



5 December 2019

The Manager  
Market Announcements Office  
Australian Securities Exchange

Dear Manager,

**2019 TAX CONTRIBUTION REPORT**

Please find attached a copy of the 2019 Tax Contribution Report which is also available on the company's website at [www.wesfarmers.com.au](http://www.wesfarmers.com.au).

Yours faithfully,

A handwritten signature in black ink, appearing to be "A Spaseska".

**A Spaseska**  
Executive General Manager  
Company Secretariat & Group Risk

This announcement was authorised to be given to the ASX by the Wesfarmers Limited Board.

# 2019 TAX CONTRIBUTION REPORT



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## ABOUT WESFARMERS

**This Tax Contribution Report (Report) provides stakeholders with the necessary information concerning Wesfarmers' Australian tax activities for the 2019 financial year.**

From its origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies. With headquarters in Perth, Wesfarmers' diverse businesses in this year's review cover: home improvement; apparel, general merchandise and office supplies; an Industrials division with businesses in chemicals, energy and fertilisers and industrial and safety products. Prior to the demerger of Coles and divestment of other businesses, the Group's businesses also included supermarkets, fuel, liquor, convenience outlets and coal. Wesfarmers remains one of Australia's largest private sector employers with approximately 105,000 team members and is owned by approximately 484,000 shareholders.

### Transactions

Wesfarmers completed the following transactions in the 2019 financial year:

- the demerger of Coles, which includes the supermarkets, fuel, liquor and convenience outlets in November 2018
- the sale of the Kmart Tyre & Auto business in November 2018
- the disposal of its 40 per cent interest in the Bengalla coal mine in December 2018
- the divestment of its 13.2 per cent indirect interest in Quadrant Energy in November 2018

In addition, Wesfarmers announced the following transactions which completed in the 2020 financial year:

- the acquisition of Catch Group Holdings Limited in August 2019
- the acquisition of Kidman Resources Limited in September 2019

### About this Report

'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049), unless otherwise stated. References in this Report to a 'year' are to the financial year ended 30 June 2019 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

**This Report should be read in conjunction with the company's 2019 Annual Report:**

## WESFARMERS BRANDS

### BUNNINGS



### KMART GROUP



### INDUSTRIALS



### OFFICEWORKS



### OTHER INTERESTS



## MESSAGE FROM THE CHIEF FINANCIAL OFFICER



**On behalf of the Board, I'm pleased to present the Wesfarmers Tax Contribution Report for the 2019 financial year.**

Wesfarmers is a leading Australian listed company with diverse operations predominantly based in Australia and New Zealand.

We are proud to strengthen the communities in which we operate, and the economic contribution we make via taxes paid is fundamental to this. Wesfarmers' effective tax rate for Australian operations was 30.2 per cent and we paid \$1.5 billion in government taxes and royalties in the 2019 financial year. We are among the largest corporate taxpayers and employers in Australia.

Wesfarmers has a strong commitment to compliance with taxation laws and regulations in the jurisdictions that we operate. We are committed to robust tax governance practices and aim to have an open and cooperative relationship with all tax authorities.

We are proud to show our continued support for corporate tax transparency by voluntarily publishing our fourth Tax Contribution Report.

**Anthony Gianotti**  
Chief Financial Officer

5 December 2019

### THE WESFARMERS WAY

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and exceptional management of a diversified portfolio of businesses. A key focus of the Group is ensuring that each of our divisions has a strong management capability that is accountable for strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors or steering committee that includes the Wesfarmers Managing Director and Chief Financial Officer, and is guided by a Group-wide operating cycle and governance framework.

## THE PRIMARY OBJECTIVE OF WESFARMERS IS TO PROVIDE A SATISFACTORY RETURN TO SHAREHOLDERS.

**We believe it is only possible to achieve this over the long term by:**



**anticipating the needs of our customers and delivering competitive goods and services**



**looking after our team members and providing a safe, fulfilling work environment**



**engaging fairly with our suppliers, and sourcing ethically and sustainably**



**supporting the communities in which we operate**



**taking care of the environment**



**acting with integrity and honesty in all of our dealings**

## INTRODUCTION

This Report details Wesfarmers' tax activities for the 2019 financial year together with our approach to tax strategy and governance. Wesfarmers makes a very significant contribution to the communities in which it operates through various stakeholders, including employees, suppliers, shareholders, governments and the community.

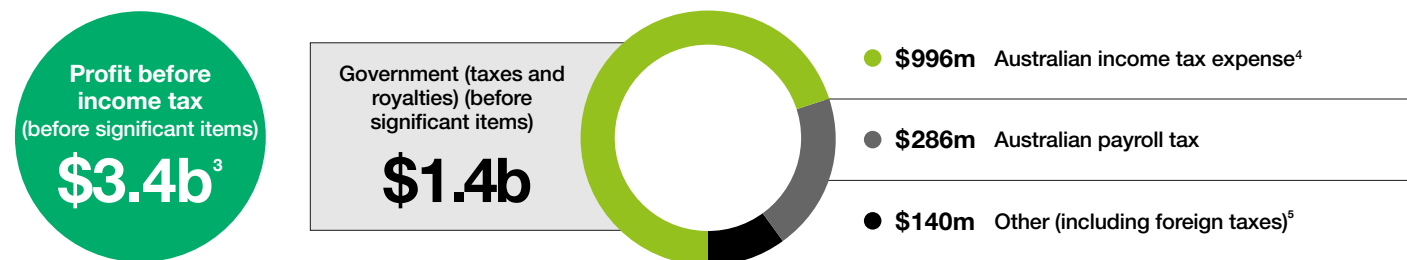
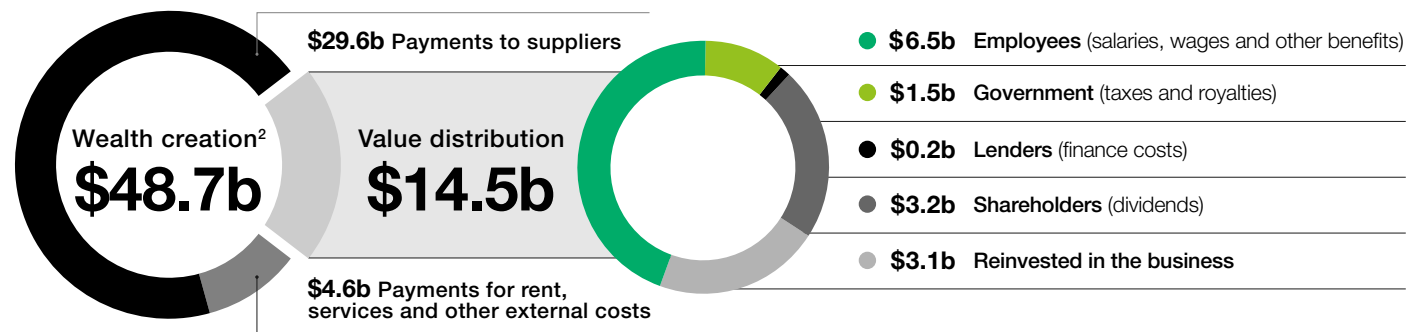
In the 2019 financial year, Wesfarmers generated \$48.7 billion of income which includes the \$3.4 billion pre-tax gain on the demerger of Coles and divestment of other businesses through the year. Of the \$48.7 billion, \$6.5 billion was paid in wages and salaries to our employees, \$29.6 billion to our suppliers and \$4.6 billion for rent and other services. We reinvested \$3.1 billion in our businesses, while distributing \$3.2 billion to our shareholders in the form of fully-franked dividends. These amounts have been materially impacted by the demerger of Coles from Wesfarmers part way through the 2019 financial year, as well as the divestment of other businesses.

Wesfarmers paid \$1.5 billion in taxes and royalties in the 2019 financial year, predominantly to governments in Australia, which was consistent with the previous financial year. The Group also collected an additional \$3.4 billion in taxes and duties for the Australian Government, including employee Pay As You Go (PAYG) withholding tax, excise and customs duty, and net Goods and Services Tax (GST) which is set out on page 8 of this Report.

### Wesfarmers' annual economic contribution (\$billion)

Year	Economic Contribution (\$billion)
2019	48.7 <sup>1,2</sup>
2018	69.9
2017	68.4
2016	66.0
2015	62.4
2014	60.2

### Creating wealth and adding value



Please note these amounts have been materially impacted by the demerger of Coles from Wesfarmers as well as the divestment of other businesses part way through the 2019 financial year.

<sup>1</sup> Reduction in economic contribution reflects the demerger of Coles from Wesfarmers part way through the 2019 financial year as well as the divestment of other businesses.

<sup>2</sup> Includes discontinued operations.

<sup>3</sup> Profit before income tax includes profits from continuing operations and discontinued operations but excludes significant items relating to the demerger of Coles, disposals of Bengalla, Kmart Tyre & Auto and Quadrant, and the provision for Coles supply chain automation.

<sup>4</sup> Income tax expense from Australian operations before significant items. The income tax expense in the Australian taxes borne table on page 8 of this Report reflects the significant items.

<sup>5</sup> Other relates to other Australian taxes paid in the 2019 financial year including local government charges and fringe benefits tax, and other foreign taxes paid.

## APPROACH

### Basis of preparation

Tax transparency information was included in the **2019 Wesfarmers Annual Report** at notes 3 and 30 to the financial statements. All other financial information included in this Report was sourced internally. Ernst & Young audited the 2019 Financial Report included within the **2019 Wesfarmers Annual Report**. Ernst & Young has not separately audited this Report.

### Tax policy, tax strategy and governance

Wesfarmers is committed to full compliance with its statutory obligations and takes a conservative approach to tax risk. Wesfarmers' Group Tax Policy includes an internal escalation process for referring tax matters to the corporate Group Tax function. The Executive General Manager, Group Finance must report any material tax issues to the Board. Tax strategy is implemented through Wesfarmers' Group Tax Policy.

Wesfarmers' approach to tax planning is to operate and pay tax in accordance with the tax law in each relevant jurisdiction. The Group aims for certainty on all tax positions it adopts. Where the tax law is unclear or subject to interpretation, advice is obtained, and when necessary the Australian Taxation Office (ATO) (or other relevant tax authority) is consulted for clarity.

Wesfarmers seeks to have a transparent and cooperative relationship with the ATO and other relevant tax authorities. The ATO conducts an annual review of Wesfarmers' Australian consolidated income tax returns in accordance with the Pre-lodgement Compliance Review (PCR) that Wesfarmers is subject to. The PCR arrangement formalises the requirement for Wesfarmers to disclose to the ATO all material transactions undertaken. Wesfarmers is also part of the ATO's Justified Trust review of the top 100 taxpayers in Australia.

## EFFECTIVE COMPANY TAX RATE

### How it is calculated

The effective tax rate is calculated as income tax expense divided by accounting profit before tax. Income tax expense captures taxes on profits and excludes other types of taxes such as GST, Fringe Benefits Tax (FBT) and PAYG tax paid on behalf of employees.

The effective tax rate will differ from the company tax rate of 30.0 per cent due to non-temporary differences.

Non-temporary differences are amounts which are recognised for either accounting purposes or tax purposes, but not both. For example, the receipt of dividend income from overseas subsidiaries is exempt income for tax purposes. The Wesfarmers Group pays tax on the profit from which the dividend was paid in the country of origin.

Temporary differences exist where amounts are assessable or deductible for tax at a different time to when they are recognised under accounting practices. For example, different depreciation rates may be used for tax and accounting purposes. The differences will eventually reverse over time when an asset is fully depreciated.

Material temporary and non-temporary differences relevant to Wesfarmers are discussed below and should be read in conjunction with notes 3 and 30 of the **company's 2019 Annual Report** on pages 124 and 160, respectively.

### Australian operations

Wesfarmers had an effective tax rate of 30.2 per cent for the 2019 year. This compares to 29.7 per cent for the 2018 financial year if the impact of the Target impairment, which was a non-deductible item, is excluded.

### Effective Australian Tax Rate<sup>1</sup>

<b>30.2%</b>	<b>29.7%</b>	<b>29.9%</b>	<b>28.9%</b>
2019	2018	2017	2016

<sup>1</sup> The above rates have been calculated excluding non-cash impairments and discontinued operations consistent with prior year Tax Contribution Reports.

### Global operations (inclusive of Australian operations)

Wesfarmers' global effective tax rate for 2019 was 30.7 per cent. The effective company tax rates for the Group's Australian and global operations are outlined in the below table.

	2019* %	2018 %
<b>Effective tax rate – Australia</b>		
Effective tax rate for Australian Operations	<b>30.2</b>	34.4
Effective tax rate for Australian Operations (excluding Target impairment**)	<b>30.2</b>	29.7
<b>Effective tax rate – Global</b>		
Effective tax rate for Global Operations	<b>30.7</b>	34.0
Effective tax rate for Global Operations (excluding Target impairment**)	<b>30.7</b>	29.7

\* The 2019 numbers reflect continuing operations only. The 2018 numbers have been restated to exclude the discontinued operations of Wesfarmers' interests in Kmart Tyre & Auto, Quadrant Energy, Coles and Bengalla coal mine for ease of comparison. The 2018 numbers do not include the discontinued operations of Curragh and Bunnings UK and Ireland operations (BUKI). The effective tax rates set out above are of continuing operations only.

\*\* The \$306 million impairment of Target's goodwill and non-current assets recognised during FY2018 was a non-deductible item. Please refer to the **2018 Annual Report** for further details about the impairment.

## RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND INCOME TAX PAYABLE

The reconciliation of accounting profit to tax expense and tax payable, and the effective tax rate information was previously published in the **Wesfarmers 2019 Annual Report** in notes 3 and 30 on pages 124 and 160, respectively. These disclosures were prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards. The statutory accounts reflect the global accounting consolidated group, except where specifically noted otherwise.

Income tax expense, reported on a company's income statement, is calculated by multiplying accounting profit for the year, adjusted for non-temporary differences, by the relevant corporate tax rate (30.0 per cent in Australia).

Income tax paid or payable reported at note 30, is calculated by multiplying accounting profit from continuing operations for the year, adjusted for both temporary and non-temporary differences, by the relevant corporate tax rate. Income tax paid or payable represents the estimated income tax paid or payable to the ATO and other tax authorities.

A reconciliation of Wesfarmers' accounting profit to estimated income tax payable from continuing operations is set out in the table below.

	2019 <sup>1</sup> \$m	2018 <sup>2</sup> \$m
<b>Tax paid or payable reconciliation</b>		
Accounting profit	2,799	2,134
Income tax at the statutory rate of 30%	840	640
Non-deductible items	12	99
Temporary differences: deferred tax	(39)	19
Associates and other	(3)	(6)
<b>Current year tax paid or payable</b>	<b>810</b>	<b>752</b>

<sup>1</sup> The 2019 numbers reflect continuing operations only. The 2018 numbers have been restated to exclude the discontinued operations of Wesfarmers' interests in Kmart Tyre & Auto, Quadrant Energy, Coles and Bengalla coal mine for ease of comparison. The 2018 numbers do not include the discontinued operations of Curragh and BUKI.

<sup>2</sup> The 2018 tax paid or payable will not reconcile to the 2018 Australian tax return information as the Wesfarmers income tax return reflects tax paid on continuing operations, discontinued operations and significant items, and for the other reasons listed adjacent.

## IDENTIFICATION OF MATERIAL TEMPORARY AND NON-TEMPORARY DIFFERENCES

A detailed reconciliation of accounting profit to income tax expense and material temporary and non-temporary differences is disclosed on page 124 of the **Wesfarmers 2019 Annual Report**.

Temporary differences of \$39 million were driven by depreciation and other individually insignificant balances, leading to the difference between tax expense and income tax payable.

## AUSTRALIAN TAX RETURN INFORMATION

The ATO publishes the Australian tax consolidated group information of over 2,000 corporate tax entities annually. The following table reflects Wesfarmers' information based on lodgement of the 2016 to 2018 income tax returns. The 2019 income tax return information will be released by the ATO late in calendar year 2020.

Australian Tax Consolidated Group	2018 \$m	2017 \$m	2016 \$m
Tax payable in Australia (after offsets)	1,250	1,185	931
Australian Tax Consolidated Group Revenue	66,875	63,911	63,447
Australian Tax Consolidated Group Taxable Income	4,276	4,081	3,257

These amounts will differ from the tax numbers disclosed in the Group's annual reports for several reasons.

- The above amounts only reflect the Australian tax consolidated group whereas the annual reports includes the global Wesfarmers' group of entities.
- Foreign subsidiaries and non-100 per cent owned entities cannot be members of the Australian tax consolidated group.
- Tax payable disclosed in the table above includes credits for taxes paid on offshore income that is also taxable in Australia at 30.0 per cent.



## INTERNATIONAL RELATED PARTY DEALINGS

Wesfarmers is an Australian based conglomerate, with some trading operations in other countries, including New Zealand (Bunnings, Kmart Group, and Industrial and Safety) the United Kingdom (Industrial and Safety) and the United States (Kmart Group). Given its current profile, the Group has relatively limited international related party dealings. Wesfarmers always seeks to price international related party dealings on an arm's length basis to meet the regulatory requirements of the relevant jurisdictions.

Wesfarmers' key international related party dealings are set out in the table below:

Key International Related Party Dealing	Significant Jurisdictions
Sourcing and logistic services	Bangladesh, China, Hong Kong and India
Management services	China, Hong Kong, India, Indonesia, New Zealand, United Arab Emirates, United Kingdom and the United States
Sale of goods	New Zealand and Indonesia
Re-insurance	Singapore
Royalties	New Zealand

**For the 2019 financial year, the gross value of international related party transactions in and out of Australia represented less than 0.4 per cent of revenue (FY2018: 0.3 per cent).**

Wesfarmers' related party dealings are summarised below.

- Wesfarmers' Australian retail businesses source material amounts of trading stock from overseas, particularly through Asian based third-party suppliers. To facilitate this, the Group has overseas-based subsidiaries that coordinate these supplies. Wesfarmers' Australian businesses pay the overseas subsidiaries for these services.
- Various administrative and support services are provided by Wesfarmers corporate office and divisional parent entities to offshore subsidiary businesses. As required by international cross-border tax rules, arm's length consideration is paid for these services.
- Certain Wesfarmers retail businesses operate across multiple jurisdictions. To meet customer demand and manage stock levels, trading stock is occasionally transferred between jurisdictions, for which arm's length consideration is paid by the recipient of the trading stock.
- Various aspects of Wesfarmers' business operations are insured with third party insurance providers. To more effectively access global reinsurance markets, Wesfarmers has a regulated offshore captive insurance company in Singapore. Insurance policy premium payments are made by Wesfarmers to the subsidiary for this purpose, with the majority of the premiums on-paid to external re-insurance providers.
- Certain Wesfarmers businesses operating outside Australia utilise intellectual property developed by Wesfarmers businesses in Australia. Where appropriate, and as required by international cross-border tax rules, a royalty payment is made by the offshore subsidiary to the relevant Wesfarmers business in Australia.

### Other jurisdictions

The Wesfarmers Group includes subsidiary companies that are incorporated

Country/Dependency	Nature of activities
Bangladesh <sup>1</sup>	Coordinating the sourcing of trading stock for Kmart Group.
Bermuda	Insurance company - the company is an Australian tax resident which means that any profit is taxed in Australia at the 30.0 per cent Australian corporate tax rate (no new transactions since 2008).
Cayman Islands	Dormant (Never operated - deregistered in the 2019 financial year).
China <sup>1</sup>	Coordinating the sourcing of trading stock for Kmart Group and Industrial and Safety.
Hong Kong <sup>1</sup>	Coordinating the sourcing of trading stock for Kmart Group. Active trading operation – Industrial and Safety.
India <sup>1</sup>	Coordinating the sourcing of trading stock for Kmart Group, and provision of IT and IT enabled services in India to Kmart Group.
Indonesia	Active trading operation – Industrial and Safety.
New Zealand	Active trading operations and financing activities – Bunnings, Kmart Group and Industrial and Safety.
Portugal	Manufacture and supply of trading stock – Industrial and Safety (Workwear Group).
Singapore <sup>1</sup>	Insurance company.
United Arab Emirates	Active trading operation – Industrial and Safety (Workwear Group).
United Kingdom	Active trading operation – Industrial and Safety (Workwear Group).
United States of America	Active trading operation – Kmart Group.

<sup>1</sup> The companies in these countries are subject to the Australian Controlled Foreign Company rules. Under these rules, profits generated by these subsidiaries from trading with Wesfarmers Limited are taxable in Australia at the 30.0 per cent Australian corporate tax rate.

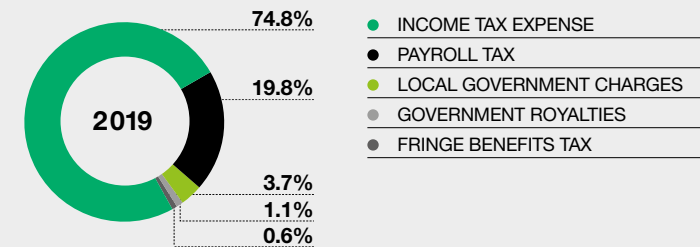
## AUSTRALIAN TAX CONTRIBUTION SUMMARY FOR CORPORATE TAXES PAID

### Australian taxes borne by Wesfarmers

The adjacent table and diagram detail the types of taxes contributed to Australian federal, state and local governments in the 2019 and 2018 financial years. The Australian taxes represent a significant proportion of Wesfarmers' \$1.5 billion in global tax payments in the 2019 financial year. The figures represent Australian taxes contributed by Wesfarmers from continuing and discontinued operations.

#### Australian taxes borne by Wesfarmers

	2019 \$m	2018 \$m
Income tax expense <sup>1</sup>	1,082	1,271
Payroll tax	286	403
Local government charges <sup>2</sup>	54	75
Government royalties <sup>3</sup>	16	153
Fringe benefits tax	9	13
<b>Total</b>	<b>1,447</b>	<b>1,915</b>



<sup>1</sup> Income tax expense comprises continuing and discontinued operations in Australia only.

<sup>2</sup> Government charges are generally comprised of local government rates and fees.

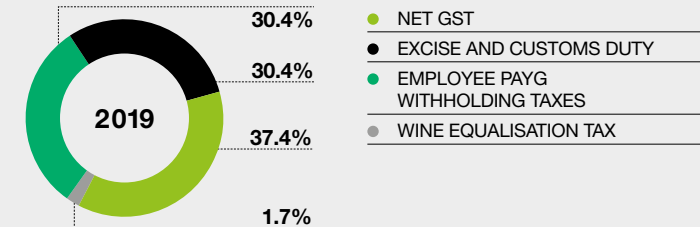
<sup>3</sup> Government royalties are predominantly comprised of royalties paid by our discontinued Resources operations to the relevant state government in relation to the coal operations. The decline in royalties paid this year is due to the sale of the Curragh coal mine in the 2018 financial year and the sale of our 40.0 per cent interest in the Bengalla coal mine half way through the 2019 financial year.

### Australian taxes collected by Wesfarmers

In addition to taxes directly attributable, Wesfarmers collected and paid \$3.4 billion in PAYG withholding taxes, excise and customs duty, net GST and Wine Equalisation Tax (WET) on behalf of the Australian government. Wesfarmers is obligated to withhold PAYG tax from salaries and wages paid to employees on behalf of the government. Excise duty and customs duty are liabilities arising predominantly from the sale of alcohol and cigarettes. The demerger of Coles from the Wesfarmers Group has driven the decrease in excise, customs duty and WET in the 2019 financial year. Net GST is calculated as the total GST liable on taxable supplies less all GST credits attributable to the respective financial year. WET is a one-off tax on the wholesale value of wine sold through wholesale and some retail sales. The adjacent table and diagram show the percentage of each type of tax collected that comprises the \$3.4 billion collected in 2019 and the \$5.4 billion collected in 2018. The figures in the table represent Australian taxes collected by Wesfarmers from continuing and discontinued operations.

#### Australian taxes collected by Wesfarmers

	2019 \$m	2018 \$m
Net GST	1,264	1,339
Excise and customs duty	1,028	2,466
Employee PAYG withholding taxes	1,026	1,413
Wine Equalisation Tax	59	139
<b>Total</b>	<b>3,377</b>	<b>5,357</b>



**Wesfarmers' global tax contributions were \$1.5 billion in the 2019 financial year of which \$1.4 billion were Australian tax payments.**

Further information and publications about Wesfarmers' operations are available from the Corporate Affairs department on (08) 9327 4428 (within Australia) or (+61 8) 9327 4428 (International) or from the Wesfarmers website.

**[WESFARMERS.COM.AU](http://WESFARMERS.COM.AU)**