

2018 TAX CONTRIBUTION REPORT



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This Tax Contribution Report (Report) provides stakeholders with the necessary information concerning Wesfarmers' Australian tax activities for the 2018 financial year.

About Wesfarmers

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, its diverse business operations in the year covered by this report included: supermarkets, liquor, hotels and convenience stores; home improvement; department stores; office supplies; and an Industrials division with businesses in chemicals, energy and fertilisers, industrial and safety products and coal. In the year covered by this report, Wesfarmers was Australia's largest private sector employer with approximately 217,000 employees (including more than 5,200 Indigenous team members) and was owned by approximately 495,000 shareholders.

Completed Transactions

Wesfarmers completed the following transactions in the 2018 financial year:

- the sale of the Curragh coal mine in March 2018
- the disposal of the Bunnings United Kingdom & Ireland (BUKI) business in June 2018

Announced Transactions

In addition, Wesfarmers has announced the following transactions which will complete in the 2019 financial year:

- the sale of the Kmart Tyre & Auto business completed in November 2018
- the divestment of its 13.2% interest in Quadrant Energy completed in November 2018
- the demerger of the Coles Group, which includes the Supermarkets, Liquor and Convenience businesses completed in November 2018
- the disposal of its 40% interest in the Bengalla coal mine completed in December 2018

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), unless otherwise stated. References in this report to a 'year' are to the financial year ended 30 June 2018 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

This Report should be read in conjunction with the following Reports:

WESFARMERS BRANDS

Bunnings



Coles



Department stores



Officeworks



Industrials



Other businesses



This reflects the Wesfarmers brands at the end of the 2018 financial year - it excludes brands associated with completed transactions in the 2018 financial year but includes those associated with transactions expected to complete in the 2019 financial year.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



ANTHONY GIANOTTI
CHIEF FINANCIAL OFFICER

On behalf of the Board, I'm proud to present the Wesfarmers Tax Contribution Report for the 2018 financial year.

Our core values are the building blocks which will ensure we continue to create value for shareholders, employees and the communities in which we operate. Financial discipline, decisiveness and outstanding management of a diversified portfolio of businesses continue to be paramount to our success.

Wesfarmers is among Australia's top 10 taxpayers and, importantly, we are among the largest employers in Australia. Our aim is to make the communities we are part of stronger, and the economic contribution we make via taxes paid is integral to this. Wesfarmers' effective tax rate for Australian and global operations (excluding the Target impairment) was 30.0 per cent and we paid \$2.1 billion in government taxes and royalties in the 2018 financial year.

Wesfarmers is committed to robust tax governance practices and compliance with all relevant taxation laws. We continue to show our support for corporate tax transparency by voluntarily publishing our third Tax Contribution Report.

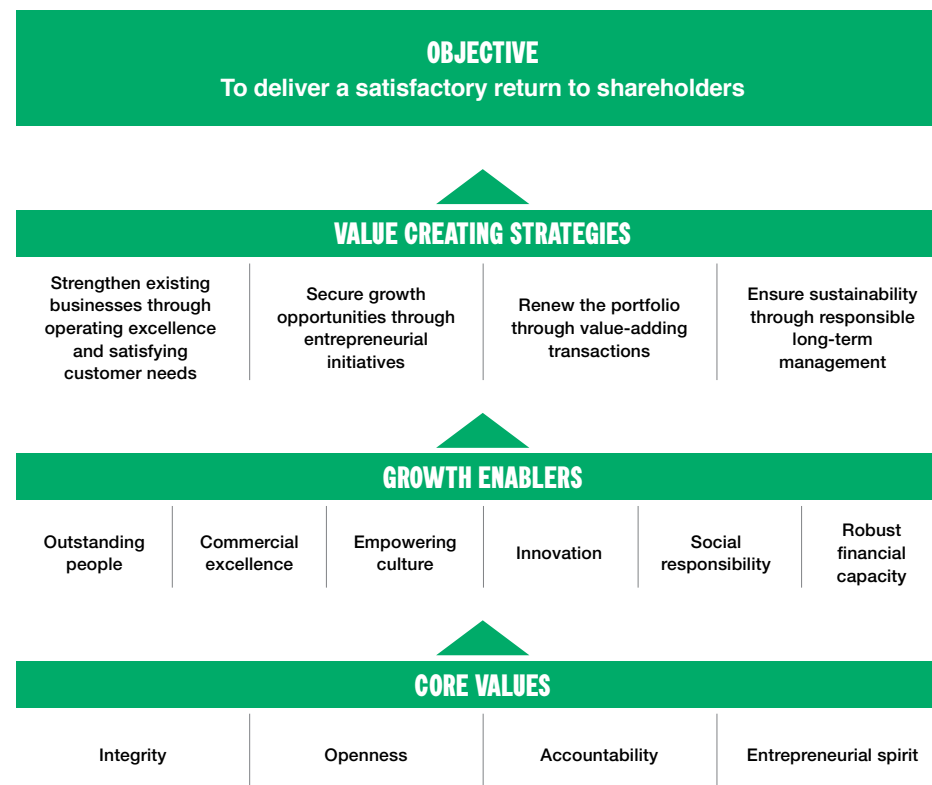
This Report supplements our **2018 Annual Report** and our **2018 Sustainability Report** which outlines our approach to understanding and managing the way we affect our community and the environment to ensure we will still be creating value in the future.

We are pleased to disclose our taxes paid in Australia and to detail our approach to tax compliance and strategy.

Anthony Gianotti
Chief Financial Officer

THE WESFARMERS WAY

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and exceptional management of a diversified portfolio of businesses. This is achieved in part by taking care of our employees, customers, suppliers, the environment and the communities in which we operate. A key focus of the Group is ensuring that each of our divisions has a strong management capability that is accountable for strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors or steering committee that includes the Wesfarmers Managing Director and Chief Financial Officer, and is guided by a Group-wide operating cycle and governance framework.



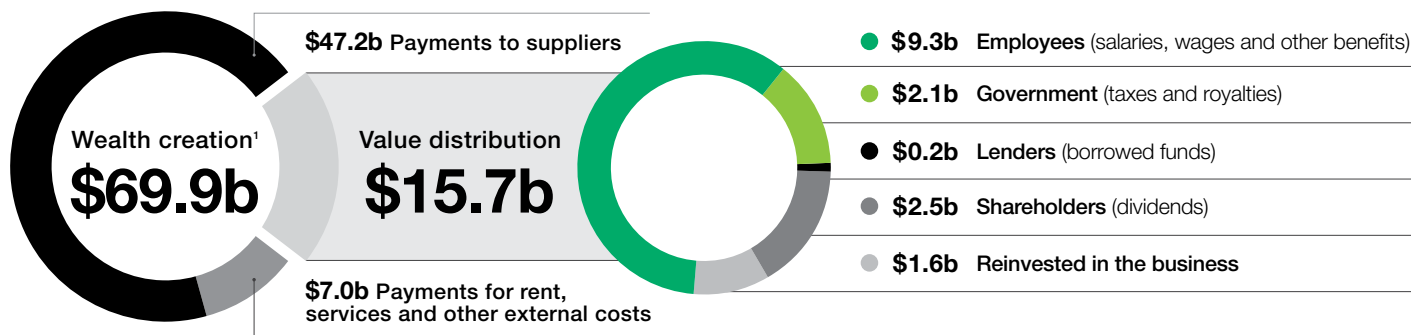
INTRODUCTION TO THE REPORT

This Report details Wesfarmers' tax activities for the 2018 financial year together with our approach to tax strategy and governance. Wesfarmers makes a very significant contribution to the communities in which it operates through various stakeholders, including employees, suppliers, shareholders, governments and the community.

In the 2018 financial year, Wesfarmers generated \$69.9 billion of revenue, of which \$9.3 billion was paid in wages and salaries to our employees, \$47.2 billion to our suppliers and \$7.0 billion for rent and other services. We reinvested \$1.6 billion in our businesses, while distributing \$2.5 billion to our shareholders in the form of fully-franked dividends.

Wesfarmers paid \$2.1 billion in taxes and royalties in the 2018 financial year, predominantly to governments in Australia, which was consistent with the previous financial year. The Group also collected an additional \$5.4 billion in taxes and duties for the Australian Government, including employee Pay As You Go (PAYG) tax, excise and customs duty, and GST which is set out on page 8 of this Report.

Creating wealth and adding value



¹ Includes the now discontinued operations of the Curragh coal mine and BUKI



² Global accounting profit before income tax of \$2.6 billion comprises \$3.8 billion in accounting profit from continuing operations and a loss of (\$1.3 billion) from discontinued operations.

³ Income tax expense from Australian operations (refer table of Australian taxes borne by Wesfarmers on page 8 of this Report).

⁴ Other Australian and foreign taxes paid in the 2018 financial year including payroll tax, local government charges and fringe benefits tax.

EFFECTIVE COMPANY TAX RATE

How it is calculated

The Australian company tax rate is 30.0 per cent of taxable income for companies other than small business entities. 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 from 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, the receipt of dividend income from overseas subsidiaries is exempt income for tax purposes. The Wesfarmers 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 30 of the company's **2018 Annual Report** on pages 110 and 144, respectively.

Australian operations

Wesfarmers had an effective tax rate of 32.5 per cent for the 2018 year, or 30.0 per cent if the impact of the Target impairment is eliminated. This compares to 29.9 per cent for the 2017 financial year. Wesfarmers' effective tax rate is usually marginally lower than Australia's company tax rate of 30 per cent due to various non-temporary adjustments, such as profits from associates which are classed as income for accounting but not for tax.

Global operations

Wesfarmers' global effective tax rate for 2018 was 30.0 per cent. The effective company tax rates for the Group's Australian and global operations are outlined in the adjacent table.

	2018* %	2017* %	2017 %
Effective tax rate – Australia			
Effective tax rate for Australian Operations	32.5	29.9	29.9
Effective tax rate for Australian Operations (excluding Target impairment**)	30.0	29.9	29.9
Effective tax rate – Global			
Effective tax rate for Global Operations	32.4	29.7	30.6
Effective tax rate for Global Operations (excluding Target impairment**)	30.0	29.7	30.6

* Excludes the Curragh coal mine and BUK1 as discontinued operations.

** The \$306 million impairment of Target's goodwill and non-current assets recognised during FY2018 was a non-deductible item. Please refer to the **2018 Annual Report** for further details about the impairment.

Please refer to the company's 2018 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 was previously published in the Wesfarmers **2018 Annual Report** in notes 3 and 30 on pages 110 and 144, 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 paid or payable reported on at note 30, 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 Australian Tax Office (ATO) and other tax authorities.

A reconciliation of Wesfarmers' accounting profit to estimated income tax payable is set out in the table below.

	2018* \$m	2017* \$m	2017 \$m
Tax paid or payable reconciliation			
Accounting profit	3,850	3,929	4,138
Income tax at the statutory rate of 30%	1,155	1,179	1,241
Non-temporary differences	111	9	12
Temporary differences: deferred tax	29	7	37
Associates and other	(12)	(8)	(25)
Current year tax paid or payable	1,283	1,187	1,265

* Excludes the Curragh coal mine and BUKI as discontinued operations.

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 110 of the Wesfarmers' **2018 Annual Report**.

The non-temporary difference of \$111 million was predominantly driven by an impairment of Target's goodwill of \$306 million. The non-cash impairment of goodwill was required in light of the business' current trading performance and short-term outlook.

Temporary differences of \$29 million were mainly driven by provisions, depreciation and other individually insignificant balances, leading to the difference between tax expense and income tax payable.

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 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 an annual 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.

For the 2018 year, the gross value of international related party transactions in and out of Australia represented less than 0.3 per cent of revenue

INTERNATIONAL RELATED PARTY DEALINGS

Wesfarmers is an Australian based conglomerate, with some trading operations in other countries, including New Zealand (Home Improvement, Kmart, and Industrial and Safety) and the United Kingdom (Industrial and Safety). The Homebase business, operating in the United Kingdom and Ireland, was sold in May 2018. 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 reinsurance markets, Wesfarmers has a regulated offshore 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 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.
- 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.

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	Co-ordinating the sourcing of trading stock for Kmart
Bermuda	Insurance company - the company is an Australian tax resident which means that any profit is taxed in Australia at the 30 per cent Australian corporate tax rate (no new transactions since 2008).
Botswana	Dormant (acquired through a previous business acquisition and never operated – deregistered 18 June 2018)
Cayman Islands	Dormant (never operated, liquidation planned)
China ¹	Co-ordinating the sourcing of trading stock for Kmart, Target and Industrial and Safety
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 and Target, and provision of IT and IT enabled services in India to Kmart Australia
Indonesia	Active trading operation – Industrial and Safety
Jersey ²	UK landholder (sold via Homebase/BUKI divestment announced 25 May 2018)
New Zealand	Active trading operations, financing activities and dormant entities – Home Improvement, Kmart and Industrial and Safety
Portugal	Manufacture and supply of trading stock – Industrial and Safety (Workwear)
Republic of Ireland	Active trading operations – Homebase (sold via Homebase/BUKI divestment announced 25 May 2018)
Singapore ¹	Insurance company
United Arab Emirates	Active trading operation – Industrial and Safety (Workwear)
United Kingdom	Active trading operations and dormant entities – Industrial and Safety (Workwear), Homebase (sold via Homebase/BUKI divestment announced 25 May 2018)
United States of America	One dormant entity (never operated), newly incorporated entity will undertake retailing activities for the Department Stores division

¹ The companies in these countries 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 30.0 per cent Australian corporate tax rate

² This company in Jersey pays tax in the United Kingdom on all earnings at the corporate tax rate of 20.0 per cent

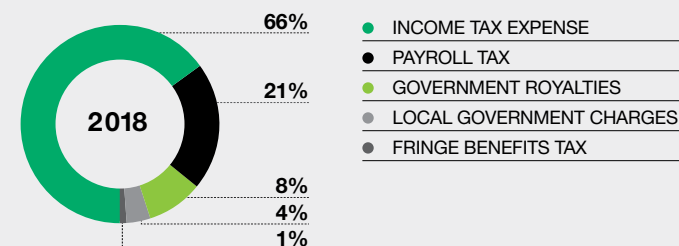
AUSTRALIAN TAX CONTRIBUTION SUMMARY FOR CORPORATE TAXES PAID

Australian taxes borne by Wesfarmers

The adjacent table and diagram detail the types of taxes contributed to Australian federal, state and local governments in the 2018 and 2017 financial years. The Australian taxes represent a significant proportion of Wesfarmers' \$2.1 billion in global tax and royalties payments in the 2018 financial year.

Australian taxes borne by Wesfarmers

	2018 \$m	2017 \$m
Income tax expense ¹	1,271	1,225
Payroll tax	403	396
Government royalties ²	153	163
Local government charges ³	75	77
Fringe benefits tax	13	17
Total	1,915	1,878



¹ Income tax expense comprises continuing and discontinued operations in Australia only. Income tax expense of \$1,246m per note 3 in the company's Annual Report represents continuing operations in Australia and globally.

² Government royalties are predominantly comprised of royalties paid by our Resources business to the relevant state government in relation to the coal operations.

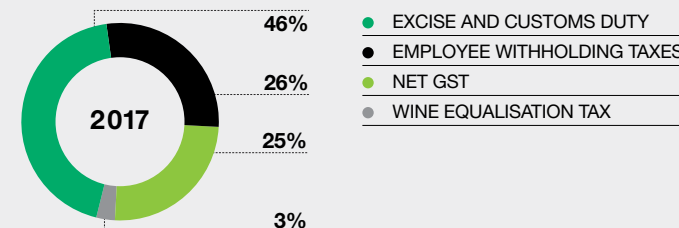
³ Government charges are generally comprised of local government rates and fees

Australian taxes collected by Wesfarmers

In addition to taxes directly borne by Wesfarmers, the company collected and paid \$5.4 billion in PAYG taxes, excise and customs duty, GST and Wine Equalisation Tax (WET) 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. An increase in the rate of excise has driven the increase in the 2018 financial year. Net GST is calculated as the total GST liable on taxable supplies less all GST credits attributable to the respective financial year. WET is a one-off tax on the wholesale value of wine sold through wholesale and some retail sales. The adjacent table and diagram show the percentage of each type of tax collected that comprises the \$5.4 billion collected in 2018 and the \$4.8 billion collected in 2017. The figures in the table represent Australian taxes collected by Wesfarmers from continuing and discontinued operations.

Australian taxes collected by Wesfarmers

	2018 \$m	2017 \$m
Excise and customs duty	2,466	2,128
Employee withholding taxes	1,413	1,350
Net GST	1,339	1,203
Wine Equalisation Tax	139	137
Total	5,357	4,818



Wesfarmers' global tax and royalties contributions were \$2.1 billion in the 2018 financial year of which \$1.9 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.