

# Tax Transparency Report

For year ended 30 June 2020





Woolworths Group is led by its purpose, to create better experiences together for a better tomorrow. Guided by our Agile Ways-of-Working and Core Values, we want our actions to have a positive impact every day and to define what makes Woolworths Group different. Customer demands are changing rapidly and the retail environment is evolving, and in this environment we will continue to transform the Group to better meet our customers' needs and work together to be COVIDSafe.

**We create better  
experiences together  
for a better tomorrow.**



## A note from the Chief Financial Officer

Woolworths Group is a large and diverse business, serving millions of customers and hundreds of communities every week. We are mindful of our responsibilities as a significant contributor to the economy including being the largest private-sector employer in Australia and the largest in New Zealand.

Woolworths Group pursues an approach to tax that is principled, transparent and sustainable for the long term. Our approach to tax management is to ensure full compliance with all statutory obligations, full disclosure to revenue authorities, maintenance of documented policies and procedures in relation to tax risk management and completion of risk assessments including escalation and reporting to the Board where appropriate. We have received a **high** level assurance rating from the Australian Taxation Office (ATO) with regard to the group's tax affairs, placing us in the top quartile of companies who have received such a rating. This rating means that the ATO is satisfied that the correct Australian income tax outcomes were reported in our income tax return.

In this report you will find an overview of the Woolworths Group tax strategy, governance and tax contributions made to Australian State and Commonwealth governments.

The information provided in this Report is released on a voluntary basis in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Transparency Code. It should be read with Woolworths Group's 2020 Annual Report which can be found on our website at [www.woolworthsgroup.com.au](http://www.woolworthsgroup.com.au)

Woolworths Group has a strong commitment to transparency and compliance from a regulatory and financial perspective, including with respect to its tax strategy and compliance.

A handwritten signature in black ink, appearing to be 'S. Harrison', written over a light grey background.

**Stephen Harrison**  
Chief Financial Officer

# Tax Transparency Report

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## Tax policy, strategy, and governance

Woolworths Group's tax corporate governance and tax operating framework is guided by the Board's Tax Corporate Governance Policy. This policy, recommended by the Audit, Risk Management and Compliance Committee (ARMCC) and approved by the Board, sets out the approach to be taken by the Group in conducting its tax affairs and dealings with tax risk and is periodically reviewed by the Group Tax team.

Woolworths Group pursues an approach to tax that is principled, transparent, and sustainable for the long term. The Group has implemented appropriate internal controls in relation to the identification and management of tax risk and a framework for escalation of tax matters to the Woolworths Group Board, as necessary.

The Woolworths Group Board operates several Committees that oversee key business risks including the ARMCC which oversees risk management and internal controls in relation to all risks across the Group, including tax. There is regular reporting on tax matters to the ARMCC.

A low risk tax strategy is adopted by the Woolworths Group to ensure there is no damage to its reputation or risk profile with the Australian Taxation Office (ATO).

Woolworths Group ensures that, as a minimum, the tax position adopted with regard to particular issues or transactions is more likely than not to be correct. This is achieved through:

- Early engagement of the Group Tax team in the formative consideration and practical implementation of transactions;
- Using external advisors to assist the Group Tax team in areas that are complex or uncertain; and,
- Obtaining tax rulings from the ATO on complex and uncertain areas of the law.

## Engagement with revenue authorities

Woolworths Group seeks a proactive and cooperative relationship with the ATO and other relevant tax authorities with which it interacts and seeks to maintain this relationship through regular communication, particularly with regard to significant transactions that the group has entered into or is considering entering into.

Woolworths Group is a key taxpayer for Goods and Services Tax (GST) and is a key member of relevant food industry groups.

For income tax purposes, the ATO adopts a periodic assurance process combined with specific issue reviews. As such, the Woolworths Group is engaged in ongoing dialogue with the ATO regarding its review processes, particularly in relation to income tax.

Woolworths Group has received a **high** level of assurance rating with respect to its tax affairs as part of the ATO's Justified Trust review. This is the highest-level rating.

Where appropriate, the Woolworths Group also seeks to engage in consultation with the Government on tax matters, particularly with regard to improvements to existing processes and commentary on proposed tax changes.

# Tax Transparency Report

## Reconciliation of accounting profit to income tax expense

The reconciliation of accounting profit to tax expense contained in this Report was previously published in Woolworths Group's 2020 Annual Report in note 3.7.2. The disclosure was prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards. These statutory accounts reflect Woolworths Group Limited and its subsidiaries for the 52 week period ended 28 June 2020.

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).

	F20 (52 WEEKS) \$M	F19 (53 WEEKS) \$M
Profit before income tax – continuing operations	1,785	2,227
Profit before income tax – discontinued operations	-	1,200
<b>Profit before income tax</b>	<b>1,785</b>	<b>3,427</b>
Income tax expense using the Australian corporate tax rate of 30%	536	1,028
<b>Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:</b>		
Capital gain offset by capital losses	-	(327)
De-recognised deferred tax liability on sale of business	-	(33)
Non-deductible expenses	39	9
Unrecognised tax losses from the current year	4	4
Impact of differences in offshore tax rates	(6)	(5)
Other	(5)	3
	568	679
Adjustments relating to prior periods	8	(11)
<b>Income tax expense</b>	<b>576</b>	<b>668</b>

## Reconciliation from income tax expense to current year income tax payable

	F20 (52 WEEKS) \$M	F19 (53 WEEKS) \$M
Income tax expense	576	668
Net deferred tax benefit/(expense)	120	51
Adjustments to current tax of prior periods	(8)	11
<b>Current year income tax payable</b>	<b>688</b>	<b>730</b>

# Tax Transparency Report

## Effective company tax rates for Australian and global operations

Effective tax rate is calculated as income tax expense divided by profit before tax.

	F20 (52 WEEKS) \$M	F19 (53 WEEKS) \$M
<b>Effective Tax Rate – Australia</b>		
Australian Operations (before tax impact of disposal of Petrol business)	31%	29%
Australian Operations (after tax impact of disposal of Petrol business)	N/A <sup>1</sup>	18% <sup>2</sup>
<b>Effective Tax Rate – Group</b>		
Group Operations <sup>3</sup> (before tax impact of disposal of Petrol business)	32%	30%
Group Operations <sup>3</sup> (after tax impact of disposal of Petrol business)	N/A <sup>1</sup>	19% <sup>2</sup>

<sup>1</sup> On 1 April 2019, Woolworths Group completed the sale of its Petrol business to EG Group.

<sup>2</sup> In FY19 there was a nil income tax expense recognised in relation to the capital gain on sale of the Petrol business (approx. \$1.2b) as the Group utilised a portion of existing capital losses to offset this gain

<sup>3</sup> Group Operations includes the Group's offshore businesses in New Zealand, Hong Kong and China.

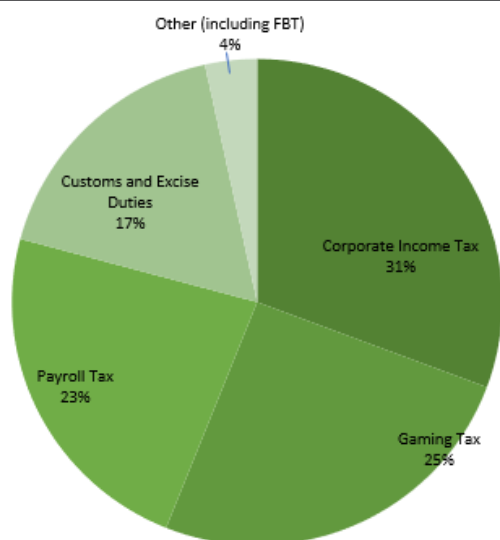
# Tax Transparency Report

## Tax Contribution Summary

The following tables and diagrams detail the types of taxes paid and collected by Woolworths Group Limited and its subsidiaries (including controlled non-wholly owned subsidiaries) to and/or on behalf of Australian Federal, State and local governments in the 2020 financial year. Controlled non-wholly owned subsidiaries and the Woolworths Group ownership percentage includes Endeavour Group Limited (85.4%) and Statewide Independent Wholesalers Limited (60%).

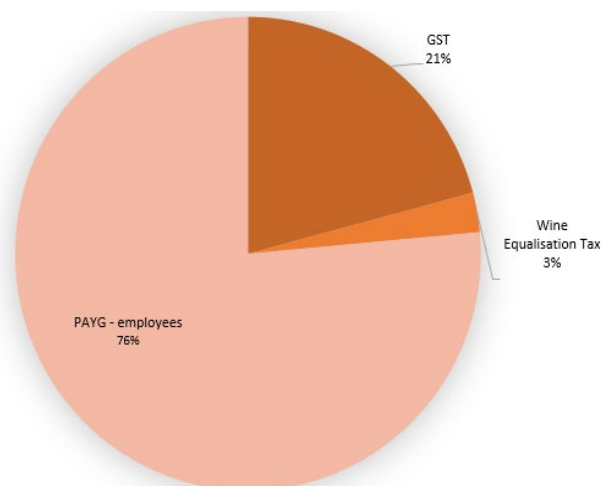
### Taxes paid by Woolworths Group and Controlled non-wholly owned subsidiaries

2020	\$M
Corporate Income Tax <sup>4</sup>	571
<b>Other taxes:</b>	
Gaming Tax <sup>6</sup>	472
Payroll Tax	430
Customs and Excise Duties	324
Other (incl. Fringe Benefits Tax (FBT))	64
<b>Total taxes paid</b>	<b>1,861</b>



### Taxes Collected by Woolworths Group and Controlled non-wholly owned subsidiaries

2020	\$M
Net GST <sup>5</sup>	401
Wine equalisation tax	52
PAYG - employees	1,471
<b>Total taxes collected</b>	<b>1,924</b>



<sup>4</sup> Corporate Income Tax paid reflects FY20 income tax instalments paid during the year.

<sup>5</sup> The net GST represents GST collected on Australian sales less the input tax credits claimed on supplies.

<sup>6</sup> The gaming tax is paid by Australian Leisure and Hospitality Group Pty Limited.

# Tax Transparency Report

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## International related party dealings

Woolworths Group operates in Australia, New Zealand and across the Asian region. The nature of activities outside of Australia are summarised below:

### New Zealand

Active trading operations -  
Supermarkets

### Hong Kong

Co-ordinating the sourcing of  
trading stock for Australia and  
New Zealand

Active trading operations-  
beverage distribution business

### China

Active trading operations –  
food and beverage  
distribution business

The key business dealings between Woolworths Group Australian operations and overseas controlled entities are summarised below:

- Providing management and administration services
- Sales and purchases of trading stock to and from overseas controlled entities
- Recharges of costs relating to information technology and insurance costs incurred by Woolworths Group Australia
- Employment related recharges of costs incurred by Woolworths Group Australia on behalf of overseas subsidiaries
- Revenue and expenditure relating to financing arrangements with New Zealand subsidiaries.

All international related party dealings are conducted in accordance with arm's length principles and methodologies as prescribed by the Australian transfer pricing laws and in accordance with the Organisation of Economic Cooperation and Development (OECD) guidelines.

## Further information

Further information and publications about Woolworths Group and its operations are available from the Group's website [www.woolworthsgroup.com.au](http://www.woolworthsgroup.com.au)