



11 December 2020

The Manager
Market Announcements Office
Australian Securities Exchange

Dear Manager,

2020 TAX CONTRIBUTION REPORT

Please find **attached** a copy of the 2020 Tax Contribution Report which is also available on the company's website at www.wesfarmers.com.au.

Yours faithfully,

A handwritten signature in blue ink that reads "V. Robinson".

Vicki Robinson
Executive General Manager
Company Secretariat

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

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ABOUT WESFARMERS

This Tax Contribution Report (Report) provides stakeholders with information concerning Wesfarmers' Australian tax activities for the 2020 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 107,000 team members and is owned by more than 487,000 shareholders.

Major Transactions

Wesfarmers completed the following significant transactions in the 2020 financial year:

- the acquisition of Catch Group Holdings Limited in August 2019
- the acquisition of Kidman Resources Limited in September 2019
- the sale of a 10.1 per cent interest in Coles Group Limited (Coles) in two tranches in February and March 2020

About this Report

In this report references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 98 049), unless otherwise stated. References in this report to a 'year' are to the financial year ended 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 (such as pre-AASB 16 financial information). 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 company's 2020 Annual Report:

GROUP STRUCTURE

Bunnings



Kmart Group



Officeworks



Chemicals, Energy and Fertilisers



Industrial and Safety



Other activities



MESSAGE FROM THE CHIEF FINANCIAL OFFICER



On behalf of the Board, I'm pleased to present the Wesfarmers Tax Contribution Report for the 2020 financial year.

At Wesfarmers, our primary objective is to deliver satisfactory returns to shareholders through financial discipline and quality management of a diversified portfolio of businesses. Our divisions have a strong management capability that is accountable for strategic development as well as day-to-day operational performance which, importantly, includes taxation compliance.

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. Wesfarmers' effective tax rate for Australian operations was 30.7 per cent and we paid \$1.0 billion in global government taxes in the 2020 financial year. We are among the largest corporate taxpayers and employers in Australia.

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



Anthony Gianotti
Chief Financial Officer

11 December 2020

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

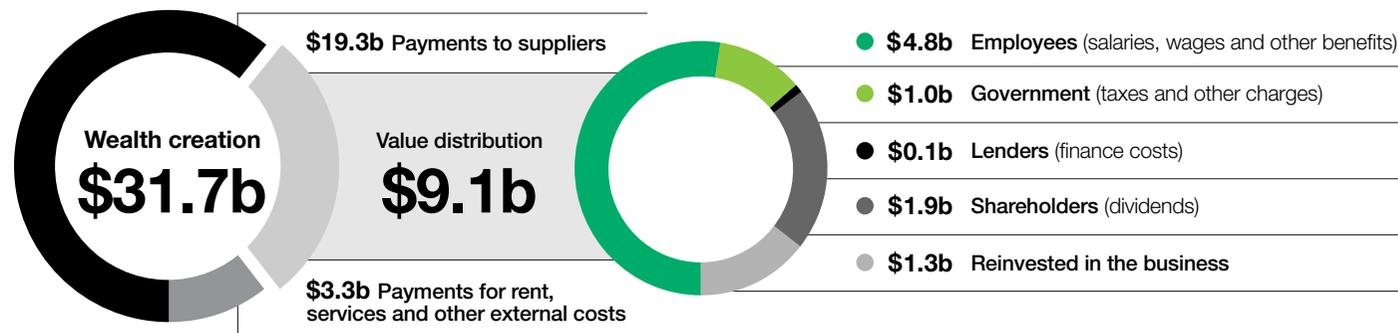
This Report details Wesfarmers' tax activities for the 2020 financial year, together with our approach to tax strategy and governance. Wesfarmers makes a significant contribution to the communities in which we operate through various stakeholders, including employees, suppliers, shareholders and governments.

In the 2020 financial year, Wesfarmers created wealth of \$31.7 billion which included the \$290 million gain on the sale of a 10.1 per cent interest in Coles and a gain of \$220 million on the revaluation of the retained 4.9 per cent interest in Coles. Of the \$31.7 billion, \$4.8 billion was paid in wages and salaries to our employees, \$19.3 billion to our suppliers and \$3.3 billion for rent, services and other external costs. We reinvested \$1.3 billion in our businesses, while distributing \$1.9 billion to our shareholders in the form of fully-franked dividends. Wesfarmers paid \$1.0 billion in taxes and other government charges in the 2020 financial year. The Group 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) as set out on page 8 of this Report.

Wesfarmers' Annual Economic Contribution (\$billion)⁵

Year	Contribution (\$billion)
2020	31.7
2019	48.7
2018	69.9
2017	68.4
2016	66.0
2015	62.4

Wealth creation and value distribution¹



¹ Amounts include discontinued operations.

² Profit before income tax of \$2.4 billion represents continuing operations only and includes significant items comprising a gain of \$290 million on the sale of a 10.1 per cent interest in Coles, a gain of \$220 million on the revaluation of the Group's retained 4.9 per cent interest in Coles, impairments of the Target brand name and other assets of \$525 million, restructuring costs and provisions of \$110 million in relation to the conversion of Target stores to Kmart stores and an impairment of \$310 million in Industrial and Safety.

³ Income tax expense from Australian continuing operations inclusive of tax on significant items.

⁴ Other relates to other Australian taxes paid in the 2020 financial year including local government charges, fringe benefits tax (FBT), and other foreign taxes paid.

⁵ 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 2019.

APPROACH

Basis of preparation

Tax transparency information was included in the **Wesfarmers 2020 Annual Report** at notes 3 and 33 to the financial statements. All other financial information included in this Report was sourced internally. Ernst & Young audited the 2020 Financial Report included within the Wesfarmers 2020 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 divisional or business unit tax matters to the corporate Group Tax function. The Executive General Manager, Group Finance, must report any material tax issues to the Wesfarmers 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) regime that applies to significant taxpayers, including Wesfarmers. The PCR arrangement formalises the requirement for Wesfarmers to disclose to the ATO all material transactions undertaken. Wesfarmers is also included in the ATO's Justified Trust review of the top 100 taxpayers in Australia.

EFFECTIVE COMPANY TAX RATE

How it is calculated

The effective company 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, payroll tax and PAYG 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. The 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 33 of the **Wesfarmers 2020 Annual Report** on pages 130 and 164, respectively.

Australian operations

Wesfarmers had an effective company tax rate of 30.7 per cent for the 2020 year, exclusive of discontinued operations but inclusive of significant items. The prior year effective company tax rates shown below have been restated on this basis.

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

Global operations

Wesfarmers' global effective company tax rate for 2020 was 31.7 per cent. The effective company tax rates for the Group's Australian and global operations for the current and previous financial year is outlined in the table on this page.

	2020 ¹ %	2019 ¹ %
Effective company tax rate – Australia		
Effective company tax rate for Australian Operations	30.7	30.2
Effective company tax rate for Global Operations	31.7	30.7

¹ The effective company tax rates reflect continuing operations only, inclusive of significant items.

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 2020 Annual Report** in notes 3 and 33 on pages 130 and 164, 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 33 in the **Wesfarmers 2020 Annual Report**, 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 is set out in the table on this page.

Continuing operations	2020 ¹ \$m	2019 ² \$m
Tax paid or payable reconciliation		
Accounting profit	2,374	2,799
Income tax at the statutory rate of 30%	712	840
Non-deductible items (permanent differences)	156	12
Temporary differences: deferred tax	193	(39)
Associates and other	(49)	(3)
Utilisation of previously recognised tax losses	(80)	-
Current year tax paid or payable	932	810

¹ The numbers reflect continuing operations inclusive of significant items.

² The 2019 tax paid or payable will not reconcile to the 2019 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 set out under Australian Tax Return Information.

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 130 of the **Wesfarmers 2020 Annual Report**.

Temporary differences of \$193 million were mainly driven by provisions in the Kmart Group, depreciation and other individually insignificant balances, leading to the difference between tax expense and income tax payable. Permanent differences predominantly relate to non-deductible impairments.

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 2019 income tax returns. The 2020 income tax return information will be released by the ATO late in the 2021 calendar year.

Australian Tax Consolidated Group	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Tax payable in Australia (after offsets)	885	1,250	1,185	931
Australian Tax Consolidated Group Revenue	48,486	66,875	63,911	63,447
Australian Tax Consolidated Group Taxable Income	3,068	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 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) 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 on this page:

Key International Related Party Dealing	Significant Jurisdictions during the 2020 financial year
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, Indonesia and the United States
Re-insurance	Singapore
Royalties	New Zealand

For the 2020 year, the gross value of international related party transactions in and out of Australia represented less than 0.7 per cent of revenue (FY19: 0.4 per cent).

Wesfarmers' related party dealings are summarised below.

- The Group's Australian retail businesses source material amounts of trading stock from overseas, particularly through Asian based third-party suppliers. To facilitate this, Wesfarmers has overseas-based subsidiaries that coordinate these supplies. The Group's 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 re-insurance markets, Wesfarmers has a regulated offshore captive insurance subsidiary in Singapore. Insurance policy premium payments are made by Wesfarmers to this captive insurance 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 in jurisdictions outside of Australia, as summarised in the table below.

Country/Dependency	Nature of activities
Bangladesh ¹	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).
China ¹	Coordinating the sourcing of trading stock for Kmart Group and Industrial and Safety.
Hong Kong ¹	Coordinating the sourcing of trading stock for Kmart Group. Active retailing operation – Industrial and Safety.
India ¹	Coordinating the sourcing of trading stock for Kmart Group, and provision of IT and IT enabled services in India to Kmart Group and Bunnings Group.
Indonesia ¹	Active retailing operation – Industrial and Safety.
New Zealand	Active retailing operations, financing activities and dormant entities – Bunnings, Kmart Group and Industrial and Safety.
Portugal	In the process of being deregistered – Industrial and Safety (Workwear Group).
Singapore ¹	Insurance company.
United Arab Emirates	Active retailing operation – Industrial and Safety (Workwear Group).
United Kingdom	Active retailing operations – Industrial and Safety (Workwear Group).
United States of America	Retailing operations ceased post year end - Kmart Group

¹ The companies in these countries are subject to attribution under 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

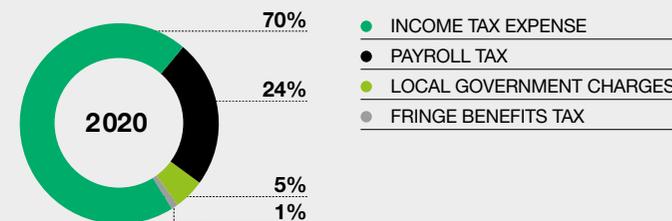
Australian taxes borne by Wesfarmers

The table and diagram set out on this page detail the types of taxes that Wesfarmers has contributed to Australian federal, state and local Governments in the 2020 and 2019 financial years. The Australian taxes represent a significant proportion of Wesfarmers' \$1.0 billion in global taxes in the 2020 financial year. The figures in the table represent Australian taxes contributed by Wesfarmers from continuing operations, inclusive of significant items.

The material differences between the 2019 and 2020 numbers are primarily due to the demerger of Coles and are further explained in the footnotes.

Australian taxes borne by Wesfarmers

Continuing and discontinued operations	2020 \$m	2019 \$m
Income tax expense ¹	625	1,082
Payroll tax	215	286
Local government charges ²	44	54
Fringe benefits tax	8	9
Total	892	1,431



¹ Income tax expense comprises continuing and discontinued operations in Australia only, inclusive of significant items.

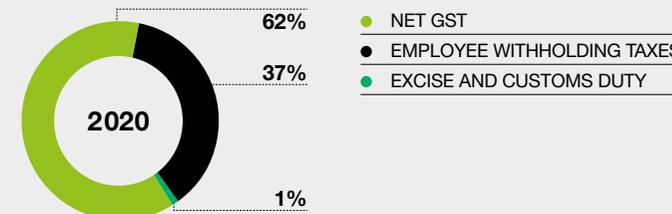
² Government charges are generally comprised of local government rates and fees.

Australian taxes collected by Wesfarmers

In addition to taxes directly attributable, Wesfarmers collected and paid \$2.1 billion in PAYG withholding taxes, excise and customs duty, and net 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 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 table and diagram set out on this page show the percentage of each type of tax collected that comprises the \$2.1 billion collected in 2020 and the \$3.3 billion collected in 2019³. The figures in the table represent Australian taxes collected by Wesfarmers from continuing operations in 2020, and continuing and discontinued operations in 2019.

Australian taxes collected by Wesfarmers

Continuing and discontinued operations	2020 \$m	2019 \$m
Net GST	1,300	1,264
Employee withholding taxes ³	776	1,026
Excise and customs duty ³	26	1,028
Total	2,102	3,318



³ Wesfarmers no longer pays Wine Equalisation Tax following the demerger of Coles part way through the 2019 financial year and no longer pays government royalties following the disposal of Wesfarmers' 40 per cent interest in the Bengalla coal mine in December 2018. The reduction in excise and customs duty between 2019 and 2020 is driven by the demerger of Coles. The reduction in employee withholding taxes is driven by the demerger of Coles, the sale of Kmart Tyre & Auto business in November 2018 and the disposal of Wesfarmers' 40 per cent interest in the Bengalla coal mine.

Wesfarmers' global tax contributions were \$1.0 billion in the 2020 financial year, of which \$0.9 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 www.wesfarmers.com.au.

WESFARMERS.COM.AU