

ASX Limited 2017 Tax Transparency Report

ASX Group

ASX Limited (ASX) is Australia's leading exchange group and one of the 50 largest companies 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 services a diverse customer base including retail, institutional and corporate customers directly and through Australian and international intermediaries.

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

ASX welcomes the opportunity to present a report on its tax contribution and has followed the recommendations outlined in the Board of Taxation's Tax Transparency Code.

ASX's approach to tax 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.

ASX is supportive of the Australian Taxation Office (ATO) guidance on tax corporate governance, contained with its Tax Risk Management and Governance Review Guide (the Guide).

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. These entities represent the vast majority of ASX's income tax liabilities.

The ATO, discloses ASX's total income, taxable income and income tax payable in its Public Disclosure of Entity Information Report. Income tax years 2013-14 and 2014-15 have been published and are reproduced in the following table.

FY	Total income \$	Taxable income \$	Tax payable \$
2014	808,112,445	545,587,833	156,618,194
2015	867,647,416	570,505,918	168,968,655

Total income in the above table comprises total revenue and gross interest income. The difference between total income and taxable income comprises expense and interest deductions.

The tax payable numbers published by the ATO differ slightly from the income tax expense reported by ASX in its financial statements.

The differences (2014 tax payable \$1.8m lower, 2015 tax payable \$0.6m higher) relate to timing differences, research and development (R&D) offsets and accounting adjustments relating to prior years.

ASX adopts a low risk tax strategy with its activities and tax compliance obligations, and applies 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 the 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
- Be able to fully frank dividends at the corporate tax rate in order to pass on the franking to shareholders.

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's engagement with the ATO and risk appetite

ASX's approach to taxation risk is to apply a low level of accepted risk. 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.

Our offshore related party dealings are immaterial to the overall financial results of ASX.

Income tax expense disclosed in the Annual Report

ASX calculates its Effective Tax Rate (ETR) as income tax expense divided by profit before income tax expense. Income tax expense is an accounting concept and reflects the amount of income tax applied for accounting purposes.

Income tax expense is calculated using the current applicable rate of 30% and is recognised in the income statement except to the extent that it relates to items recognised in 'other comprehensive income' or transactions recognised directly in equity.

The income tax expense includes both current and deferred tax. Current tax represents tax payable on the profit for the current tax year. Deferred tax represents the timing difference between recognising the tax in the financial statements and the actual payment of tax.

The following table provides details of ASX's ETR which has approximated 30% over the past five years.

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Reconciliation of accounting profit to income tax expense

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$m	\$m	\$m	\$m	\$m
Net profit reported in financial statements	348.2	383.2	397.8	426.2	434.1
Income tax expense	146.1	158.4	168.4	179.9	182.3
Profit before income tax expense	494.3	541.6	566.2	606.1	616.4
Income tax expense calculated at 30%	148.3	162.5	169.9	181.8	184.9
Increase in income tax expense due to:					
Non-deductible items	0.4	0.2	0.3	0.4	0.2
Decrease in income tax expense due to:					
Net franking credit offset	(2.5)	(2.7)	(1.5)	(2.1)	(2.4)
Non assessable income	-	-	(0.1)	(0.2)	(0.1)
R&D tax offset	-	(0.6)	-	-	(0.2)
Adjustments of prior periods	(0.1)	(1.0)	(0.2)	-	(0.1)
Income tax expense on profit	146.1	158.4	168.4	179.9	182.3
Reconciliation to tax payable to ATO					
Adjustments in the current year relating to prior year tax	0.1	1.0	0.2	-	-
Permanent and timing differences	(0.8)	(0.2)	0.4	(0.8)	-
R&D tax offset	(3.8)	(2.6)	-	(0.5)	-
Tax payable	141.6	156.6	169.0	178.6	-¹
Effective tax rate (ETR)	29.6%	29.2%	29.7%	29.7%	29.6%

¹FY17 not due at the time of this report

The main reason for ASX's ETR being slightly below the 30% income tax rate is due to the receipt of franked dividends from IRESS, a company listed on ASX in which ASX has an equity investment. Given the size of our international operations, their contribution to the overall financial results of the business is immaterial. Therefore, these operations do not affect the overall effective tax rate disclosed in this report.

Reconciliation of income tax expense to cash tax paid

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	\$m	\$m	\$m	\$m	\$m
Income tax expense on profit before income tax	146.1	158.4	168.4	179.9	182.3
Timing differences recognised in deferred tax	(1.6)	(3.8)	(0.2)	(1.1)	(1.1)
Current year tax payable next year	(33.0)	(42.3)	(13.1)	(9.9)	(16.3)
Prior year tax instalments paid this year	36.7	33.0	42.3	13.1	9.9
Cash taxes paid per cash flow statement	148.2	145.3	197.4	182.0	174.8

The above table provides a reconciliation of income tax paid (as set out in ASX's Consolidated statement of cash flows) to accounting income tax expense. The difference between accounting tax expense and actual tax paid in any year is due to timing differences which are recognised as deferred tax in ASX's financial statements and timing of tax payments that relate to a prior financial year.

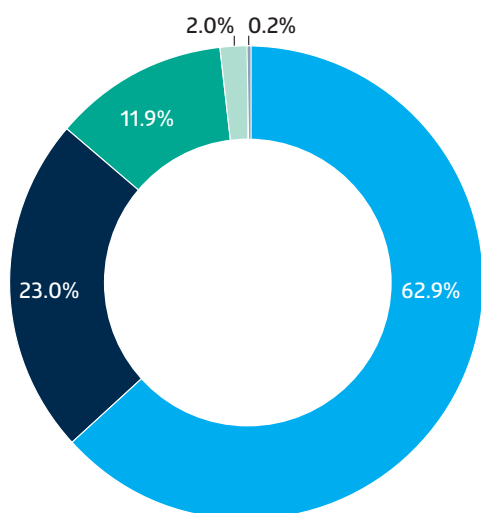
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Tax contribution summary

The following charts provide a summary of ASX's contribution to the Australian tax system for the financial years ended 30 June 2017 and 2016. These include all taxes remitted by ASX:

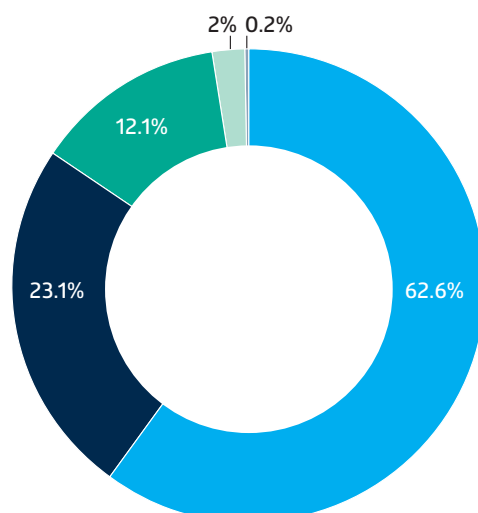
- Corporate income tax – based on ASX's profit before tax
- GST payments – net GST collected by ASX (gross receipts collected less GST paid on business inputs)
- Employee PAYG remitted – employee income tax remitted to the ATO on remuneration paid by ASX to its employees
- Payroll tax paid on ASX's employment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

Total tax contribution 2016 \$286.0m



■ Corporate income tax
■ Net GST remitted
■ Employee - PAYG remitted
■ Employer - payroll tax
■ Fringe benefits tax

Total tax contribution 2017 \$291.1m



■ Corporate income tax
■ Net GST remitted
■ Employee - PAYG remitted
■ Employer - payroll tax
■ Fringe benefits tax