

2023 Tax Contribution Report

colesgroup

Coles Group Limited
ABN 11 004 089 936



Acknowledgement of Country

Coles wishes to acknowledge the Traditional Custodians of Country throughout Australia.

We recognise their strength and resilience and pay our respects to their Elders past and present.

Coles extends that respect to all Aboriginal and Torres Strait Islander people, and recognises their rich cultures and their continuing connection to land and waters.

Aboriginal and Torres Strait Islander people are advised that this report may contain names and images of people who are deceased.

All references to Indigenous and First Nations people in this report are intended to include Aboriginal and/or Torres Strait Islander people.



Cover image

Coles State General Manager Queensland Jo Brown, Executive General Manager Supermarket Operations Claire Lauber, and e-Commerce graduate Shaz.

Basis of preparation

This report discloses details of the total taxes paid and collected on behalf of Australian Government authorities by Coles, in accordance with taxation laws, regulations and guidance.

References in this report to 'Coles', 'we' and 'our', are references to Coles Group Limited and its wholly owned subsidiaries.

All payments to governments are stated in Australian dollars.

This report has been prepared in accordance with the requirements of the Board of Taxation's Tax Transparency Code. Specifically, it provides the necessary disclosures and information to address the minimum requirements of Part A and Part B for large businesses, as set out in the Code.

The tax reconciliations and effective tax rate disclosures in this report have been prepared having regard to the draft guidance developed by the Australian Accounting Standards Board ('AASB') to assist companies in meeting the Tax Transparency Code recommendations.

This report has been prepared based on data recorded in our financial systems, being the same data and financial systems used to prepare our financial statements for the same period.

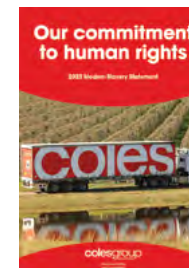
All data, unless otherwise stated, is prepared for the 52-week period 27 June 2022 to 25 June 2023 ('2023' or 'FY23'), and the comparative period 28 June 2021 to 26 June 2022 ('2022' or 'FY22'). Total tax contributions are calculated in accordance with the measurement and recognition principles of Australian Accounting Standards adjusted for when cash is paid, or received, by Coles.

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Our 2023 reporting suite

Our corporate reporting suite contains detailed information on Coles' strategy, risk management and governance frameworks. The suite also includes our financial and non-financial performance and progress against our sustainability and human rights commitments. We continually evolve our reporting suite in response to shareholder and stakeholder feedback, and to align with legislation, disclosure frameworks and leading practices.



To view these reports visit www.colesgroup.com.au

Welcome to our 2023 Tax Contribution Report

Message from the Chief Financial Officer



On behalf of the Board, I am pleased to present our 2023 Tax Contribution Report.

Our contribution to the Australian economy and commitment to corporate transparency is driven by our vision to be the most trusted retailer in Australia.

As one of the largest corporate employers in Australia, and a top 100 taxpayer, we are pleased to report our \$2.1 billion of tax contributions to Australian federal and state governments in the 2023 financial period.

We approach the management of Coles' tax obligations with integrity and diligence. Committed to our vision to be Australia's most trusted retailer, we are dedicated to ensuring Coles maintains robust tax governance practices and collaborative relationships with all tax authorities.

This report provides an overview of Coles' tax profile and our approach to tax governance and risk management. The information contained in this report has been prepared on a voluntary basis in accordance with the Board of Taxation's Tax Transparency Code.

The report should be read in conjunction with our 2023 Annual Report, which is available on our website at www.colesgroup.com.au.

A handwritten signature in black ink, appearing to read 'Charlie Elias'.

SR (Charlie) Elias
Chief Financial Officer
Coles Group Limited

14 September 2023

Tax policy, strategy and governance

Coles is committed to the highest standards of corporate governance. We understand that a robust and transparent corporate governance framework is central to the success of our business and management of our taxation risks.

Our approach

- A commitment to good corporate citizenship and acting with integrity and transparency in tax matters
- Diligence and care in relation to tax matters ensuring compliance with applicable laws and regulations
- A low appetite for tax risk, adopting conservative positions

Our risk management

- The Board oversees tax risk, evaluates our tax risk management framework and delegates relevant powers to the Audit and Risk Committee
- Rigorous processes in place for risk assessment, reporting and escalation of tax risks to senior management, the Audit and Risk Committee and the Board
- The Coles Tax Governance Framework, approved by the Audit and Risk Committee, sets out accountabilities, procedures, internal audit requirements and documentation

Our transparency and engagement

- Engage with and maintain an open, proactive and cooperative relationship with all revenue authorities
- Part of the Australian Taxation Office ('ATO') 'Top 100 justified trust program' for income tax and goods and services tax
- ATO annual pre-lodgment compliance review of Coles' consolidated group income tax return, covering material transactions and treatments adopted

Our tax contributions to Australia

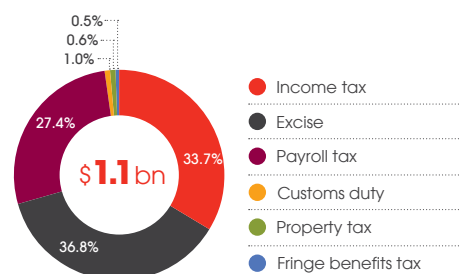
Coles' economic contribution to the Australian economy in 2023 was \$2.1 billion of taxes paid to, and collected on behalf of, Australian Government authorities.

Taxes paid to, and collected on behalf of, Australian Government authorities have been prepared in accordance with the Basis of preparation section of this report.

Australian taxes paid by Coles

Coles is subject to federal and state government taxes, including income tax and other taxes such as excise, payroll tax, customs duty, property taxes and fringe benefits tax.

AUSTRALIAN TAX	2023 \$m	2022 \$m
Income tax ¹	370	485
Excise ²	404	425
Payroll tax ³	301	268
Customs duty	11	10
Property tax	7	9
Fringe benefits tax	5	5
TOTAL⁴	1,098	1,202



1 Decrease due to income tax return refunds for previous years.

2 Decrease due to lower consumption of spirit products.

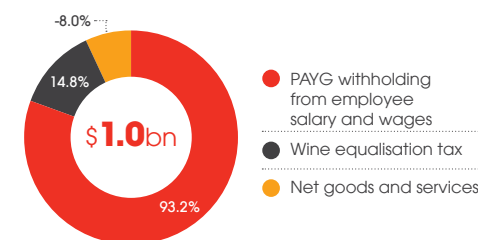
3 Increase due to increased tax rates and salary and wages increases.

4 In addition, income tax paid of \$0.01m was paid in China.

Australian taxes collected and paid by Coles

Coles also collects and pays taxes including Pay-as-you-go ('PAYG') withholding tax, wine equalisation tax, and net goods and services tax ('GST').

AUSTRALIAN TAX	2023 \$m	2022 \$m
PAYG withholding from employee salary and wages ¹	953	906
Wine equalisation tax	151	158
Net goods and services tax ²	(82)	0
TOTAL³	1,022	1,064



1 Increase due to salary and wages increases.

2 Refund of GST due to increased operating and capital costs.

3 In addition, valued added tax and surtaxes of \$0.1m was paid in China.

The total taxes paid to, and collected on behalf of, Australian Government authorities in FY23 was \$2.1 billion.

Reconciliation of accounting profit to income tax expense

A reconciliation of Coles' accounting profit to income tax expense is published in the Financial Report (part of Coles' 2023 Annual Report) for the 52-week period ended 25 June 2023 at Note 1.6. This disclosure has been prepared for the financial statements of Coles Group Limited and its controlled entities, in accordance with relevant standards issued by the AASB.

A reconciliation of Coles' accounting profit to income tax expense is set out below.

	CONSOLIDATED	
	2023 \$m	2022 \$m
Profit before income tax from continuing operations	1,465	1,467
Profit before income tax from discontinued operations	84	6
Profit before income tax	1,549	1,473
At Australia's corporate tax rate of 30.0% (2022: 30.0%)	465	442
Non-temporary differences		
Adjustments in respect of income tax of previous years	(9)	(5)
Share of results of joint venture	4	2
Non-deductible expenses for income tax purposes	6	2
Non-assessable income for income tax purposes	(13)	(11)
Recognition of capital losses	(8)	(5)
Taxable gain on sale of Express business	6	-
Income tax expense reported in the Income Statement¹	451	425
Income tax expense is attributable to:		
Profit from continuing operations	423	422
Profit from discontinued operations	28	3
	451	425

¹ At the effective income tax rate of 29.1% (2022: 28.9%)

Reconciliation of income tax expense to current period income tax payable

Income tax payable represents the income tax paid or estimated payable to the ATO.

A reconciliation of Coles' income tax expense to current period income tax payable is set out below.

	CONSOLIDATED	
	2023 \$m	2022 \$m
Income tax expense reported in the Income Statement	451	425
Adjustment in respect of current income tax of previous years	34	8
Deferred income tax relating to origination and reversal of temporary differences	(17)	(39)
Adjustment in respect of deferred income tax of previous years	(25)	(3)
Current year income tax payable	443	391

Calculation of the current year income tax payable includes both temporary and non-temporary differences.

Temporary differences exist where amounts are assessable or deductible under income tax law at a different time to when they are recognised under Australian Accounting Standards. For example, different depreciation rates may be used for tax and accounting purposes. The differences will reverse over time until an asset is fully depreciated.

Temporary differences in FY23 predominantly relate to movements in provisions, trade and other payables, fixed assets, intangible assets, lease liabilities and right of use assets leading to the difference between income tax expense and income tax payable.

Non-temporary differences are amounts that are recognised for either accounting purposes or tax purposes, but not both.

Non-temporary differences in FY23 primarily relate to the Research & Development incentive claims, income tax gain on the sale of Express assets, reversal of property impairments, properties held for sale, recognition of capital losses and Coles' 50% share of the loss recorded by flybuys, which is equity accounted.

Effective company tax rate

The effective tax rate is calculated as income tax expense divided by accounting profit before tax.

The effective tax rate will differ from the company tax rate of 30%, due to non-temporary differences and tax rate differentials in foreign jurisdictions.

The effective company tax rate is set out below.

CONSOLIDATED		
Effective tax rate ¹	2023	2022
Effective tax rate for continued operations	28.9%	28.8%
Effective tax rate for discontinued operations	33.3%	50.0%
Total effective tax rate²	29.1%	28.9%

Notes

- 1 The effective tax rate for Australian operations is the same as the effective tax rate for global operations.
- 2 The effective tax rate in FY23 was less than 30% due to the non-temporary differences set out on page 5.

International related party transactions

Coles' Tax Governance Framework is designed to ensure all taxation laws and regulations applicable to our business are adhered to, including those in relation to international related party dealings.

Coles applies arm's length principles with respect to its international related party dealings that are consistent with Australia's transfer pricing laws and ATO guidance on accepted pricing methodologies. Arm's length pricing analysis also takes into account the regulatory requirements of the counterparty jurisdiction and the Organisation for Economic Co-operation and Development guidelines.

While Coles' operations are predominantly in Australia, Coles has a captive insurance company in Singapore to provide access to the reinsurance market. Coles also has a presence in China (with a holding company in Hong Kong) to support the export and sale of meat and other consumer goods.

Details of Coles' international related party dealings are set out below:

JURISDICTION	NATURE OF ACTIVITIES	2023 \$m	2022 \$m
China	Fee for services provided by Coles China to Coles Australia	3	3
Hong Kong	Holding Company	-	-
Singapore ¹	Premium for insurance cover and reinsurance placement provided by Coles Singapore to Coles Australia	2	11

- 1 Decrease due to no insurance on property damage provided by Coles Singapore to Coles Australia in FY23.

Independent Auditor's Review Report to the Directors of Coles Group Limited

We have reviewed the Total Taxes Paid and Collected on behalf of Australian Government authorities of \$2,120 million ('Total Tax Contributions') as set out in the 'Our tax contributions to Australia' section of the attached Tax Contribution Report of Coles Group Limited for the year ended 25 June 2023 (the 'Tax Report').

Management's responsibility for the Tax Report

The Company's management is responsible for the preparation of the Tax Report and for establishing a framework in which the Total Tax Contributions and other related information in the Tax Report has been prepared. Management has determined that this framework as set out in the Basis of preparation section of the Tax Report is appropriate to the needs of the users of the Tax Report. Management is also responsible for such internal controls as management determines are necessary to enable the preparation of the Tax Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Total Tax Contributions in the Tax Report based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Total Tax Contributions is not prepared, in all material respects, in accordance with the measurement and recognition principles of Australian Accounting Standards adjusted for when cash is released, or received, by Coles Group Limited. ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Total Tax Contributions of \$2,120 million in the Tax Report is not prepared, in all material respects, in accordance with the measurement and recognition principles of Australian Accounting Standards adjusted for when cash is paid, or received, by Coles Group Limited.

Emphasis of matter - basis of accounting and restriction on reliance

Without modifying our conclusion, we draw attention to the Basis of preparation section of the Tax Report which describes the basis of accounting. This basis of accounting is of such importance that it is fundamental to your understanding of the Total Tax Contributions.

This review report has been prepared for the Directors of Coles Group Limited in accordance with our engagement letter with Coles Group Limited. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report or the reliance upon our report by the other party.

A handwritten signature in grey ink that reads 'Ernst & Young'.

Ernst & Young

Melbourne
14 September 2023



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