

Netwealth Group Limited FY2022 Tax Transparency Report

ASX Release – 28 June 2023

Statement from Chief Financial Officer

Netwealth Group Limited (NWL) is pleased to release our annual tax transparency report (Report) which demonstrates our 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 provides an overview of NWL's approach to tax governance and tax contributions made in FY2022.

Basis of preparation

This Report meets the requirements set out in the Australian Board of Taxation's Voluntary Tax Transparency Code (TTC) and has been prepared in accordance with the 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 2022. The Report is for the income year ended 30 June 2022 and the comparative period 30 June 2021. All figures have been rounded to the nearest thousand dollars and are presented in Australian dollars, unless otherwise stated.

The information in the Report is sourced from NWL's audited financial statements and information lodged with the Australian Taxation Office. The Report is prepared internally, reviewed by our external tax adviser and approved by the Board of NWL 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;
- Managed Funds;
- Self-managed superannuation fund administration; and
- Non-custodial administration and reporting services.

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

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.

Netwealth Group Limited (NWL)
Level 6/180 Flinders Street Melbourne VIC 3000
ABN: 84 620 145 404

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

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
- adopt reasonable care in relation to the NWL tax affairs in compliance with applicable tax laws in an ethical and responsible manner
- adopt a conservative approach in relation to its tax strategy
- adopt tax positions that are at least 'more likely than not' correct under applicable tax law on the basis of all available evidence
- maintain an open, honest and co-operative approach with the tax authority
- ensure at least annually that NWL focuses on and actively mitigates tax risks arising from areas flagged by the Commissioner of Taxation as areas of potential concern.

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
- guidelines are provided 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 cooperate in good faith on a collaborative and proactive basis with tax authorities and other regulators. Early engagement with the ATO and external tax advisers is 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 FY2021 and FY2022 Annual 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.

The following tables provides NWL's ETR over the past two years.

In 2022, NWL's ETR was higher than 30% corporate income tax rate due to non-deductible expenses.

Reconciliation of accounting profit to income tax expense

	FY2021	FY2022
	\$'000	\$'000
Net profit reported in financial statements from continuing operations	54,103	55,552
Income tax expense	23,128	25,558
Profit before income tax	77,231	81,110
Income tax expense calculated at 30%	23,169	24,331
Increase/Decrease in income tax expense due to:		
'Non-temporary' non-deductible/non-assessable items	(41)	1,227
Income tax expense	23,128	25,558
Effective tax rate (ETR)	29.9%	31.5%

Reconciliation of income tax expense to income tax paid

	FY2021 \$'000	FY2022 \$'000
Income tax expense	23,128	25,558
Adjustments in the current year relating to prior year tax	(8)	43
<i>Permanent differences:</i>		
Interest/Dividends in Financial Investments	(7)	(12)
Other permanent difference	(36)	28
<i>Temporary differences:</i>		
Expenditure deductible over 5 years	(1,208)	(688)
Provisions	389	164
PPE and intangible asset	(40)	(756)
Leases	(84)	120
Other temporary differences	70	(215)
Income tax paid	22,204	24,242

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 included in the report from FY2020 onwards.

The following table details Netwealth's published information for the income tax year 2021. The ATO is yet to publish income tax year 2022.

	FY2021 \$'000
Total income	144,880
Taxable income	74,043
Income tax payable	22,204

In the above table the following are:

- Total income comprises of Platform Revenue and other income, less net losses on investments;
- Taxable income is calculated on Australian Accounting standards and adjusted for allowable tax temporary differences and permanent differences in accordance with Australian income tax legislations;
- Tax payable is calculated at the corporate income tax rate of 30% of taxable income, less tax offsets.

International related party dealings

NWL did not enter into any international related party dealings during FY21 to FY22

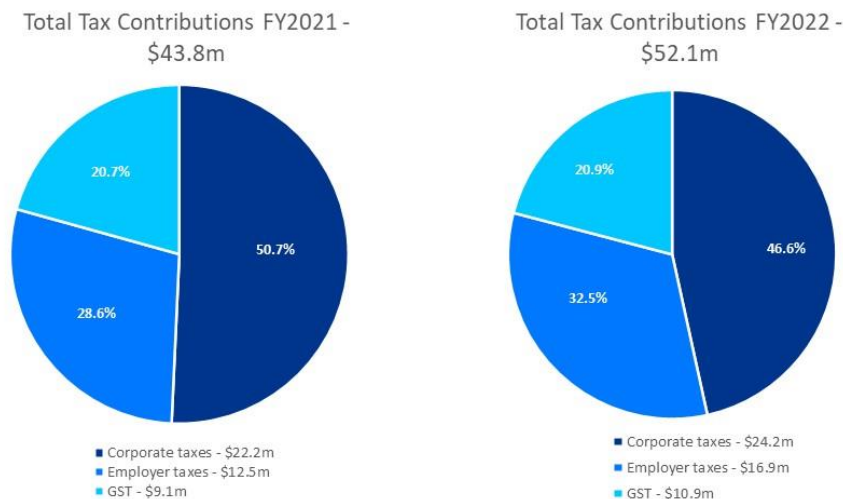
Material tax risks or at risk tax positions

NWL has not identified any material tax risks or at-risk tax positions for FY21 to FY22

Summary of taxes paid

The following charts below provide a summary of NWL's contribution to the Australian tax system for the financial years ended 30 June 2021 and 30 June 2022. 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 the Board of NWL.

For further information please contact:

Grant Boyle
 Chief Financial Officer
grant@netwealth.com.au