

Tax Transparency Report 2021

Iress Limited



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Message from the Group CFO

Iress Limited (Iress) is pleased to present details of its tax contribution, tax governance and strategy, and international related party dealings for the financial year ended 31 December 2021.

This report has been prepared in accordance with the guidelines set out in the voluntary Tax Transparency Code (TTC) recommended by the Australian Board of Taxation and endorsed by the Australian Treasury. Iress is a 'medium business' under the TTC requirements, and has voluntarily prepared this report to include additional recommended information for large businesses.

This report is published on a voluntary basis as part of Iress' ongoing commitment to provide transparency to the public and other interested parties around its tax affairs. Iress remains committed to complying with all applicable laws and regulations relating to tax.



A handwritten signature in black ink that reads "John Harris". The signature is fluid and cursive, written in a professional style.

John Harris
Group CFO

Overview of the Iress Group



Overview of Iress

Iress is a leading technology company providing software to the financial services industry including stockbrokers, financial advisers, banks, investment managers, mortgage lenders, brokers, and superannuation funds. It was founded in Melbourne in 1993 and now operates in Asia Pacific, the UK and Europe, Africa and North America. Iress is listed on the Australian Securities Exchange (IRE.ASX).

Iress' mission is to make it easy for people to love financial services. We believe technology should help people perform better every day and strive to be the essential partner for forward-thinking financial services businesses.

More than 2,250 people work for Iress, building software that helps the financial services industry perform at its best. Over 10,000 businesses and 500,000 people use Iress' software globally to help them perform better and deliver more.

Technology sits at the centre of Iress' clients' businesses, supporting their core operations, providing essential functionality and helping them connect through their back, middle, and front offices, and to their clients and customers. Iress' revenue is primarily subscription-based and recurring, with diverse clients ranging from small retail to large institutional businesses across the financial services industry.

Iress' software provides functionality to its clients in areas of financial advice, trading & market data, investment management, data intelligence, superannuation, mortgages, and life & pensions.

Tax governance & strategy

Iress is committed to complying with all applicable laws and regulations relating to tax, and ensures it pays all taxes in a timely manner. It maintains a transparent and collaborative relationship with all taxation authorities. These principles are enforced through Iress' Tax Governance Policy, which has been endorsed by the Board.

Iress's Tax Governance Policy is aligned with the company's overall corporate strategy and complements its broader Risk Management Policy. The Board is ultimately responsible for the management of risk and internal control processes, which include tax.

The Board delegates the day-to-day management of tax risk to the CFO, and the CFO/Head of Group Tax provide regular updates on any tax issues or developments to the Board.

Iress is committed to being a good corporate citizen, and to acting with integrity and transparency in all tax matters. Iress' policy is to:

- comply with all applicable laws and regulations relating to tax, including meeting tax compliance obligations in a timely manner
- pay all legally obligated taxes to the Government
- ensure the appropriate tax advice is sought and considered as part of the overall commercial assessment of any significant transaction
- not participate in tax evasion or facilitate the evasion of tax by a third party
- maintain open and constructive relationships with all relevant revenue authorities, and to avoid unnecessary and time consuming disputes wherever possible
- protect the reputation of Iress in relation to tax matters
- maintain high standards of tax risk management

and governance

- manage tax risk in accordance with industry best practice.

The Audit and Risk Committee (ARC) is responsible for the oversight of the tax risk management and governance framework. The CFO (with support from the Head of Group Tax) provides the ARC with a half yearly report on the tax risks and broader tax affairs of Iress.

Attitude towards tax planning

Iress adopts a conservative approach to tax planning and aims to achieve a low-risk rating from the ATO and other revenue authorities.

Iress seeks out qualified tax advisers to assist with managing its tax affairs, or applies to the ATO for a tax ruling in circumstances where the potential taxation outcomes are uncertain. Whenever there may be uncertainty or ambiguity as to the meaning of the tax law, Iress adopts a conservative interpretation.

Iress ensures that its finance function is appropriately staffed with qualified tax professionals to address tax matters in an efficient manner.

Accepted level of risk in relation to taxation

Iress has documented in the Tax Governance Policy that tax risk will not be accepted unless the tax position adopted by the company is either as likely or more likely to be correct than incorrect having regard to the relevant authorities.

Approach to engagement with ATO

Iress maintains an open, transparent, and forthcoming relationship in its dealings with all revenue authorities (including the ATO), whereby information is clearly presented, and every effort is made to comply with agreed deadlines.

Income tax reconciliation

Reconciliation of accounting profit to income tax expense

	2021	2020
	A\$000	A\$000
Profit before income tax expense	92,866	78,359
Income tax calculated at 30%	27,860	23,508
Increase/(decrease) in income tax expense due to:		
Effect of different tax rates in different jurisdictions	56	(2,761)
Effect of non-assessable income and non-deductible expenses	(9,955)	(1,402)
Adjustments for current and deferred tax of prior periods	(238)	(687)
Employee share plan	313	312
Unrecognised tax losses	1,032	176
Income tax expense	19,068	19,146

Reconciliation of income tax expense to income tax payable

	2021	2020
	A\$000	A\$000
Income tax expense included in the profit and loss	19,068	19,146
Add/(subtract):		
Deferred tax assets and liabilities charged to income	739	5,759
Over/(under) provision in prior years (current and deferred)	238	687
Current year tax included in income tax expense	20,045	25,592
Add/(subtract):		
Net opening balance carried forward	(2,301)	5,053
Income and withholding tax payments made to tax authorities	(26,040)	(31,588)
Under/(over) provision in prior years (current tax)	(701)	(521)
Other balance sheet items ¹	(229)	(837)
Net current tax asset	(9,226)	(2,301)

¹ Other balance sheet items include acquired entity balances, current tax movements recognised through equity/OCI, and foreign exchange differences.

Effective tax rates

Effective tax rate is calculated as income tax expense divided by profit before tax. The Australian effective tax rate has been calculated to include attributable branch profits to Australia, and exclude the tax impact of overseas dividends received by Australia. It differs from actual income tax payable in that year due to timing differences.

Current year

	Iress Group	Iress Australia
	2021	2021
	A\$000	A\$000
Profit before income tax	92,866	82,384
Adjust: South Africa branch profit taxable in Australia	-	13,952
Adjust: overseas dividends from group companies	-	(33,545)
Profit before income tax (A)	92,866	62,792
Income tax expense (B)	19,068	11,818
Effective tax rate (B/A)²	20.5%	18.8%

Prior year

	Iress Group	Iress Australia
	2020	2020
	A\$000	A\$000
Profit before income tax	78,359	72,661
Adjust: South Africa branch profit taxable in Australia	-	14,052
Adjust: overseas dividends from group companies	-	(54,336)
Profit before income tax (A)	78,359	32,377
Income tax expense (B)	19,146	11,439
Effective tax rate (B/A)	24.4%	35.3%

² 2021 Group and Australia effective tax rate is lower than prior year primarily due to the recognition of a \$22.3 million gain from the remeasurement of deferred contingent consideration in 2021. This gain is not subject to income tax as it is capital in nature.

Tax contribution summary

The table below provides an overview of all taxes paid and collected by the Iress Group in the 2021 income year.

	2021 A\$000	2020 A\$000
Taxes paid		
Corporate income tax ³	23,576	29,575
Employer/payroll taxes ⁴	16,564	16,910
Withholding taxes on royalty/ interest/other income	2,464	2,013
Other ⁵	288	240
Taxes collected on behalf of others		
Net GST/VAT ⁶	63,142	38,188
PAYG/PAYE/salary withholding	69,253	69,623
Total tax contributions	175,287	156,549

³ The decrease in income tax paid during the current period compared to the corresponding prior period is as a result of legislative changes in the timing of income tax instalment payments primarily in the UK during the prior period.

⁴ Includes fringe benefits tax.

⁵ Includes stamp duty and other property taxes.

⁶ The increase in net GST/VAT paid during the current period is driven by the temporary deferral of VAT payments in 2020 under COVID-19 business support measures in the UK.

International related party dealings



Iress is the head company of the Iress Group. Together with its wholly owned Australian subsidiaries, Iress had the following key international related party dealings during 2021:

- Licensing of intellectual property (mainly technology license agreements) owned by Iress for use by its controlled foreign entities
- Market data and other recharges relating to the reimbursement of costs from third parties
- Recharges of accounting share based payment expense relating to employee share schemes
- Management service fees in respect of corporate back office functions
- Loans to/from its controlled foreign entities and payments of associated interest income/expenses.

All international related party dealings within the Iress Group follow the commercial arm's length principle in accordance with global transfer pricing laws (including the Australian transfer pricing laws) and Organisation for Economic Cooperation and Development (OECD) guidance. Iress and its related parties regularly review their transfer pricing policies to ensure their international related party dealings are conducted in accordance with the arm's length principle.



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