

WOOLWORTHS GROUP



2018 Tax Transparency Report



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CHIEF FINANCIAL OFFICER'S INTRODUCTION

Woolworths Group ("Woolworths") 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 second-largest private-sector employer in Australia and the largest in New Zealand.

Woolworths 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 and 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.

On the following pages, you will find an overview of the Woolworths 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 the Woolworths 2018 Annual Report which can be found on our website at www.woolworthsgroup.com.au

Woolworths 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 blue ink, which appears to read "David Marr". The signature is fluid and cursive, with a large initial "D".

David Marr
Chief Financial Officer

PART A

A reconciliation of the accounting profit to income tax expense

The reconciliation of accounting profit to tax expense contained in this Report was previously published in the Woolworths 2018 Annual Report in note 3.6. The disclosure was prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards. The statutory accounts reflect the global accounting consolidated group.

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).

	2018 \$M	2017 \$M
Profit before income tax expense - continuing operations	2,394	2,132
Profit before income tax expense - discontinued operations	193	299
Profit before income tax expense	2,587	2,431
Income tax expense using the Australian corporate tax rate of 30%	776	729
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Non-deductible expenses	4	97
Non-deductible impairment expense	-	5
Unrecognised tax losses from the current year	1	24
Impact of differences in offshore tax rates	(5)	(4)
Other	22	(1)
	798	850
Adjustments relating to prior years	(6)	(12)
Income tax expense	792	838

A reconciliation from income tax expense to current year income tax payable

Reconciliation from income tax expense to current year income tax payable

CONSOLIDATED

\$m	2018	2017
Income tax expense	792	838
Net deferred tax benefit/(expense)	(99)	(119)
Adjustments to current tax of prior periods	6	11
Current year income tax payable	699	729

Effective company tax rates for Australian and global operations

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

Woolworths Effective Tax Rate		
Australian and Global Operations	2018	2017
Effective Tax Rate - Australia		
Australian Operations	31.0%	34.0%
Australian Operations (excluding discontinued operations and significant items)	30.3%	29.6%
Effective Tax Rate - Group		
Global Operations	30.6%	34.5%
Global Operations (excluding discontinued operations and significant items)	30.0%	30.5%

PART B

TAX POLICY, TAX STRATEGY AND GOVERNANCE

The Woolworths tax corporate governance and tax operating framework is guided by the Tax Corporate Governance Board Policy. This policy sets out Woolworths approach to conducting its tax affairs and dealings with tax risk and is periodically reviewed by the Group Tax team.

Woolworths 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 Board as necessary.

The Woolworths Board operates several Committees that oversee key business risks including the Audit, Risk Management and Compliance Committee (“ARMCC”) which oversees risk management and internal controls in relation to all risks across Woolworths, including tax. There is regular reporting on tax matters to the ARMCC.

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

Woolworths 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
- Obtaining tax rulings from the ATO on complex and uncertain areas of the law

ENGAGEMENT WITH REVENUE AUTHORITIES

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

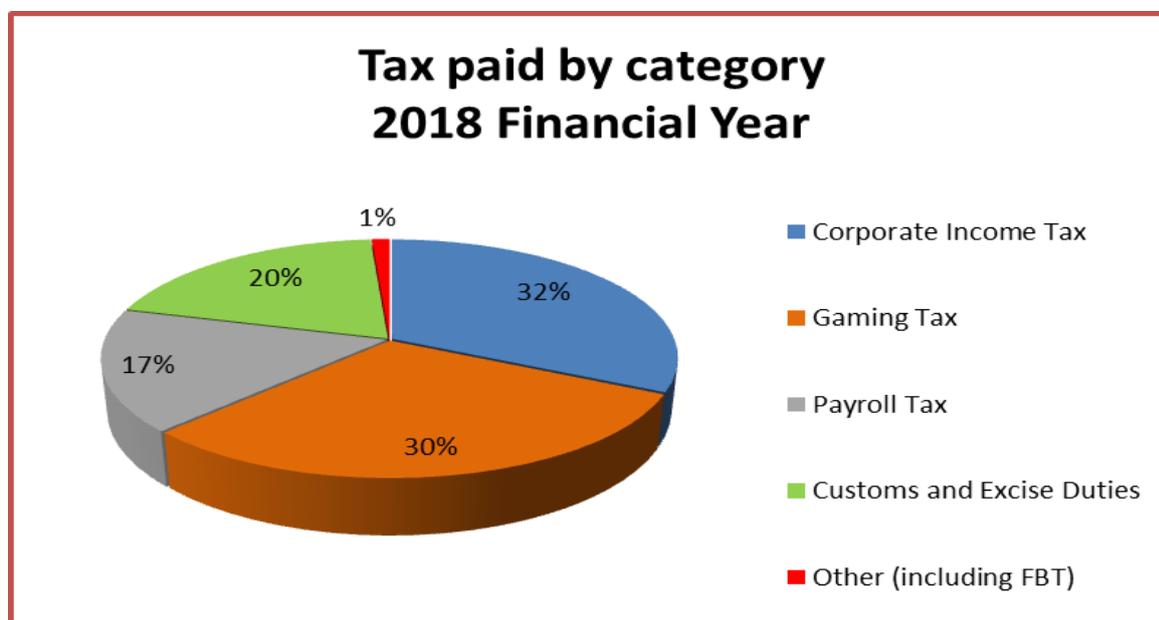
For income tax purposes the ATO adopts a periodic assurance process combined with specific issue reviews. As such, Woolworths is engaged in ongoing dialogue with the ATO regarding its review processes, particularly in relation to income tax.

Where appropriate Woolworths 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.

TOTAL 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 2018 financial year. The controlled non-wholly owned subsidiaries are Australian Leisure and Hospitality Group Pty Limited (75%), Statewide Independent Wholesalers Limited (60%) and Hydrox Holdings Limited (67%)¹.

TAXES PAID BY WOOLWORTHS GROUP AND CONTROLLED NON-WHOLLY OWNED SUBSIDIARIES		TAXES COLLECTED BY WOOLWORTHS GROUP AND CONTROLLED NON-WHOLLY OWNED SUBSIDIARIES	
	\$m		\$m
Corporate Income Tax ²	656	Net GST ³	421
Other taxes:		Wine equalisation tax	43
Gaming Tax ⁴	621	PAYG - employees	1,257
Payroll Tax	341		
Customs and Excise Duties	400		
Other (including Fringe Benefits Tax (FBT))	24		
Total taxes paid	2,042	Total taxes collected	1,721

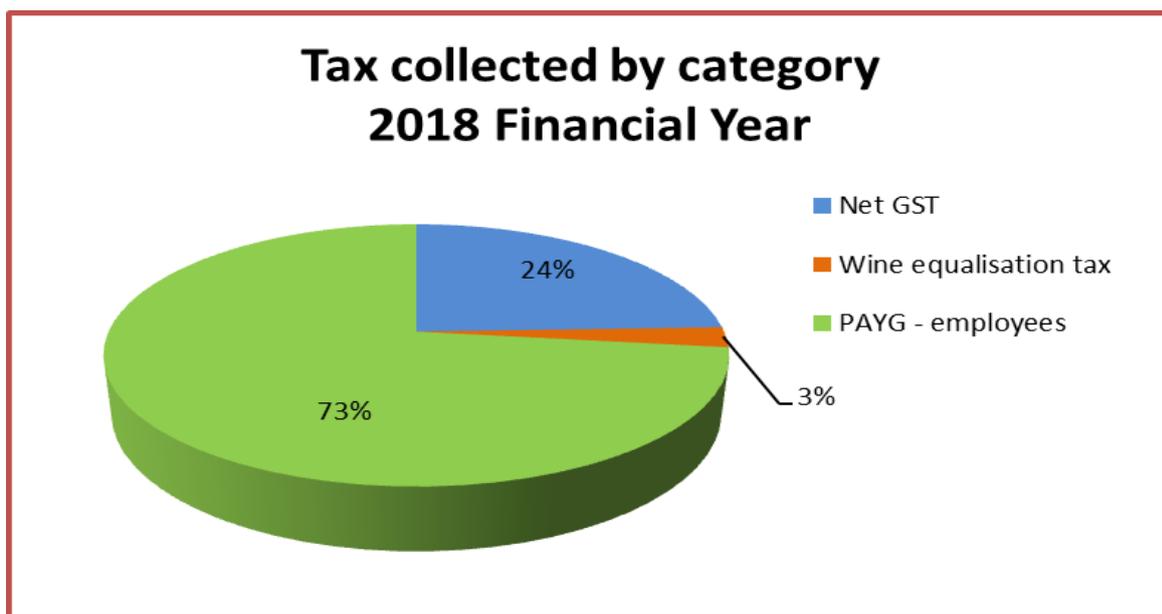


¹ For the period up to 11 October 2017.

² Corporate Income Tax paid reflects FY18 income tax instalments paid during the year plus the estimated remaining income tax liability relating to that year payable by 1 December 2018.

³ The net GST represents GST collected on Australian sales less the input tax credits claimed on supplies.

⁴ The gaming tax is paid by Australian Leisure and Hospitality Group Pty Limited.



INTERNATIONAL RELATED PARTY DEALINGS

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

Country	Nature of Activities
New Zealand	Active trading operations - Supermarkets
Hong Kong	Co-ordinating the sourcing of trading stock for Australia and New Zealand. Active trading operations - beverages distribution business
China	Active trading operations - beverages distribution business
India	Former consumer electronics business (now dormant)

The key business dealings between Woolworths 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 Australia

- Employment related recharges of costs incurred by Woolworths 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 and its operations are available from the Woolworths website www.woolworthsgroup.com.au