

2019

# Tax transparency report



# Introduction

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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 2019.

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 written in a cursive, flowing style.

John Harris  
**Chief financial officer**



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# Overview of Iress

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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. It is listed on the Australian Securities Exchange (IRE.ASX).

Iress' mission is to be essential and desirable to its clients and users and its purpose is that it believes that technology should help people perform better every day.

2,250 people work for Iress, building software that helps the financial services industry perform at its best. More than 9,000 businesses and 500,000 people use Iress' software globally to help them perform better and deliver more.

Its technology sits at the centre of its 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 and market data, investment management, data intelligence, Australian superannuation, mortgages and UK life and pensions.



# Tax governance and strategy

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Iress is committed to complying with all applicable laws and regulations relating to tax and ensures that 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' 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/Group Tax Manager provides regular updates to the Board on any tax issues or developments.

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;
- To pay all legally obligated taxes to the Government;
- To ensure the appropriate tax advice is sought and considered as part of the overall commercial assessment of any significant transaction;
- Not to participate in tax evasion or to facilitate the evasion of tax by a third party in any way;
- To maintain open and constructive relationships with all relevant revenue authorities, and to avoid unnecessary and time consuming disputes wherever possible;
- To protect the reputation of Iress in relation to tax matters;
- To maintain high standards of tax risk management and governance; and
- To 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 Group Tax Manager) provides a half yearly report on the tax risks and broader tax affairs of Iress to the ARC.

# Tax governance and strategy

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## Attitude towards tax planning

Iress adopts a conservative approach to tax planning and aims to maintain 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. Iress adopts a conservative interpretation of the tax law whenever there may be uncertainty or ambiguity as to meaning.

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

## Accepted level of risk in relation to taxation

Iress' Tax Governance Policy allocates risk and compliance tolerance levels. Tolerance levels are delineated as either Negligible/Minor Risk; Minor/Moderate Risk; Moderate/Significant Risk; and Significant/Severe Risk.

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). Information is clearly presented to the ATO and other revenue authorities and every effort is made to comply with agreed deadlines.



# Income tax reconciliation

<b>Reconciliation of accounting profit to income tax expense</b>	2019 A\$000
Profit before income tax expense	88,451
Income tax calculated at 30%	26,535
<b>Increase/(decrease) in income tax expense due to:</b>	
Effect of different tax rates in different jurisdictions	(3,441)
Effect of non-assessable income and non-deductible expenses	(617)
Adjustments for current and deferred tax of prior periods	(811)
Employee share plan	127
Unrecognised tax losses	1,530
<b>Income tax expense</b>	<b>23,323</b>
<b>Reconciliation of income tax expense to income tax payable</b>	2019 A\$000
<b>Income tax expense included in the profit and loss</b>	<b>23,323</b>
Adjusted by:	
Deferred tax assets and liabilities charged to income	685
Over provision in prior years (current and deferred)	811
<b>Current year tax included in income tax expense</b>	<b>24,819</b>
Add/(subtract):	
Net opening balance carried forward	(2,082)
Income and withholding tax payments made to tax authorities*	(20,688)
Under provision in prior years (current tax)	3,416
Other balance sheet items**	(412)
<b>Net current tax liability</b>	<b>5,053</b>

\* Total taxes paid in the Statement of Cash Flows is \$21.696m. The variance to above relates to a change in methodology in accounting for tax cash flows in 2019, and represents withholding taxes paid in prior years but written off to withholding tax expense in 2019.

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

# Income tax reconciliation

## 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 exclude the tax impact of overseas dividends received by Australia. It differs from actual income tax payable in that year due to timing differences.

	<b>Iress Group</b>	<b>Iress Australia</b>
	<b>2019</b>	<b>2019</b>
	<b>A\$000</b>	<b>A\$000</b>
Profit before income tax	88,451	63,390
Adjust: overseas dividends from group companies	-	(10,326)
<b>Profit before income tax (A)</b>	<b>88,451</b>	<b>53,604</b>
Income tax expense (B)	23,323	14,860
<b>Effective tax rate (B/A)</b>	<b>26.4%</b>	<b>27.7%</b>

# Tax contribution summary

The table below provides an overview of all taxes paid and collected by Iress in the 2019 income year.

	2019 A\$000
<b>Taxes paid</b>	
Corporate income tax	18,809
Employer/payroll taxes*	15,906
Withholding taxes on royalty/ interest/other income	1,879
Other**	264
<b>Taxes collected on behalf of others</b>	
Net GST/VAT	48,123
PAYG/PAYE/salary withholding	60,022
<b>Total tax contributions</b>	<b>145,003</b>

\* Includes fringe benefits tax.

\*\* Includes stamp duty and other property taxes.



# International related party dealings

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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 2019:

- 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; and
- Loans to/from its controlled foreign entities and payments of associated interest income/expenses.

All international related party dealings within the Iress Group follow commercial arm's length principles in accordance with global transfer pricing laws (including the Australian transfer pricing laws) and Organization 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.



[iress.com](https://www.iress.com)