



2016 TAX CONTRIBUTION REPORT



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This inaugural Tax Contribution Report (Report) provides stakeholders with the necessary information concerning Wesfarmers' Australian tax activities for the 2016 financial year.



In this Report references to 'Wesfarmers' or 'the company' refer to Wesfarmers Limited (ABN 28 008 984 049) unless otherwise stated. References to 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited and each of its subsidiaries incorporated in any jurisdiction globally. References in this Report to a 'year' are to the financial year ended 30 June 2016 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

This Report should be read in conjunction with the 2016 Wesfarmers Limited Annual Report available at <http://www.wesfarmers.com.au/docs/default-source/reports/2016-annual-report.pdf>



On behalf of the Board, I am very pleased to present the inaugural Tax Contribution Report for Wesfarmers Limited for the 2016 financial year.

Terry Bowen
Finance Director

Wesfarmers is among Australia's top 10 taxpayers and importantly, we are the largest private sector employer in Australia.

CREATING WEALTH AND ADDING VALUE

REVENUE

\$66.0_B



This Report provides information regarding Wesfarmers' Australian tax activities for the 2016 financial year, including transactions with international related parties, along with our approach to tax strategy and governance.

Wesfarmers makes a very significant contribution to the Australian economy. In the 2016 financial year, Wesfarmers generated \$66.0 billion of revenue, which was distributed to our various stakeholders, including employees, suppliers, shareholders, governments and the community.

We paid \$8.4 billion in wages and salaries to our employees, \$45.5 billion to our suppliers and \$6.7 billion for rent and other services. We invested \$1.5 billion in capital expenditure in our businesses, while paying \$2.1 billion to our shareholders in the form of fully franked dividends. In addition, more than \$110 million was contributed to the community through our businesses.

As one of Australia's top 10 taxpayers, Wesfarmers paid almost \$1.5 billion

of taxes and royalties to Australian governments in the last financial year. The Group also collected an additional \$4.2 billion in taxes and duties for the Federal Government, including employee Pay As You Go tax, excise and customs duty, and GST.

In May 2016, the government announced the release of the Board of Taxation's final report on the voluntary Tax Transparency Code. The aim of the Code is to provide a mechanism by which medium and large companies can be held accountable for their Australian tax affairs, and to give stakeholders confidence that companies are compliant with their statutory obligations.

Currently the Code is voluntary. Wesfarmers supports the concept of voluntary tax transparency as an important measure for all large companies to provide assurance to the Australian community that their tax obligations are being appropriately met. We know that Wesfarmers' success is dependent on the wellbeing

of the economies and communities where our businesses operate and our conservative approach to tax strategy is one of the many ways we act to ensure sustainability of our operations. We are pleased to disclose our taxes paid in Australia and to detail our approach to tax planning for the first time.

Consistent with the Code, this Report is presented in two parts.

Part A:

- Effective company tax rates for our Australian and global operations
- A reconciliation of accounting profit to tax expense and to income tax payable
- Identification of material temporary and non-temporary differences

Part B:

- Tax policy, tax strategy and governance
- Information about international related party dealings
- A tax contribution summary for corporate taxes paid

Part A of this Report provides greater context to the taxation information provided in the Wesfarmers' 2016 Annual Report. Part A should be read in conjunction with notes 3 and 30 of the Annual Report on pages 98 and 131, respectively.

Effective company tax rate

How it is calculated

The Australian company tax rate is currently 30 per cent of taxable income. Taxable income represents net profit for tax purposes, that is, gross income less any deductions or exemptions allowed in the tax year.

The effective tax rate is calculated as income tax expense divided by accounting profit. The effective tax rate will differ to the company tax rate 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, an impairment to goodwill (such as the impairment to Target's goodwill discussed below) is an expense for accounting purposes but is not an allowable deduction for tax purposes.

Temporary differences exist where amounts are assessable or deductible for tax at a different time to accounting. For example, different depreciation rates may be used for tax and accounting purposes.

Material temporary and non-temporary differences relevant to Wesfarmers are discussed in the final section of Part A of this Report.

Australian operations

Wesfarmers' effective tax rate was 67.8 per cent on Australian operations in the 2016 financial year. Adjusting for the impairment of Target's goodwill, which will never be tax deductible, Wesfarmers had an effective tax rate of 28.9 per cent for the 2016 financial year, which compares to 29.3 per cent for the 2015 financial year. Wesfarmers' effective tax rate is generally marginally lower than Australia's company tax rate of 30 per cent due to various non-temporary adjustments, including research and development concessions and earnings from offshore operations which are taxed in those jurisdictions.

Global operations

Wesfarmers' global effective tax rate for 2016, after adjusting for the impairment of Target's goodwill, was 28.1 per cent. Wesfarmers' global effective tax rate is lower than its Australian operations due in part to the corporate tax rate in most foreign countries being less than Australia (e.g., New Zealand 28 per cent, United Kingdom 20 per cent, China 25 per cent and Hong Kong 16.5 per cent).

The effective company tax rates for the Group's Australian and global operations are outlined in the adjacent table.

WESFARMERS' EFFECTIVE TAX RATE ON AUSTRALIAN AND GLOBAL OPERATIONS

	CONSOLIDATED	
	2016	2015
Effective tax rate – Australia		
Australian operations	67.8%	29.3%
Australian operations (excluding Target goodwill impairment ¹)	28.9%	29.3%
Effective tax rate – Global		
Global operations	60.8%	29.2%
Global operations (excluding Target goodwill impairment ¹)	28.1%	29.2%

¹ The \$1,208 million impairment of Target's goodwill recognised during FY2016 was a non-deductible item.

Adjusting for the impairment of Target's goodwill, Wesfarmers had an effective tax rate of 28.9 per cent for the 2016 financial year.

Please refer to the 2016 Wesfarmers Annual Report for further details regarding accounting disclosures. Alternatively contact us on info@wesfarmers.com.au

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 contained in this Report was previously published in the Wesfarmers 2016 Annual Report in notes 3 and 30 on pages 98 and 131, 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 per cent in Australia).

Income tax payable, reported on a company’s balance sheet, is calculated by multiplying accounting profit for the year, adjusted for both temporary and non-temporary differences, by the relevant corporate tax rate. Income tax payable represents the actual income tax payable to the Australian Tax Office (ATO) and other tax authorities.

A reconciliation of Wesfarmers’ accounting profit to income tax payable is set out in the adjacent table.

Identification of material temporary and non-temporary differences

For the 2016 financial year, Wesfarmers’ tax expense and income tax payable were materially different due to the following non-temporary and temporary differences.

The non-temporary difference of \$362 million is driven by an impairment of Target’s goodwill of \$1,208 million.

The non-cash impairment of \$1,208 million (pre-tax) recorded against Target’s goodwill was required in light of the business’ current trading performance and short-term outlook.

Temporary differences of \$342 million were mainly driven by:

- an impairment of Curragh’s assets of \$850 million
- an impairment of Target’s assets of \$58 million

The non-cash impairment of \$850 million (pre-tax) recorded against Curragh’s assets mainly reflected the continued deterioration in export coal price forecasts and foreign exchange rate assumptions.

The non-cash impairment of Target’s assets of \$58 million was deemed necessary in conjunction with the goodwill impairment discussed above.

For further information relating to the above impairments please refer to Wesfarmers’ 2016 Annual Report.

A detailed reconciliation of accounting profit to income tax expense and material temporary and non-temporary differences is disclosed on page 98 of the Wesfarmers’ 2016 Annual Report.

RECONCILIATION OF WESFARMERS’ ACCOUNTING PROFIT TO INCOME TAX PAYABLE	CONSOLIDATED	
	2016 \$m	2015 \$m
Accounting profit	1,038	3,444
Income tax at the statutory rate of 30%	311	1,033
Non-temporary differences	362	12
Temporary differences: deferred tax	342	(20)
Associates and other	(31)	(29)
Current year tax paid or payable	984	996

Part B of this Report discloses the taxes paid by Wesfarmers in the 2016 and 2015 financial years and provides qualitative information about our approach to tax risk and international related party dealings.

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 Wesfarmers Finance Director and 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 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 a 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.

International related party dealings

Wesfarmers is an Australian based conglomerate, with some trading operations in other countries, including New Zealand (Bunnings, Kmart, and Blackwoods) and the United Kingdom and Ireland (Bunnings). 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' 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 co-ordinate these supplies. Wesfarmers' Australian businesses pay the overseas subsidiaries 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 re-insurance markets, Wesfarmers has a regulated off-shore 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 of Australia are utilising 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 off-shore subsidiary to the relevant Wesfarmers business in Australia.
- Various administrative and support services are provided by Wesfarmers head 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.

Other jurisdictions

The Wesfarmers Group includes subsidiary companies that are incorporated in jurisdictions outside of Australia as summarised in the table below.

Country	Nature of activities
Bermuda	Insurance company. The company is an Australian tax resident which means that any profit is taxed in Australia at the 30% Australian corporate tax rate (no new transactions since 2008, liquidation planned).
Botswana	Dormant (acquired through a previous business acquisition and never operated)
Cayman Islands	Dormant (never operated, liquidation planned)
China ¹	Co-ordinating the sourcing of trading stock for Kmart and Target
Hong Kong ¹	Co-ordinating the sourcing of trading stock for Kmart and Target
India ¹	Co-ordinating the sourcing of trading stock for Kmart
Indonesia ¹	Active trading operation – Industrial and Safety
New Zealand	Active trading operations, financing activities and dormant entities – Bunnings, Kmart, Industrial and Safety
Portugal	Manufacture and supply of trading stock – Industrial and Safety (Workwear)
Republic of Ireland	Active trading operations – Homebase
Singapore ¹	Insurance company
United Arab Emirates	Active trading operation – Industrial and Safety (Workwear)
United Kingdom	Active trading operations and dormant entities – Homebase, Industrial and Safety (Workwear)
United States of America	Dormant (never operated)

¹ These companies 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% Australian corporate tax rate.

For the 2016 year, the gross value of international related party transactions in and out of Australia represented less than 0.4 per cent of revenue.

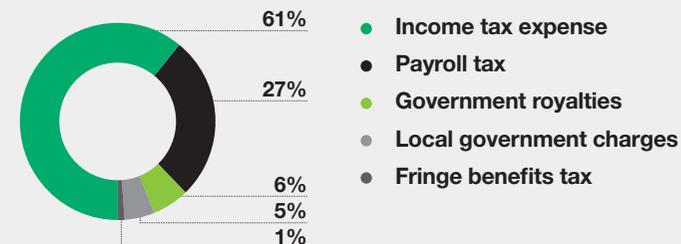
Australian tax contribution summary for corporate taxes paid

Taxes borne by Wesfarmers

Wesfarmers is among Australia's top 10 taxpayers and is the largest private sector employer in Australia. Wesfarmers is subject to income tax, payroll tax and other taxes. The adjacent table and diagram detail the types of taxes paid to Australian federal, state and local governments in the 2016 and 2015 financial years, and represent a significant proportion of Wesfarmers' global tax payments. These global payments were \$1.5 billion in the 2016 financial year.

TAXES BORNE BY WESFARMERS

	2016 \$m	2015 \$m
Income tax expense	880 ¹	975
Payroll tax	386	368
Local government charges	78 ²	79
Government royalties	79 ³	100
Fringe benefits tax	16	23
Total	1,439	1,545



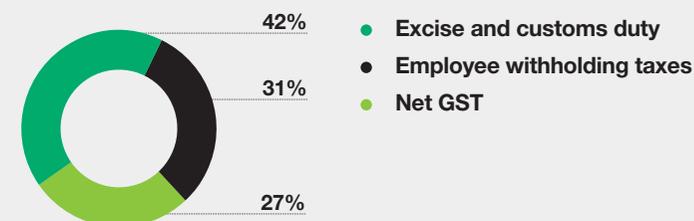
1 As discussed in Part A of this Report, the income tax expense of \$880 million excludes the tax effect of the impairment of Curragh (\$255 million) and Target non-current assets (\$17 million).
 2 Government charges are generally comprised of local government rates and fees.
 3 Government royalties are predominantly comprised of royalties paid by our Resources division to the relevant state government in relation to the coal business.

Taxes collected by Wesfarmers

In addition to taxes directly attributable, Wesfarmers also collected and paid in excess of \$4 billion in Pay As You Go (PAYG) taxes, excise and customs duty, and GST 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. Net GST is calculated as the total GST liable on taxable supplies less all GST credits attributable to the respective financial year. The adjacent table and diagram show the percentage of each type of tax collected that comprises the \$4.1 billion collected in 2016 and the \$3.7 billion collected in 2015.

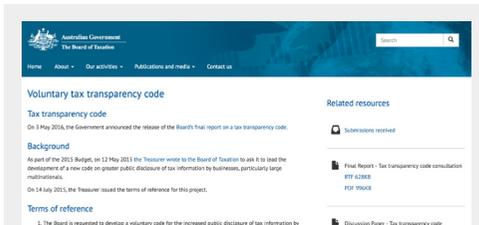
TAXES COLLECTED BY WESFARMERS

	2016 \$m	2015 \$m
Excise and customs duty	1,735	1,531
Employee withholding taxes	1,292	1,187
Net GST	1,149	1,012
Total	4,176	3,730

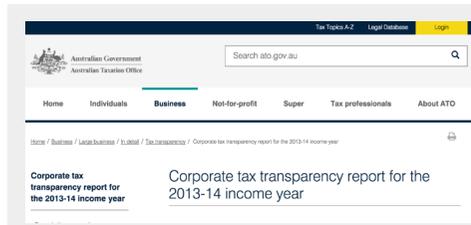


Wesfarmers' global tax payments were \$1.5 billion in the 2016 financial year of which \$1.44 billion were Australian tax payments.

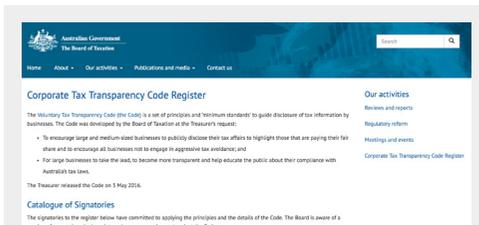
This Report may be read in conjunction with the following documents and resources.



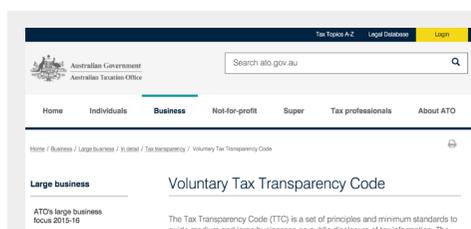
The Board of Taxation's voluntary tax code can be found at: taxboard.gov.au/consultation/voluntary-tax-transparency-code/.



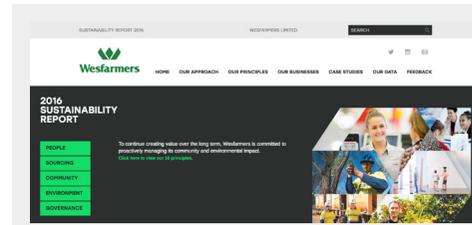
For further detail and context around the ATO's tax transparency disclosures, please refer to the ATO website: ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Corporate-tax-transparency-report-for-the-2013-14-income-year/.



The register of companies that have pledged to adopt the code can be found at: taxboard.gov.au/current-activities/transparency-code-register/.



Further context around the voluntary tax code can be found on the ATO's website: ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Voluntary-Tax-Transparency-Code/. This site includes a link to the ATO's register of tax transparency reports published to date.



For further information regarding Wesfarmers' contribution to the communities it operates in, please refer to the 2016 Sustainability Report: <http://sustainability.wesfarmers.com.au/>.



Please refer to the 2016 Annual Report: <http://www.wesfarmers.com.au/docs/default-source/reports/2016-annual-report.pdf>

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.