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# Tax Report

For the year ended 30 June 2023

Perpetual Limited  
ABN 86 000 431 827

Trust is earned.

Perpetual 

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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. Following the purchase of Pental Australia Limited effective 23 January 2023, the tax payments made reflected in this report incorporate those referable to the Pental Group of companies.

Perpetual's profits are predominantly generated from its Australian, United States (US), United Kingdom (UK), Asian and European operations. 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 2023, 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. The recent acquisition of Pental Group brings together two of Australia's most respected active asset management brands to create a global leader in multi-boutique asset management with approximately A\$200 billion in assets under management.

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 core businesses:

### **Perpetual Asset Management**

Perpetual Asset Management is a global multi-boutique asset management business, offering an extensive range of specialist investment capabilities designed to meet the evolving needs of our clients across the globe. One of Australia's most trusted investment managers through our brands Perpetual and Pental, we have a growing presence in the US, UK and Europe through our brands Barrow Hanley, J O Hambro, Regnan, Trillium and TSW.

### **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

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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, administering 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. Since 23 January 2023, this includes the Australian entities of the Pandal Group. 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.

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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.

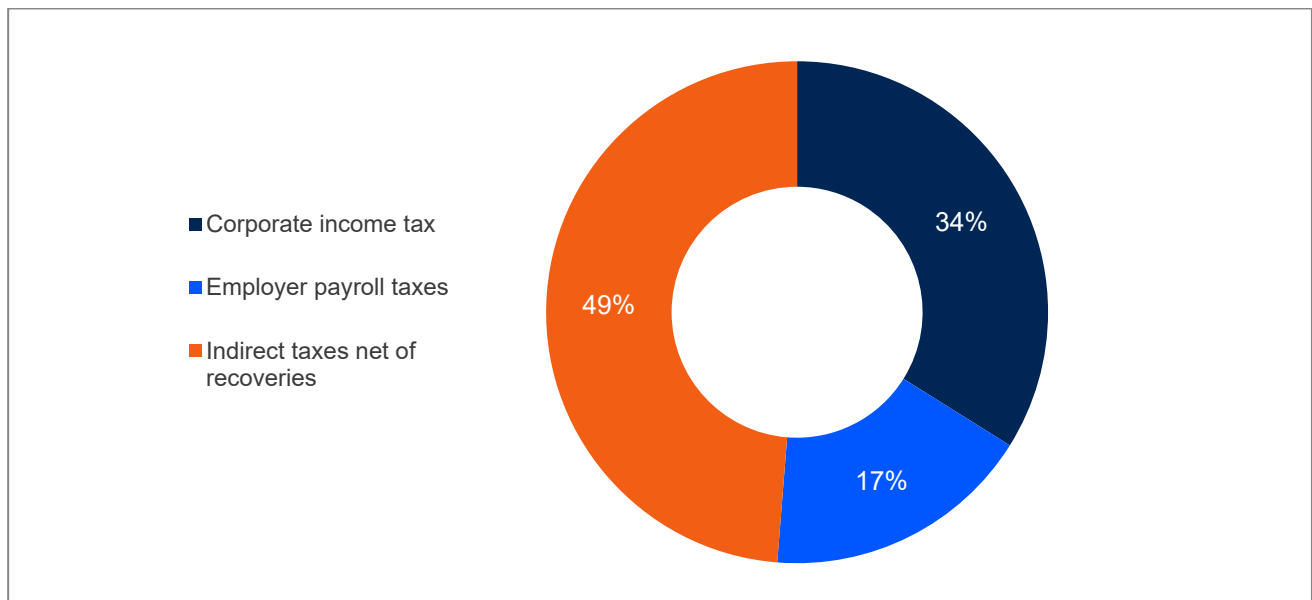
Perpetual has a Risk Management Framework (RMF) with coordinated risk management activities and three lines of defence. The TRMF is a supporting program of the RMF and uses the RMF risk assessment tools, likelihood assessment and consequence assessment to identify and prioritise the tax risks, the risk 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 2023.

Tax Authorities	Corporate Income Tax <sup>1</sup> \$m	Employer Payroll Taxes <sup>2</sup> \$m	Indirect Taxes <sup>3</sup> \$m	Total Taxes paid \$m
Australian Federal Taxes	28.9	0.2	41.6	70.7
Australian State Taxes	-	14.6	-	14.6
<b>Total</b>	<b>28.9</b>	<b>14.8</b>	<b>41.6</b>	<b>85.3</b>

### Taxes Paid in 2023



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

<sup>2</sup> 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 2023 and Australian State based payroll tax imposed on employers where "taxable wages" exceed certain thresholds during for the year ended 30 June 2023.

<sup>3</sup> 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 \$30.1 million in the year ended 30 June 2023 (\$36.1 million in the previous year). This reflects an effective tax rate (ETR) of 33.8% (26.3% 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:

	2023 \$M	2022 \$M
<b>Current year tax expense</b>		
Current year tax expense	38.5	48.1
Prior year adjustments	(2.4)	0.8
<b>Total current tax expense impacting income taxes payable</b>	<b>36.0</b>	<b>48.9</b>
<b>Deferred tax expense</b>		
Prior year adjustments	2.7	(0.8)
Temporary differences	(8.6)	(12.0)
<b>Total deferred tax expense</b>	<b>(5.9)</b>	<b>(12.8)</b>
<b>Total income tax expenses</b>	<b>30.1</b>	<b>36.1</b>
<b>Net profit before tax for the year</b>	<b>89.1</b>	<b>137.3</b>
Prima facie income tax expense calculated at 30% (2021: 30%) on profit for the year	26.7	41.2
– Recognition of previously unrecognised capital and revenue losses	(0.1)	(2.5)
– Non-assessable income	(3.3)	(2.8)
– Prior year adjustments	0.2	-
– Effect of tax rates in foreign jurisdictions	(1.7)	(1.7)
– Other non-taxable income/expenses and tax credits	(2.8)	-
– Other non-deductible expenses	11.1	1.9
<b>Total</b>	<b>30.1</b>	<b>36.1</b>
<b>Effective tax rate (ETR)</b>	<b>33.8%</b>	<b>26.3%</b>
<b>Income taxes payable at the beginning of the year</b>	<b>(3.6)</b>	<b>7.6</b>
Income taxes payable for the financial year	38.5	48.9
Less: reclassification to deferred tax liabilities	-	-
Less: Tax paid during the year	(48.8)	(59.6)
Other	(19.3)	(0.5)
<b>Income taxes (receivable) / payable at the end of the year</b>	<b>(33.2)</b>	<b>(3.6)</b>
<b>Represented in the Statement of Financial Position by:</b>		
Current tax (assets) / liabilities	(33.2)	(3.6)

The consolidated entity currently has tax obligations in Australia, United States, Singapore, the UK, Republic of Ireland, Hong Kong, Spain, France, Germany, Czech Republic and the Netherlands. United States operations include Trillium, Barrow Hanley Global Investors, JO Hambro and TSW. UK and Singapore Operations include J O Hambro. Operations in Hong Kong, Spain, France, Germany, Switzerland and Czech Republic and the Netherlands do not currently have a material tax impact.

The ETR of 33.8%, when compared with the Australian statutory income tax rate of 30%, is mainly attributed non-deductible expenses related to Pandal Acquisition costs, which are partially offset by prior year adjustments related to AU R&D claim and income referable to Non Controlled Interests in trusts, and exclusion of non-assessable accounting income arising from an adjustment to the earnout calculation in relation to prior period acquisitions. It is also impacted by lower corporate tax rates applicable in non-Australian jurisdictions.

## 5.2 Australian Tax Report

In Australia, Perpetual recorded an ITE of \$13.3 million in the year ended 30 June 2023 (\$26.5 million in the previous year). This reflects an ETR of 38.4% in the year ended 30 June 2023 (26.1% in the previous year). The primary drivers of the Australian ETR are outlined in the following table:

	2023	2022
	\$M	\$M
<b>Net profit before tax for the year</b>	34.6	101.9
Prima facie income tax expense calculated at 30% (2021: 30%) on profit for the year	10.4	30.6
- Recognition of previously unrecognised capital and revenue losses	(0.1)	(2.5)
- Non-assessable income	(3.3)	(2.8)
- Prior year adjustments	(1.4)	0.0
- Other non-deductible expenses	7.7	1.2
<b>Total</b>	<b>13.3</b>	<b>26.5</b>
Effective tax rate (ETR)	38.4%	26.1%

The ETR of 38.4%, when compared with the Australian statutory income tax rate of 30%, is mainly attributed non-deductible expenses related to Pandal Acquisition costs, which are partially offset by prior year adjustments related to AU R&D claim and income referable to Non Controlled Interests in trusts, and exclusion of non-assessable accounting income arising from an adjustment to the earnout calculation in relation to prior period acquisitions.

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

The total tax benefits of realised capital losses are \$21,290,329 (30 June 2022: \$21,327,854), comprising \$3,000,000 (30 June 2022: \$3,000,000) recognised in deferred tax assets and \$18,290,329 (30 June 2022: \$18,327,854) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior year and are available to be utilised by the Australian income tax consolidated group in future years.

## 5.3 International Dealings

As a global investment manager, the Group operates across international borders and leverages the resources available to benefit the Group entities in each country. The Company's international related party dealings are conducted in a manner consistent with Australian and international laws and the arm's length principle. Formal agreements are put in place between Group entities to ensure that related party dealings are documented and consistently applied, while contemporaneous documentation is prepared and maintained to support the selection and implementation of appropriate arm's length pricing methodologies and outcomes. The key categories of dealings with offshore related parties which have a material impact on the business's taxable income in each country are summarised as follows:



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- Investment management services are provided by Group entities and investment teams located in the UK, US, Singapore and Australia to support the operation of certain investment products issued by Group entities located in the UK, US, The Republic of Ireland, Spain, France, Germany, and Czech Republic and Australia. A benchmarked arm's-length proportion of the management fee revenue earned on these products is paid to the entity employing the relevant investment team for these services.
  - Distribution services are provided by sales personnel located in the UK, Australia, Singapore and the US for investment products, and are remunerated with a benchmarked proportion of the management fee revenue earned on the relevant product or mandate. This typically comprises the residual of the management fees after payment to the fund manager entity.
  - Support services are provided between Group entities where resources can be effectively shared, which includes trade execution, finance and accounting, compliance and other services. These activities are benchmarked and priced on an arm's length basis.
  - Group/ head office services are provided within Group to its subsidiaries in relation to activities of the Group executive, finance and other functions which support the operation and development of the global business.
  - Employee share plans are established by the Group to provide equity in the Australian listed entity to attract and incentivise employees throughout the Group. Amounts are charged to subsidiaries in the UK, US and Singapore for the provision of equity and administration of the share plans as appropriate.

