
Tax Report

For the year ended 30 June 2022

Perpetual Limited
ABN 86 000 431 827

Trust is earned.

Perpetual 

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For the year ended 30 June 2022

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1 Introduction

The Perpetual Limited group of companies (Perpetual) has a strong commitment to the highest standards of corporate governance and transparency. This Tax Report highlights the tax payments made by Perpetual to Australian (Federal and State) and other international tax authorities during the year ended 30 June 2022, together with providing information on the group's tax strategy and governance policy.

Perpetual's profits are predominantly generated from its Australian and United States (US) operations. Globally, Perpetual also has offices in Singapore, the United Kingdom (UK), Hong Kong and the Netherlands that are currently not material to the group. The profits generated by Perpetual are taxed at the applicable local corporate income tax rate.

The income tax paid by Perpetual in Australia results in the generation of imputation credits, which can be passed to shareholders in the form of franked dividends. Where a shareholder is an Australian taxpayer, they may be eligible to obtain an offset for the tax paid by Perpetual in the year in which they receive the dividend.

Perpetual is also subject to other direct and indirect tax obligations including income tax outside of Australia, goods and services tax (GST)/value-added tax (VAT), sales tax, fringe benefits tax (FBT), payroll tax and/or stamp duty in the jurisdictions in which it operates.

This Tax Report builds upon the disclosures provided in the Income Taxes Note published in Perpetual's Financial Statements for the year ended 30 June 2022, which was prepared in accordance with Australian Accounting Standards and complies with International Financial Reporting Standards.

2 Perpetual Group

Perpetual is an independent Australian diversified financial services firm operating in asset management, financial advisory and trustee services. Perpetual services a global client base from its head office in Sydney, Australia as well as its international offices in the United States, United Kingdom, Singapore, Hong Kong and Europe. Perpetual earns most of its revenue from fees charged on assets under either management, advice or administration.

Revenue is influenced by movement in the underlying asset values, margin on assets and net client flows. Factors that influence the performance of the business include the performance of the global and Australian economies and financial markets, consumer and investor confidence and government policy.

As a provider of high-quality financial services, employment costs comprise the largest component of the Group's expenses.

Perpetual is comprised of the following four core businesses:

Perpetual Asset Management Australia

Perpetual Asset Management Australia is one of Australia's most respected and longstanding active investment manager, focused on the needs of Australian and New Zealand investors. It provides investment products and services to domestic retail, corporate, superannuation and institutional clients, with investment capabilities spanning Australian and global equities, credit and fixed income, together with multi-asset strategies.

Perpetual Asset Management International

Perpetual Asset Management Australia is an operating segment which includes all asset management operations outside of Australia. It provides investment products and services to global retail and institutional clients, including a distribution presence in the United States, United Kingdom, Europe and Hong Kong. Investment management firm Barrow Hanley Global Investors (Barrow Hanley), and boutique ESG investment firm, Trillium Asset Management (Trillium), form part of this operating segment to offer a breadth of high-quality global investment capabilities to our clients.

Perpetual Private

Perpetual Private is an advisory services business focused on the comprehensive needs of families, businesses and communities. Support for clients spreads across financial advice, portfolio management, risk, estate administration and trustee services, plus tax and accounting services. The business is focused on client service excellence and attracting and retaining exceptional talent to meet those standards in our chosen segments.

Perpetual Corporate Trust

Perpetual Corporate Trust provides a broad range of products to the debt capital markets and managed funds industries, both domestically and internationally. The business comprises the following:

- **Debt Markets Services** – provides a holistic suite of products which include trustee, agency, trust management, accounting, document custody and standby services solutions to the Australian debt capital markets and securitisation industry. Debt Markets Services includes the Data & Analytics Solutions business which comprises Data Services (RBA & ESMA regulatory, investor and intermediary reporting), Perpetual Roundtables (portfolio insights and benchmarking) and our new Perpetual Business Intelligence (PBI) software as a service platform digital solution to the financial services industry.
- **Managed Fund Services** – provides independent responsible entity, custodian, wholesale trustee, investment management and accounting. In Singapore, Perpetual Corporate Trust's offerings include SREIT trustee, trustee and agency services. Perpetual Corporate Trust has a global client base serviced from our Singapore and Australian offices, administrating a broad range of asset classes including property and infrastructure, debt, fixed income, equity, private equity, emerging markets and hedge funds.
- **Perpetual Digital** – provides data services, industry roundtables, and our Perpetual Intelligence platform-as-a-service products supporting the banking and financial services industry.

Perpetual and its wholly-owned Australian entities elected to form an consolidated group for income tax purposes as of 1 July 2002. As such, all members of the consolidated group for income tax purposes are taxed as a single entity and governed by tax sharing and tax funding agreements.

Under the tax funding agreement, all wholly owned Australian entities fully compensate Perpetual Limited for any current income tax payable assumed and further are compensated by Perpetual Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are attributed to Perpetual Limited under the income tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the group members' financial statements.

3 Tax Strategy and Governance

3.1 Tax Strategy

Perpetual's tax strategy is controlled and governed by the Perpetual Board of Directors through the Group's Tax Risk Management Framework (TRMF), with a focus on maintaining strong tax compliance disciplines across the Group while maximising shareholder's returns. The TRMF is reviewed annually.

Perpetual's tax strategy within the TRMF is summarised in the below diagram.



Perpetual's TRMF is implemented based on a proactive and conservative approach to identifying key tax risks and applying appropriate courses of action to ensure that all tax risks are managed efficiently and effectively. The Group has a low risk tolerance and does not have an appetite for aggressive tax structures.

The tax team is appropriately resourced by experienced tax personnel to ensure that day to day operational tax matters, minor tax planning and general tax queries can be addressed quickly. Significant one-off transactions are managed via external tax advisors, when the tax risk has been identified is material or above the resource capacity of the tax team.

Perpetual adopts a proactive and risk averse approach to taxation built upon transparency and pro-active engagement with the Australian Tax Office (ATO) and other Revenue authorities. Over past years, the ATO has undertaken various tax reviews which have been completed in a cooperative and transparent manner. Throughout the review processes, Perpetual has provided all information required and the ATO has not made any adjustments to submitted tax returns based on these reviews.

3.2 Tax Governance

Perpetual manages its tax risk by engaging with the Board and senior management in relation to overall strategy and tolerance for tax risk. This process is governed by the Board's Tax Corporate Governance Policy and Risk Appetite Statement (RAS).

The group's awareness and response to tax risk facing the organisation includes detailed processes and procedures for identifying and evaluating the risks. These preventative measures, as governed by the TRMF and documented in the Group risk register, are designed to mitigate and manage the tax risks identified.

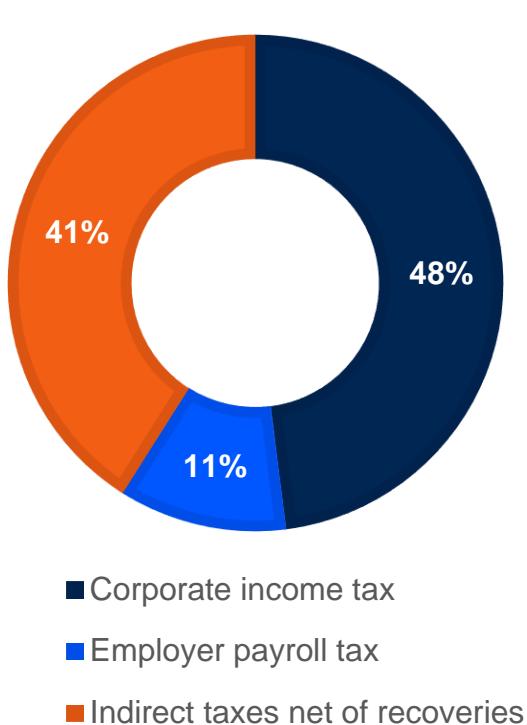
Perpetual has a Risk Management Framework (RMF) with coordinated risk management activities and three lines of defence. The TRMF is a supporting program of the RMF and uses the RMF risk assessment tools, likelihood assessment and consequence assessment to identify and prioritise the tax risks, the risk treatment and action plans.

4 Australian Tax Contribution

The below table illustrates the taxes paid by type by Perpetual to the Australian (Federal and State) tax authorities for the year ended 30 June 2022.

Tax Authorities	Corporate Income Tax ¹ \$m	Employer Payroll Taxes ² \$m	Indirect Taxes ³ \$m	Total Taxes paid \$m
Australian Federal Taxes	48.7	0.1	41.2	90.0
Australian State Taxes	-	11.3	-	11.3
Total	48.7	11.4	41.2	101.3

Taxes Paid in 2022



¹ Income tax liabilities paid to the ATO by the Perpetual Limited consolidated group for income tax purposes in Australia.

² Australian Federal based employer tax comprises Fringe Benefits Tax (FBT) levied on non-cash benefits to employees and associates for the year ended 31 March 2022 and Australian State based payroll tax imposed on employers where “taxable wages” exceed certain thresholds during for the year ended 30 June 2022.

³ Comprises Goods and Services Tax (GST) remitted for the Perpetual Limited GST group net of input tax credits.

5 Income Tax Report

5.1 Consolidated Income Tax Report

Perpetual reported an income tax expense (ITE) of \$36.1 million in the year ended 30 June 2022 (\$30.9 million in the previous year). This reflects an effective tax rate (ETR) of 26.3% (29.8% in the previous year), representing ITE as a percentage of Perpetual's net profit before tax. The primary drivers of the ITE and ETR for Perpetual in all jurisdictions are outlined in the following table:

	2022 \$M	2021 ¹ \$M
Current year tax expense		
Current year tax expense	48.1	38.5
Prior year adjustments	0.8	(2.4)
Total current tax expense impacting income taxes payable	<u>48.9</u>	<u>36.1</u>
Deferred tax expense		
Prior year adjustments	(0.8)	3.4
Temporary differences	(12.0)	(8.6)
Total deferred tax expense	<u>(12.8)</u>	<u>(5.2)</u>
Total income tax expenses	<u>36.1</u>	<u>30.9</u>
Net profit before tax for the year		
Prima facie income tax expense calculated at 30% (2020: 30%) on profit for the year	137.3	103.8
– Recognition of previously unrecognised capital and revenue losses	41.2	31.1
– non-assessable income	(2.5)	(2.5)
– Prior year adjustments	(2.8)	–
– Effect of tax rates in foreign jurisdictions	–	1.0
– Other non-taxable income/expenses and tax credits	(1.7)	0.7
– Other non-deductible expenses	–	–
Total	<u>36.1</u>	<u>30.9</u>
Effective tax rate (ETR)	26.3%	29.8%
Income taxes payable/(receivable) at the beginning of the year		
Income taxes payable for the financial year	7.6	13.3
Less: reclassification to deferred tax liabilities	48.9	37.0
Less: Tax paid during the year	–	–
Other	(59.6)	(42.6)
Income taxes payable at the end of the year	<u>(0.5)</u>	<u>(0.1)</u>
	<u>(3.6)</u>	<u>7.6</u>
Represented in the Statement of Financial Position by:		
Current tax liabilities	(3.6)	7.6

¹Prior year comparatives have been restated for the change in accounting policy relating to Software-as-a-Service (SaaS) arrangements.

The consolidated entity currently has tax obligations in Australia, United States, Singapore, the UK, and the Netherlands. United States operations include Trillium and Barrow Hanley Global Investors. Operations in Singapore, the UK and the Netherlands do not currently have a material tax impact.

The ETR of 26.3%, when compared with the Australian statutory income tax rate of 30%, is mainly attributed to the availability of carry-forward capital losses, which offset the realised capital gains received on trust distribution income, and the inclusion in accounting income during the year of an adjustment to the deferred consideration of an acquisition in a previous year which does not constitute assessable income for tax purposes. It is also impacted by lower tax rates

applicable to non-Australian jurisdictions. This reduction in ITE and ETR is partially reversed by the upward impact of non-deductible expenses.

5.2 Australian Tax Report

In Australia, Perpetual recorded an ITE of \$26.5 million in the year ended 30 June 2022 (\$34.6 million in the previous year). This reflects an ETR of 26.1% in the year ended 30 June 2022 (29.4% in the previous year). The primary drivers of the Australian ETR are outlined in the following table:

	2022 \$M	2021 \$M
Net profit before tax for the year	101.9	117.4
Prima facie income tax expense calculated at 30% (2021: 30%) on profit for the year	30.6	35.2
- Recognition of previously unrecognised capital and revenue losses	(2.5)	(2.5)
- Non-assessable income	(2.8)	0.0
- Prior year adjustments	0.0	1.0
- Other non-deductible expenses	1.2	0.8
Total	26.5	34.6
Effective tax rate (ETR)	26.1%	29.4%

The ETR of 26.1%, when compared with the Australian statutory income tax rate of 30%, is mainly attributed to the availability of carry-forward capital losses, which offset the realised capital gains received on trust distribution income, and the inclusion in accounting income during the year of an adjustment to the deferred consideration of an acquisition in a previous year which does not constitute assessable income for tax purposes. This reduction in income tax expense is partially reversed by the impact of non-deductible expenses.

Capital tax (gains)/losses calculated at 30% tax in Australia

The tax benefit of carry-forward capital losses of \$21,327,853 (30 June 2021: \$24,030,718), comprises \$3,000,000 (30 June 2021: \$3,000,000) recognised as a deferred tax asset and \$18,327,853 (30 June 2021: \$21,030,718) not recognised as a deferred tax asset in the financial statements. The tax benefit of the carry-forward capital losses is net of realised capital gains and capital losses recognised in the current and/or prior years. Further, they are available to be utilised by the Australian consolidated group for income tax purposes in future years.

5.3 International Dealings

There were no material international related party dealings entered into between Perpetual Limited and subsidiaries in foreign jurisdictions during the year ended 30 June 2022.

New South Wales

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Sydney NSW 2000

Australian Capital Territory

Level 9, Nishi Building
2 Philip Law Street
Canberra ACT 2601

Queensland

Central Plaza 1
Level 15
345 Queen Street
Brisbane QLD 4000

South Australia

Level 11
101 Grenfell Street
Adelaide SA 5000

Victoria

Level 28 & 29
Rialto South Tower
525 Collins Street
Melbourne VIC 3000

Western Australia

Exchange Tower
Level 29
2 The Esplanade
Perth WA 6000

Singapore

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