

Netwealth Group Limited FY2020 Tax Transparency Report

ASX Release – 30 June 2021

Statement from Chief Financial Officer

Netwealth Group Limited (NWL) is pleased to publicly disclose in this inaugural report of its tax affairs and its commitment to adopting and applying the principles of the voluntary Corporate Tax Transparency Code, consistent with the Australian Government's efforts to promote Tax Transparency. Netwealth embraces openness and transparency and believes these attributes of our behaviour enhances our relationship with our community, clients, shareholders and regulators. This report outlines NWL's approach to tax governance and the taxes NWL pays to the Australian Taxation Office on its income earned.

Basis of preparation

This Report has been prepared in accordance with the requirements set out in the Australian Board of Taxation's Voluntary Tax Transparency Code issued in May 2016, it also considers the Post Implementation Review of the Tax Transparency Code Consultation Paper issued in February 2019 and the Draft Appendix to the Code issued by the Australian Accounting Standards Board. This Report should be read in conjunction with the Netwealth Group Limited Annual Report 2020. The Report is for the income year ended 30 June 2020 and the comparative period 30 June 2019. All figures are presented in Australian dollars.

The Report is prepared internally within our Finance team. The information in the Report is sourced directly from NWL's audited financial statements and the information lodged with the Australian Tax Office. The Report is reviewed by our external tax advisor, undergoes an internal review process and is tabled to the Board of Netwealth Group Limited for approval prior to publication.

About Netwealth

Netwealth was created with an entrepreneurial spirit to challenge the conventions of Australia's financial services.

We are a technology company, a superannuation fund trustee and an administration business. Above all we exist to inspire people to see wealth differently and discover a brighter future.

Founded in 1999, Netwealth is one of the fastest growing wealth management businesses in Australia and is currently listed in the Australian Stock Exchange (ASX: NWL).

Our financial products are:

- Superannuation including accumulation and retirement income products;
- Investor directed portfolio services for self-managed super and non-super investments;
- Managed Accounts; and
- Managed Funds.

Netwealth's digital platform supports how our financial products are delivered to market. For example, via the platform, financial intermediaries and clients can invest in and manage a wide array of domestic and international products.

The platform is built, developed and maintained by Netwealth's technology team. It is continuously enhanced using feedback from financial intermediaries, clients and other users and receives wide industry recognition as having market-leading functionality.

Supporting our financial products and technology platform is a significant investment in our people and resources to administer support, risk, governance and our custodial services.

NWL's approach to tax risk management and governance

Tax risk management is an integral part of corporate governance at NWL.

The key principles of our tax risk management and governance process are to ensure that we

- comply with all our tax obligations and paying the correct amount in tax
- comply with both the letter and the spirit of the tax laws in an ethical and responsible manner
- maintain an open, honest and co-operative approach with the tax authority
- adopt a conservative approach in relation to its tax strategy

NWL manages its tax affairs in accordance with NWL's board approved Group Tax Risk Management and Governance Framework. This framework ensures that

- the framework adheres to the key principles of NWL in relation to tax
- responsibilities and accountabilities for tax administration and decision making are clearly defined
- appropriate controls and review systems are in place to provide confidence that appropriate tax outcomes are being achieved
- provides guidelines on the setting of tax objectives and management of tax risk

The Board is responsible for all taxation affairs of NWL and has delegated responsibility to the Audit Committee and Chief Financial Officer to implement the framework, oversee tax matters, manage tax risks and to keep the Board informed of significant tax matters. NWL's tax framework is reviewed annually to ensure it remains relevant and complies with current tax legislations.

NWL carries out its operations in Australia as a tax consolidated group.

NWL's tax risk appetite and engagement with the Australian Tax Office (ATO)

NWL adopts a conservative approach in relation to its tax strategy and does not sanction or support aggressive tax planning or the adoption of aggressive tax positions. Tax positions adopted are reviewed to ensure they are at least 'more likely than not' correct under applicable tax law on the basis of all available evidence.

NWL will make every endeavour to co-operate in good faith on a collaborative and proactive basis with tax authorities and other regulators. Early engagement with the ATO and external tax advisers are undertaken to fully comply with its tax obligations and operate in a low-risk tax environment.

Income tax expense disclosed in the Annual Report

NWL's Effective Tax Rate (ETR) is calculated as income tax expense divided by net profit before income tax (NPBT). NWL's income tax expense reconciliation is disclosed in Note 6 of the NWL FY2019 and FY2020 Annual Financial Report. NWL's income tax expense disclosed in the Annual Reports is calculated using the applicable corporate income tax rate of 30% to accounting profit effectively adjusted for 'non-temporary' items. The income tax expense is recognised in the income statement except to the extent it relates to items recognised in 'other comprehensive income' or transactions recognised direct to equity.

The income tax expense includes both current and deferred tax. Current tax represents the actual tax payable on profit for the current year. Deferred tax represents the timing differences where amounts recognised as income and expense as per the Australian Accounting Standards do not give rise to an equivalent taxable or deductible amount under the Australian income tax legislation. This can include items such as expenses arising on the recognition of employee leave provision, the accounting treatment for leases under AASB 116, utilisation of tax losses and depreciation.

The following tables provides NWL's ETR over the past two years (from the first year since NWL has become listed on the ASX). In 2019, NWL's ETR was slightly less than the 30% corporate income tax rate, due to utilisation of prior years' tax losses. In 2020, NWL's ETR was slightly higher than the 30% corporate income tax rate due to an amount for non-deductible expenses.

Reconciliation of accounting profit to income tax expense

	FY2019 \$'000	FY2020 \$'000
Net profit reported in financial statements from continuing operations	35,201	43,661
Income tax expense	14,882	19,084
Profit before income tax	50,083	62,745
Income tax expense calculated at 30%	15,024	18,824
Increase/Decrease in income tax expense due to:		
'Non-temporary' non-deductible/non-assessable items	(142)	260
Income tax expense	14,882	19,084
Effective tax rate (ETR)	29.7%	30.4%

Reconciliation of income tax expense to income tax paid

	FY2019 \$'000	FY2020 \$'000
Income tax expense	14,882	19,084
Adjustments in the current year relating to prior year tax	(1)	(92)
<i>Permanent differences:</i>		
Interest/Dividends in Financial Investments	(9)	(12)
Other permanent difference	59	(10)
<i>Temporary differences:</i>		
Expenditure deductible over 5 years	(1,299)	(1,485)
Provisions	(268)	277
Utilisation of pre-consolidation tax losses	(820)	-
PPE and intangible asset	178	202
FVTPL financial assets	203	-
Leases	-	97
Other temporary differences	222	46
Income tax paid	13,147	18,107

ATO Corporate Tax Transparency Report

The ATO publishes an annual report of entity tax information which discloses total income, taxable income and total tax payable by reportable entities. NWL exceeded \$100 million in total revenue in 2020 financial year and is expected to be included in the report from income year 2019-20 onwards.

International related party dealings

NWL did not enter into any international related party dealings during FY19 and FY20

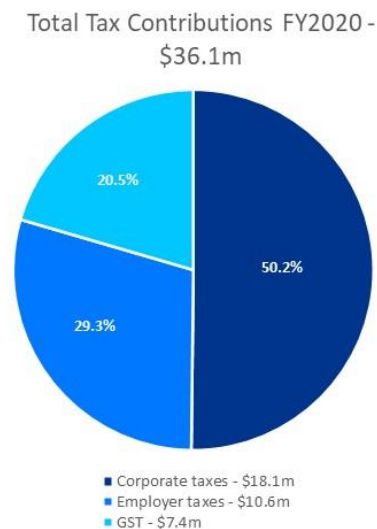
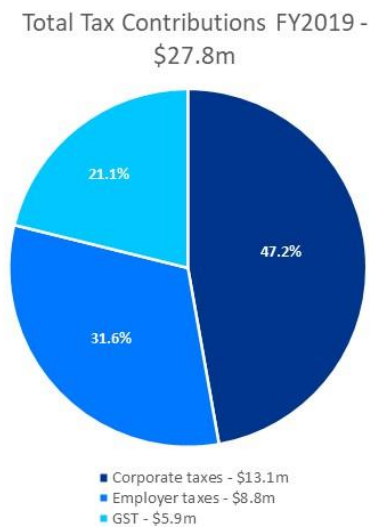
Material tax risks or at risk tax positions

NWL has not identified any material tax risks or at risk tax positions for FY19 and FY20

Summary of taxes paid

The following charts below provides a summary of NWL's contribution to the Australian tax system for the financial years ended 30 June 2019 and 30 June 2020. The below charts reflect the taxes paid based on the annual financial reports:

- Corporate tax – Income tax expense based on NWL's NPBT, including temporary differences adjustments.
- Employer taxes – Includes employee income tax remitted to the ATO based on remuneration paid by NWL to its employees, payroll tax paid on NWL's employment expenses and Fringe Benefits Tax on benefits provided to staff.
- GST – Net GST paid by NWL



This document has been authorised for release by CFO and Company Secretary, Mr Grant Boyle.

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