

2021 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 2021 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, outdoor living and building materials; general merchandise and apparel; office and technology products; manufacturing and distribution of chemicals and fertilisers; industrial and safety product distribution; and gas processing and distribution. Wesfarmers is one of Australia's largest private sector employers with approximately 114,000 team members and is owned by more than 483,000 shareholders.

About this Report

In this Report references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049) and its controlled entities, unless otherwise stated. References in this Report to a 'year' or 'financial year' are to the 12 months ended 30 June 2021 (previous corresponding period 30 June 2020) unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

References to AASB refer to the Australian Accounting Standards Board and IFRS refers to the International Financial Reporting Standards. There are references to IFRS and non-IFRS financial information in this Report. Non-IFRS financial measures are financial measures other than those defined or specified under any relevant accounting standard and may not be directly comparable with other companies' information. Non-IFRS financial measures are used to enhance the comparability of information between reporting periods. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, IFRS financial information and measures. Non-IFRS financial measures are not subject to audit or review.

This Report should be read in conjunction with the Wesfarmers 2021 Annual Report:

Group structure

Bunnings



Kmart Group



Officeworks



Chemicals, Energy and Fertilisers



Industrial and Safety



Other activities



Corporate

Message from the Chief Financial Officer



On behalf of the Board, I'm pleased to present the Wesfarmers Tax Contribution Report for the 2021 financial year.

At Wesfarmers, our primary objective is to deliver satisfactory returns to shareholders. Wesfarmers, and each of our divisions, has a strong commitment to compliance with taxation laws and regulations in the jurisdictions in which 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 support the communities in which we operate, and the economic contribution we make through taxes paid is fundamental to this.

In the 2021 financial year, Wesfarmers' effective tax rate for its Australian operations was 29.4 per cent and we paid \$1.3 billion in government taxes and other charges. We are among the largest corporate taxpayers and employers in Australia.

We are proud to be a signatory to the Australian Government's voluntary Tax Transparency Code. This year's Tax Contribution Report is our sixth report, and shows our continued support for corporate tax transparency.

Anthony Gianotti
Chief Financial Officer

16 December 2021

Our primary objective

To deliver 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 to this Report

This Report details Wesfarmers' tax activities for the 2021 financial year together with our approach to tax strategy and governance.

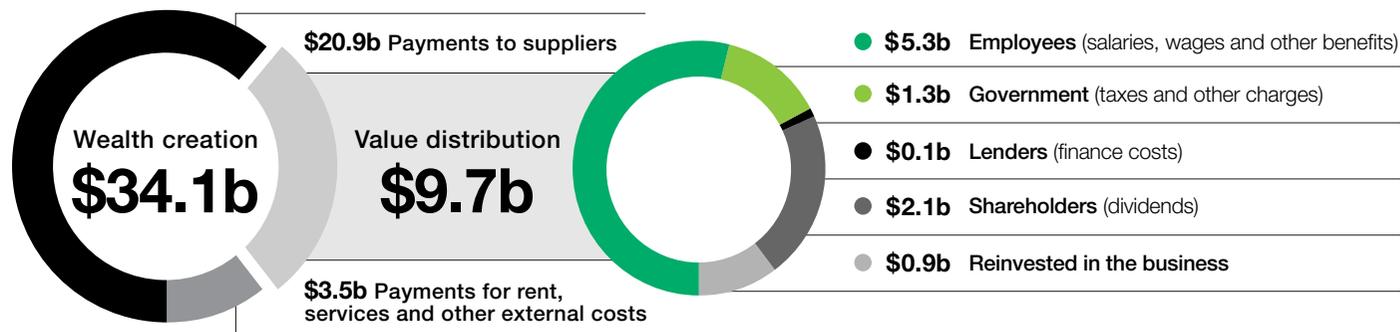
Wesfarmers makes a significant contribution to the communities in which we operate by paying employees and suppliers, generating wealth for shareholders and paying tax to governments.

In the 2021 financial year, Wesfarmers created wealth of \$34.1 billion of which \$5.3 billion was paid in salaries, wages and other benefits to our employees, \$20.9 billion to our suppliers and \$3.5 billion for rent, services and other external costs. We reinvested \$0.9 billion in our businesses, while distributing \$2.1 billion to our shareholders in the form of fully-franked dividends. Wesfarmers paid \$1.3 billion in taxes and other charges in the 2021 financial year. We also collected an additional \$2.1 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).

Wesfarmers' Annual Economic Contribution (\$billion)¹

Year	Economic Contribution (\$billion)
2021	34.1
2020	31.7
2019	48.7
2018	69.9
2017	68.4
2016	66.0

Wealth creation and value distribution



¹ These numbers have not been restated for discontinued operations. The reduction in Wesfarmers' economic contribution in 2019 and 2020 is primarily due to the impact of the Coles demerger part way through the 2019 financial year.

² Profit before income tax of \$3.4 billion represents continuing operations and includes pre-tax (post-tax) \$59 million (\$41 million) restructuring costs in Kmart Group (significant items).

³ Income tax expense is from Australian operations only, inclusive of significant items. The income tax expense in the Australian taxes borne table on page 8 of this Report also includes the significant items.

⁴ Other relates to other Australian taxes paid in the 2021 financial year including local government charges, fringe benefits tax (FBT) and other foreign taxes paid.

Approach to this Report and tax matters

Basis of preparation

Tax transparency information was included in the **Wesfarmers 2021 Annual Report** and is set out at notes 3 and 33 to the financial statements on pages 136 and 171 respectively of the Wesfarmers 2021 Annual Report. All other financial information included in this Report was sourced internally. Ernst & Young audited the Financial Report included within the Wesfarmers 2021 Annual Report. Ernst & Young has not separately audited this Report.

Tax policy, strategy and governance

Wesfarmers is committed to full compliance with its statutory obligations and takes a conservative approach to tax risk. Tax strategy and governance is implemented through Wesfarmers' Group Tax Policy, which is part of Wesfarmers' corporate risk management and policy framework. The Policy includes an internal escalation process for the Group's businesses to refer tax matters to the corporate Group Tax Manager. The Executive General Manager, Group Finance must refer any material tax issues advised to Group Tax to the Chief Financial Officer, the Audit and Risk Committee and the Wesfarmers Board as soon as practicable. Compliance with the Policy is ultimately monitored by the Audit and Risk Committee.

Wesfarmers' approach to tax planning is to operate and pay tax in accordance with the tax law in each relevant jurisdiction. We aim for certainty on all tax positions we adopt. Where the tax law is unclear or subject to interpretation, external 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. This includes early engagement on significant transactions. The ATO conducts an annual review of Wesfarmers' Australian consolidated income tax returns in accordance with the Pre-lodgement Compliance Review (PCR) process. The PCR arrangement formalises the requirement for Wesfarmers to disclose to the ATO all material transactions undertaken. We are also part of the ATO's top 100 justified trust program.

Please refer to our tax transparency disclosures under the **Global Reporting Initiative: Tax 207** for more information on governance.



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, FBT and PAYG withholding tax paid on behalf of employees.

The effective company tax rate will differ from the statutory 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 Australian company tax purposes. Wesfarmers 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 set out in notes 3 and 33 of the **Wesfarmers 2021 Annual Report** on pages 136 and 171, respectively.

	2021 ¹ %	2020 ^{1,2} %
Effective company tax rate		
Australian operations	29.4	30.7
Global operations	29.7	31.7

¹ Inclusive of significant items.
² Reflects continuing operations only.

Australian operations

Wesfarmers had an effective company tax rate of 29.4 per cent for its Australian operations for the 2021 financial year, inclusive of significant items. This compares to 30.7 per cent for the 2020 financial year which reflects operations exclusive of discontinued operations but inclusive of significant items. The prior year effective company tax rates shown have been restated on this basis.

29.4%	30.7%	30.2%	32.5%	29.9%
2021	2020	2019	2018	2017

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 company tax rate information was previously published in the **Wesfarmers 2021 Annual Report** in notes 3 and 33 on pages 136 and 171, 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).

In contrast, income tax paid or payable reported at note 33 in the **Wesfarmers 2021 Annual Report**, 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 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 is set out in the table below.

Continuing operations	2021 ¹ \$m	2020 ^{1,2} \$m
Tax paid or payable reconciliation		
Accounting profit	3,373	2,374
Income tax at the statutory rate of 30%	1,012	712
Non-deductible items (permanent differences)	10	156
Temporary differences: deferred tax	(9)	193
Associates and other	(17)	(49)
Utilisation of previously recognised tax losses	-	(80)
Current year tax paid or payable	996	932

¹ The 2021 and 2020 numbers reflect continuing operations inclusive of significant items.

² The 2020 tax paid or payable will not reconcile to the 2020 Australian tax return information set out on this page, as the Wesfarmers income tax return reflects tax paid on continuing operations, discontinued operations and significant items, and for the other reasons listed.

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 136 of the **Wesfarmers 2021 Annual Report**. There were no material temporary and non-temporary differences in 2021.

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 the Wesfarmers Australian tax consolidated group's information based on lodgement of the 2016 to 2020 income tax returns. The 2021 income tax return information will be released by the ATO late in the 2022 calendar year.

Australian Tax Consolidated Group	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Tax payable in Australia (after offsets)	896	885	1,250	1,185
Australian Tax Consolidated Group Revenue	29,954	48,486	66,875	63,911
Australian Tax Consolidated Group Taxable Income	3,201	3,068	4,276	4,081

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

- The above amounts only reflect the Australian tax consolidated group whereas the annual report includes the global Wesfarmers group of entities.
- Foreign subsidiaries and entities that are not wholly owned 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 retailing operations in other countries, including New Zealand (Bunnings, Kmart, and Industrial and Safety) the United Kingdom (Industrial and Safety)¹ and the United States (Kmart Group)². Given its current profile, Wesfarmers has relatively limited international related party dealings. We always seek 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 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 and the United Arab Emirates
Sale of goods	New Zealand
Re-insurance	Singapore
Royalties	New Zealand

For the 2021 year, the gross value of international related party transactions in and out of Australia represented less than 0.7 per cent of revenue (FY2020: 0.7 per cent).

¹ Report relates to the 2021 financial year. Note this entity was sold in March 2021.

² US retailing operations ceased in the 2021 financial year.

Wesfarmers' related party dealings are summarised below:

- The Australian retail businesses source material amounts of trading stock from overseas, particularly through Asian based third-party suppliers. To facilitate this, Wesfarmers has offshore subsidiaries that coordinate these supplies. The Australian businesses pay the offshore 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. Wesfarmers has a regulated offshore captive insurance company in Singapore to better access global re-insurance markets. 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 Australian business.

Other jurisdictions

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

Country/Dependency	Nature of activities
Bangladesh	Coordinating the sourcing of trading stock - 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) ¹ .
China	Coordinating the sourcing of trading stock - Kmart Group and Industrial and Safety.
Hong Kong	Coordinating the sourcing of trading stock - Kmart Group. Active trading operation - Industrial and Safety.
India	Coordinating the sourcing of trading stock - Kmart Group. Provision of IT and IT enabled services - Kmart Group and Bunnings.
Indonesia	Retailing operations ceased - Industrial and Safety.
New Zealand	Active retailing operations, financing activities and dormant entities - Bunnings, Kmart Group and Industrial and Safety.
Portugal	Entity deregistered - Industrial and Safety (Workwear Group) ² .
Singapore	Insurance company.
United Arab Emirates	Active retailing operation - Industrial and Safety (Workwear Group).
United Kingdom	Retailing operations ceased - Industrial and Safety (Workwear Group) ³ .
United States of America	Retailing operations ceased - Kmart Group ⁴ .

¹ Entity was deregistered December 2020.

² Entity was dissolved December 2020.

³ Report relates to the 2021 financial year. Note this entity was sold in March 2021.

⁴ US retailing operations ceased in the 2021 financial year.

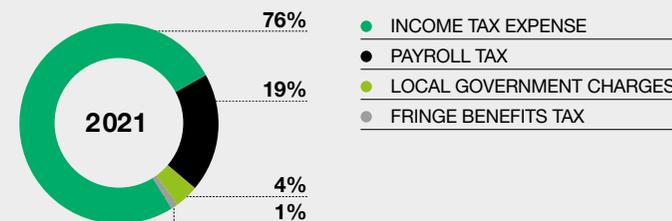
Australian tax contribution summary

Australian taxes borne by Wesfarmers

The table and diagram opposite detail the types of taxes contributed by Wesfarmers to Australian federal, state and local governments. The Australian taxes represent a significant proportion of Wesfarmers' \$1.3 billion in global taxes and other charges in the 2021 financial year. The figures in the table represent Australian taxes contributed by Wesfarmers from continuing and discontinued operations, inclusive of significant items.

Australian taxes borne by Wesfarmers

Continuing and discontinued operations	2021 \$m	2020 \$m
Income tax expense ¹	927	625
Payroll tax	237	215
Local government charges ²	44	44
Fringe benefits tax	7	8
Total	1,215	892



¹ Income tax expense comprises continuing and discontinued operations in Australia only, inclusive of significant items. There were no discontinued operations in the 2021 financial year.

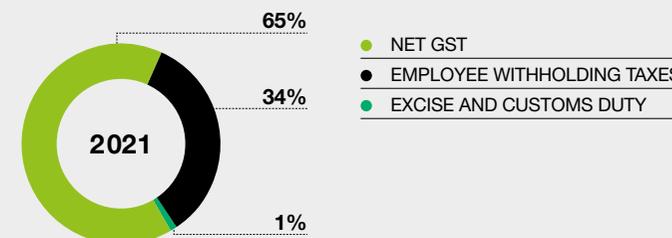
² Government charges are generally comprised of local government rates and fees.

Australian taxes collected by Wesfarmers

In addition to taxes directly payable by Wesfarmers, we collected and paid \$2.1 billion in PAYG withholding taxes, excise and customs duty, and net GST on behalf of the Australian Government in the 2021 financial year. Wesfarmers is obligated to withhold PAYG tax from salaries and wages paid to employees on behalf of the government. Excise duty arises predominantly from the sale of LNG and LPG. Customs duty is a tax imposed on imports and exports of goods. Net GST is calculated as the total GST liability on taxable supplies less all GST credits attributable to the respective financial year. The following table and diagram show the percentage of each type of tax collected. The figures in the table opposite represent Australian taxes collected by Wesfarmers from continuing and discontinued operations.

Australian taxes collected by Wesfarmers

Continuing and discontinued operations	2021 \$m	2020 \$m
Net GST	1,408	1,300
Employee withholding taxes	749	776
Excise and customs duty	25	26
Total	2,182	2,102



Wesfarmers' global tax contributions were \$1.3 billion in the 2021 financial year of which \$1.2 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.