangements are part Soviet-era price control and part Monty Python Sketch*."[12]

[11] 7.30 Report, "Heartless, the companies profiteering from pacemakers at the patients' expense", 3 July 2018

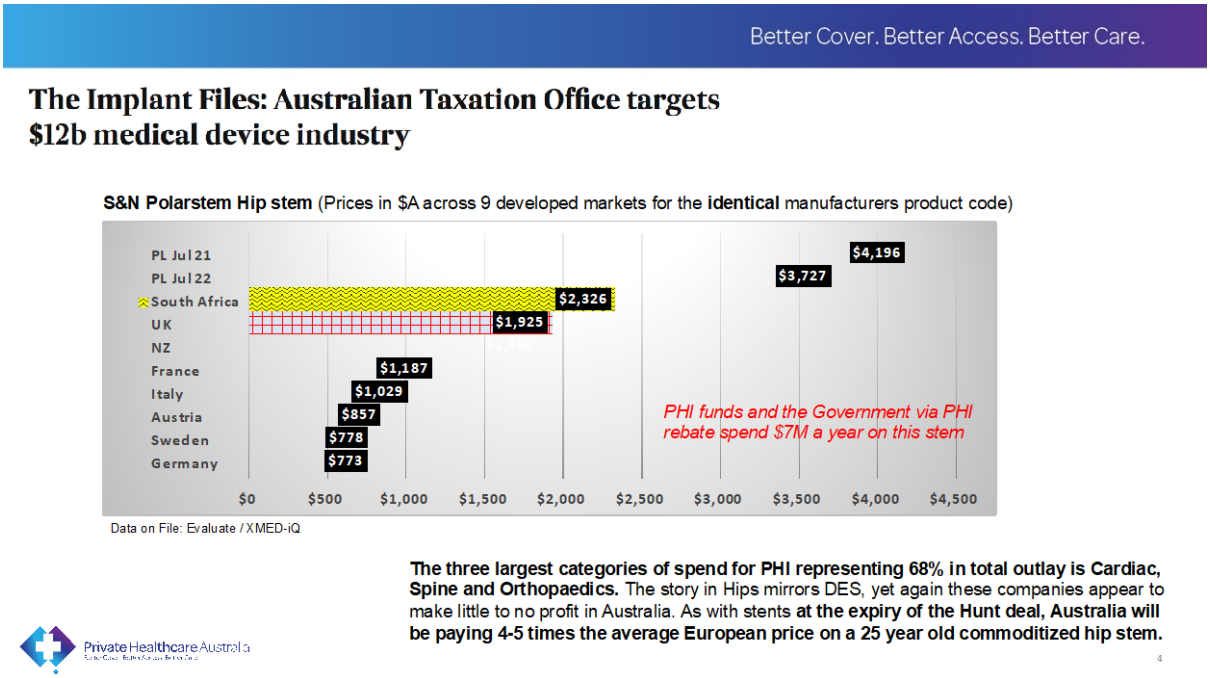
[12] Duckett S *"How to reform the prostheses market: Grattan Institute's submission to the Department of Health's consultation on options for reforms and improvements to the Prostheses List."* Grattan Institute February 2021

The extent of the excessive prices charged in Australia is well demonstrated by the example of Medtronic's leading drug-eluting stent. The following chart compares Prostheses List price in Australia with that of the public sector and nine other countries.



Under the unilateral agreement signed between the former Health Minister/s and the MTAA in the weeks leading into the March 2022 election, Australian PHI funds have been locked for a further 4 years into paying more than double the prices those GMEs are paid to supply the Australian public system where, in the absence of Prostheses List restrictions, some level of competitive tension exists, despite public utilisation being a much smaller market.

As indicated, the story is repeated when looking at common joint replacements. The table below compares the price of one of the leading hip replacements to 8 international markets. Again, the new deal – now 'just' $3,727 down from $4,196 – has locked in prices for 4 years at substantial multiples compared to the rest of the world.



Medical devices on average decline in price 2-10% per year due to ageing of IP, increased competition and items becoming generic in form. The impact of locking in prices without challenge for 4 years will be catastrophic for Australian private payers, including the Federal Government given their average subsidy of 25% via the PHI rebate. As noted above, this is a subsidy of $625 million, much of which is due to the Prostheses List arrangements, in return for which total tax paid is less than half of that subsidy.

It is noted here that removal of the artificial price support of the Prostheses List could in part remove the incentive for such aggressive tax planning around Australia device sales. However, in practice, this would likely have the principal effect of reducing the overall tax take as the preference for offshore profits would persist at the same rate. So, even if the PHI rebate for devices were reduced substantially, at the 2.5% mean tax rate paid by GMEs and demonstrated in Appendix Three, it would always exceed tax paid against those devices.

APPENDIX THREE: MULTINATIONALS PAY MINIMAL TAX IN AUSTRALIA

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Multinationals pay on average 2.5% of their income as tax

Multinational Supplier	ABN	Australian Total income $	Australian Taxable income $	Australian Tax paid $	Tax rate paid	Tax paid as % of Total Aus Income	Reported Global Effective tax rate
ABBOTT AUSTRALASIA PTY LIMITED	95000180389	$470,320,488	$28,412,964	$8,523,889	30.0%	1.8%	10.0%
ABBOTT MEDICAL AUSTRALIA PTY LTD.	73080212746	$131,254,045	$5,923,152	$1,776,946	30.0%	1.4%	10.5%
JOHNSON & JOHNSON PTY LTD	29000023709	$1,407,619,321	$175,071,393	$47,436,406	27.1%	3.4%	12.7%
MEDTRONIC AUSTRALASIA PTY LTD	47001162661	$997,451,478	$111,012,843	$32,268,541	29.1%	3.2%	10.5%
SMITH & NEPHEW PTY LTD	68000087507	$289,613,110	$10,381,028	$3,063,166	29.5%	1.1%	19.1%
STRYKER AUSTRALIA PTY LTD	48002873850	$598,281,298	$28,595,379	$8,578,614	30.0%	1.4%	17.1%
ZIMMER AUSTRALIA HOLDING PTY LTD	93107449534	$292,153,761	$3,812,489	$1,143,747	30.0%	0.4%	16.0%
		$4,186,693,501	$363,209,248	$102,791,309	28.3%	2.5%	

Source: ATO December 12 2021 for Income year 2019-20
These companies represent 57% of the Medical Device industry spend on the PL as reported by HCP1 data.

Unlike the USA, where R&D, IP and manufacturing is undertaken, the Australian device market is more accurately categorised as a simple on-seller model. Almost no R&D/manufacture is undertaken locally and, over the last decade, most multinational companies have moved their back office functions, such as payroll, accounts payable and receivable, operations and HR, offshore to lower cost Asian affiliates.

Given this sales only model, and some of the highest prices in the world, the levels of reported taxable income and tax paid in Australia are inconsistent with the global tax effective rate of these multinational companies.

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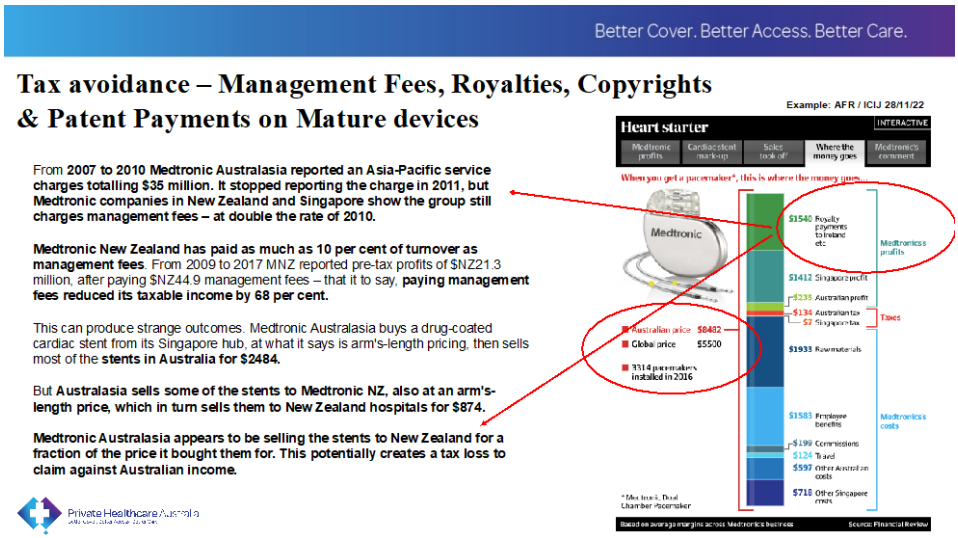
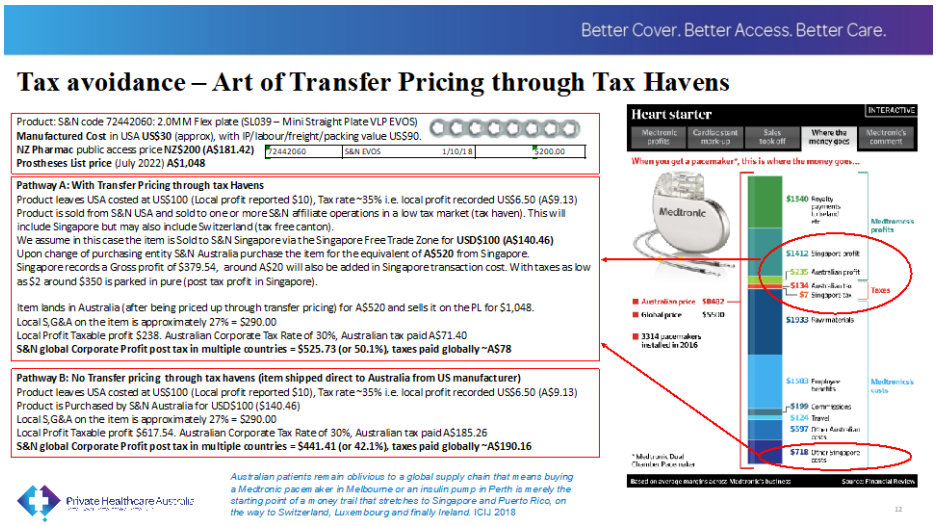
APPENDIX FOUR: TAX AVOIDANCE STRATEGIES UTILISED BY GMEs & AUSTRALIA'S CONTRIBUTION TO THEM





Given the minimal tax paid by GMEs and high prices subsidised via the PHI rebate, the Federal Government has inadvertently become a net contributor to the GME medical device market, the most over inflated in price globally.

With a national device market of $12bn#, total device tax revenue is estimated at only $242.8m from suppliers which is less than government overspend on the $2.5bn PL alone

Australian Tax Paid by 6 Multinationals✚ (contribute 57% of PL spend)	**$102,791,309**
Estimate tax paid for remaining 43% of PL Market value (>225 suppliers)*	**$140,000,000**
Federal contribution to PHI (24.5% levy rate) applied as a % of the PL total	**$612,500,000**
PL annual outlay ~$2.5bn	
Net position for federal government on Device (only)	**$365,708,691**
Conservative estimates put PL benefits at double the average rate of global device market prices (Evaluate report). Generating unecessary Federal PHI rebate overspend of $306.25M, in excess of the total tax revenue collected from the device sector. Leaving the Government a net contributor to the globally highest device prices through their PL PHI Levy suported spend, excluding public health and non PL contributions via the remainder of the near $7bn PHI Levy contribution.	$306,250,000

N Chenoweth The Implant Files: Australian Taxation Office targets $12bn medical device industry *Australian Financial Review* 26/11/18

✚ Total income in Australia reported by these 6 multinationals was $4.1bn, vs total PL Revenue of $2.5Bn for all 230+ PL suppliers. The larger sum represents additional public hospital, DTC and private (*non-PL sales*, i.e. surgical consumables). In total approx. $1.35bn of the $4.1bn recorded by these six multinationals came from PL benefits. A contribution ratio that is more than double their global market share and strongly influenced by rebates paid on accumulated sales.

* Estimate for remainder of market, assumes Australian multinationals inc. Cochlear and small distributors are not able to achieve the same tax minimisation as the nominated six large multinationals using the 5 tax mechanisms described on the opening slide.