

Total Tax Contribution



PricewaterhouseCoopers LLP
Global study for the mining sector

Foreword

We are pleased to present PricewaterhouseCoopers' *Total Tax Contribution study of the Global Mining Industry*. The study was prepared by our London based Total Tax Contribution (TTC) group and is the first industry wide study our firm has prepared on a global basis for any industry. The study analyses the total taxes of 14 of the world's largest mining companies, focusing on their largest operations in a variety of countries, using 2007 data. To our knowledge, it is the first study of income and non-income taxes ever prepared by anyone for the mining industry on a global basis.

The TTC theory goes beyond income taxes to collect data on all taxes, as well as compliance costs, to more properly calculate the entire tax burden of an enterprise. The mining industry, perhaps more than most other industries, remits large amounts of non-income taxes to various levels of government in the form of property taxes, payroll taxes, royalties, VAT/sales/use taxes, infrastructure funding and many more levies. The income tax portion of a company's financial results is highlighted in its financial statements, but the other government levies it accrues are not segregated in the financial statements, thus diminishing what it appears to pay to the government. This incomplete representation of the tax payments on any company, but especially those of a mining company, reduces its perceived impact on the public good.

We envisage that many readers will find the study of interest. Potential users of the study, and what they might hope to learn, include:

- *Mining companies* as they focus on their own total taxes as compared to their peers and as they contemplate in which countries to make future investments;
- *Investors* as they evaluate investments in the industry and compare entities;
- *Governments and other policy makers* as they evaluate existing taxes and contemplate future levies; and
- *Communities and other non-governmental organisations* as they measure a mining company's contribution to their local economies.

Studies such as this increase in value as they are repeated in later years and the data from the various years, or from various industries, is compared. We hope to repeat this study, perhaps in several forms (such as on a per-company basis), to get the maximum comparative value for future readers.

We prepare studies such as this, as both tax policy analysts, and as mining industry experts, to further the debate on the important economic concept: How much do companies contribute to the public finances? We also look forward to providing data and insights on the potential future debate of 'Where does the government spend the public revenues?'

We welcome your comments and feedback on the study.



Susan Symons
Total Tax Contribution Leader



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Global Mining Tax Leader

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1

Executive summary



- The taxes and other contributions to government that Mining companies pay are an important contribution to the creation of prosperity and stability of the countries where they operate. However, the extent of this contribution is not always recognised.
- PricewaterhouseCoopers LLP (PwC) have carried out a study of the taxes and other contributions paid by a number of large listed companies in the mining sector.
- The purpose of the study is to provide greater transparency over the overall contribution of Mining companies to the public finances of the countries where they operate.
- The study has been carried out using the PwC Total Tax Contribution (TTC) Framework. TTC provides a standardised methodology for companies to measure and communicate all the taxes and contributions that they pay. It is straightforward in concept, not tax technical, and therefore relatively easy for stakeholders to understand.
- The study was carried out using data provided by fourteen large Mining companies.
- These companies were asked to provide data on their taxes and other contributions paid to government in their largest countries of operation in their year to 31 December 2007 or equivalent period.
- PwC has collated and anonymised the data provided by these companies to produce the study results. PwC has not verified, validated or audited the data, and cannot therefore give any undertaking as to the accuracy of the study results.
- The study results show that Mining companies make a large economic contribution in the countries where they have mining operations. The fourteen companies participating in the study reported total figures for turnover of US\$196bn, wages and salaries paid to employees of US\$13.5bn, and a total contribution to government of US\$29bn.
- The average total contribution to government by a company in a single country reported in the study was US\$743m.
- Mining companies pay many other taxes and contributions in addition to corporate income tax. On average in any country, corporate income tax is less than half (48%) of all the taxes and contributions that Mining companies bear.
- Mining companies make a large contribution to the public finances in relation to the size of their businesses. On average, the companies in the study paid an amount equal to 12.5% of their turnover to government in taxes and other contributions borne.

- Mining companies are large employers and make a significant contribution in employment taxes. The fourteen companies in the study reported over 400,000 employees in the countries for which they provided data. On average, for each one of these employees, an amount of US\$14,875 was paid to government in employment taxes alone.
- So far as we are aware, this is the first study to collect data on the taxes and other amounts paid to government by Mining companies. We hope to repeat the study and collect data for the following year to extend the study results and enable a first look at trends in amounts paid. We also hope to build on the results with wider studies focussed on particular countries.
- For most of the Mining companies concerned, participation in the mining study was the first time they had collated this data. In PwC's view, every Mining company needs to have this on a regular basis for all its operating markets. It is essential management information and may also be helpful to inform communication and engagement with government and other key stakeholders.



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Purpose and outline of the study

The taxes and other contributions to government that Mining companies pay are an important contribution to the creation of prosperity and stability of the countries where they operate. However, the extent of this contribution is not always recognised, since often only corporate income tax is reported separately in their financial statements. Mining companies pay taxes throughout the life cycle of a mining project, and pay many other taxes in addition to corporate income tax, including; employment taxes, property taxes and indirect taxes. In addition, Mining companies often make significant further contributions to government finances through sector specific royalties and levies, and contributions to local infrastructure such as roads, schools and housing.

PricewaterhouseCoopers LLP has carried out a study of the taxes paid by a number of large listed companies in the mining sector. The purpose of the study is to provide greater transparency about the overall contribution of Mining companies to the public finances of the countries where they operate.

The study has been carried out using the PwC Total Tax Contribution Framework. TTC provides a standardised methodology for companies to measure and communicate all the taxes and contributions that they pay. It is straightforward in concept, not tax technical, and therefore relatively easy for stakeholders, many of whom have limited knowledge of tax complexities, to understand. By focusing on payments, it provides a measure of what companies contribute to the public finances, and the creation of prosperity and stability for the communities where they operate.

The TTC Framework makes a distinction between taxes borne and taxes collected. Taxes borne are the company's own cost and will impact their results; for example, property taxes will form part of property costs. Taxes collected are those that the company administers on behalf of government and collects from others, for example, employee income taxes deducted through the payroll. Taxes collected will have an administrative cost for the company and will also have an impact on the company's business; for example, employment taxes impact the cost of labour.

The Framework also extends to royalties and other payments and contributions to government, such as fees and other levies and contributions to local infrastructure. These are also an important part of the company's economic footprint and are particularly relevant to the mining sector.

PwC has also carried out TTC studies in a number of countries, including; Australia, Canada, South Africa and the UK. In these countries, studies have been carried out with cross-industry groups of companies using the same methodology. In this report, we have compared our results for the mining sector with the results from these cross-industry studies.

3

Understanding the study results



The study was carried out using data provided by large Mining companies. PwC has collated and anonymised the data provided by these companies to produce the study results. PwC has not verified, validated or audited the data, and cannot therefore give any undertaking as to the accuracy of the study results.

Fourteen of the world's largest Mining companies participated in the study. This includes seven of the largest ten as measured by market capitalisation¹. Together they operate in major mining economies across the globe, producing large quantities of gold, platinum, copper, coal, iron ore and other minerals.

Participant companies were asked to provide data on their taxes and other contributions paid to government in their largest countries of operation in their year to 31 December 2007 or equivalent period². The results therefore represent a one year snapshot for these companies. They also, however, provide a good picture of the impact of taxes and other contributions to government on the mining sector generally, and of how Mining companies contribute to the public finances.

The companies were asked to provide data on a country-by-country basis, for their main countries of operation. The results therefore show the amounts paid in the countries where these companies have mining operations. PwC provided a structured data request for each country and provided a helpline during the data collection process. Between them, the companies provided data for operations in fourteen different countries, including; Australia, Brazil, Canada, Chile, Indonesia, South Africa and the United States. Each participant provided data for between one and six different countries, and the average number of countries covered was 3.3. Participants were not asked to cover all their countries of operation.

For most of the participating companies, this was the first time such data has been put together to show a picture of their real tax footprint. Each company carried out a data collection exercise to extract the relevant data from their books and records. It should be emphasised that not all of the participants were able to provide all of the data requested. In addition, each participant covered only some, not all, of their counties of operation. The results therefore represent an underestimate, rather than an overestimate, of the true picture.

¹ Market capitalisation taken as at January 2008.

² The data requested for their largest operations included.

- (i) Details of turnover, profits before tax and number of employees by country;
- (ii) their largest taxes borne (corporate income tax, mining taxes, employer social security, property taxes, etc.); and taxes collected (payroll taxes, VAT, withholding taxes);
- (iii) rents, royalties and user fees; and
- (iv) any other contributions to government, whether voluntary or mandatory.

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Key results

Mining companies make a large economic contribution in the countries where they have mining operations. The fourteen companies participating in the study reported total figures for turnover of US\$196bn, wages and salaries paid to employees of US\$13.5bn, and a total contribution to government of US\$29bn³.

The average total contribution to government by a company in a single country reported in the study was US\$743m, comprising an amount of US\$623m borne and US\$120m collected. These represent very large amounts in any context. For example, as a comparison, the average amount of taxes borne paid to the UK Treasury by large listed UK companies (FTSE 100) is US\$499m.

Mining companies pay many other taxes and contributions in addition to corporate income tax. On average in any country, corporate income tax is less than half (48%) of all the taxes and contributions that mining companies bear. 29% of the total on average are additional taxes and contributions that are specific to the mining sector, and effectively represent payment to government for extracting natural resources.

Mining companies make a large contribution to the public finances in relation to the size of their businesses. On average, the companies in the study paid an amount equal to 12.5% of their turnover to government in taxes and other contributions borne. This is a higher percentage than the average percentage for taxes borne shown by any of our cross-industry studies.

Mining companies are large employers and make a significant contribution in employment taxes. The fourteen companies in the study reported over 400,000 employees in the countries for which they provided data. On average, for each one of these employees, an amount of US\$14,875 was paid to government in employment taxes alone. This is a large figure, particularly in the context of the size of many of the economies covered in the study, and shows the importance of creating and maintaining jobs in the mining sector.

³ Where participants provided data in a currency other than US\$ the exchange rate as at 31 March 2008 has been used.

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Taxes and other contributions borne by Mining companies



Mining companies pay many other taxes and contributions in addition to corporate income tax. Figure 1 shows that, on average in any country, corporate income tax is just less than half (48%) of all the taxes and contributions that Mining companies bear. These are the amounts that are a cost to the company and affect its results (although the ultimate incidence may be passed on to shareholders, employees, or customers). For every US\$1 of corporate income tax paid by the Mining companies therefore, there is another US\$1.08 paid on average in other taxes and contributions borne.

In addition to corporate income tax, Mining companies bear numerous other taxes. These may be categorised as:

- (i) other taxes on profit (in addition to corporate income tax);
- (ii) people taxes (taxes on employment, such as employer social security payments);
- (iii) taxes or levies borne on purchases or supplies (production taxes), such as customs duties; and
- (iv) property taxes.

Together, these represent a further 23% of the average total in Figure 1.

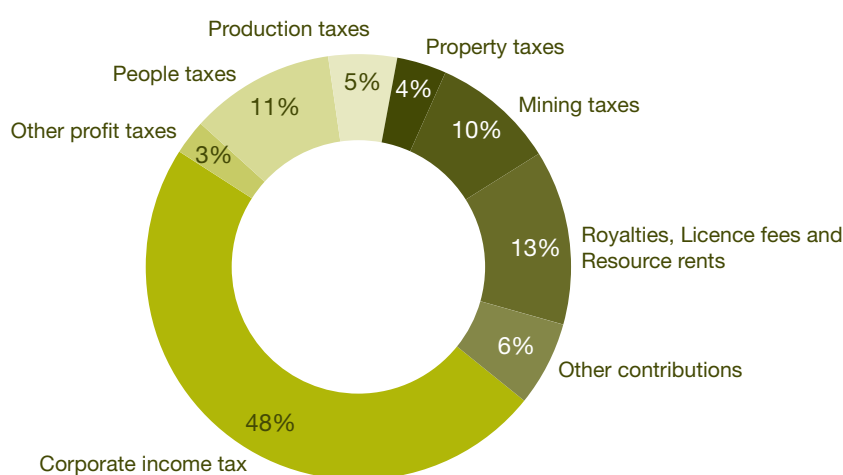
The taxes above may also be paid by companies in other industry sectors. However, the remaining 29% in Figure 1 are taxes, royalties, fees and other contributions that are specific to the mining sector, and effectively represent payment to government for extracting natural resources. Governments in different countries choose to levy these amounts in different ways; in some cases as additional taxes on mining, in other cases as royalties, license fees or resource rents. Mining companies in the study also reported numerous other contributions to government finances in different countries, both mandatory and voluntary, including providing or contributing to the cost of public infrastructure such as roads, schools and housing.

Companies participating in the study were also asked to provide data on cash grants and/or subsidies received from government⁴. These amounts have been deducted from payments made in calculating the study results. Figure 2 shows that the amounts are small in relation to the taxes and contributions borne, (9.9% on average).

⁴ No data was requested on tax regimes or incentives that have the effect of reducing tax payments, since these will already be reflected in the lower figures reported in the study.

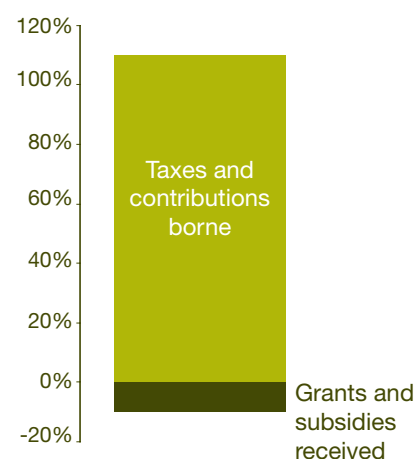


Figure 1 – Taxes and contributions borne



Corporate income tax is less than half (48%) of the picture. Mining specific taxes, royalties and other contributions make up 29% of the total. Result shows the average position for a participant in a country across all countries covered in the study.

Figure 2 – Grants and subsidies



Grants and subsidies received are small in relation to amounts borne (9.9%). Result shows the average position for a participant in a country across all countries covered in the study.

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Taxes collected by Mining companies

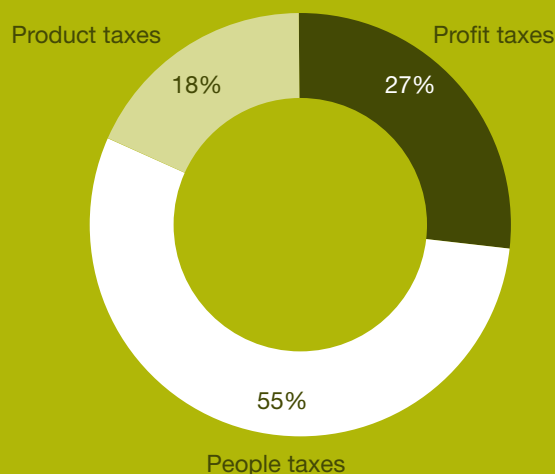


Figure 3 shows the profile of taxes collected on average for Mining companies participating in the study. These are taxes where the company is the unpaid tax collector on behalf of government and represent an administrative burden. For every US\$1 of corporate income tax paid by Mining companies, there is another US\$0.83 on average of taxes collected.

People taxes are the largest element of taxes collected on average, reflecting the role of Mining companies as large employers. These are the taxes and social contributions deducted from wages and salaries through the payroll.

The other elements of taxes collected can be categorised as product taxes and profit taxes. Profit taxes include all taxes withheld or deducted at source from various types of payments (apart from wages and salaries), such as dividends, royalties, fees or other charges. These are often required when payments are made across national boundaries, and sometimes within the country. The remaining element under product taxes includes taxes levied on the production or sale of goods or services, which for Mining companies in most countries is Value Added Tax (VAT). The TTC Framework includes only the net VAT (output less offset input tax), which is collected and paid to government. Mining companies generally export much of their production and in common with other exporters are not required to charge VAT on their export sales; there is a reverse charge in the importing country. Since there is no output tax against which to offset VAT, Mining companies will incur a VAT cost on their VATable purchases. They should be able to reclaim their VAT on their VATable purchases although in practice this does not always happen. Where the result is a net refund, rather than a net payment, these refunds have been deducted from the net VAT reported by the other participants in producing the survey results.

Figure 3 – Taxes collected



Mining companies also administer taxes on behalf of governments. Result shows the average position for a participant in a country across all countries covered in the study.

7

Employment taxes

Mining companies are large employers and make an important contribution in employment taxes. The fourteen companies participating reported a total of 412,962 employees in the countries for which they provided data. Overall, they reported a total of US\$3,385m in employment taxes borne and collected^{5,6}.

On average, for each one of their employees, these Mining companies paid an amount of US\$14,875 to government in employment taxes alone – see Figure 4⁷. This is a good indicator of the multiplier effect of jobs in employment taxes and shows the importance of creating and maintaining jobs in the mining sector. This figure is an average for all countries covered in the study and will vary by country, reflecting the size of the economy and income per capita. For example, the average figure for South Africa is \$4,739 (as compared to income per capita in South Africa of US\$5,760) and the average for the US is US\$27,117 (income per capita in the US is US\$46,040)⁸.

Figure 4 – Employment taxes per employee

Employment taxes per employee \$	Total taxes		Taxes borne		Taxes Collected	
Calculated for all participants as a group. Total employment taxes paid per employee	7,966		2,371		5,595	
Calculated for all individual participant companies. Mean average of employment taxes per employee for individual companies	14,875		3,655		11,220	
Calculated for all individual participant companies. Median average of employment taxes per employee for individual companies	10,807		3,067		7,012	
	Min	Max	Min	Max	Min	Max
Range of ratios of employment taxes per employee for individual participant companies	1,065	41,462	125	9,701	23	36,148

On average, for every one of 412,962 employees, Mining companies paid US\$14,875 in employment taxes. Employment taxes borne and collected per employee is an indicator of the multiplier effect in taxes through jobs created and maintained. Result shows the average result for a participant in a country across all countries covered in the study.

5 Employment taxes borne include employers' social contributions and any taxes related to employment that are charged on the employer. Employment taxes collected are employees' income taxes and social contributions that are deducted from wages and salaries through the payroll.

6 The study requested data on employees, but not on contractors, who are frequently used in the industry. The study does not therefore look at or include the tax contribution of contractors.

7 Figures 4, 5 and 6 include different ways of calculating an average – overall, mean and median. The mean results has been highlighted in the report narrative.

Overall average: this uses the data for all participants together as a group. The overall average is calculated as a single sum for all participants.

Mean: this is calculated by adding all the individual company results by country and dividing by the number of those participants. This measure gives equal weight to all companies in the sample.

Median: the median is the middle value of the individual company results ordered from lowest to highest, i.e. the middle observation.

Minimum: the minimum is the result in the individual company observations with the lowest value.

Maximum: the maximum is the result in the individual company observations with the highest value.

8 Income per capita taken from World Development Indicators database, World Bank 2007.

8

Total contribution of the mining sector



Mining companies make a large economic contribution in the countries where they have mining operations. The companies participating in the study reported total figures for turnover of US\$196bn, wages and salaries paid to employees of US\$13.5bn, and a total contribution to government of US\$29bn.

The maximum amount reported as paid to government by a Mining company in a single country was US\$5.0bn and the minimum US\$10m, reflecting operations at different stages of their life cycle⁹. Typically, companies will pay higher amounts when mining operations are mature and in full production than at the earlier investment stages of the project.

As shown in Figure 5, the average total contribution to government by a company in a country reported in the study was US\$743,484,091, comprising an amount of US\$623,286,778 borne and US\$120,198,124 collected. These represent very large amounts in any context. For example, the average amount of taxes borne paid to the UK Treasury by a cross-section of large listed UK companies (FTSE 100) is US\$499,915,188¹⁰. The average amount for these Mining companies, which is paid in countries with smaller economies than the UK, is larger¹¹.

Mining companies make a large contribution to the public finances in relation to the size of their businesses. Total contribution to government as a percentage of turnover is an indicator of the size of the total contribution in relation to the size of the business. On average, as shown in Figure 6, the companies in the study paid an amount equivalent to 16.7% of their turnover to government in taxes and other contributions borne and collected.

Figure 6 also shows the breakdown of total contribution to turnover between taxes and contributions borne and taxes collected. It is notable that, as shown in Figure 7, on average taxes and contributions borne as a percentage of turnover for Mining companies (12.5%) is higher than for a broad cross-section of companies as shown in our cross industry studies (Australia 8.0%, Canada 7.7%, South Africa 8.1%, the UK 5.9%)¹². Taxes collected to turnover is a lower percentage reflecting:

- (i) that Mining companies are major exporters as explained in 5.3, and
- (ii) some companies in other industry sectors have an additional tax collection role, for example oil producers collect fuel excise duty.

⁹ US\$10m is the smallest positive payment figure. In two instances a participant was in a net refund position in a country.

¹⁰ PwC carries out an annual study for The Hundred Group of Finance Directors, whose members mainly comprise the FTSE 100. The average TTC for the 83 Hundred Group members whom participated in the study in 2008 was US\$1,388,757,861, of which US\$499,915,188 was taxes borne and US\$888,853,106 taxes collected. See Total Tax Contribution, PricewaterhouseCoopers LLP 2008 survey for the Hundred Group, published 25 February 2009.

¹¹ Of the countries for which data was provided, only the US has a larger economy than the UK. Many of the countries have much smaller economies, for example Chile and Indonesia.

¹² See also What is your company's Total Tax Contribution? 2007 survey results, PricewaterhouseCoopers survey in Australia, published March 2008, Total Tax Contribution, PricewaterhouseCoopers survey for the Canadian Council of CEOs, published May 2008 and Total Tax Contribution, How much do large South African companies really pay? PricewaterhouseCoopers survey for Business Leadership published September 2008.

Figure 5 – Total contribution to government

Total contribution by company per country \$	Total contribution to government		Taxes and contributions borne (net of grants and subsidies)		Taxes collected	
Total amounts	28,995,911,154		24,308,184,329		4,687,726,825	
Calculated for all individual participant companies. Mean average total contribution per company per country	743,484,091		623,286,778		120,198,124	
Calculated for all individual participant companies. Median average total contribution per company per country	301,112,753		283,663,965		47,711,901	
	Min	Max	Min	Max	Min	Max
Range of ratios of total contribution per company per country	-35,274,725	5,007,900,406	13,548,459	4,053,388,406	-342,166,831	954,512,000

The average total contribution by a company in a single country was US\$743m, the maximum was US\$5.0bn. Result shows the average position for a participant in a country across all the countries covered in the study. Two participants were in a net refund position in a country. The minimum positive payment is US\$10m.

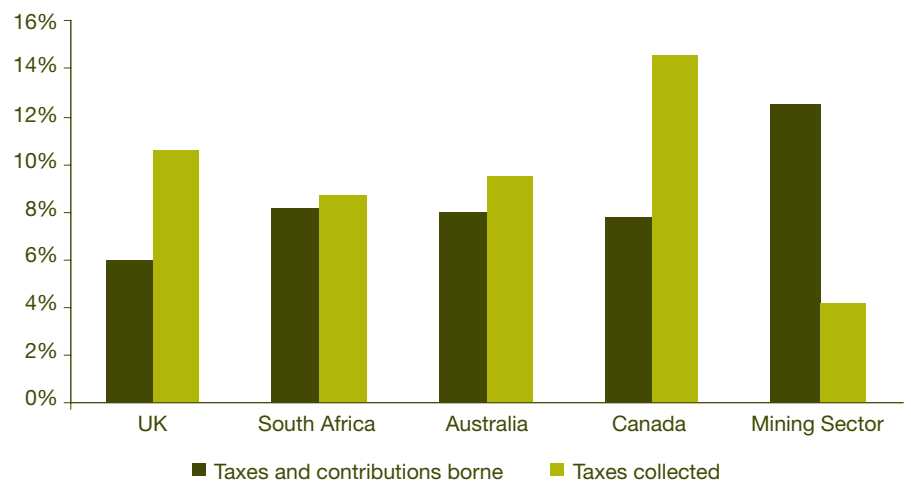
Figure 6 – Total contribution to government as a percentage of turnover

Total contribution to government as a percentage of turnover	Total contribution to government		Taxes and contributions borne (net of grants and subsidies)		Taxes collected	
Calculated for all participants as a group. Total contribution to government as a % of turnover	14.7%		12.3%		2.4%	
Calculated for all individual participant companies. Mean average total contribution to government as a % of turnover for individual companies	16.7%		12.5%		4.2%	
Calculated for all individual participant companies. Median average total contribution to government as a % of turnover for individual companies	16.8%		11.6%		3.0%	
	Min	Max	Min	Max	Min	Max
Range of ratios of total contribution to government as a % of turnover for individual companies	-2.5%	40%	0.6%	33.9%	-9.1%	29.7%

On average Mining companies contribute an amount equivalent to 16.7% of their turnover to government. Total contribution expressed as a percentage of turnover is an indicator of the size of the contribution in the context of the size of the business as measured by turnover. Result shows the average result for a participant in a country across all countries covered in the study.

World mineral prices have, of course, fallen dramatically since the year ended 31 December 2007 (for which the study data was provided and turnover measured)¹³. Total contribution to government as a percentage of turnover can therefore be expected to rise as turnover falls. Although some taxes and contributions, including corporate income tax, are linked to profitability and are expected to drop as revenues and profits decrease, many – including people taxes, property taxes, production taxes, license fees and rents – are not linked to profits and will likely not decrease.

Figure 7 – Total contribution to government as a percentage of turnover



On average, Mining companies pay a higher percentage to Government in taxes and contributions borne than a broad cross-section of companies as shown in our cross industry studies. Results show the mean average from the mining study and compares this with the mean average in cross industry studies in Australia, Canada, South Africa and the UK.

¹³ For example, the price of copper fell from US\$302.84 per ton at 31 December 2007 to US\$131.63 at 31 December 2008, a fall of some 44%.



9

Building on the study



So far as we are aware, this is the first study to collect data on the taxes and other amounts paid to government by Mining companies. We are therefore expecting strong interest in the study results. We hope to repeat the study and collect data for the following year to 31 December 2008, to extend the study results and enable a first look at trends in payment amounts.

In some countries, government is heavily reliant on the mining sector for government receipts. From this first study, as well as the average global picture in this report, we are able to show an average country picture for five countries (Australia, Canada, Chile, South Africa and the US). It is hoped that, with the industry, we can build on these results by wider studies focussed on particular countries, for example, South Africa and Chile.

For most of the Mining companies concerned, participation in the mining study was the first time they had collated this data. Each company participating in the study has received in return a short report on their total contribution to government, country-by-country. In PwC's view, every Mining company needs to have this on a regular basis for all its operating markets. It is essential management information and may also be helpful to inform communication and engagement with government and other key stakeholders.

TTC improves internal understanding of the impact of all the taxes and contributions that the company pays on its business model, and informs investment decisions. It widens the focus beyond corporate income tax and can provide useful performance measures, such as total tax or contributions as a percentage of turnover, or per unit produced. Benchmarking such indicators against peers operating in the same industry sector can provide useful insights or identify potential efficiencies.

Mining companies extract natural resources and as a result are naturally the subject of intense scrutiny from government, non-governmental organisations (NGOs) and other stakeholders as regards what they put back in return in those economies. Mining companies often operate in remote locations where they may be the main or only employer and they, in return, are naturally interested in how their contribution is used by government. TTC provides data, in a non-technical form that is relatively easy for stakeholders to understand, about the 'economic footprint' of Mining companies through paying taxes and other contributions.

PwC suggests that Mining companies consider if there could be business benefits from being more transparent in communicating their tax affairs to their stakeholders. PwC's work on Tax Transparency shows that stakeholders generally are keen to know more about a company's tax policies and payments. From our work on TTC and from discussions with different stakeholders, PwC have developed a Tax Transparency Framework to assist companies in considering the potential benefits of greater transparency¹⁴. Some Mining companies are leading the way. Two UK-based FTSE 100 Mining companies – Kazakhmys and Anglo American report on their Total Tax Contribution and both companies were shortlisted for the PwC sponsored Building Public Trust Awards for corporate reporting in 2008¹⁵. Anglo American won the overall award for "Telling it how it is" in the FTSE 100 and Kazakhmys won the award for "Tax Reporting"(see figure 8&9).



¹⁴ See Tax Transparency Framework – a review of the tax communications of the largest listed companies in Belgium, the Netherlands and UK. November 2008.

¹⁵ The PricewaterhouseCoopers Building Public Trust Awards celebrate the commitment of the UK's largest corporations and public sector bodies to build public trust through their communication of the key building blocks of sustainable performance. The largest UK-based companies (FTSE 100 and 250) are eligible for one or more of the awards listed. The awards are judged by an independent panel, who review a shortlist put forward by PwC. In 2008, awards were made in the following categories: People Reporting, Reporting of Executive Remuneration, Tax Reporting, Sustainability Reporting, 'For Telling It How It Is' in the FTSE 250, 'For Telling It How It Is' in the FTSE 100 and 'For Telling It How It Is' in the public sector.

Figure 8 – Reporting Total Tax Contribution – Kazakhmys plc

Taxes paid directly to governments by category and region				
\$ million	Kazakhstan and Central Asia	UK	Germany	Total
Taxes Paid				
Corporate income taxes (Including excess profit tax)	834.9	14.7	–	849.6
Payroll taxes (employer's obligations)	45.6	1.9	7.0	54.5
Customs and stamp duties	33.4	2.3	–	35.7
Taxes and properties	17.3	–	0.4	17.7
Royalties and environmental payments	100.1	–	–	100.1
Miscellaneous taxes	1.3	–	–	1.3
	1,032.6	18.9	7.4	1,058.9
Taxes collected and remitted				
Withholding taxes on interest and services	3.0	–	–	3.0
Payroll taxes (employee's obligations)	22.9	5.8	16.9	45.6
	25.9	5.8	16.9	48.6
	1,058.5	24.7	24.3	1,107.5
Total Tax Contribution				

During 2007, the Group paid \$1,107.5 million in taxes across the countries in which it has a presence. Company taxes, such as corporate income taxes, excess profits tax, royalties and employer taxes, comprised \$1,058.9 million of this total. In addition, the Group indirectly contributed to \$48.6 million in employee taxes and withholding taxes on interest and services, which the Group collected on behalf of government authorities and paid over to them.

Source: Kazakhmys Plc, Annual Report 2007, p38

Figure 9 – Reporting Total Tax Contribution – Anglo American plc

Taxes paid directly to governments by managed operations, by country*				Our investment in the countries in which we operate is reflected in a combination of social, infrastructure and economic benefits – and those economic benefits include taxes.
\$ million	Borne	Collected	Total	
South Africa	936	411	1,347	The taxes we pay as a company and those we collect from employees on behalf of government are important contributions to the creation of wealth and well-being in those countries. We endorse the principle of transparency in our business dealings and are signatories to the EITI, which promotes reporting on taxes by companies and the countries in which they are paid.
Chile	912	49	961	
United Kingdom	333	255	588	In many countries the Group's operations form a fundamental part of the local economy and the socio-economic impact of the Group spreads significantly wider than the operations and their employees. In many cases there are businesses ancillary to the Group's operations which would otherwise not exist. We do not report the taxes resulting from these ancillary businesses. However on page 22 of our report we investigate the wider impact of the Landau colliery.
Brazil	169	61	230	
Australia	133	70	203	Over \$2,867 million was paid directly to governments in taxes as a result of our operations in 2007 (\$3,119 million in 2006). The reasons for this decline at a time of increased earnings are given below. This included company taxes, employer taxes, royalties, transaction and other taxes. In addition, we indirectly contributed some \$943million in value-added tax (VAT) and employee taxes, which we collected on behalf of governments, are paid over to them. The regional breakdown is shown on page 21*. We believe that this wider tax footprint is a valid reflection of the tax contribution that results from our activities. In many developing countries this a particular concern as, in the absence of our operations, there would be few alternative sources of income and therefore of collectable tax revenues.
Venezuela	189	–	189	
France	35	28	63	The total of \$3,810 million paid to governments was split between developed countries (27%) and developing countries (73%). Many other indirect tax benefits arise as a result of our operations as our customers and suppliers also pay company, employee and other taxes.
Switzerland	41	–	41	
Ireland	34	5	39	The total tax borne, collected and remitted by the Group exceeds corporate tax charge shown in the Income Statement. The main reasons are that the tax numbers disclosed in this report reflect the total tax contribution including some transactional taxes and taxes borne by employees which are collected by the Group and remitted to government but which are not reflected in the Income Statement.
Poland	16	20	36	
Namibia	29	5	34	
Canada	12	12	24	
Others	28	27	56	
Total	2,867	943	3,810	

* Unaudited amounts payable as a result of our operations (borne) and employee taxes and net value-added tax (collected)

Source: Anglo American plc, Report to Society 2007, p20 &21

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Appendix 1

Taxes and contributions borne and collected by Mining companies

Illustrative list:

Taxes and contributions borne		
Taxes on profits	Corporate income tax	X
	Other profit taxes	X
People taxes	Employer social contributions	X
	Payroll taxes and other taxes on the employer	X
Taxes on production	Customs duties and taxes on international transactions	X
	Irrecoverable VAT and other taxes borne on the production or sale of goods and services	X
Property taxes	Taxes on the ownership and use of real and intangible property	X
	Stamp duties and other transfer taxes	X
Mining taxes	Taxes on the extraction of minerals and metals	X
User fees	Royalties, licence fees and resource rents for the extraction of minerals and metals	X
Other contributions	Contributions to infrastructure	X
	Other contributions	X
Taxes collected		
Taxes on profits	Taxes withheld at source from royalties, fees or other payments	X
People taxes	Employee social contributions	X
	Employee income tax deducted through payroll	X
Taxes on production	Net value added tax (VAT) (output less input tax)	X
	Other taxes levied on the production and sale of goods and services	X

Appendix 2

Suggested framework for communicating tax to stakeholders

1. Tax strategy and risk management should include:

- a clear discussion of the company's tax objectives and strategy;
- disclosure of how the company's tax strategy and function is managed and who in the organisation has responsibility for governance and oversight; and
- clear disclosure of the material tax risks faced by the company.

2. Tax numbers and performance should include:

- a clear explanation as to why the current tax charge is not equivalent to the statutory rate of corporate income tax;
- a transparent reconciliation of the company's cash tax payments to the tax charge included in the income statement; and
- disclosure of the forward looking measures for tax including forecast accounting and cash tax rate.

3. Total Tax Contribution and the wider impact of taxes should include:

- detail as to how tax impacts the wider business strategy and results of the company;
- disclosure of the impact of tax on shareholder value; and
- clear communication of the economic contribution of all taxes paid by the company.

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