

ASX Limited 2018 Tax Transparency Report

ASX Group

ASX Limited (ASX) is Australia's leading exchange group and one of the 50 largest companies by market capitalisation listed in Australia. It was created as a national exchange in April 1987 after the amalgamation of Australia's six state-based stock exchanges. In July 2006, ASX merged with SFE Corporation, which operated the major derivatives exchange in Australia.

ASX is ranked among the world's top 10 exchange groups measured by market capitalisation. As a fully integrated exchange group, ASX offers a suite of services including listings, trading, clearing and settlement across multiple asset classes – equities, fixed income, commodities, and energy. ASX has an expansive customer base including retail, institutional and corporate customers directly and through Australian and international intermediaries.

Operations of ASX are licensed by the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA).

ASX's approach to tax risk management and governance

ASX has a robust corporate governance and risk management framework that governs the operations of the business. Tax is an important subset of this framework, which strives to ensure high standards of corporate and social responsibility and incorporates comprehensive risk management processes and procedures. The Board and Management have the responsibility of ASX's tax risk and strategy, with the CFO providing regular updates to the Audit & Risk Committee on any tax issues and developments.

ASX carries out operations in Australia through one consolidated tax group. ASX is the head of the consolidated tax group and is responsible for the income tax liability of the Australian-based entities within the group. ASX operates a US-domiciled subsidiary and representative offices in the United Kingdom and Hong Kong. These offices provide sales and marketing activities to offshore customers only. All services are provided from Australia. The US domiciled subsidiary's contribution to tax is immaterial.

ASX adopts a low risk tax strategy to its activities and tax compliance obligations. ASX's Tax Policy reinforces the following key principles:

- Meet all taxation obligations in accordance with applicable legislation and requirements
- Adopt a conservative approach in interpretation of applicable taxation legislation
- Seek professional advice or a tax ruling from ATO in circumstances where the potential taxation outcome is uncertain
- Do not enter into transactions or structures with the primary objective of reducing tax liabilities

ASX's engagement with the ATO and risk appetite

ASX adopts a low level of risk to all tax compliance and significant transaction activities. Early engagement with the ATO and tax advisers is undertaken by ASX in order to fully comply with tax obligations and operate in a low risk tax environment.

ASX is also meeting all compliance and payment obligations in each overseas jurisdiction, including the payment of local, state and federal taxes.

Income tax expense disclosed in the Annual Report

ASX's income tax expense reconciliation is disclosed in Note A5 of the ASX Group's 2018 Annual Financial Report. The income tax expense disclosed in the Annual Financial Report is calculated in accordance with Australian Accounting standards and represents the profit before income tax expense multiplied by the applicable corporate income tax rate of 30% adjusted for "non-temporary" differences. Non temporary differences represent differences between income and expense recognition criteria under accounting principles and income tax legislation, these can include non-deductible expenses and non-assessable adjustments.

ASX's Effective Tax Rate (ETR) is calculated as income tax expense divided by profit before income tax expense.

The following table provides ASX's ETR over the past five years. Between 2014 and 2017, ASX's ETR has been slightly less than the 30% corporate income tax rate, this is primarily due to ASX receiving franked dividends from IRESS (a company listed on ASX in which ASX holds an equity investment). The ETR in FY18 includes an accounting impairment charge that is not tax deductible resulting in an ETR of 30.7%. Excluding the impairment, the ETR is 29.7%. The size of our US subsidiary's contribution to the overall financial results of the business is immaterial and therefore does not affect the overall effective tax rate disclosed in this report.

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Reconciliation of accounting profit to income tax expense

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	\$m	\$m	\$m	\$m	\$m
Net profit reported in financial statements	383.2	397.8	426.2	434.1	445.1
Income tax expense	158.4	168.4	179.9	182.3	197.0
Profit before income tax expense (A)	541.6	566.2	606.1	616.4	642.1
Income tax expense calculated at 30%	162.5	169.9	181.8	184.9	192.6
Increase in income tax expense due to:					
Non-deductible items	0.2	0.3	0.4	0.2	1.2
Equity accounted investments impairment	-	-	-	-	6.1
Decrease in income tax expense due to:					
Net franking credit offset	(2.7)	(1.5)	(2.1)	(2.4)	(2.5)
Non-assessable income	-	(0.1)	(0.2)	(0.1)	0.1
R&D tax offset	(0.6)	-	-	(0.2)	(0.4)
Adjustments of prior periods	(1.0)	(0.2)	-	(0.1)	(0.1)
Income tax expense on profit (B)	158.4	168.4	179.9	182.3	197.0
Effective tax rate (ETR)(B)/(A)	29.2%	29.7%	29.7%	29.6%	30.7%

Reconciliation of income tax expense to income tax payable

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	\$m	\$m	\$m	\$m	\$m
Income tax expense on profit	158.4	168.4	179.9	182.3	-
Adjustments in the current year relating to prior year tax	1.0	0.2	-	0.1	-
Permanent and timing differences	(0.2)	0.4	(0.8)	(0.2)	-
R&D tax offset	(2.6)	-	(0.5)	(1.0)	-
Income tax payable	156.6	169.0	178.6	181.2	-¹

¹ FY18 not due at the time of this report

ATO published tax information

The ATO discloses tax information from ASX's consolidated group income tax return, this being total income, taxable income and income tax payable. Published tax information includes, income tax years 2014, 2015 and 2016. The ATO is yet to publish income tax years 2017 and 2018.

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	\$m	\$m	\$m	\$m	\$m
Total income	808.1	867.6	907.8	931.5	
Taxable income	545.6	570.5	607.6	620.0	
Income tax payable	156.6	169.0	178.6	181.2²	-²

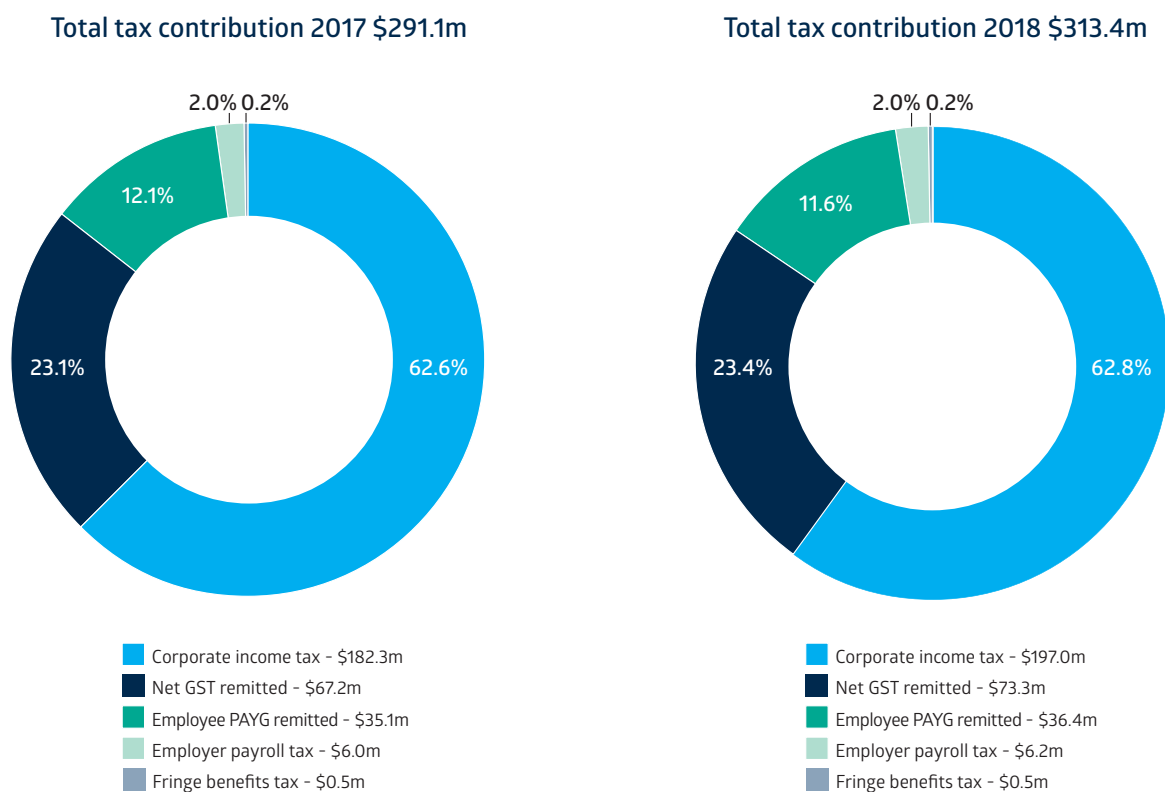
² FY17 expected to be published by ATO and FY18 not due at the time of this report

Total income in the above table comprises total revenue and gross interest income. Taxable income is calculated on accounting concepts and adjusted for allowable tax temporary differences and non-temporary differences in accordance with Australian income tax legislation. Tax payable is then calculated at the corporate income tax rate of 30% of taxable income, less tax offsets. ASX's tax offsets include franking credits received from IRESS shares and R&D tax offsets.

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Tax contribution summary

The following chart provides a summary of ASX's contribution to the Australian tax system for the financial years ended 30 June 2017 and 30 June 2018.



The above chart reflects taxes paid based on the reported financial statements.

- Corporate income tax – Income tax expense based on ASX's profit before tax
- GST payments – Net GST collected by ASX (gross receipts collected less GST paid on business inputs)
- Employee PAYG remittances – Employee income tax remitted to the ATO on remuneration paid by ASX to its employees
- Payroll tax – Tax paid on ASX's employment costs
- Fringe Benefits Tax – Tax paid on benefits provided to staff