

2020

Tax transparency report



Introduction

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 2020.

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, which appears to read 'John Harris'.

John Harris
Chief financial officer



Contents

Introduction	1
Overview of Iress	4
Tax governance and strategy	6 - 7
Income tax reconciliation	8 - 9
Tax contribution summary	10
International related party dealings	12

About Iress

Iress is a technology company providing software to the financial services industry.

Our clients and users include stockbrokers, financial advisers, banks, investment managers, mortgage lenders and brokers and superannuation funds.

Headquartered in Melbourne, Australia, Iress is a global company, with markets in Asia Pacific, North America, Africa and the UK & Europe. Iress is a publicly-listed company on the Australian Securities Exchange (IRE:ASX).

What we do

Provide technology to power financial services.

Why we do it

We believe technology should help people perform better every day.

What are we trying to achieve?

We want to make it easy for people to love financial services.

What will we become?

The essential partner for forward-thinking financial services businesses.

500,000+
Users

10,000+
Clients

2,250+
Employees

9 countries
25 offices

>90%
Recurring and
subscription
revenue

~99%
Client retention
for the last
three years



Tax governance and strategy

Approach to risk management and governance arrangements

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. The CFO and Head of Tax provide 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 Head of Tax) provides a half yearly report on the tax risks and broader tax affairs of Iress to the ARC.

Tax governance and strategy

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

Reconciliation of accounting profit to income tax expense		
	2020	2019
	A\$000	A\$000
Profit before income tax expense	78,149	88,451
Income tax calculated at 30%	23,445	26,535
Increase/(decrease) in income tax expense due to:		
Effect of different tax rates in different jurisdictions	(2,761)	(3,441)
Effect of non-assessable income and non-deductible expenses	(1,402)	(617)
Adjustments for current and deferred tax of prior periods	(687)	(811)
Employee share plan	312	127
Unrecognised tax losses	176	1,530
Income tax expense	19,083	23,323
Reconciliation of income tax expense to income tax payable		
	2020	2019
	A\$000	A\$000
Income tax expense included in the profit and loss	19,083	23,323
Adjusted by:		
Deferred tax assets and liabilities charged to income	5,759	685
Over / (under) provision in prior years (current and deferred)	687	811
Current year tax included in income tax expense	25,529	24,819
Add/(subtract):		
Net opening balance carried forward	5,053	(2,082)
Income and withholding tax payments made to tax authorities	(31,588)	(20,688)
(Over) / Under provision in prior years (current tax)	(521)	3,416
Other balance sheet items*	(833)	(412)
Net current tax liability / (receivable)	(2,359)	5,053

* 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 include attributable branch profits to Australia, and 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.

	Iress Group	Iress Australia
	2020	2020
	A\$000	A\$000
Profit before income tax	78,149	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)	78,149	32,377
Income tax expense (B)	19,083	11,439
Effective tax rate (B/A)	24.4%	35.3%

Prior year:

	Iress Group	Iress Australia
	2019	2019
	A\$000	A\$000
Profit before income tax	88,451	39,772
Adjust: South Africa branch profit taxable in Australia	-	24,158
Adjust: overseas dividends from group companies	-	(10,326)
Profit before income tax (A)	88,451	53,604
Income tax expense (B)	23,323	14,860
Effective tax rate (B/A)	26.4%	27.7%

Tax contribution summary

The table below provides an overview of all taxes paid and collected by Iress in the 2020 income year.

	2020 A\$000	2019 A\$000
Taxes paid		
Corporate income tax*	29,575	18,809
Employer/payroll taxes**	16,910	15,906
Withholding taxes on royalty/ interest/other income	2,013	1,879
Other***	240	264
Taxes collected on behalf of others		
Net GST/VAT****	38,188	48,123
PAYG/PAYE/salary withholding	69,623	60,022
Total tax contributions	156,549	145,003

* The increase 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.

** Includes fringe benefits tax.

*** Includes stamp duty and other property taxes.

**** The reduction in net GST/VAT paid during the current period is driven by the temporary deferral of VAT payments in the UK under COVID-19 measures.



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 2020:

- 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; 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