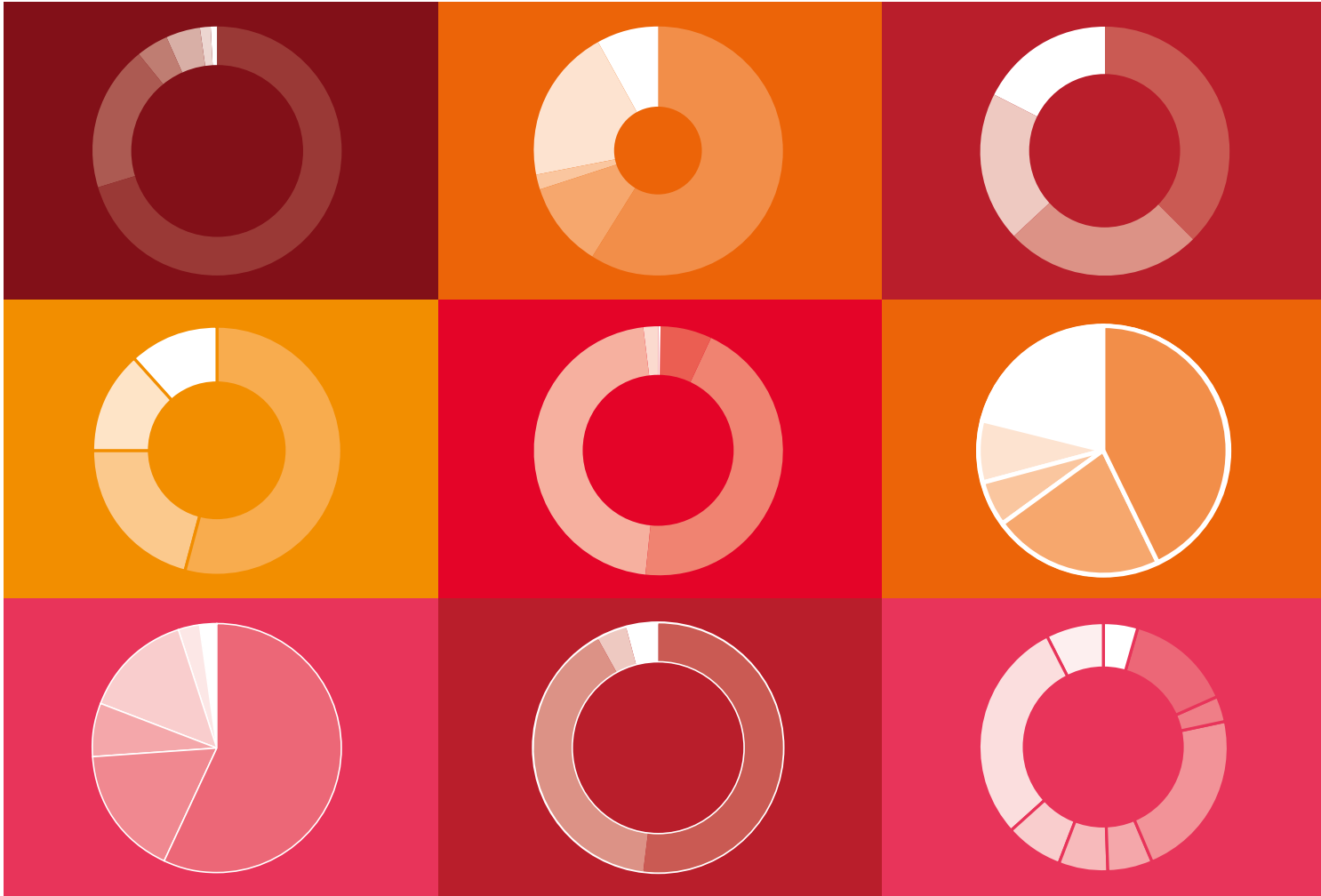


Tax Transparency Building Public Trust Responding to the Tax Transparency debate

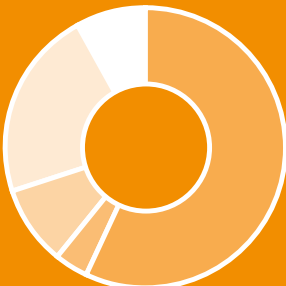
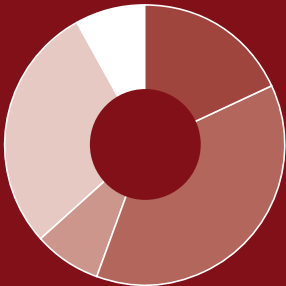




***‘Mandatory reporting regimes
continue to develop and
additional public disclosure is
now a reality for many groups.’***

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Foreword

The tax affairs of large companies remain an area of interest to a broad and diverse audience. No longer the preserve of revenue authorities and finance functions, public awareness of tax has been heightened through the efforts of campaign groups and ongoing media attention.

Paying for Tomorrow: the future of UK tax

www.pwc.co.uk/futuretax



Mandatory reporting regimes continue to develop and additional public disclosure is now a reality for many groups. Well-known companies are being held to account and finding that their principles and actions are being questioned. But has the debate moved on? Is the focus shifting towards creating a tax system fit for the future?

Our experience of engaging with the public through our Paying for Tomorrow Citizens' Jury has highlighted the demand for transparency from Government regarding how taxes are raised and spent. The Business Jury, another component of the same project, reached a similar conclusion recognising a need to do more to educate people on how the tax system works, the inherent trade-offs and purposes of tax policy. Additional voluntary tax reporting by corporates is one way of helping to improve the level of understanding.

Building public trust remains a priority for companies aiming to increase their resilience in a turbulent world. Leading businesses demonstrate integrity and their core principles by offering openness and a willingness to engage. Tax transparency is more relevant than ever and through our Building Public Trust Awards we recognise the many companies which are choosing to enhance their mandatory reporting with well-considered insight into their tax affairs.

Tax transparency will continue to evolve as the mandatory reporting regimes develop and as companies respond to demands from a more varied group of stakeholders. As ever, we would be interested to hear your thoughts and understand how the changing tax landscape is impacting your business.

Andrew Packman

AJ R



Andrew Packman

Tax Transparency and Total Tax
Contribution Leader

PwC UK



What's new this year?

Mandatory reporting

The past year has been pivotal in the development of mandatory regimes requiring details of companies' taxes and in some cases profits and employee numbers on a country-by-country basis. We provide a summary of the mandatory country-by-country reporting regimes on pages 8-9 of this book.

The UK recently became the first country to agree to the OECD's Base Erosion & Profit Shifting (BEPS) country-by-country reporting model which sets out the information multi-national companies will need to file with the relevant tax authorities. The EU's CRDIV public reporting requirements for financial institutions has been implemented and we have seen banks employing a variety of methods to fulfil their obligations – some voluntarily choosing to disclose more information than is required at this stage. Extractive companies continue to watch developments unfold in the US regarding the Dodd-Frank reporting requirements whilst the UK's Department for Business Information and Skills has released proposals outlining how it intends to implement chapter 10 of the EU Accounting Directive.

The objectives of the various initiatives differ, as do the types of companies involved, the information demanded and the intended audiences for the disclosures. In response, companies are adopting a range of different strategies, in both their internal data collection procedures and in their external communication plans.

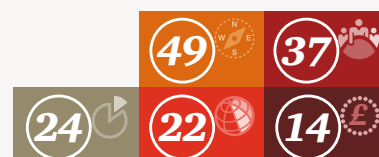
Voluntary reporting

Interest in companies' tax affairs remains high from a range of stakeholders including customers, shareholders, media and campaign groups. For the first time, the Dow Jones Sustainability Indices included assessment criteria relating to tax strategy, tax reporting and tax risk. With the increased volume of mandatory reporting regulations, there are concerns that the data alone does not provide the full picture. As a result, more companies are choosing to say more about tax.

This year, for the first time, we reviewed the tax reporting of every company in the FTSE100 – not just annual reports but corporate responsibility reports, tax reports and website pages as well. The results for 2013 year-ends are discussed on pages 12-13. What is clear is that voluntary tax transparency is increasing, both in terms of the number of companies making additional disclosures and also the breadth of information provided by those companies already engaged. But it is also clear that there is no "one size fits all".

Tax transparency

A review of the FTSE100



www.pwc.co.uk/ftse100reporting

About this publication

On pages 10-11 we explain our Tax Transparency Framework – the methodology developed over the nine years that we have been assessing good practice in tax reporting. Our review of public disclosure uses a range of criteria, broadly divided into tax strategy and risk management, tax numbers and performance and Total Tax Contribution and the wider impact of tax. We have introduced a new criterion to the framework, noting companies which make reference to their policy regarding low-tax jurisdictions.

This book provides examples of excellence in reporting for different types of listed companies in the FTSE100 and FTSE250. We have divided the publication into chapters dedicated to companies predominantly operating in the UK (pages 14-21), multi-national companies (MNCs) (pages 22-35) and a section about extractive companies which tend to operate mostly overseas (pages 36-43). Each of these groups has different complexities in their tax affairs and different mandatory reporting requirements that must be met. Each group has a different set of stakeholders with different needs which may or may not be addressed by improving transparency. Each group has a different level of internal tax resource and technological capability to process data. The extracts reflect this diversity; each company will want to consider how best to respond given its own circumstances.



For the first time, we also include examples from companies headquartered around the world which are leading voluntary tax reporting developments in other countries (pages 44-50). These extracts from Spanish, Danish and Finnish companies demonstrate that British businesses are not alone in advancing tax transparency.

Country-by-country Update



1. Canada:

Legislation is in the process of being adopted to introduce extractive reporting in Canada similar to the EU and US regimes for extractives.

2. US:

Section 1504 of the Dodd-Frank Act: Although currently suspended while detailed rules are being prepared, listed extractive companies regulated by the SEC will have to report payments to governments by project and by level of Government.

3. OECD

transfer pricing documentation CBCR template: In September 2014 the OECD published its template for CBCR to tax authorities by MNCs. The reporting is by tax jurisdiction and covers corporate income taxes paid and accrued as well as financial data including profit, revenues and capital. OECD member countries are expected to implement the regimes in the coming months.

Global:

Extractive Industries Transparency Initiative: (EITI) Countries that decide to adopt the EITI set up a local multi-stakeholder group to manage the country programme. Companies carrying out extractive activity in the country report to an independent assessor the amounts they pay to government. The assessor reconciles this to the amounts received by the Government. The UK is an EITI candidate country with first reporting likely to be in respect of 2014.

Country-by-country reporting is a requirement for companies to report, either publicly or to tax authorities, their tax payments and, potentially, other financial data on a country-by-country basis.

5.

EU Accounting Directive:
Large and listed EU extractive companies will have to report publicly all payments made to any government. This includes only payments from extractive activity and the reporting is by project and level of Government. For UK companies, the reporting applies to financial years beginning on or after 1 January 2015.

6.

EU Capital Requirements Directive:
Banks and certain other financial institutions operating in the EU must report publicly by country on the name and nature of their activity, number of employees, turnover, profit before tax, tax paid and public subsidies received. Full reporting is due from 1 January 2015.

7.

Australia:
A private member's bill has been introduced which seeks to require Australian extractive companies to report payments to governments in a similar fashion to the EU and US rules.

Further information corresponding with the above initiatives can be found at:

1. <http://www.pwc.com/ca/taxinsights> and see 'Tax Insights: The new Extractive Sector Transparency Measures Act: What it means for you'
2. PwC's 'Tax Transparency and country-by-country reporting: An ever changing landscape'
3. OECD's 'Guidance on Transfer Pricing Documentation and Country-by-Country Reporting'
4. www.eiti.org and <https://www.gov.uk/government/groups> and see 'UK Extractive Industries Transparency Initiative Multi-Stakeholder Group'
5. Department for Business Innovation & Skills' 'UK Implementation of the EU Accounting Directive'
6. PwC's 'A Practical Guide to the UK regulations: Country by country reporting under CRD IV'
7. See 'Transparency and accountability of extractive companies' in PwC Australia's 'November 2014 TaxTalk Monthly'

The Tax Transparency Framework

We use our Tax Transparency Framework each year to carry out a review of the tax reporting of the FTSE350. It includes the elements that we consider to be the basis of good practice in tax reporting. The framework was originally developed following discussions with FTSE companies and different stakeholder groups including governments, investors, analysts and Civil Society Organisations (CSOs). It is intended to help companies consider the risks and benefits of greater transparency and what they might want to communicate externally about their tax affairs.

The framework covers three areas of corporate tax affairs – tax strategy and risk management, tax numbers and performance and Total Tax Contribution and the wider impact of tax.

Tax strategy and risk management

In reviewing a company's tax reporting we are looking for discussion of the approach to tax, identification of risks and tax strategy. This includes disclosure of policy in areas which are key to that particular business such as tax planning, transfer pricing, low-tax jurisdictions and relationships with revenue authorities.

Explanations of internal governance processes are recognised as well as well as evidence of oversight for tax at board or audit committee level.

Generally found in the front end of annual reports, we are seeing more webpages and reports dedicated to companies approach to tax.

Tax numbers and performance

The second pillar of the framework is most closely aligned to the required disclosures in the accounts under financial reporting standards and other applicable regulations. We look for a clear explanation as to why the current tax charge is not simply accounting profit at the statutory rate or some insight into the effective tax rate. We also look for a clear reconciliation from cash tax to the charge and forward looking measures such as forecast accounting or cash tax rate.

Usually placed in the annual report, some companies make innovative use of graphics to illustrate and contextualise the numbers.

Total Tax Contribution and the wider impact of tax

The third area we review looks away from traditional accounting disclosures towards understanding of the wider picture. Discussion of how tax impacts the business strategy and details of advocacy or lobbying activity are recognised. We look for additional insight into taxes borne and collected other than corporation taxes and the company's economic value add.

This pillar of the framework also includes country-by-country reporting and discussion of taxes contributed to developing world countries – an area where we have seen an increase in both mandatory and voluntary reporting in recent years.



1.

Tax strategy and risk management

- Discussion of tax objectives and strategy.
- Disclosure of policies in key areas for the business, for example, tax planning and transfer pricing.
- How the tax strategy and function are managed and who has responsibility for governance and oversight.
- Discussion of material tax risks.

2.

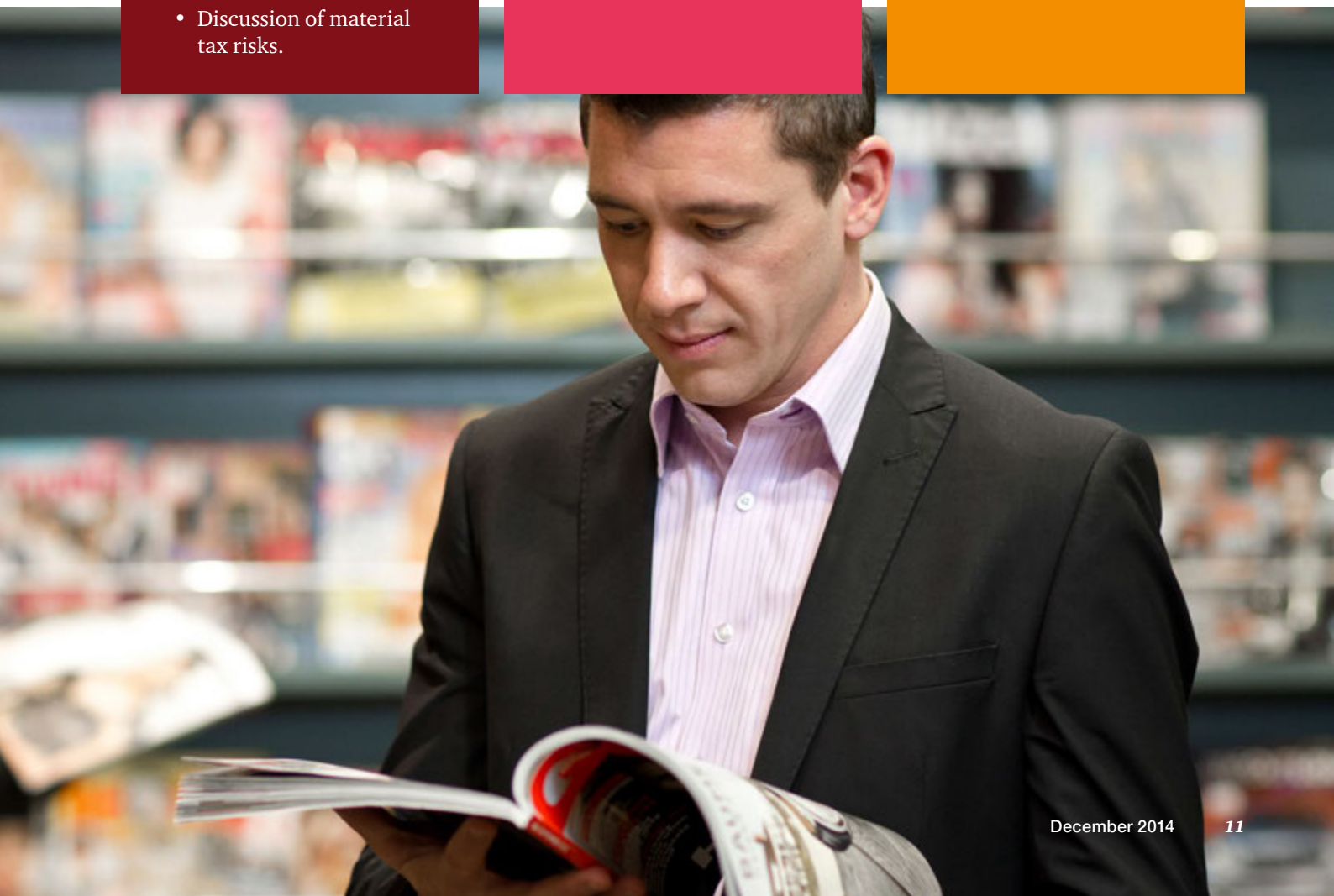
Tax numbers and performance

- Clear reconciliation of the tax charge to the statutory rate.
- Discussion of cash tax payments and how they relate to the tax charge.
- Forward-looking measures for tax, such as an indication of the future direction of the company tax rate.

3.

Total Tax Contribution and the wider impact of tax

- Show how tax impacts wider business strategy and company results.
- Discussion of advocacy and lobbying activities on tax.
- The impact of tax on shareholder value.
- Communication of the economic contribution of all taxes paid.



Approach to tax

Tax strategy and risk management



Scrutiny of tax affairs has reached unprecedented levels. The range of people interested, the number of companies being examined and the breadth of issues under the spotlight has steadily increased.

Companies have responded to this changing stakeholder interest by volunteering additional information about their approach to tax. Some give a high level statement of principles whilst others have explained their attitude towards tax planning, low-tax jurisdictions, transfer pricing or relationships with revenue authorities.

Approach to tax was disclosed in some way by **49** companies, almost half of the FTSE100. This is more than a 50% increase from the **32** companies that explained their approach to tax in 2012. What each disclosure had in common was a statement of the principles the company adopts when it comes to tax.

This ranged from a short paragraph in the annual report to a stand-alone tax policy paper, published on the company's website. Some companies have compared their approach to tax to the CBI's statement of tax principles.

Who discloses their approach to tax?

Companies which seek to:

- address interest from stakeholders in the principles the company applies
- demonstrate how their tax strategy aligns with the wider business strategy

Tax governance

Tax strategy and risk management



Tax governance refers to the company's approach to risk management and the responsibility for oversight of tax affairs. We identified **37** companies providing some details of tax governance procedures.

Stakeholders are increasingly looking for confirmation of whether tax strategy and risks are being discussed outside the tax department. Many companies state specifically that the board or audit committee has discussed tax during the year.

More companies are setting out details of the risk management framework that governs their approach to tax. This can include the role that the internal audit function plays in providing comfort to the board and audit committee that the company's tax affairs are being managed appropriately.

As the level of publicly available information increases, companies also need to be ready to meet challenges from tax authorities and other regulators. For example, whether underlying processes, controls and systems are supporting the extraction and consolidation of accurate data.

Who discloses their approach to tax governance?

Companies which seek to:

- give comfort to investors that tax affairs are overseen at an appropriate level

Discussion of tax strategy and governance has traditionally been found in the business review section of the annual report. Increasingly, we are beginning to see more detailed tax policy documents, published together with other codes of conduct.

Cash tax reconciliation

Tax numbers and performance



Reconciliation of cash tax to the tax charge is a voluntary disclosure which can enhance understanding of factors driving the company's cash tax paid.

This reconciliation helps to explain why the corporation tax paid in the year is not the same as the charge in the profit and loss account. Cash tax is particularly meaningful when measuring the contribution of a company to the economy in any particular year.

Still relatively unusual, we found that **14** of the 100 companies gave a numerical or a descriptive explanation for the difference between these two measures of tax.

Who discloses their cash tax reconciliation?

Companies which seek to:

- explain how actual tax paid to revenue authorities relates to the financial results of the operations
- give greater visibility over tax paid

Total Tax Contribution



Companies pay far more in taxes than just corporation tax. Total Tax Contribution quantifies the total amount of taxes generated by a company and contributed to the public finances. It clearly distinguishes between taxes borne by companies and taxes collected on behalf of others.

We found that **24** companies provided some information about taxes other than corporation tax, often giving a breakdown. This has increased since 2012 when **19** companies made this form of disclosure.

Some companies use charts and graphs to illustrate the taxes they generate. There are several examples of Total Tax Contribution being combined with territory-by-territory reporting to provide a breakdown of the different taxes borne and collected by geographic region.

Total Tax Contribution and the wider impact of tax

Total Tax Contribution data is compiled on a cash paid basis. The cash tax reconciliation explored overleaf explains the difference between corporation tax paid and charged.

Almost a third of the **extractive companies** in the FTSE100 gave some Total Tax Contribution information, as did more than a third of the **financial services** groups. These sectors have faced deeper scrutiny over their tax affairs for longer than many of their peers in other industries. Many of these companies have been “pioneers” in publishing more transparent information.

Total Tax Contribution can be combined with economic, social and environmental impact measures to present a holistic picture of businesses’ contribution to the economy. We are increasingly seeing tax disclosure as part of corporate and social responsibility reporting.



Our survey of the 100 Group explores the Total Tax Contribution and wider economic impact of the UK's largest listed companies.

Who discloses their Total Tax Contribution?

Companies which seek to:

- highlight the breadth and amount of taxes generated by the business
- explain tax as part of an economic impact measurement disclosure

Geographic reporting



Geographic reporting is now on the agenda of the UK's biggest companies. Several mandatory reporting regimes are making transparent global disclosure a reality for some industries.

We found that **22** companies are currently providing some breakdown of their taxes around the world, either by region or by country. Some are combining this with Total Tax Contribution, breaking down the different taxes borne and collected globally.

It is worth noting that some companies operate their businesses almost entirely within the UK. As such, very little tax – corporation tax or other – is generated in other countries. A company may choose not to give a global breakdown of taxes because it is simply not meaningful.

Total Tax Contribution and the wider impact of tax

Almost two thirds of the FTSE100 **extractive companies** made some geographic reporting disclosures. This is unsurprising given that three of the mandatory reporting regimes are aimed at the oil and gas and mining sectors. The majority of these companies will have some experience of reporting under the Extractive Industry Transparency Initiative and will be preparing for the EU Accounting Directive and the Dodd-Frank Act, if it applies to them.

Similarly, the majority of the **banks** provide greater disclosure of the geographic make-up of their taxes. With the rapid implementation of the CRDIV transparency requirements for EU credit institutions, banks are preparing to extract and communicate detailed figures on a country-by-country basis.

Who discloses taxes on a geographic basis?

Companies which seek to:

- highlight their contribution to the public finances in different territories
- supplement any corporate and social responsibility reporting around specific territories



Our recent tax transparency and country-by-country reporting publication gives details of all the tax reporting initiatives developing in this area.

What are the UK's biggest listed companies reporting?

This double page shows the results of our May 2014 transparency review of the FTSE100, looking broadly at 2013 year ends. We looked for five specific disclosures that are included in our Tax Transparency Framework, reviewing annual reports, corporate responsibility reports and websites. The number of companies in the FTSE100 reporting each specific disclosure is shown.

1. UK domestic companies

Many of the UK's largest companies remain essentially British businesses with staff, operations and customers predominantly located onshore. Across a range of sectors, these companies have relatively simple group structures and fewer overseas tax entities.

Complex policy areas such as transfer pricing and low-tax jurisdictions are less relevant in the day-to-day operations of the tax function. As such, tax may be lower risk in comparison to multi-national peers and so strategy and governance disclosures need not be as detailed.

The statutory disclosures and commentary on effective tax rate are not significantly affected by differing overseas tax rates.

There is no substantive geographic split of taxes paid that can be disclosed. However, a Total Tax Contribution analysis and economic impact reporting can give a clear and quantifiable message about what that company contributes to the UK.

Tax strategy and risk management

J Sainsbury sets out the domestic nature of its business in terms of sales and taxes paid. It explains the scope and commercial rationale for its offshore entities.

Taxation

The Company complies with relevant tax laws, regulations and obligations regarding the filing of tax returns, payment and collection of tax. Sainsbury's does not undertake any tax planning schemes that seek to use so-called 'tax havens' for aggressive tax planning and for the purpose of tax avoidance. Sainsbury's aims to develop an open, honest relationship with the tax authorities and involve them at an early stage should any complex tax issues arise. The taxation policy is reviewed annually by the Board. Tax is a key item on the Audit Committee agenda and is discussed quarterly where large or complex tax items will feature, together with compliance and key risk management updates.

All of Sainsbury's stores are based in the UK, and all our sales are generated here. As such substantially all (more than 99 per cent) of our taxes are paid here. The Group also includes companies based in the following jurisdictions: Hong Kong and China – our offices in Hong Kong and China source many of our non-food products. Local taxes of £1 million were paid in the year (2012/13 £1 million), Isle of Man – our insurance company is based here for regulatory reasons, as are many other insurance companies. Ireland, Jersey, Guernsey, USA – these companies are all dormant and accordingly do not pay any tax. There are also other Group companies that were incorporated in Ireland, USA, Jersey and the Cayman Islands that are UK tax resident, meaning that all relevant taxes are payable to the UK Government.

1.

FINANCIAL RISK



The risk that the group suffers a loss as a result of unexpected tax liabilities.

- Tax authorities are placing greater emphasis on taxation controls in assessing tax risk and the associated level of scrutiny placed on companies.

MITIGATION

- The group has a board-approved tax strategy which is aligned with its mission and core values and which has been shared with HMRC. The strategy sets out the group's overall approach to tax, including its tax governance framework, how tax risk management is embedded within the group's overall corporate governance structure and how the group ensures it complies with the tax obligations in the territories in which it operates.
- Policies and procedures are in place which support the management of key tax risks, along with documented systems, processes and controls to support the UK taxes which the group pays and the preparation and submission of related tax returns. This includes policies and procedures which seek to ensure that the agents engaged by the home credit business maintain their self-employed status. Processes and controls supporting the calculation of UK taxes and preparation of related returns is subject to annual internal audit review.
- The group is committed to building open and straightforward relationships with tax authorities, including having a regular and constructive dialogue with HMRC. This regularly includes advance discussion of transactions and keeping HMRC informed of key business developments, particularly those that could potentially impact on self-employed status of agents.
- An experienced in-house team, supported by tax-aware personnel in the businesses, deals with all of the group's tax matters. Advice is sought from external advisors on material transactions and whenever the necessary expertise is not available in-house.

PROGRESS IN 2013

- Procedures for verifying compliance with self-employed agent policies have continued to be improved and embedded, and the group has continued to seek advance HMRC approval on a number of business developments potentially impacting on self-employed status.
- Worked positively and constructively with HMRC as part of HMRC's review of the group's tax governance structure.
- Continued the work which commenced in 2012 to ensure that Vanquis Bank's expansion into Poland complies with local tax obligations.
- Confirmed the unconditional adoption of HMRC's Code of Practice on Taxation for Banks, which sets out the principles and behaviours expected of banks with regard to tax.

2.

Provident Financial lists unexpected tax liabilities as a key risk and notes a greater emphasis by revenue authorities on controls as a way to assess tax risk. The strategy disclosure is not limited to corporation tax – it refers to the tax risks around the status of self-employed agents. As well as explaining its risk mitigation strategies, it describes progress made during the year.

Source:

1. J Sainsbury plc, Annual Report and Financial Statements 2014 – Page 75
2. Provident Financial Group, Annual Report & Financial Statements 2013 – Page 91
3. Pennon Group plc, Annual Report and Accounts 2014 – Page 28
4. Ladbrokes plc, Annual Report and Accounts 2013 – Pages 15 & 16

3.

Taxation objectives and policies

Our tax strategy, as approved by the Board, is to fulfil our statutory obligations by the application of relevant tax legislation in a reasonable way, engaging in tax planning only when it is aligned with the commercial and economic activity of the Company. This is in line with the principles published by the Confederation of British Industry (CBI) in 2013.

The Group made a net payment of £58.1 million of UK corporation tax in the year (2012/13 £18.5 million). The main elements of the payment were £36.1 million in relation to 2013/14 and £21.3 million in relation to 2012/13. South West Water paid £44.1 million (2012/13 £34.0 million) of UK corporation tax on profit before tax of £162.5 million (2012/13 £159.1 million).

Pennon states that its board-approved tax strategy is in line with the CBI's tax principles. It also provides a breakdown of cash corporation tax paid by year and the key division it relates to.

4.

2013 also saw a high level of industry engagement on the Gambling Act regulations which will see a 15% place of consumption tax introduced on all online sportsbook transactions undertaken by UK residents with a likely start date of December this year.

How the tax impacts the wider market is as yet unclear. A poorly enforced tax will create an uncompetitive environment for established UK operators while strict enforcement through IP blocking or action on payment processing would create opportunity for more established players. We will continue to make this case at the highest level.

In February the Government changed the way in which machine revenues are taxed, with a new Machine Games Duty replacing the previous system of VAT and Amusement Machine Licensing Duty (AMLD). This change resulted in additional tax of £12.9 million during the year.

Ladbrokes highlights the new Machine Games Duty regime and quantifies the additional tax cost in its strategic report. In explaining the proposed changes to the Gambling Act regulations, it gives some indication of the issues for the market, although they cannot yet be quantified.

Tax numbers and performance

Next confirms that its effective tax rate was in line with expectations and provides succinct explanation. It forecasts a ceiling for the effective tax rate over the next two years.

INTEREST AND TAXATION

The interest charge was £28m, £1m less than last year. For the coming year we expect net debt to again range between £500m and £750m. This will result in an interest charge of £30m due to the higher level of bond debt and low interest rates available on cash deposits.

Our tax rate reduced as expected to 20.4%, due to the reduction in headline UK corporation tax rates and agreement of prior year items with HMRC. We expect our effective rate will be no higher than 21% in each of the next two years.

1.

Reconciliation of tax charge

	Year Ended 31 December 2013	Year Ended 31 December 2012
	£' Million	£' Million
Profit before tax	461.2	251.8
Tax at 23.25% (2012: 24.5%)	107.2	61.7
Effects of:		
Overseas withholding tax in unit linked funds	—	6.1
Overseas rates of tax	(2.4)	(1.4)
Deferred tax in respect of unit linked funds	—	47.9
Shareholder deduction for policyholder tax	207.6	38.2
Policyholder tax rate differential	—	2.1
Group company capital losses	(27.9)	—
Share options	(2.7)	—
Disallowable expenses	1.4	—
Adjustment in respect of prior year	0.8	(2.6)
Change in tax rate	(12.0)	(8.2)
Other adjustments	(1.1)	0.9
Total tax charge for the year	270.9	144.7

The policyholder tax rate differential relates to the effect of the difference between the shareholder tax rate of 23.25% (2012: 24.5%) and the policyholder tax rate of 20%.

St James's Place provides an additional footnote to its tax reconciliation note to clarify a difference in tax rates which is unusual outside of its industry.

2.

7 Taxation

	12 months ended 30 June 2013			18 months ended 30 June 2012		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations (restated) £m	Discontinued operations (restated) £m	Total £m
Current income tax						
Current income tax – UK	(12.7)	1.8	(10.9)	(7.6)	1.8	(5.8)
Current income tax – overseas	(0.6)	–	(0.6)	(0.8)	–	(0.8)
Current income tax (charge) credit	(13.3)	1.8	(11.5)	(8.4)	1.8	(6.6)
Current income tax on exceptional items	3.1	0.4	3.5	(38.5)	(1.1)	(39.6)
Amounts over provided in previous period	1.3	–	1.3	–	–	–
Amounts (under) over provided in previous period on exceptional items	(0.3)	10.7	10.4	7.0	(0.1)	6.9
Total current income tax (charge) credit	(9.2)	12.9	3.7	(39.9)	0.6	(39.3)
Deferred tax						
Deferred tax – UK	(3.0)	–	(3.0)	(18.1)	–	(18.1)
Deferred tax – overseas	(0.2)	–	(0.2)	0.1	–	0.1
Restatement of deferred tax from 24.0% to 23.0%	–	–	–	(1.1)	–	(1.1)
Deferred tax on exceptional items	(0.1)	–	(0.1)	5.0	–	5.0
Amounts (under) over provided in previous period	(1.3)	–	(1.3)	0.2	–	0.2
Amounts (under) provided in previous period on exceptional items	–	(0.2)	(0.2)	–	–	–
Total deferred tax charge (note 21)	(4.6)	(0.2)	(4.8)	(13.9)	–	(13.9)
Tax (charge) credit in the income statement	(13.8)	12.7	(1.1)	(53.8)	0.6	(53.2)

7 Taxation continued

The tax on the Group's profit before taxation on continuing operations differs from the standard rate of UK corporation tax in the period of 23.75% (18 months ended 30 June 2012: 26.0%). The differences are explained below:

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 (restated) £m
Profit before taxation on continuing operations	42.7	222.3
Tax charge calculated at 23.75% on profit before taxation on continuing operations		
(18 months ended 30 June 2012: 26.0%)	(10.1)	(57.8)
Effects of:		
Expenses not deductible for tax purposes	(3.1)	(2.6)
Difference in overseas tax rates	–	0.3
Restatement of deferred tax from 24.0% to 23.0%	–	(1.1)
Adjustments relating to prior periods	(0.3)	7.2
Deferred tax not recognised in period	(0.3)	–
Utilisation of previously unrecognised tax losses	–	0.2
Tax charge in the income statement on continuing operations	(13.8)	(53.8)

Tax on exceptional items – continuing operations

The taxation impacts of continuing exceptional items are disclosed below:

	12 months ended 30 June 2013			18 months ended 30 June 2012		
	Current income tax £m	Deferred tax £m	Total £m	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	–	0.7	0.7	–	4.5	4.5
Impairment reversals	–	(0.8)	(0.8)	(0.1)	(0.1)	(0.2)
Net charge from provision for onerous leases	0.4	–	0.4	2.4	–	2.4
Acquisition and integration costs	0.5	–	0.5	–	–	–
Restructuring costs	–	–	–	1.2	0.6	1.8
Charge for indirect taxation	1.7	–	1.7	–	–	–
VAT refund net of gross profits tax and associated costs	–	–	–	(35.0)	–	(35.0)
Exceptional finance costs	0.6	–	0.6	–	–	–
Amounts under provided in respect of previous years	(0.4)	–	(0.4)	–	–	–
Tax credit (charge) on exceptional items – continuing operations	2.8	(0.1)	2.7	(31.5)	5.0	(26.5)

Tax on exceptional items – discontinued operations

The taxation impacts of discontinued exceptional items are disclosed below:

	12 months ended 30 June 2013			18 months ended 30 June 2012		
	Current income tax £m	Deferred tax £m	Total £m	Current income tax £m	Deferred tax £m	Total £m
Tax refunds arising on previously disposed subsidiary undertakings	6.6	(0.2)	6.4	–	–	–
Provision for indirect taxation	1.6	–	1.6	–	–	–
Disposal of Blue Square Bet and related costs	1.1	–	1.1	–	–	–
Release of provisions relating to overseas tax audits	2.1	–	2.1	–	–	–
VAT refunds	–	–	–	(1.2)	–	(1.2)
Finance income	(0.3)	–	(0.3)	–	–	–
Tax credit (charge) on exceptional items – discontinued operations	11.1	(0.2)	10.9	(1.2)	–	(1.2)

Tax effect of items within other comprehensive income

	12 months ended 30 June 2013 £m	18 months ended 30 June 2012 £m
Current income tax credit on exchange movements offset in reserves	0.2	0.6
Deferred tax credit on actuarial movement on retirement benefits	–	0.1
Total tax credit on items within other comprehensive income	0.2	0.7

The credit in respect of employee share schemes included within the Statement of Changes in Equity includes a deferred tax credit of £0.3m (18 months ended 30 June 2012: £0.2m) and a current tax credit of £0.2m (18 months ended 30 June 2012: £0.7m).

Factors affecting future taxation

UK corporation tax is calculated at 23.75% (18 months ended 30 June 2012: 26%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 20 March 2013, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014 and a further 1% reduction to 20% from 1 April 2015. These changes were substantively enacted in July 2013.

The rate reductions will reduce the amount of cash tax payments to be made by the Group. Overall the reduction in the corporate tax rate from 23% to 20% is expected to reduce the Group's net UK deferred tax liability by approximately £3.0m.

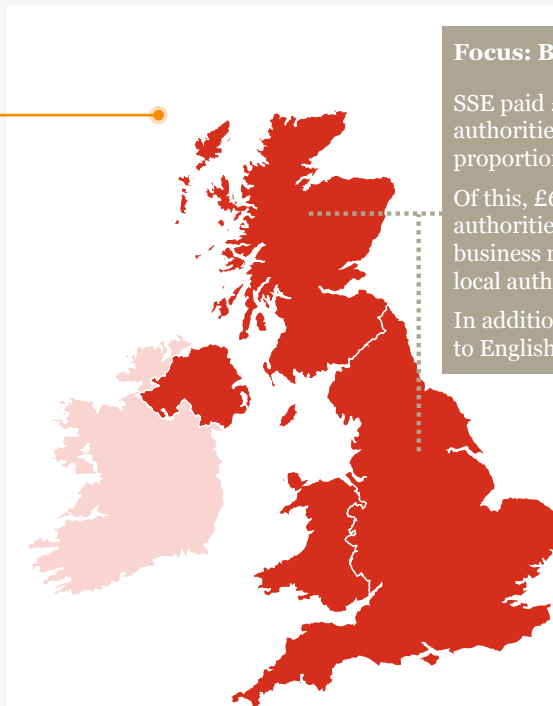
Source:

1. Next plc, Annual Report and Accounts January 2014 – Page 13
2. St. James's Place Plc, Annual Report & Accounts 2013 – Page 122
3. The Rank Group Plc, Annual Report and Financial Statements 2013 – Pages 101-103

The Rank Group gives a clear overview of its corporate tax performance through the statutory tax disclosure. The notes break down the tax performance between continuing and discontinued operations as well as between current tax and deferred tax. The note ends by explaining factors affecting future taxation, primarily the change in the UK statutory rate.

Total Tax Contribution and the wider impact of tax

SSE highlights the impact of its business rates contribution to Scottish and English local authorities.



1. Focus: Business rates in FY13 (page 34)

SSE paid £127m in business rates to UK local authorities, which made up the largest proportion of SSE's tax payments.

Of this, £66m was paid Scottish local authorities. This is equivalent to 3% of all business rates payments received by Scottish local authorities in that year.

In addition, SSE paid £58m of business rates to English local authorities.

Lloyds Banking Group explains the UK focus of its business and places the amount of overseas tax it pays into context. It focuses on how tax principles apply to the commercial strategy of the group.

2. Our contribution to tax revenues in 2013

We're one of the largest contributors to UK tax revenues. In the Pricewaterhouse Coopers LLP 2013 Total Tax Contribution Survey for the Hundred Group, we were rated as the third highest UK taxpayer, having paid taxes of £1.5 billion in 2012. In 2013, we paid a total of £1.7 billion in UK tax.

The Group is now a UK-focused retail and commercial bank. Tax paid outside the UK totalled £7 million in 2013. We have exited, or announced our intention to exit,

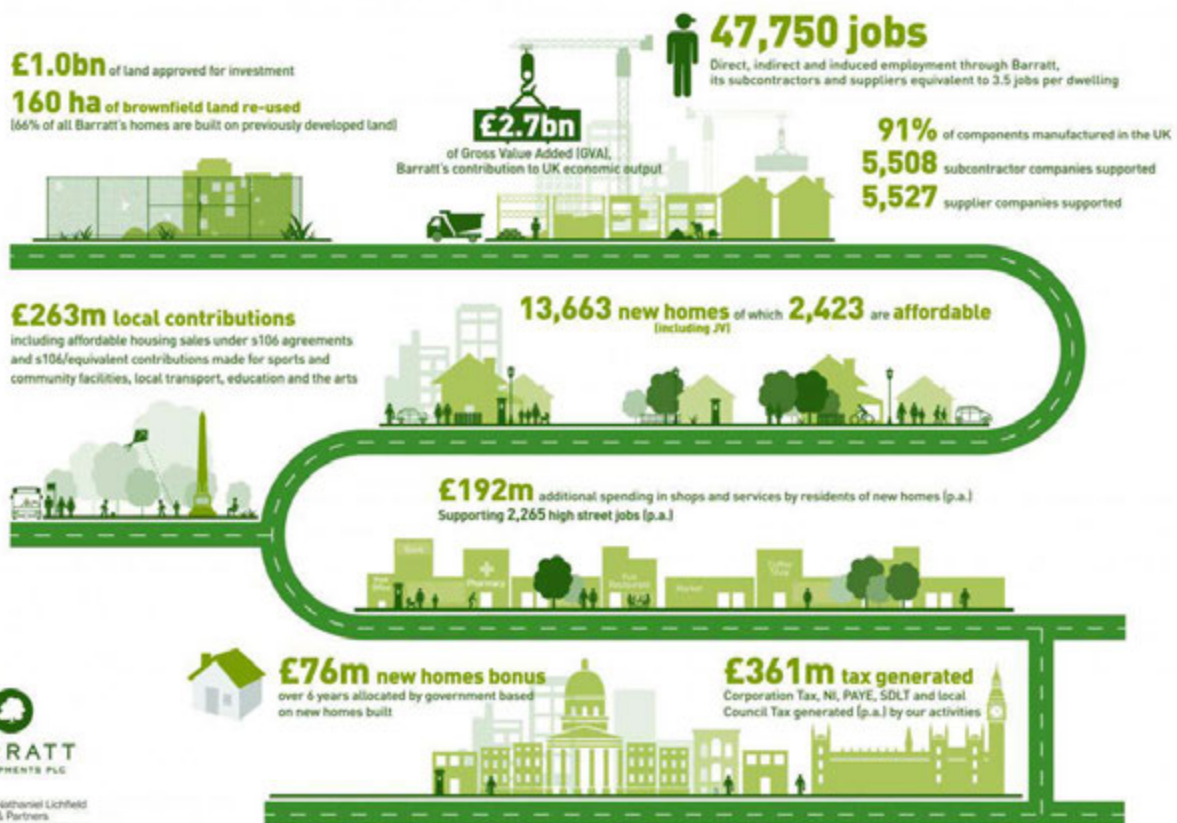
21 countries and now operate in fewer than ten. As part of these exits we are closing down entities incorporated in territories that may be considered tax havens. For those that remain, for example in Jersey, there are non-tax reasons for having entities in these locations such as having customers and branches. UK tax rules ensure that as a UK-based business we pay full UK tax on profits arising in low tax jurisdictions unless there is a specific exemption.

Source:

1. SSE's Economic Contribution to the UK – Page 31
2. Lloyds Banking Group plc, Responsible Business Report 2013 – Page 67
3. Barratt Developments plc, Economic Footprint 2013 – Website

3.

Barratt Developments' Economic Footprint in 2013



Barratt Developments quantifies the amount of tax generated through its operations during the year. Together with employment, housing, social facilities and other economic indicators, this infographic provides a powerful picture of the company's contribution to the UK.

2. Multi-National Companies (MNCs)

The majority of FTSE100 companies have operations overseas, many still with a strong UK presence. Some have addressed increased interest from Civil Society Organisations (CSOs) and the media with greater transparency around tax affairs.

Varying from paragraphs in the front-end of the annual report to standalone tax reports, MNCs are providing more information about their tax principles and how they identify and respond to tax risks.

Tax performance numbers are being enhanced with narrative around the reconciling items or some forecasting of effective and cash tax rates. Some use a weighted average statutory rate to reflect the geographic mix of tax bases.

Even companies which are outside the mandatory reporting regimes offer insight into the geographic makeup of the taxes they pay – often accompanying a Total Tax Contribution disclosure. Some give commentary and opinion around voluntary transparency as well as global tax policy initiatives. Those with operations in the developing world can link tax with economic impacts such as jobs and capital investment.

Tax strategy and risk management

Tui Travel sets out its tax governance responsibilities, reporting lines and review schedule in their annual report. It explains the commercial reasons for locating subsidiaries in low-tax jurisdictions.

1. Tax governance

The Group's tax strategy is determined by the Board of Directors as a sub-set of the Group's overall business strategy and is approved annually by the Audit Committee. Operational responsibility for the execution of the Group's tax strategy rests with the Chief Financial Officer and the Group Tax Director who report the Group's tax position to the Audit Committee on a regular basis.

The Group Risk Management Committee considers tax risks that may arise as a result of our business operations, on a quarterly basis, through the Group's risk management framework. The consideration of such tax risks includes actions to mitigate the risks or to prevent their occurrence or recurrence.

The location of our businesses

TUI Travel operates across 31 key source markets. These source markets are 'home' to our tour operators and airlines. It is from these source markets that our 30 million customers wish to travel. Our inbound services companies and associates operate in key leisure travel destinations.

As a leisure travel group, we take people on holiday to some countries that have low or zero tax rates. This means that we may have subsidiary companies in such locations, for example, we have a legal entity in the British Virgin Islands which operates a yacht base for our Moorings business and is one of the island's largest employers. We also have legal entities in other Caribbean islands for the same purpose and for operating hotels that our customers visit.

2. Tax risks

In an increasingly complex international tax environment, some uncertainties are inevitable in estimating our tax liabilities.

We seek to plan and manage our tax affairs efficiently, in the jurisdictions in which we operate. Tax planning will complement and be based around the needs of our operating businesses. Using internal tax experts and external tax advisors where required, we exercise our judgement in assessing the required level of provision for tax risk and allocate resources appropriately to protect our position.

Medium

Rexam, a business to business supplier, notes the risk in estimating tax liabilities in its strategic report. It provides a short paragraph outlining how it approaches tax planning and provisioning matters.

Source:

1. TUI Travel plc, Annual Report & Accounts for the year ended 30 September 2013 – Page 67
2. Rexam plc, Annual report 2013 – Page 32
3. Vodafone Group plc, Sustainability Report 2013/14 – Page 87

3.

Our vision and approach

Transformational solutions

Operating responsibly

Tax and our total economic contribution to public finances

- Taxation is local. Taxes generally fall due wherever profits are generated, and the tax liabilities that arise as a result are decided under the rules of the country that is host to the business in question. So, for example, a company operating in South Africa pays taxes to the South African government under tax rules determined by that country's government and a company operating in Italy pays taxes under Italian rules to the Italian government. Vodafone pays all taxes due under the law in all our countries of operation; in 2012/13, these amounted to more than £4 billion. For further details, see 'Multinationals, governments and tax'.
- Taxation is not the only route used by governments to raise revenue from businesses. Governments also use other mechanisms to derive revenues from business activities, including a wide range of licensing regimes, revenue or production-sharing agreements and, for communications companies, radio spectrum fees and auction proceeds. These additional sources of government revenue are often substantial – sometimes exceeding the monies raised through taxation – and represent a critically important contribution to public finances. It is therefore essential to take those government revenue-raising mechanisms into account when assessing the extent to which a company is playing its part in funding wider civil society.
- Large companies are an important source of investment and employment. Governments seeking to stimulate investment often develop corporate taxation regimes which are intended to attract the capital necessary to deliver key policy objectives. Those measures also have the effect of stimulating job creation, in turn leading to higher government revenues from employment taxes and increased levels of consumer spending on the part of an expanded workforce. This is particularly relevant when considering multi-billion pound, multi-year programmes to build critical national infrastructure, such as the UK government's target for universal broadband coverage by 2015. Political leaders make an active choice to incentivise corporate investment by offering capital allowances – to be offset against future corporate tax liabilities – in order to achieve a wider national benefit that would otherwise have to be funded directly by the state, invariably through public borrowing. These allowances are not 'loopholes': they reflect the public policy choices made by governments and also – wholly intentionally – have the effect of reducing tax liabilities for companies whose investment decisions support those policy choices.

In focus: Multinationals, governments and tax

Within the European Union and in many other territories, companies have a legal right to set up businesses in different countries and to trade freely across borders. All governments therefore seek to balance the need for tax revenues with the need to encourage companies to do business in and from their jurisdictions, through the development of competitive tax regimes.

Multinational companies choose from a range of locations when setting up certain centralised global operations, such as procurement or IT support. Their decisions are influenced by a wide range of factors beyond the local tax environment, including:

- the stability and predictability of the political, regulatory and social environment, including respect for the rule of law and compliance with international human rights conventions
- the availability of relevant skills within the local labour force
- labour costs, and the cost of operations
- the effectiveness of transport links
- the quality and reliability of communication networks
- the range and value of the real estate market.

In an international context, various treaties and inter-governmental agreements ensure multinational companies are not subject to 'double taxation' by paying tax twice over in two different countries in relation to the same economic activity. Governments also maintain measures that restrict companies from entering into artificial arrangements to move profits from one country to another lower-tax destination. These include requiring multinational companies to apply 'transfer pricing' rules to inter-company activities to ensure that profits are allocated to countries where the relevant economic activity takes place. Vodafone does not enter into artificial arrangements – for example, by artificially diverting profits to minimise tax payments to the UK Exchequer – and will only adopt business structures that reflect genuine and substantive commercial and operational activities.

Vodafone uses its Sustainability Report to inform and educate those interested in the wider discussion around tax. As well as publishing detailed and transparent insight into the way it manages tax and the amounts it pays globally, Vodafone seeks to explain the tax landscape in which MNCs operate.

Tax strategy and risk management

1.

Our approach

Health for all

Our behaviour

Our people

Our planet

Governance and engagement

Our approach to tax

Businesses are increasingly being challenged to ensure they contribute through the tax system to the societies in which they operate, and to provide information on their tax management principles and policies.

We understand our responsibility to pay an appropriate amount of tax. At the same time we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate. We fully support efforts to ensure companies are appropriately transparent about how their tax affairs are managed.

Our contribution: we have a substantial business and employment presence in many countries around the globe and we pay a significant amount of tax, including corporation and other business taxes, as well as tax associated with our employees. For example, since the formation of GSK we have paid more than £24 billion in corporation tax globally.

In 2013, our global corporation tax charge on core profits was approximately £1.7 billion equating to a Group tax rate on profits of 23%. This means that the corporate tax due on our core profits around the world amounted to nearly one quarter of the total core profit we made during the year. Further details about our corporate tax charges for the year are set out in our Annual Report.

We pay a considerable amount of tax in the UK given that only 5% of Group sales are generated in the country. This is because a significant proportion of our global corporate functions and R&D and manufacturing

activities are located in the UK, where we are currently increasing our investment. In addition to corporation tax on the profits generated, the employment and value that these activities create are subject to a number of other UK taxes, including indirect tax and employment taxes.

We've continued our programme of centralising Pharmaceutical intellectual property and product inventory ownership into the UK, which was started in 2012. The change to our IP ownership structure is made possible by the introduction of new 'patent box' tax rules by the UK Government which came into force in 2013, making the UK a more attractive place to locate IP and investment. Our decision to centralise IP and fund more R&D from the UK means that over the medium term we expect to pay more corporation tax in the UK, as more of the value we generate from sales of our pipeline products will have been created in the UK and be subject to UK tax.

Relationship with tax authorities

GSK seeks to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy. In 2012, we entered into a bilateral Advance Pricing Agreement with the IRS and HMRC¹⁴ and in 2013 we have started bilateral discussions with Tax Authorities in a number of other countries with the intention of agreeing further Advance Pricing Agreements. These agreements provide long-term certainty for both tax authorities and for GSK over the tax treatment of GSK's business.

Transparency with Tax Authorities

GSK supports calls for multinationals to provide greater transparency to Tax Authorities. During 2013 we participated in consultations on the proposed Country by Country Reporting Disclosure to Tax Authorities, which was announced in the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting Action Plan in July.

International tax framework

As a multinational business we believe we should contribute to the debate regarding global tax policy, and in particular the current debate on whether the existing international tax law framework, which is set by the OECD, is fit for purposes in today's environment. GSK supports the work that the OECD has commissioned, supported by the G8, in its Base Erosion and Profit Shifting paper, and is committed to providing relevant business input.

Transfer pricing¹⁵

In line with current OECD guidelines we base our transfer pricing policy on the arm's length principle and support our transfer prices with economic analysis and reports. The worldwide nature of our operations means that our R&D and manufacturing operations are centred in a number of key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end-markets, can be complex.

Tax Havens

We do not engage in artificial tax arrangements – those without business or commercial substance – and our policy is to use locations only where we have substantial business presence. We have a substantial local business presence in the vast majority of the territories where we operate whether through business offices, sales force, manufacturing, R&D facilities or local distribution of our products, all of which contribute to economic development and create shared value for the region and our business.

Internal processes

We have robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations. Our Audit and Risk Committee, and the Board, are responsible for approving our tax strategy and management.

¹⁴ This is an agreement between a tax payer and a tax authority on an appropriate transfer pricing methodology for certain transactions over a fixed period of time.

¹⁵ An underlying principle of transfer pricing is that even though two companies are within the same group, they have to act as if they were independent enterprises. This means that companies must be appropriately rewarded for the assets they employ, and the risks they assume, when entering into intra-group transactions, to ensure profits generated are taxed in the countries where the value arises. An appropriate reward is considered to be the reward which would be obtained from a third party. This is known as the 'arm's length principle'.

GSK includes a one-page summary of its approach to tax within its corporate responsibility report. It explains tax in the context of its business structure, particularly with regard to UK sales and operations. Specific mention is made of the patent box regime, UK-US Advance Pricing Agreement and the OECD's BEPS consultation on country-by-country reporting disclosure.

Source:

1. GSK, Corporate Responsibility Report 2013 – Page 49
2. Associated British Foods plc, Tax Principles
3. Unilever plc, Our Approach to Tax – website

2.

**Associated
British Foods
plc****Tax Principles:**

Our businesses pay a significant amount of tax to local and national governments including corporate taxes on profits, social taxes on employment, taxes on property, customs and excise duty on purchases, withholding taxes and environmental taxes. Our businesses also collect sales taxes charged to our customers and taxes paid by our employees. These are all paid in full and on time in the territories in which we operate.

The principles governing the management of our tax affairs are fully aligned with the group's wider commercial, reputational and business practices and are consistent with our commitment to corporate responsibility. They consist of the following:

- complying with applicable tax laws, rules, regulations and disclosure requirements;
- paying the right amount of tax based on the tax laws, rules and regulations of the territories in which we operate;
- interpreting tax law using relevant guidance and discussing such interpretation with tax authorities where appropriate;
- managing our tax affairs so as to enhance shareholder value, whilst ensuring the wider reputation of the group is not compromised;
- only undertaking tax planning which is aligned with a genuine commercial rationale;
- seeking to have constructive and transparent working relationships with tax authorities based on mutual respect and trust; and
- proactively managing and monitoring compliance with the above tax principles.

The board-adopted tax policy, and compliance with it, is regularly reviewed. The underlying tax principles are actively monitored by the tax department, internal audit, our external advisors and the board. We are completely transparent in all of our dealings and disclosures with all tax authorities.

Associated British Foods uses a single webpage to set out its high level tax principles. It refers to the different groups which monitor compliance with the policy including the board and the internal audit function.

3.

GLOBAL TAX PRINCIPLES

In 2013, we published our Global Tax Principles. We believe these Principles illustrate good corporate practice in the area of tax management and tax transparency, balancing the interests of our various stakeholders. These include consumers, investors, and the governments and communities in the countries in which we operate.

OUR BUSINESS MODEL

As a consumer goods business, there is considerable value in our brands. Managing these brands effectively requires a global strategy. Centralising parts of our business enables us to offer consumers innovative products quickly. By bringing together activities in one location, we create efficiencies and economies of scale, which create value for both consumers and shareholders. As a result, there are many transactions between Unilever Group companies, and the transfer pricing for these transactions needs to reflect an arm's-length price. Our pricing is driven by the activities undertaken and the value created in each part of our business.

OUR GLOBAL TAX PRINCIPLES

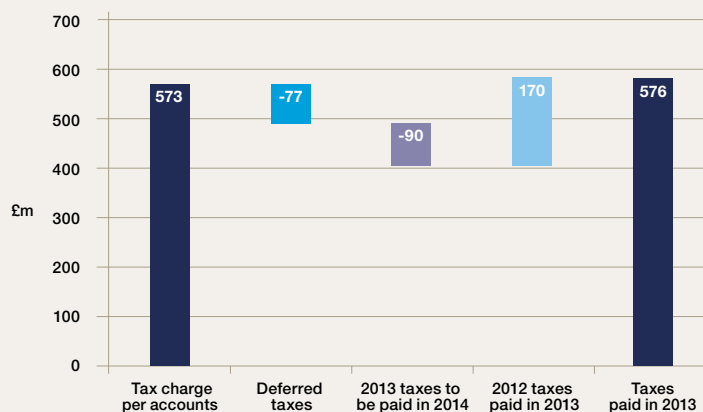
- | |
|--------------------------------------|
| + Compliance |
| + Transparency |
| + Transfer pricing |
| + Structure |
| + Tax havens |
| + Relationships with governments |
| + Relationships with tax authorities |
| + Accountability and governance |

Unilever has a website which is dedicated to its approach to tax. It discloses a comprehensive set of tax principles, which take into account different stakeholder interests. Transfer pricing is explained using clear language.

Tax numbers and performance

Centrica uses a “waterfall chart” to illustrate and explain the differences between its tax charge per the accounts and the cash tax it paid during the year. In this instance, the graph and the notes to the accounts enhance transparency by highlighting the items which can cause reconciling differences.

Breakdown of UK adjusted tax charge



1.

9. TAXATION

Differences between current tax charged and taxes paid arose principally due to the following factors:

- corporation tax payments are generally based on estimated profits, partly during the year and partly in the following year and cash tax balancing on agreement with tax authorities will also occur in future periods. Fluctuations in profits from year to year may therefore give rise to divergence between the charge for the current year and taxes paid; and
- petroleum revenue tax payments are based on income realised in the preceding period, with subsequent adjustments to reflect actual profits. Variations in production from period to period may therefore lead to temporary differences between the tax charged and the tax paid.

Tax reconciliation:	2013 %	2012 %
Weighted average tax rate	25	20
Prior year amounts	(2)	(2)
Non-deductible amortisation and exceptional items	10	56
Tax rate change	3	(2)
Other non-deductible and non-taxable items	2	(2)
Tax rate on profit before tax	38	70

The increase in the weighted average tax rate is due to the Group's international operations and growth in the USA segment in the period.

2.

Wolseley uses an internationally weighted average tax rate in its tax reconciliation note rather than the UK statutory rate. The note explains why the weighted average rate changes depending on the status of the business each year.

Source:

1. Centrica plc, Annual Report and Accounts 2013 – Pages 38 & 109
2. Wolseley plc, Annual Report and Accounts 2013 – Page 118
3. HSBC Holdings plc, Annual Report and Accounts 2013 – Page 469
4. Tate & Lyle plc, Annual Report 2014 – Page 26

3.

Movement of deferred tax assets and liabilities before offsetting balances within countries

	Retirement benefits US\$m	Loan impairment provisions US\$m	Unused tax losses and tax credits US\$m	Accelerated capital allowances and assets leased to customers US\$m	Available-for-sale investments US\$m	Cash flow hedges US\$m	Share-based payments US\$m	Derivatives, FVOD and other investments US\$m	Insurance technical provisions US\$m	Expense provisions US\$m	Other US\$m	Total US\$m
2013												
Assets	469	3,912	617	473	–	285	305	–	1,530	1,457	(22)	9,026
Liabilities	–	–	–	(226)	(1,203)	(44)	–	(105)	(162)	–	(10)	(2,565)
At 1 January	469	3,912	617	247	(1,203)	241	305	(105)	1,368	(815)	(32)	6,461
Acquisitions and disposals	–	–	(9)	–	(3)	1	–	–	–	–	(26)	(37)
Income statement	(419)	(985)	399	123	(53)	(91)	(49)	42	(165)	(72)	399	(824)
Other comprehensive income	169	–	–	–	1,026	38	–	–	(12)	–	–	1,221
Equity	–	–	–	–	–	–	(2)	–	–	–	–	(2)
Foreign exchange and other adjustments	55	(90)	(29)	35	(65)	(2)	(1)	4	(21)	(106)	(100)	(273)
At 31 December	274	2,837	978	405	(298)	187	253	(59)	1,170	1,398	241	6,546
Assets	274	2,837	978	549	–	211	253	–	1,383	–	1,398	8,344
Liabilities	–	–	–	(144)	(298)	(24)	–	(59)	(213)	–	(220)	(1,798)
2012												
Assets	742	4,448	1,328	131	–	487	286	–	302	1,389	(17)	9,131
Liabilities	(107)	–	–	(595)	(557)	(137)	–	(737)	(329)	(627)	234	(2,923)
At 1 January	635	4,448	1,328	(464)	(557)	350	286	(737)	(27)	(592)	1,321	6,208
Acquisitions and disposals	–	–	–	–	–	–	–	–	(2)	(1)	(4)	3
Income statement	(313)	(590)	(692)	737	(270)	(9)	(52)	616	1,337	(214)	102	(495)
Other comprehensive income	174	–	(33)	–	(395)	(90)	–	–	–	–	–	(344)
Equity	–	–	–	–	–	–	45	–	–	–	–	45
Foreign exchange and other adjustments	(27)	54	14	(26)	19	(10)	26	16	60	(8)	38	54
At 31 December	469	3,912	617	247	(1,203)	241	305	(105)	1,368	(815)	(32)	6,461
Assets	469	3,912	617	473	–	285	305	–	1,530	1,457	(22)	9,026
Liabilities	–	–	–	(226)	(1,203)	(44)	–	(105)	(162)	–	(10)	(2,565)

1 Fair value of own debt.

HSBC uses a table to break out the movement in the recognised deferred tax balance by both category and accounting treatment. The accompanying narrative explores the balances by territory and considers recoverability of assets.

4.

Our tax rate is sensitive to the geographic mix of profits and reflects a combination of higher rates in certain jurisdictions such as the US, nil effective rates in Singapore (due to pioneer status which we were granted in 2008 to reflect our investment in innovative technology) and the UK, and rates that lie somewhere in between, for example, in certain East European countries.

Our UK earnings are now relatively small following the sale of our sugars and molasses businesses. Less than 1% of total Group sales (2014 – £22 million) are derived from our UK operations which are offset by our corporate costs, primarily the interest we pay on our borrowings. As a result, we pay no corporation tax in the UK. We do, however, pay and collect other taxes in the UK, including payroll taxes, VAT and business rates. Our total tax contribution to the UK Exchequer was in excess of £21 million during the year ended 31 March 2014.

The effective tax rate on adjusted profit of 18.5% (2013 – 18.0%) includes tax credits in relation to prior year adjustments in the US. As a result of these tax benefits in financial year 2014, and our expectation of further changes in the geographic mix of profits, we anticipate the effective tax rate will be higher in financial year 2015 at a little over 20%.

Tate & Lyle explains the impact of its geographic profits mix on effective tax rates as well as items which can offset the tax charge. It offers a forecast effective tax rate for the year ahead, based on its changing business model.

Tax numbers and performance

Alent is a global chemicals and materials business with significant markets in America and Asia. It provides a clear tax reconciliation note and enhances the figures with commentary in the financial review.

11. INCOME TAX (CONTINUED)

11.3 RECONCILIATION OF INCOME TAX COSTS TO PROFIT BEFORE TAX

	2013 £m	2012 £m
Profit before tax	77.7	73.2
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	18.1	17.9
Overseas tax rate differences	4.4	2.9
Withholding taxes	2.7	5.6
Deferred tax on goodwill	3.2	4.5
Recognition of US deferred tax asset	(6.1)	-
Expenses not deductible for tax purposes (principally demerger costs in 2012)	0.2	2.6
Utilisation of unrecognised deferred tax asset	(6.8)	(6.8)
Adjustments in respect of prior years	0.4	1.5
Total income tax costs	16.1	28.2

TAX CHARGE

The adjusted tax charge on ordinary activities was £20.9m (2012: £20.8m), on an adjusted profit before tax of £88.0m (2012: £89.0m). The effective tax rate (ETR) (before share of post-tax profit of joint ventures) was 24.0% (2012: 23.4%). The 2013 ETR is slightly higher than the prior year due primarily to higher withholding tax on the repatriation of dividends from overseas territories.

The tax credit on exceptional items was £4.8m (2012: charge £4.9m). Included within the 2013 tax credit is the recognition of a deferred tax asset of £6.1m (2012: \$nil) in respect of a portion of the accumulated US tax losses. Prior to 2013 the accumulated tax losses in the US were

not recognised as a deferred tax asset due to uncertainty in the future profitability from our US operations. As at 31 December 2013 there were approximately US\$240m of gross US tax losses available to Alent. Further details are provided in note 11 of the Annual Report and Accounts.

As a result of an anticipated change in the geographic split of profit before tax and the continued repatriation of dividends from overseas territories, we expect the ETR for the full year 2014 to be between 25% and 26%. This assumes no change in the ETR from utilisation of our deferred tax asset associated with our US tax losses.

InterContinental Hotels Group discloses its tax reconciliation for a three year period both before and after exceptional items. The accompanying footnotes explain the drivers for the effective tax rate. There is also a reference within the tax note to the location of information regarding tax governance in the Strategic Report.

7. Tax continued

	2013 %	2012 (restated) ¹ %	2011 ¹ (restated) ¹ %	2013 %	2012 (restated) ¹ %	2011 (restated) ¹ %
Reconciliation of tax charge, including gain on disposal of assets						
UK corporation tax at standard rate	23.3	24.5	26.5	23.3	24.5	26.5
Non-deductible expenditure and non-taxable income	16.6	2.0	1.9	1.9	1.0	2.7
Non-recoverable withholding taxes	1.2	2.0	4.5	1.2	2.0	5.1
Net effect of different rates of tax in overseas businesses	11.6	7.7	4.5	11.9	7.8	4.9
Effect of changes in tax rates	(0.1)	(0.3)	(0.5)	(0.1)	(0.1)	(0.4)
Benefit of tax reliefs on which no deferred tax previously recognised	(15.0)	(5.6)	(2.9)	(1.1)	(5.6)	(3.3)
Effect of adjustments to estimated recoverable deferred tax assets	(6.4)	(19.4)	(2.2)	(4.9)	(0.2)	(0.3)
Adjustment to tax charge in respect of prior periods	(2.2)	(9.8)	(18.4)	(2.1)	(2.5)	(12.4)
Deferred tax provision on unremitted earnings	10.5	-	-	-	-	-
Other	(1.8)	0.4	0.8	(0.6)	0.5	1.2
	37.7	1.5	14.2	29.5	27.4	24.0

Tax paid

Total net tax paid during the year of \$97m (2012 \$122m, 2011 \$90m) comprises \$92m (2012 \$119m, 2011 \$89m) paid in respect of operating activities and \$5m (2012 \$3m, 2011 \$1m) paid in respect of investing activities.

Tax paid represents an effective rate of 16% (2012¹ 22%, 2011¹ 16%) on total profits and is lower than the effective income statement tax rate of 29% (2012 27%, 2011 24%) primarily due to the impact of deferred taxes (including the realisation of assets such as tax losses), the receipt of refunds in respect of prior years and provisions for tax for which no payment of tax has currently been made.

Corporation tax liabilities did not arise in 2013 in the UK and are not expected to arise for a number of years thereafter due to expenses and associated tax losses attributable principally to employment matters, in particular additional shortfall contributions made to the UK pension plan in the years 2007 to 2013.

Tax risks, policies and governance

Information concerning the Group's tax governance can be found in the Taxation section of the Strategic Report on page 51.

¹ Restated for the adoption of IAS 19R 'Employee Benefits' (see page 111).

² Calculated in relation to total profits including exceptional items.

³ See note on 'Comparatives for 2011' on page 111.

⁴ Calculated in relation to profits excluding exceptional items.

Source:

1. Alent plc, Annual Report & Accounts 2013 – Page 108
2. InterContinental Hotels Group plc, Annual Report and Form 20-F 2013 – Page 126
3. Melrose Industries plc, Annual Report for the year ended 31 December 2013 – Page 42
4. SABMiller plc, Annual Report 2014 – Page 35

3.

Tax

The headline Income Statement tax rate was 27% (2012: 27%). The headline tax rate was expected to increase in 2013, where a full year of 2013 Elster results are included, but the disposal of FKI businesses with tax rates higher than the Group average offset this expected increase.

The reason that the headline tax rate for the Group is lower than the weighted blend of the statutory tax rates around the world is the recognition of deferred tax assets that were not previously thought to be recoverable. There is also a small benefit from the release of provisions previously held against potential overseas tax audits which have been successfully cleared for less cost than expected.

The tax rate after exceptional items and intangible asset amortisation is 29% (2012: 210%). The main reason for the higher rate after exceptional items than the headline rate is the £8.1 million exceptional tax charge on Group reorganisations against which there is no income.

The cash tax rate on headline continuing operations of 21% (2012: 24%) is again below the headline Income Statement rate due to the benefit arising from the utilisation of pre-existing Melrose Group tax losses and other deferred tax assets. The rate includes £9 million paid during the year in settlement of tax audits of the Elster businesses relating to tax periods ended prior to our ownership of Elster.

The deferred tax liability of £287.4 million (2012: £347.2 million) in respect of intangible assets is not expected to represent a future cash tax payment and will unwind as the brand names and customer relationships are amortised.

The total amount of tax losses in the Group has decreased during the year due to their utilisation against taxable profits and also as a result of some forfeiture on Group reorganisations. The total gross tax losses within the Group are shown below:

Tax losses	Recognised £m	Unrecognised £m	Total £m
UK	22.5	124.8	147.3
North America	0.3	3.1	3.4
Rest of World	19.2	47.2	66.4
Total 2013	42.0	175.1	217.1
Total 2012	35.5	215.1	250.6

Melrose Group, which buys and improves manufacturing businesses, includes a tax section in its FD's review. The paragraph highlights key indicators and explains the accounting or commercial reasons for the results.

4.

Tax

The effective rate of tax for the year (before amortisation of intangible assets other than computer software and exceptional items) was 26.0% compared with a rate of 27.0% in the prior year. This change in the rate resulted from a combination of factors including:

- beneficial foreign exchange deductions on refinancing;
- the resolution of various uncertain tax positions; and
- a positive geographic mix of profits across the group.

In the medium term we continue with our expectation that the effective tax rate will be between 27% and 29%. This is a level which we believe is sustainable based upon the current structure of the group.

The effective rate of tax is calculated as the ratio of adjusted tax expense to adjusted profit before tax as shown below.

	2014 US\$m	2013 US\$m (restated)	% change
Taxation expense	1,173	1,192	(2)
Tax on amortisation	123	135	(9)
Tax on exceptional items	27	20	33
Share of associates' and joint ventures' taxation	162	164	(1)
Adjusted tax expense	1,485	1,511	(2)
Profit before tax	4,823	4,679	3
Exceptional items	202	205	(1)
Adjustments to finance costs	-	(12)	
Amortisation (excluding computer software)	436	483	(10)
Share of associates' and joint ventures' tax and non-controlling interests	251	242	4
Adjusted profit before tax	5,712	5,597	2
Effective tax rate	26.0%	27.0%	(4)

The statutory corporate tax charge for the year was US\$1,173 million, a small decrease compared with US\$1,192 million (restated) in the prior year.

Corporate income taxes paid can be distorted relative to the annual tax charge as a result of the payment of a tax liability falling outside the financial year, and because of deferred tax accounting treatment. Uncertainty of interpretation and application of tax law in some jurisdictions also contributes to differences between the amounts paid and those charged to the income statement. The amount of tax paid in the year increased to US\$1,596 million from US\$683 million in the prior year. The increase was largely as a result of the anticipated tax prepayment in Australia. Approximately US\$440 million was received in 2012 from the Australian Tax Office as a result of tax audit settlements and tax losses. Under specific local legislation we were required to repay this in April 2013, as a prepayment of tax which will be recovered in future years against tax liabilities that arise in Australia.

SABMiller provides a reconciliation to both the adjusted tax expense and adjusted profit before tax, which is the basis of their effective tax rate calculation. The table is supported by detailed narrative of cash tax payments and movement in the rates.

Total Tax Contribution and the wider impact of tax

1.

TAX MATTERS

Tax and investors

We are a leading participant in the development of companies' tax policy, tax transparency and international tax reform. We continue to discuss with various NGOs their concerns about tax responsibility, our own tax position and our role as a significant investor in other companies. We hosted a seminar with other investors to discuss current tax practices and future expectations. We continue to talk to companies about their tax policy and management as part of our overall environmental, social and governance engagement (ESG).



Improving tax disclosure and influence

As part of our on-going commitment to tax transparency, 2013 saw continued engagement with a number of NGOs on how we improve our transparency and disclosure in this area. This encompassed discussions with Action Aid, UKSIF and Responsible 100 amongst others; participation in public consultations such as that issued by the House of Lords Economics Affairs Committee as well as speaking at seminars on the Legal & General journey in developing our own approach to tax transparency.

Responsible 100 is an organisation working on a tool for companies committed to real openness, honesty and dialogue in sharing how they manage their business and the competing demands of different stakeholders. As a pilot member we contribute to the development of the tool, its questions and discussions with other pilot members and interested stakeholders and will continue to provide responses on questions as they are released.

In our capacity as a significant investor in other companies we hosted a seminar with other investors to discuss current tax practices and future expectations. We started to engage with companies about their tax policy and management as part of our overall ESG engagement and continue to refine our understanding and approach on this issue.

Our success in moving towards increased tax transparency is reflected in PwC's "Building Public Trust" award where we were recognised for the third year running this year for tax reporting in the FTSE 100.

Legal & General Group uses its annual report and corporate responsibility report to discuss its engagement on tax matters with a wide group of stakeholders. Its new app provides facts and information about tax for financial advisors and individuals.

Source:

1. Legal & General Group plc, Annual Report And Accounts 2013 – Page 30 & Website
2. Vodafone Group plc, Sustainability Report 2013/14 – Pages 93 & 94
3. British American Tobacco plc, Annual Report 2013 – Pages 8 & 9

2.

Total Economic Contribution – country by country

	Direct revenue contribution: taxation		Direct revenue contribution: other non-tax		Indirect revenue contribution		Capital investment		Direct employment	
	FY 12/13 £m	FY 11/12 £m	FY 12/13 £m	FY 11/12 £m	FY 12/13 £m	FY 11/12 £m	FY 12/13 £m	FY 11/12 £m	FY 12/13 £m	FY 11/12 £m
Europe¹										
Albania	4	6	1	1	16	12	20	22	420	438
Czech Republic	25	43	9	8	66	74	69	85	2,517	2,974
Germany	106	160	0	0	1,068	892	1,246	1,044	11,088	12,115
Greece	25	25	6	6	178	217	66	78	1,756	2,122 ²
Hungary	43	33	61	0	70	45	52	55	1,454	1,543
Ireland	24	22	149	8	92	84	102	117	1,081	1,122
Italy	425	668	12	1,069	903	1,333	579	653	5,750	5,838
Malta	37	5	2	2	9	6	26	9	312	312
Netherlands	65	43	1,124	0	233	217	219	243	3,456	3,034
Portugal	65	71	7	91	133	149	129	151	1,484	1,505
Romania	68	64	195	13	91	92	79	80	3,308	3,515
Spain	172	225	255	71	314	334	367	429	4,223	4,379
UK	275	338	825	21	776	523	1,076	767	7,850	8,151
Total	1,334	1,703	2,646	1,290	3,949	3,978	4,030	3,733	49,469³	47,151
AMAP Region²										
Australia	7	7	26	26	33	49	281	347	2,060	2,656
DR Congo	23	54	16	5	25	3	49	24	606	585
Egypt	108	100	54	57	173	170	211	209	5,091	4,425 ⁴
Fiji	2	1	1	0	2	2	7	4	120	114
Ghana	6	6	3	2	38	46	36	57	1,279	1,392
India	289	257	442	414	986	802	555	815	11,996	11,234
Kenya	80	98	8	29	18	92	12	71	2,666	2,701
Lesotho	5	6	2	2	1	2	8	7	123	131
Mozambique	1	1	0	0	4	3	47	45	284	236
New Zealand	46	57	1	1	78	57	117	106	2,531	1,922
Qatar	1	0	0	1	0	0	69	69	420	378
South Africa	375	374	20	18	318	291	506	603	5,118	5,147
Tanzania	42	16	8	1	40	31	92	43	480	477
Turkey	454	299	0	19	375	446	247	266	3,340	3,312
Total	1,439	1,276	581	575	2,091	1,994	2,237	2,666	36,114	34,710
Non-OpCo	1,466	400	2	0	38	10	11	13	600	494
Global total	4,239	3,379	3,229	1,865	6,078	5,982	6,278	6,412	86,138⁵	82,355⁵

Vodafone provides a comparison of its Total Economic Contribution to the prior year. This includes contribution in direct and indirect taxes together with non-tax contributions, capital investment and direct employment.

3.

Tobacco's economic contribution

The global tobacco industry contributes substantially to the economies of more than 100 countries, and millions of people worldwide depend on it for employment. Even in countries that do not have tobacco manufacturing or leaf growing, tobacco retail and distribution is an important source of economic activity.

Tobacco taxes are a major source of revenue for almost every government in the world and have been an especially important source of funds during difficult economic conditions in recent years. It is estimated that governments worldwide collect around £150 billion in excise on the sale of tobacco products each year.

British American Tobacco alone contributed more than £33 billion to governments in excise and other taxes in 2013 – that's eight times the Group's profit after tax.

Tobacco trafficking

The illegal market in tobacco products accounts for up to 660 billion² cigarettes every year globally, depriving governments of around £30 billion in legitimate taxes. This illegal trade is also a huge competitor for the legal tobacco industry itself, and takes away a significant amount of legitimate business each year. The profits often end up in the hands of criminals who don't pay tax and sell their products to anyone, including children.

Tobacco trafficking also has a negative impact on consumers, retailers and regulators. Counterfeit cigarettes mean no quality controls and no health warnings, while smuggled genuine products are unlikely to carry health warnings that meet local government regulations.

The industry has worked together on initiatives across the whole supply chain that are designed to stop criminals. These include technological developments such as digital coding and tax verification, which help governments ensure taxes and duties are paid, and a track and trace system, which means we can monitor the movement of our products.

These measures will be most effective if the industry, regulators and enforcement authorities work together, supported by appropriate excise policies, sound regulation and effective enforcement.

British American Tobacco discusses its industry's worldwide economic impact. It publishes its own global Total Tax Contribution and places it into context as a multiple of post-tax earnings. Its broader messaging explains and quantifies the lost tax contribution due to the illegal tobacco trafficking.

Total Tax Contribution and the wider impact of tax

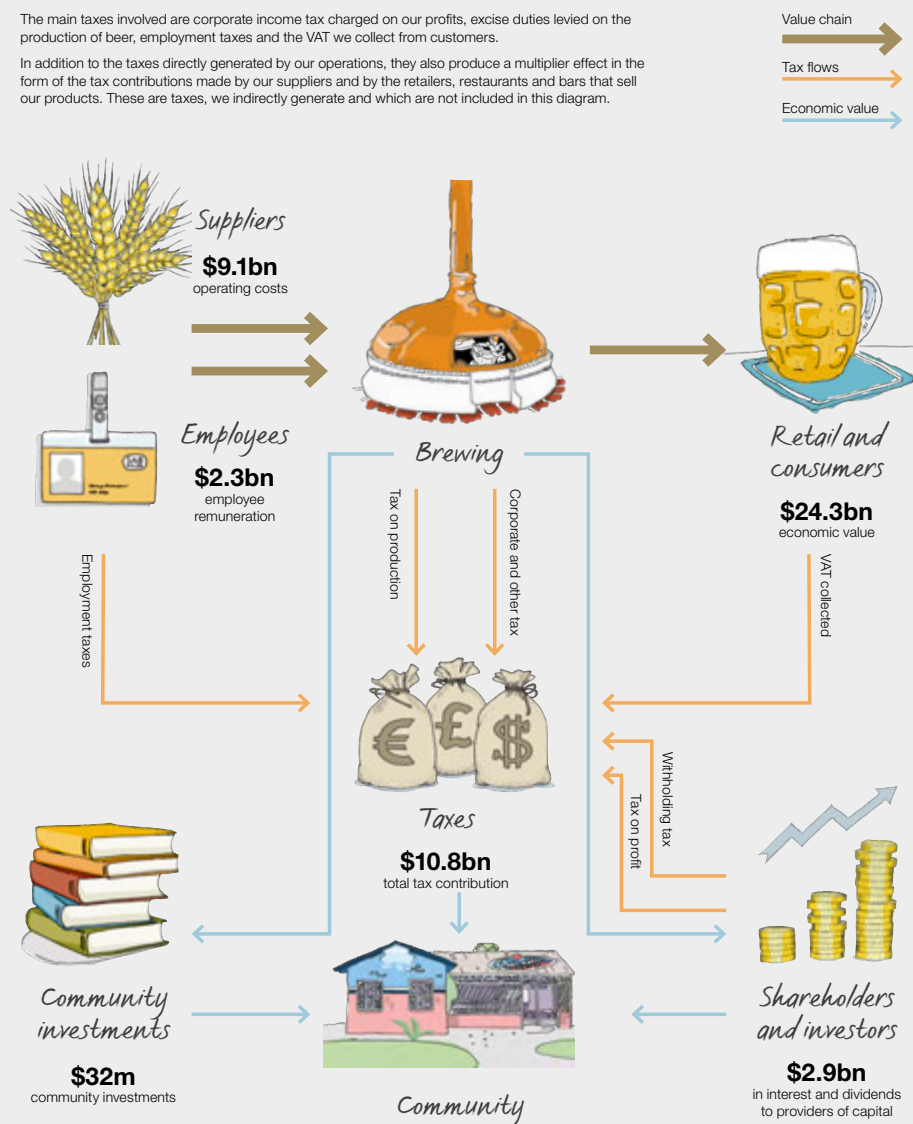
1.

The flow of tax

The diagram below shows how governments levy different taxes on the brewing of beer.

The main taxes involved are corporate income tax charged on our profits, excise duties levied on the production of beer, employment taxes and the VAT we collect from customers.

In addition to the taxes directly generated by our operations, they also produce a multiplier effect in the form of the tax contributions made by our suppliers and by the retailers, restaurants and bars that sell our products. These are taxes we indirectly generate and which are not included in this diagram.



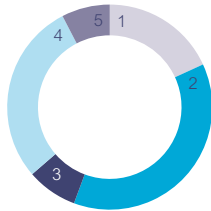
SABMiller uses a full-page flowchart to illustrate the Total Tax Contribution through its global brewing supply chain. The economic impact of the group is quantified.

Source:

1. SABMiller plc, Tax and Development 2014 – Page 5
2. Royal Bank of Scotland Group plc, RBS Sustainability Review 2013 – Page 28
3. Unilever plc, Our Approach to Tax – website

Global tax paid (£m)

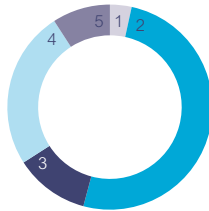
In total, RBS paid £1.9bn in tax globally in 2013



1. Corporation tax	346
2. Irrecoverable VAT/sales tax	714
3. Bank levies	148
4. Employer payroll taxes	547
5. Other taxes	149

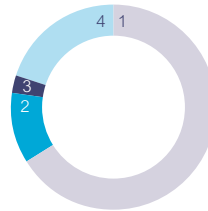
UK tax paid (£m)

In total, RBS paid £1.3bn in UK tax in 2013



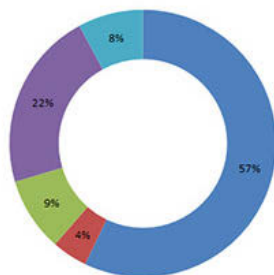
1. Corporation tax	43
2. Irrecoverable VAT/sales tax	639
3. Bank levies	148
4. Employer payroll taxes	314
5. Other taxes	115

**Analysis of 2013 tax paid
by geographical region (£m)**



1. UK	1,259
2. EMEA	212
3. Asia-Pacific	55
4. Americas	378

TOTAL TAXES PAID BY TYPE 2013



- Corporate tax paid
- Sales taxes
- Customs duties
- Employment taxes
- Other taxes

CORPORATE TAX PAID BY REGION 2013



- Total Americas
- Total Europe
- Total Asia/Africa
- USA
- Brazil
- Argentina
- Other Americas
- India
- Indonesia
- South Africa
- Other Asia
- France
- Switzerland
- Germany
- Other Europe

Royal Bank of Scotland features tax as part of its sustainability review. Simple graphs are used to illustrate taxes paid in the UK and globally, by type. This enhances the detailed country-by-country disclosures it makes in a separate section of its website, in accordance with the CRDIV regulations introduced for European financial institutions.

Unilever includes tax principles and wider tax reporting on its Approach to Tax webpage. It uses graphs to illustrate total taxes paid globally, and corporate tax paid by geographic region, as well as by the most significant individual territories.

3. *Extractives*

Many of the London-listed extractive companies (notably the mining companies) manage their central functions in the UK with substantial operations overseas, in the territories where the natural resources are located.

Extractive companies have been central to the advances made in tax transparency over recent years through exposure to the EITI, EU and US country-by-country reporting initiatives.

Mining companies, in particular, have become increasingly open about their tax strategy and governance procedures and how they manage the risk of operating in territories with developing tax regimes.

Some explain the impact of sector specific taxes on the effective tax rate by providing additional information or calculations showing necessary adjustments.

Even before disclosure becomes mandatory, companies in this sector have opted to report taxes paid by country, region and, for the first time, by project.

Tax strategy and risk management

1.

3 Tax risk

Due to frequent changes in tax legislation in Russia and Kazakhstan, a lack of established practices in tax law means that additional costs such as taxes or penalties may arise.

The most recent Russian government initiatives include significant amendments to tax law governing operations with entities from off-shore jurisdictions.

The taxation risk level correlates with legal and political risks levels.

The Company's policy is to comply fully with the requirements of applicable tax laws, providing adequate controls over tax accounting and tax reporting.

Given the prevailing practice accepted by arbitration courts when deciding on certain cases in tax disputes in 2012-13, as well as particular outcomes of tax disputes involving Kazakh and Russian subsidiaries of the Group, the tax risk is assessed as 'High'.

The consolidated financial statements reflect provisions booked in connection with the Company's evaluation of tax risks.

To date the Company is not aware of any significant outstanding tax claims which could lead to additional taxes accruing in the future (except for amounts already booked or disclosed in the Group's financial statements).

10 Legal risk

Operating in developing countries such as Russia and Kazakhstan involves the risk that changes in tax and other legislation may occur from time to time. The most sensitive areas are regulation of foreign investments, private property, environmental protection and taxation.

In recent years, however, the governments of both Russia and Kazakhstan have become more consistent regarding the introduction of new regulations and taxes, demonstrating an awareness of investment climate issues. However, in the application of existing legislation requiring interpretation, courts often uphold the more assertive position of the tax authorities, which does not always coincide with the Company's position.

Polymetal has a successful track record of operating in both the Russian and Kazakh jurisdictions, having developed its own expertise in corporate, tax, licensing and other legal areas.

The Group's financial and legal teams monitor current legislation and proposed changes and incorporate these into their practice.

Corporate and operational management teams are responsible for meeting legal requirements in their operating activities. Head office and on-site legal teams ensure appropriate controls over compliance issues.

The Group takes into account the results of tax audits and court rulings when interpreting taxation rules and determining future tax positions.

Polymetal International describes the specific risks regarding tax stability in the territories in which it operates. The risk responses refer to the tax provisioning and internal monitoring of the regimes.

Source:

1. Polymetal international plc, Annual Report 2013 – Pages 72 & 73
2. Rio Tinto plc, Taxes paid in 2013 – Page 5

2.

3 Our tax strategy and governance

In support of our overall business strategy and objectives, Rio Tinto pursues a tax strategy that is principled, transparent and sustainable in the long term. The Group has established principles governing its tax strategy which have been reviewed and approved by the board of directors. These remain unchanged from previous years and include the following key points:

- A tax strategy that is aligned with our business strategy and conforms with our global code of business conduct, “The Way We Work”.
- Commitment to ensure full compliance with all statutory obligations, and full disclosure to tax authorities.
- Maintenance of documented policies and procedures in relation to tax risk management and completion of thorough risk assessments before entering into any tax planning strategy.
- Sustaining good relations with tax authorities, and actively considering the implications of tax planning for the Group’s wider corporate reputation.
- Management of tax affairs in a proactive manner that seeks to maximise shareholder value, while operating in accordance with the law.

Within this governance framework, the conduct of the Group’s tax affairs and the management of tax risk are delegated to a global team of tax professionals. Management certifies our adherence to these principles to the Rio Tinto board of directors on an annual basis. The suitability of the tax strategy and principles is kept under regular review.

There has been increased public and press interest in the use of “tax havens” by multinational companies in recent years. There are sound commercial reasons for a multinational group to use companies located in territories that offer a stable government and a clear legal and regulatory framework. Such territories may also offer low tax rates. A neutral tax territory is often required for joint ventures between companies that are headquartered in different countries.

Rio Tinto has over 550 subsidiaries of which about 30 are located in countries which might be considered to be “tax havens”. Of these, several are inactive. The remainder are subject to the UK or Australia’s international tax rules or other similar international tax rules. The activities of these entities are fully disclosed to all relevant tax authorities. The Group regularly reviews the activities of all entities to ensure compliance with all tax requirements and other regulations.

In accordance with our tax strategy, all transfers of goods and services between companies within the Group are conducted on an arm’s length basis. The pricing of such transactions between Group companies is based on fair market terms and reflects the commercial nature of the transactions.

Rio Tinto locates certain of its activities in the areas of marketing, procurement and freight close to external customers, suppliers and a relevant skills base, rather than at the site of the mine or operating site. Centralising activities also delivers benefits in the form of economies of scale and skill.

Marketing, procurement, freight, debt finance, management services and other similar services provided to other Group companies (related party transactions) are charged at an arm’s length price in accordance with relevant international tax principles and are subject to review and audit by the relevant tax authorities.

Where required the tax returns contain schedules that provide details of related party transactions, and we provide the tax authorities all necessary information to determine whether to make further enquiries on audit.



Pilbara – locomotives and rail cars

Rio Tinto has been a forerunner for tax transparency through the publication of its Taxes Paid Report, now in its third year. It sets out the tax principles which have been approved by its board and then adds more details to explain the practicalities of managing specific issues such as group structure and transfer pricing.

Tax numbers and performance

1.

3.6.4 Taxation expense

Year ended 30 June 2013 compared with year ended 30 June 2012

Total taxation expense, including royalty-related taxation, exceptional items and exchange rate movements, was US\$6.8 billion, representing an effective tax rate of 38.0 per cent (2012: 32.5 per cent).

Exceptional items decreased taxation expense by US\$980 million (2012: decrease of US\$1.7 billion), predominately due to the income tax benefit on impairments of US\$1.4 billion, which more than offset the income tax expense associated with divestments of US\$376 million, as detailed in section 3.6.5. Excluding exceptional items, the Group's effective tax rate was 39.3 per cent (2012: 34.8 per cent).

Government imposed royalty arrangements calculated by reference to profits are reported as royalty-related taxation. Royalty-related taxation, excluding exceptional items, contributed US\$1.2 billion to taxation expense representing an effective tax rate of 6.0 per cent (2012: US\$889 million and 3.4 per cent). The Minerals Resource Rent Tax (MRRT) came into effect in Australia on 1 July 2012 and the Group expensed US\$454 million of MRRT in FY2013. This was partially offset by the recognition of deferred tax assets associated with the MRRT, which reduced taxation expense by US\$133 million.

Exchange rate movements increased taxation expense by US\$315 million, representing an effective tax rate of 1.6 per cent (2012: increase of US\$250 million and 0.9 per cent).

Excluding the impacts of royalty-related taxation, exceptional items and exchange rate movements, taxation expense was US\$6.3 billion, representing an Underlying effective tax rate of 31.7 per cent (2012: 30.5 per cent). Underlying effective tax rate is not an IFRS measure and comprises total taxation expense excluding royalty-related taxation, exceptional items and exchange rate movements included in taxation expense divided by Profit before taxation and exceptional items.

Other royalty and excise arrangements, which are not profit based, are recognised as operating costs within Profit before taxation. These amounted to US\$2.7 billion during the period (2012: US\$3.1 billion).

Year ended 30 June 2012 compared with year ended 30 June 2011

Total taxation expense, including royalty-related taxation, exceptional items and exchange rate movements, was US\$7.5 billion, representing an effective rate of 32.5 per cent (2011: 23.4 per cent).

Exchange rate movements increased taxation expense by US\$250 million (2011: decrease of US\$1.5 billion). The reduced impact compared with FY2011 was predominantly due to eligible Australian entities electing to adopt a US dollar tax functional currency from 1 July 2011.

Exceptional items decreased taxation expense by US\$1.7 billion (2011: decrease of US\$2.1 billion), predominately due to the recognition of tax benefits of US\$1.2 billion arising from the impairments of goodwill and other assets in relation to the Fayetteville shale gas assets, Nickel West and the Olympic Dam expansion project, and the recognition of a net income tax benefit of US\$637 million on enactment of the MRRT and PRRT extension legislation in Australia.

Government imposed royalty arrangements calculated by reference to profits after adjustment for temporary differences are reported as royalty-related taxation. Royalty-related taxation (excluding exceptional items) contributed US\$889 million to taxation expense, representing an effective tax rate of 3.9 per cent (2011: US\$828 million and 2.6 per cent).

Other royalty and excise arrangements that did not have these characteristics are recognised as operating costs within Profit before taxation. These amounted to US\$3.1 billion during the period (2011: US\$2.9 billion).

	2013		2012		2011	
	%	US\$M	%	US\$M	%	US\$M
Factors affecting income tax expense for the period						
Income tax expense differs to the standard rate of corporation tax as follows:						
Profit before taxation		17,872		23,022		31,255
Tax on profit at standard rate of 30 per cent	30.0	5,362	30.0	6,907	30.0	9,377
Investment and development allowance	(1.5)	(260)	(1.2)	(283)	(1.0)	(298)
Amounts (over)/under provided in prior years ^(a)	(0.3)	(51)	0.3	70	(1.3)	(397)
Initial recognition of tax assets ^(b)	(2.1)	(370)	(0.6)	(136)	—	(13)
Non-deductible depreciation, amortisation and exploration expenditure ^(c)	1.2	222	0.7	150	0.4	109
Tax rate differential on foreign income	0.4	77	(1.0)	(219)	(0.1)	(32)
Tax on remitted and unremitted foreign earnings	0.6	109	0.8	182	0.8	251
Non-tax-effected operating losses and capital gains	(0.5)	(91)	0.7	168	0.3	108
Exchange variations and other translation adjustments	1.8	315	1.1	250	(4.7)	(1,473)
Tax rate changes	0.3	48	—	—	0.1	17
Other ^(d)	1.6	280	0.6	149	(3.7)	(1,168)
Income tax expense	31.5	5,641	31.4	7,238	20.8	6,481
Royalty-related taxation (net of income tax benefit) ^(e)	6.5	1,156	1.1	252	2.6	828
Total taxation expense	38.0	6,797	32.5	7,490	23.4	7,309

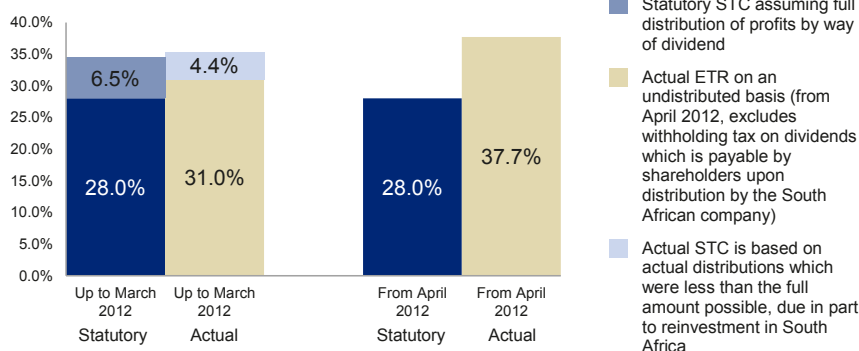
BHP Billiton provides narrative around key tax numbers in its financial review. The tax note to the accounts includes figures for three financial years. It uses percentage differences as well as absolute numbers to emphasise the key drivers to differences between statutory and effective tax rate.

Source:

1. BHP Billiton plc, Annual report 2013, – Pages 105 & 219
2. Anglo American plc, South Africa Tax factsheet 2013 – Page 1
3. Kazakhmys plc, Annual Report and Accounts 2013 – Pages 129 & 130

2.

5 YEAR AVERAGE EFFECTIVE TAX RATES ("ETR") 2008 – 2012 ⁽¹⁾



Anglo American have introduced a new series of Tax Factsheets, available on its website, which provide detailed analysis of taxes paid and effective tax rates for the key territories in which it operates. The chart compares the effective tax rate that Anglo American incurred in South Africa compared to the statutory rate for a five year period.

3.

Corporate income tax ("CIT") is calculated at 23.25% (2012: 24.5%) of the assessable profit for the year for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (2012: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (2012: 10%). MKM, which was included as part of discontinued operations, had a tax rate of 28.5% (2012: 28.5%) which relates to German corporate income tax and trade tax.

Effective tax rate

Tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The lower CIT rate in Kazakhstan will have the effect of lowering the Group's overall future effective tax rate below the current UK statutory corporate tax rate. The impact of transfer pricing provisions and non-deductible items, including impairment losses, will increase the Group's overall future effective tax rate.

The following factors impact the Group's effective tax rate for the year ended 31 December 2013:

Unrecognised tax losses

The Group has incurred tax losses during the year, primarily related to certain subsoil use contracts, which are not expected to generate sufficient taxable profits for these losses to be utilised in the foreseeable future. As a result, deferred tax assets of \$27 million (2012: \$16 million) in respect of these losses have not been recognised.

Impairment of deferred tax assets in respect of the Zhezkazgan Region

The \$98 million deferred tax asset in the Zhezkazgan Region primarily related to the employee benefits obligation. Following the impairment review performed on the Zhezkazgan Region, it is not expected that sufficient taxable income will be generated to utilise these assets. As a result, the deferred tax assets have been fully impaired.

Transfer pricing

Notwithstanding recent changes to Kazakhstan's transfer pricing legislation to closer align it with international trading practices, inconsistencies still arise between the transfer pricing requirements in Kazakhstan and the UK. Consequently, certain of the Group's profits are taxed in both jurisdictions due to intercompany sales and purchase contracts that have been put in place within the Group which places upward pressure of \$2 million (2012: \$3 million) on the Group's effective tax rate. In addition, following confirmation from the tax authorities on the appropriateness of the Group's transfer pricing calculations on certain by-products, the previous provision of \$18 million has been reversed. This amount is shown as an overprovision in prior periods.

In addition, certain sales contracts entered into by Kazakhmys LLC with European and Russian customers included trading terms that are not fully acceptable under Kazakhstan transfer pricing legislation. Consequently, a provision of \$3 million has been recognised based on this anticipated exposure at 31 December 2013 (2012: \$3 million).

Other non-deductible expenses

Included within non-deductible expenses are impairment charges and provisions recognised against various assets and other ongoing business expenses within Kazakhmys Mining of \$50 million (2012: \$53 million). In addition, the impairment charges recognised against the Zhezkazgan Region's assets are not deductible and have a \$95 million impact on the tax charge. The reversal of the provision for environmental pollution charges (see note 32(c)) and the related fines and penalties amounting to \$38 million in aggregate was non-taxable and offset non-deductible expenses for the year ended 31 December 2012.

The following additional factor impacted the Group's effective tax rate for the year ended 31 December 2012 only:

Excess profits taxation

In 2012, following the Supreme Court's ruling, Kazakhmys LLC lodged a claim with the Ministry of Finance to seek reimbursement of past EPT payments amounting to \$108 million for the periods up to and including 2008. In the second half of 2012, the Ministry of Finance refunded \$60 million which was set-off against the income tax and mineral extraction tax liabilities for the year ended 31 December 2012. The remaining \$48 million was challenged by the tax authorities who believe that this amount relates to periods beyond the Kazakhstan statute of limitations (see note 37(b)). The reimbursement of \$60 million in 2012 reduced the income tax and mineral tax payments for the year and lowered the Group's effective income tax rate.

KAZ Minerals (formally Kazakhmys) enhances its tax note with a more detailed commentary. The narrative provides tax rate figures for the different territories in which the company operates. The reconciling items are explained and the impact of the adjustments are quantified.

Total Tax Contribution and the wider impact of tax

Shell produces a Revenue Transparency Report. It explains why it has volunteered greater transparency and provides details of its wider stakeholder engagement. The numerical analysis details income taxes, sales taxes and royalties paid by country and a split between upstream and downstream activities.

1.

	\$ MILLION					MILLION BOE	
	Income taxes[A]	Royalties[B]	Sales taxes[C]	Total	By Segment		Volumes[D]
					Upstream	Downstream/ Corporate[E]	
Total	20,309	4,149	80,919	105,377	28,659	76,718	487
LARGEST AMOUNTS BY COUNTRY [F] [G]							
Australia	585	224	6,126	6,935	920	6,015	–
Brazil	123	78	90	291	200	91	4
Canada	144	430	5,891	6,465	580	5,885	–
Denmark	1,083	–	714	1,797	1,083	714	–
Gabon	221	119	–	340	340	–	1
Germany	134	162	21,365	21,661	761	20,900	–
Italy	658	143	2,986	3,787	1,189	2,598	–
Malaysia	487	607	22	1,116	1,037	79	171
Nigeria	3,161	844	–	4,005	4,005	–	116
Norway	2,457	–	2,176	4,633	2,502	2,131	–
Philippines	182	–	534	716	154	562	8
Turkey	26	–	6,511	6,537	–	6,537	–
United Kingdom	93	–	15,182	15,275	3,476	11,799	–
USA	(40)	856	2,808	3,624	875	2,749	–

Our operations generate revenue through taxes and royalties for governments around the world. In 2013, we paid globally \$20.3 billion in corporate taxes, and \$4.1 billion in royalties. We collected \$80.9 billion in excise duties and sales taxes on our fuel and other products on behalf of governments.

Our effective tax rate¹ over the past year was 51%.

TRANSPARENCY

An efficient tax system that enjoys broad public trust and confidence is a cornerstone of a healthy society.

Transparency is an essential tool to build this trust in the tax system. Society expects to be clear about the revenues that extractive industries pay to governments, and at the same time expects governments to be open about how they use these incomes.

For this reason, Shell has made a voluntary commitment to publish payments to governments. This is the third consecutive year that we have done so.

We believe that such transparency promotes good entrepreneurship as well as good government, helping to ensure that the billions of dollars the energy industry pays in tax benefits society as a whole.

TAX TRANSPARENCY TRACK RECORD

We are proud of our tax transparency history.

In 2003 we became the first company to publish the royalties, taxes and other payments made to the Nigerian government, with their permission and support.

Shell is a founder and board member of the Extractive Industries Transparency Initiative (EITI).

The UK government announced the EITI in 2002 to increase the transparency of revenues governments receive from oil and mineral activities. This includes payments made by companies like Shell, such as signature bonuses, taxes and royalties, and receipts from state-owned companies.

We believe that the EITI's multi-stakeholder approach (which includes governments, non-governmental organisations (NGOs) and companies) remains the most effective way of providing transparency regarding government revenues. www.eiti.org

We also work together with industry and commercial partners to modernise international tax principles, including the Confederation of British Industry, the European Roundtable of Industrialists and the International Chamber of Commerce.

EXTERNAL DEVELOPMENTS

Shell actively advocates for proper transparency legislation. We aim for a global level playing field and the avoidance of a conflict of law between extraterritorial legislation and the legal frameworks of countries where we operate. The US Securities and Exchange Commission is redrafting the US regulation in accordance with the US Federal District Court's decision. We expect this to include an exemption for conflicts of law, and we would support a similar approach by the EU, ensuring a level playing field.

CO-OPERATIVE COMPLIANCE

Shell complies with the tax laws wherever we operate – that's our corporate obligation. It's relatively straightforward: we expect to pay tax on our activities in the country where they take place.

Shell supports simple, efficient, predictable and stable tax regimes

that incentivize long-term investment. I would therefore like to echo the 2013 OECD report highlighting "co-operative compliance" between companies and tax authorities. This collaboration improves transparency about our tax affairs.

At Shell, we're working with the tax authorities in the UK, the Netherlands, in Singapore, and, as a pilot, in Austria. And we're delighted to be exploring potential partnerships with other authorities.

We provide the authorities with timely and comprehensive information on potential tax issues – in return for treatment that is open, impartial, proportionate, responsive and grounded in an understanding of our commercial environment.

We have found this level of transparency is strongly in our interest: it helps us to comply with the law, and to manage our tax-related risks.

As the OECD's report also highlights, this transparency also brings important benefits to the tax authorities. One is flexibility: it allows them to monitor business activities on a "real-time" - or continuous - basis.

Co-operative compliance has certainly helped to improve trust between Shell and the tax authorities. Of course, that trust cannot be unconditional. There must be what's called "justified trust": trust that's underpinned by rigorous controls to make sure companies report accurately.

We believe that more collaboration among business, government and civil society is necessary to achieve true transparency.

Simon Henry
Chief Financial Officer

Taxes to governments	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
Total	10,309	12,071	16,339	15,033	13,904
of which UK	1,297	1,946	1,040	1,106	313

BP also bears other taxes, such as import and export taxes, employers' taxes, withholding taxes and indirect taxes. In addition, BP collects and then pays to governments VAT and sales taxes and withholding taxes, which in total are greater than taxes borne by BP.

3.

Licence / Corporate level	Economic transparency disclosure						Voluntary disclosure										TOTAL USD (000s)	TOTAL bel (000s)
	Production endowment bel (000s)	Production endowment USD (000s)	Income taxes USD (000s)	Regulatory (each) USD (000s)	Dividends USD (000s)	Bonus payments USD (000s)	Licence fees USD (000s)	Infrastructure improvement payments USD (000s)	WAT USD (000s)	Withholding tax USD (000s)	PIRE & national insurances USD (000s)	Carried interests USD (000s)	Customs duties USD (000s)	Training allowances USD (000s)				
All Belgium	294	—	—	—	—	—	—	—	—	—	—	—	—	294	—	294		
Total Congo	294	—	—	—	—	—	—	—	—	—	—	—	—	—	—	294		
Oil 26-Espoir	292	11,379	—	—	—	—	—	—	—	105	2,408	—	—	—	1,129	282		
Corporate	—	—	—	—	—	—	367	—	—	—	—	—	—	—	2,880	—		
Total Cote d'Ivoire	292	11,379	—	—	—	—	367	—	—	105	2,408	—	—	—	14,259	282		
Cotea	282	—	—	—	—	—	—	—	—	—	—	—	—	—	—	282		
Onshore Complex	508	—	—	—	—	—	—	—	—	—	—	—	—	—	—	508		
Corporate	—	139,039	—	—	—	—	—	—	—	—	—	—	—	—	139,039	—		
Total Equatorial Guinea	718	139,039	—	—	—	—	—	—	—	—	—	—	—	—	139,039	718		
Echira	—	—	—	2,153	—	—	—	—	—	—	—	—	—	—	2,153	—		
Elame	152	—	—	—	—	—	—	—	—	—	—	—	—	—	—	152		
Lomende	—	—	—	8,560	—	—	—	—	—	—	—	—	—	—	8,560	—		
Nungo	—	—	—	5,967	—	—	—	—	—	—	—	—	—	—	5,967	—		
Tchambla	533	—	—	12,418	—	—	—	—	—	—	—	—	—	—	12,418	533		
Turma	—	—	—	1,364	—	—	—	—	—	—	—	—	—	—	1,364	—		
Corporate – Tullage Oil Gabon SA	—	62,050	—	—	—	—	63	—	11441	703	831	—	50	—	63,553	—		
Dika	—	—	—	2,456	—	—	—	—	—	—	—	—	—	—	2,456	—		
Obange	21	—	—	—	—	—	—	—	—	—	—	—	—	—	—	21		
Onal	314	—	—	5,444	—	—	—	—	—	—	—	—	—	—	5,444	314		
Tounajit	78	—	—	—	—	—	—	—	—	—	—	—	—	—	—	78		
Corporate – Tullage Oil SA	—	8,994	—	—	—	—	—	—	10	4	17	—	—	—	9,010	—		
Total Gabon	1,094	71,044	38,914	—	—	—	63	—	11491	707	848	—	50	—	111,429	1,094		
Lubale	812	—	—	—	—	—	—	5,248	—	—	—	—	—	—	5,248	812		
Company level	—	104,509	—	—	—	—	64	488	2,326	61,017	14,736	18,572	4,488	250	209,248	—		
Total Ghana	812	104,509	—	—	—	—	64	5,584	2,326	61,017	14,736	18,572	4,488	250	214,516	812		
Company level	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	—		
Total Guinea	—	—	—	—	—	—	—	—	—	8	—	—	—	—	8	—		
Block 1	—	—	—	—	—	2,080	—	—	—	—	—	—	—	—	2,080	—		
Block C-3	—	—	—	—	—	1,400	—	—	—	—	—	—	—	—	1,400	—		
Block C-4	—	—	—	—	—	1,740	—	—	—	—	—	—	—	—	1,740	—		
PGS & Echniquet ES&I	48	—	—	—	—	—	258	—	—	—	—	—	—	—	258	48		
Corporate	—	—	—	—	—	—	89	—	—	2,442	—	—	2,082	—	4,813	—		
Total Mauritania	49	—	—	—	—	5,360	347	—	—	2,442	—	—	2,082	—	10,431	49		
South Onco	—	—	—	—	—	—	176	—	—	—	—	—	—	—	176	—		
Corporate	—	—	—	—	—	—	107	—	—	232	126	—	—	—	415	—		
Total Ethiopia	—	—	—	—	—	—	176	107	—	232	126	—	—	—	415	—		
Corporate	—	—	—	—	—	—	212	—	1,159	8,919	10,882	272	248	—	19,911	—		
Total Kenya	—	—	—	—	—	—	212	—	1,159	8,919	10,882	—	272	248	21,492	—		
Corporate	—	—	—	—	—	—	291	—	—	5	—	—	—	—	296	—		
Total Madagascar	—	—	—	—	—	—	291	—	—	5	—	—	—	—	296	—		
Corporate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total Mozambique	—	—	—	—	—	—	1	—	—	—	—	—	—	—	1	—		
Production Licence 003	—	—	—	—	—	—	1	—	—	—	—	—	—	—	1	—		
Company level	—	—	—	—	—	—	667	—	—	9	197	—	—	—	667	—		
Total Namibia	—	—	—	—	—	—	667	—	—	9	197	—	—	—	206	—		
Corporate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	823	—		
Total South Africa	—	—	—	—	—	—	—	—	11	—	6	—	—	—	6	—		
Corporate	—	4,138	—	—	—	—	11	—	4,870	1,841	12,100	—	50	—	23,030	—		
Total Uganda	—	4,138	—	—	—	—	11	—	4,870	1,841	12,100	—	50	—	23,030	—		
Block Y	505	—	—	—	—	—	—	—	—	—	—	—	—	—	45	505		
Total Bangladesh	505	—	—	—	—	—	—	—	—	—	—	—	—	—	45	505		
Corporate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total Ireland	—	—	—	—	—	—	—	—	12,744	—	7,415	—	—	—	4,641	—		
Corporate	—	507	—	—	—	—	670	—	4,130	—	643	—	—	—	5,995	—		
Total Netherlands	—	507	—	—	—	—	670	—	4,130	—	643	—	—	—	5,995	—		
Corporate	—	105,489	—	—	—	—	75	16,273	7,114	2,178	—	—	—	—	110,473	—		
Total Norway	—	105,489	—	—	—	—	75	16,273	7,114	2,178	—	—	—	—	110,473	—		
Corporate	—	93	2	—	—	—	25	14	1	181	1	—	—	—	324	—		
Total Pakistan	—	93	2	—	—	—	25	14	1	181	1	—	—	—	324	—		
Corporate	—	—	—	—	—	—	—	—	—	411	—	—	—	—	19	430		
Total Suriname	—	—	—	—	—	—	—	—	—	411	—	—	—	—	19	430		
Archi	—	—	—	—	—	—	718	—	—	—	—	—	—	—	718	—		
Schooner	—	—	—	—	—	—	867	—	—	—	—	—	—	—	867	—		
Corporate	—	25,498	—	—	—	—	703	11,104	10,147	—	21,620	—	—	—	49,471	—		
Total UK	—	25,498	—	—	—	—	2,285	11,104	10,147	—	21,620	—	—	—	71,054	—		
Corporate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	104	—		
Total Uruguay	—	—	—	—	—	—	—	—	—	—	—	—	—	—	104	—		
TOTAL	3,748	11,379	241,791	38,918	—	5,360	6,550	17,950	15,447	82,809	74,062	18,572	4,940	2,985	618,623	3,748		

43

Spotlight

Overseas companies

Outside the UK, voluntary tax transparency is increasing. Some companies may be affected by the international mandatory reporting regimes. Some are responding to domestic requirements or stakeholder demands. For the first time this year, we launched a Building Public Trust Reporting Award in South Africa.

In this section we focus on three countries where we have seen examples of excellence in tax disclosure on a par with some of the UK leading reporters. These Finnish, Danish and Spanish companies, from a range of industries will perhaps be the early adopters in a continuing trend around the world.



Spotlight on Spain

Telefonica and BBVA

Telefonica

Telefonica, a telecommunications company, discloses the cash tax paid in the year. It states the drivers behind the movement of the cash tax rate from the previous year.

Payment of taxes amounted to 1,806 million euros, down 10.8% year-on-year, affected by exchange rates and non-recurrent new Spanish tax measures, which over an income before taxes of 6,280 million euros implied a cash tax rate of 28.8% up to December.

Corporate Income Taxes accounted for 38% of borne tax, while 32% refers to other taxes and fees associated with our economic activity

Telefonica makes quantifiable economic and social contributions by paying taxes to the authorities of the different countries where it operates. The countries where tax payments are largest are precisely the jurisdictions in which Telefonica obtains its main income, namely Brazil, Spain and Argentina.

The total tax contributions of Telefonica in the financial year 2013 were 14,060 million euros, 4,792 million euros of which corresponds to taxes borne and 9,267 million euros to taxes collected. This means that for every 100 euros of Company turnover, 24.6 euros was dedicated to the payment of taxes, or 8.4 to taxes borne and 16.2 to taxes collected. These figures include the payment of taxes and other local fees such as operator general taxes, numbering fees, charges for using the public domain, fees to finance the Public Radio and Television in Spain, and other similar taxes in other countries. Payments

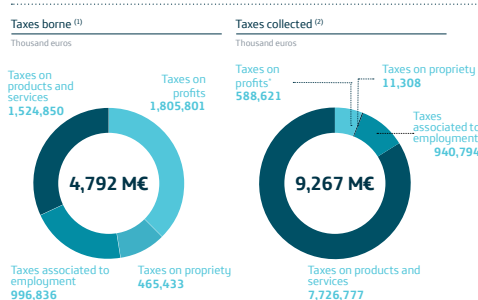
spectrum is not included due to their different classification and accounting treatment.

Taxes on profits represent 38% of the total tax borne. Taxes on goods and services, which are mostly special levies on the telecoms sector, made up 32%, and taxes associated to employment made up 21%. Among the taxes collected, VAT stands out, representing 83% of the total.

The Company's tax contributions in Spain in 2013 were 3,443 million euros, or 24.5% of the total. The tax contribution ratio for Telefonica in Spain was 35.67%; that is, during 2013, Telefonica paid 36 euros out of every 100 euros of pre-tax profits generated in Spain, in taxes.

Out of every 100 euros of Total Value Distributed^(*) by Telefonica in 2013, 51 euros were used to taxes.

Breakdown of the total tax contribution in the world



Breakdown of Telefonica's global tax contribution

Country	Taxes borne ⁽¹⁾	Taxes collected ⁽²⁾	Total contribution ⁽³⁾
Brazil	1,197,612	4,222,062	5,419,674
Spain	1,094,284	2,349,171	3,443,455
Argentina	507,294	687,723	1,195,017
Central America	774,087	221,836	995,922
Germany	170,834	454,200	625,034
Peru	299,364	299,648	599,012
United Kingdom	43,742	319,308	363,050
Chile	158,961	192,036	350,997
Colombia	160,654	170,907	331,561
Czech Republic	130,231	200,423	330,653
Ecuador	84,650	20,536	105,186
Mexico	47,035	48,044	95,079
Ireland	38,494	38,154	76,648
Uruguay	41,047	16,719	57,767
Slovakia	7,377	19,021	26,398
Luxembourg	18,394	2	18,396
Puerto Rico	7,881	8,220	16,101
Netherlands	7,203	146	7,349
Israel	1,826	1,534	3,359
Others	1,951	2,191	240
Total	4,792,921	9,267,499	14,060,419

⁽¹⁾ Taxes borne: Those taxes paid by Telefonica to the administrations of the various states in which it operates, and have been a cash cost to the Company.
⁽²⁾ Taxes collected: Those taxes collected by Telefonica that have been earned on behalf of other taxpayers as a result of the economic activity of the Company, i.e. tax revenues are obtained thanks to the economic value generated by it.
⁽³⁾ Total contribution: CT measures the total impact represented by taxes.

Telefonica discloses its Total Tax Contribution. Graphs are used to show the breakdown of taxes borne and collected by type of tax. The table shows the breakdown of taxes borne and collected by country, ordered by total contribution. The supporting narrative explains that the levels of contribution are in line with the significance of its operations in each territory.

Source:

1. Telefonica, Integrated report 2013 – Pages 28, 29 & 107
2. BBVA, Total tax contribution in 2013, Pages 4, 5 & 7

BBVA

This report is part of a voluntary transparency exercise initiated by BBVA.

BBVA is committed to transparency and business ethics everywhere it operates.

In this line, in 2012, BBVA adopted the Code of Good Tax Practices in Spain, a government initiative to increase cooperation and transparency between entities and the Spanish Tax Revenue Agency.

In the same way, in 2013 BBVA adopted the "Code of Practice on Taxation for Banks", an initiative launched by HMRC (Revenue and Customs Agency in the UK).

BBVA is making a special effort to be ready for the new disclosure obligations that Directive 2013/36 EU (the CRD IV Directive), which has been recently approved, provides from a tax perspective.

Efforts are being made to improve ethical and transparent work practices in every country where BBVA operates.

In accordance with our fiscal policy, services between group companies were conducted on an arms'length basis.



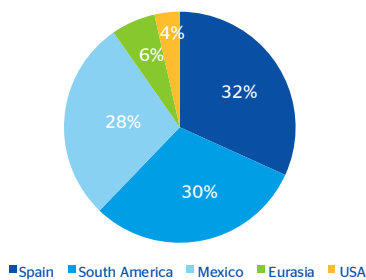
2.

BBVA, a Spanish bank, explains its approach to taxes and its commitment to tax transparency. It states that it has adopted the Code of Good Tax Practices in Spain and the Code of Practice on Taxation for Banks launched by HMRC in UK.

(Million euros)

Country	CIT	Employees/ Professionals	VAT	Other taxes	Total Own Taxes	Employees/ Professionals	VAT	Other taxes	Total Third party Taxes	Total
Spain	682	357	329	123	1,491	702	97	840	1,639	3,130
Spain	682	357	329	123	1,491	702	97	840	1,639	3,130
Belgium	0	1	0	0	1	0	0	0	1	2
China	13	0	0	0	13	0	0	0	0	13
France	22	6	1	0	28	1	0	0	1	29
Germany	11	1	0	7	19	4	0	2	6	26
Ireland	2	0	0	0	2	0	0	0	0	2
Italy	67	3	2	0	72	6	0	2	8	80
Korea (South)	0	0	0	0	0	1	0	0	1	1
Luxembourg	1	0	0	11	12	0	0	0	0	12
Netherlands	6	1	0	0	6	2	0	0	2	8
Portugal	3	7	6	1	17	10	9	27	46	63
Romania	1	1	0	0	2	1	0	0	1	3
Singapore	1	0	0	0	1	0	0	0	0	1
Switzerland	12	1	0	0	13	3	0	4	7	20
Turkey	69	17	20	92	198	39	0	70	109	307
United Kingdom	20	3	2	1	26	14	0	0	14	40
Eurasia	227	40	31	112	410	82	9	105	196	606
Argentina	109	41	7	107	264	21	179	1,189	1,389	1,653
Chile	206	0	9	3	217	13	7	22	42	269
Colombia	116	26	18	28	186	18	11	170	199	385
Panama	19	1	0	0	20	1	1	4	6	26
Paraguay	6	2	0	1	9	1	4	1	6	16
Peru	176	7	19	17	219	28	39	9	77	296
Uruguay	8	7	3	4	22	10	1	2	13	36
Venezuela	133	8	30	41	212	2	2	109	113	326
Latam	770	91	86	201	1,148	95	244	1,506	1,845	2,993
Mexico	557	57	181	14	809	109	488	1,366	1,963	2,772
Mexico	557	57	181	14	809	109	488	1,366	1,963	2,772
United States	112	45	2	14	173	171	0	3	174	347
United States	112	45	2	14	173	171	0	3	174	347
Total Payments	2,348	596	529	494	4,967	1,159	598	3,622	6,617	9,584

The following chart shows the total tax payments made by the Group during year 2013 worldwide:



Our main revenues come from Spain, Mexico and South America; that is why our tax payments are higher in those locations.



BBVA publishes a break-down of the different taxes it bears and collects across the territories in which it operates. The report also includes simple charts showing the total taxes paid by region.



Spotlight on Denmark

Carlsberg and A.P. Møller-Maersk

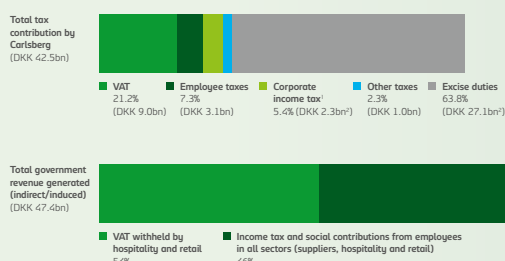
Carlsberg

RECONCILIATION OF THE EFFECTIVE TAX RATE FOR THE YEAR

	2013		2012	
	%	DKK million	%	DKK million
Nominal weighted tax rate for the Carlsberg Group	21.0%	1,645	21.4%	1,737
Change in tax rate	-1.3%	-108	0.3%	27
Adjustments to tax for previous years	-0.2%	-16	-0.8%	-62
Non-capitalised tax assets, net movements	2.0%	160	-1.0%	-84
Non-taxable income	-0.7%	-55	-0.3%	-26
Non-deductible expenses	3.0%	239	2.8%	226
Tax incentives etc.	-0.6%	-45	-1.3%	-109
Special items	-0.4%	-30	-1.1%	-90
Withholding taxes	1.5%	115	3.3%	269
Other, and tax in associates	-0.2%	-11	-0.3%	-27
Effective tax rate for the year	24.1%	1,894	23.0%	1,861

Our direct and indirect/induced economic contributions have a positive impact on the societies in which we operate. We are proud of this contribution, and also aware that it comes with a responsibility to continue to develop and grow our business in a way that benefits Carlsberg as well as the environment and society upon which we depend for future growth.

ECONOMIC CONTRIBUTION GENERATED TO GOVERNMENTS



¹ Corporate income taxes including withholding taxes. ² Within KPMG's assurance scope.

Carlsberg, a Danish brewing company, uses a weighted average statutory tax rate in its reconciliation note and explains how this has been calculated. The note of accounting policy for tax is placed next to the statutory disclosure in the financial statements. A format which is used throughout the accounts.

Carlsberg brings tax into the economic value generated section of the CSR report. As well as Total Tax Contribution, it gives insight into indirect and induced government revenue generated and total value added.

The nominal weighted tax rate for the Group is calculated as domestic tax rates applicable to profits in the entities as a proportion of each entity's share of the Group's profit before tax.

6.1 ACCOUNTING POLICIES

Tax for the year comprises current tax and changes in deferred tax for the year, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to items recognised directly in other comprehensive income is recognised in other comprehensive income.

If the Group obtains a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions as a result of share-based payment programmes, the tax effect of the programmes is recognised in tax on the profit/loss for the year. However, if the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognised in other comprehensive income.

Source:

1. Carlsberg group, CSR Report 2013 – Pages 8
Carlsberg group, Annual Report 2013 – Pages 113 & 114
2. A.P. Møller-Maersk Group's, Sustainability Report 2013 – Page 49
A.P. Møller-Maersk Group's, Annual Report 2013 – Page 85

RESPONSIBLE TAX

A responsible approach to tax

It is our view that a responsible approach to tax is essential to the long-term sustainability of our business activities in the countries where we operate.

Maintaining good corporate citizenship

The policy of the Group is to maintain good corporate citizenship by complying with applicable tax regulations, being upright towards public authorities and paying taxes as required by law.

The Group is committed to living up to this policy in all countries where we operate. Our policy implies identifying applicable tax laws and regulations, ensuring compliance with local requirements and practices, disclosing all relevant facts to the authorities and adopting a justifiable tax position where tax regulations allow for different interpretations or choices.

Complying with tax rules can be very complex. Not only does legislation change over time, but so too does interpretation of legislation and common practices. Consequently, authorities may sometimes disagree with our choices, and sometimes even if they have previously agreed with us. In these situations, we will resolve our disagreements in the tribunals or courts responsible for tax to ensure that the appropriate practices are determined and implemented.

Tax rules are often made to incentivise certain behaviours such as encouraging companies to increase investments and create jobs. In these instances, the Group will use the tax rules to reduce the tax cost as permitted by the law.

Geographical split	External revenue		Tax paid		Non-current assets ¹	
	2013	2012	2013	2012	2013	2012
Denmark	19,468	25,202	6,280	8,745	86,170	104,089
Algeria	7,412	7,492	681	1,194	3,056	3,155
Brazil	7,748	8,147	188	289	14,150	15,067
China and Hong Kong	11,662	11,204	127	197	19,566	19,104
Qatar	22,435	24,827	8,129	8,629	3,400	5,161
Singapore	2,573	2,450	81	-3	37,078	51,438
United Kingdom	16,800	17,312	93	400	25,350	26,128
USA	29,071	32,480	-33	465	15,988	11,248
Other	149,067	157,639	313	782	44,664	40,683
Total	266,236	286,753	15,859	20,698	249,422	276,073

¹ Comprise intangible assets and property, plant and equipment.

2.

Maersk, a Danish shipping, oil and drilling company, explains how its approach to tax supports group policy of maintaining good corporate citizenship. It explains how it manages its relationship with revenue authorities and with regard to tax incentive schemes.

Maersk discloses its total tax payments in the key territories in which it operates, and facilitates an easy comparison with revenues and assets for a two year period.



Spotlight on Finland

Fortum

Fortum

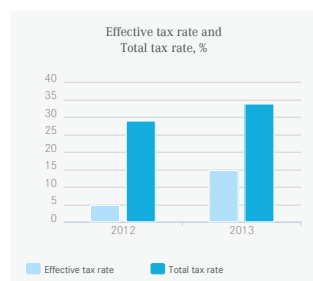
Fortum illustrates its effective tax rate for a two year period using clear bar charts. It also forecasts the effective tax rate for the next financial year. It explains and quantifies the impact of changes in tax legislation on its financial results.

Taxation

The effective corporate tax rate for Fortum in 2014 is estimated to be 19–21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items. In Finland, the corporate tax rate was reduced from 24.5% to 20% as of 1 January 2014. In Sweden, the corporate tax rate was decreased from 26.3% to 22% as of 1 January 2013.

The Finnish Parliament approved the power plant tax (previously called windfall tax) in December 2013. It will be enacted later and will be applied from the beginning of 2014, provided that the EU Commission approves it.

Fortum has filed a complaint on the tax to the Commission, arguing that it is not in line with general tax principles in Finland and that it constitutes illegal state aid for those plants that are not subject to the tax. If implemented, the estimated impact on Fortum would be approximately EUR 25 million annually.

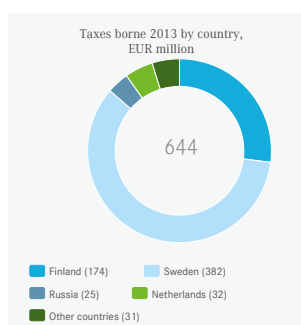


Fortum as a tax payer

Fortum supports social development and well-being of the areas of operations by e.g. paying taxes. The tax benefits Fortum produces to society include not only corporate income taxes EUR 220 million (2012: 74) but also several other taxes. In 2013, Fortum's taxes borne were EUR 644 million (2012: 565). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also production taxes and taxes on property paid through electricity purchased from associated companies.

Fortum's effective tax rate (ETR) was 14.7% (4.7% in 2012) and total tax rate (TTR) 33.8% (2012: 29.0%). See also [note 14 Income tax expense](#).

In addition, Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include e.g. VAT, excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum was EUR 834 million (2012: 749). In 2012 Fortum reported VAT as a gross amount for input and output VAT. The gross amount of taxes collected was EUR 3,918 million in 2012.



1.

Fortum, a Finnish energy production company, features tax in the sustainability section of its annual report. As well as explaining the different taxes borne and collected, Fortum provides a total tax rate figure.

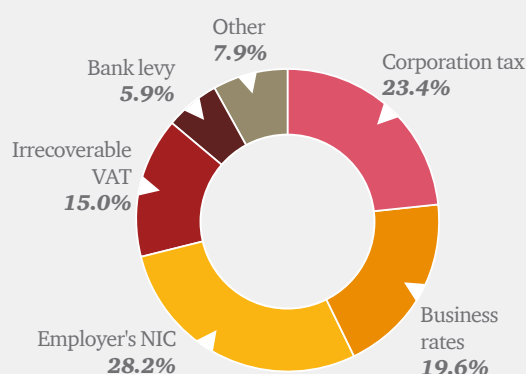
Ten years of Total Tax Contribution

2014 Total Tax Contribution survey for the 100 Group

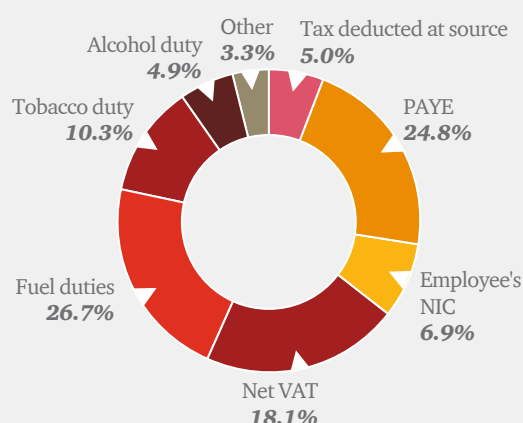
2014 marks the tenth year of the PwC Total Tax Contribution survey of the 100 Group. The survey collects data on taxes borne and collected by the 100 Group, looking beyond corporation tax, at the 25 business taxes in the UK.

The charts below show the taxes borne and collected by the 103 participants in the 2014 survey.

Taxes borne by percentage 2014



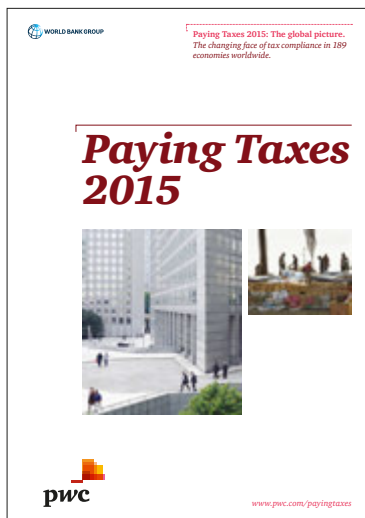
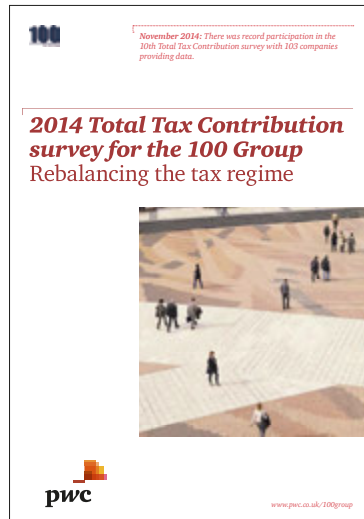
Taxes collected by percentage 2014



The PwC Total Tax Contribution Framework is simple and well understood. Taxes borne by a company are those that represent a cost to the company and which are reflected in its financial results e.g. corporation tax, employer's NIC and business rates etc. Taxes collected are those which are generated by a company's operations, but do not impact its results, e.g. income tax deducted under PAYE and net VAT etc. The company generates the commercial activity giving rise to the taxes and then collects and administers them on behalf of HMRC.

For further details of the survey please see <http://www.pwc.co.uk/100Group>

Recent publications



Key contacts:

PwC has a strong network of people who can advise you on how to develop your reporting to best meet the needs of your business, the board and external stakeholders. To discuss reporting insights for your organisation, please speak to your usual contact or one of these people:



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