

# colesgroup

coles  
Click&Collect

Save time. Shop online. Collect in-store.

How to collect your order

- 1. Park your car in the Click&Collect bay
- 2. Call 02 9555 1288 to confirm
- 3. Collect your groceries

2021

## Tax Contribution Report

Coles Group Limited

ABN 11 004 089 936



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FRONT COVER: Coles Online team member Laura brings groceries to a customer’s car as part of the Click & Collect (to the boot of the car) service.

THIS PAGE: Dairy farmers in the Nowra region will benefit from a Coles Nurture Fund grant which will be used to collect and transport effluent to a nearby biogas plant to convert to electricity. Among the dairy farmers to benefit are David Boyd from Riverlane, who is pictured here with his daughter.



## Message from the Chief Financial Officer

### Welcome to our 2021 Tax Contribution Report



It is my pleasure, on behalf of the Board, to present our 2021 Tax Contribution Report.

G.J. Coles opened the first Coles store in 1914 with a sign displaying the promise of nothing over 1 shilling. Over 100 years later Coles continues to make life easier for our customers guided by our purpose to sustainably feed all Australians to help them lead healthier, happier lives. As the challenges of the COVID-19 pandemic have continued through FY21 we are more committed than ever to transparency and building trust with team members, suppliers, shareholders and customers to make a positive contribution to the communities in which we operate.

Through our continued role 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 2021 financial year.

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 2021 Annual Report, which is available on our website at [www.colesgroup.com.au](http://www.colesgroup.com.au)

**Leah Weckert**  
Chief Financial Officer  
Coles Group Limited

## Our vision, purpose and strategy

### Our vision

**Become the most trusted retailer in Australia and grow long-term shareholder value.**





## 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, pro-active and co-operative relationship with all revenue authorities

Part of the Australian Taxation Office (ATO) top 100 taxpayer 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



Coles team members Feim and Jon Carlo undertake product quality tests at Coles' distribution centre at Laverton, Victoria.



## Our tax contributions to Australia

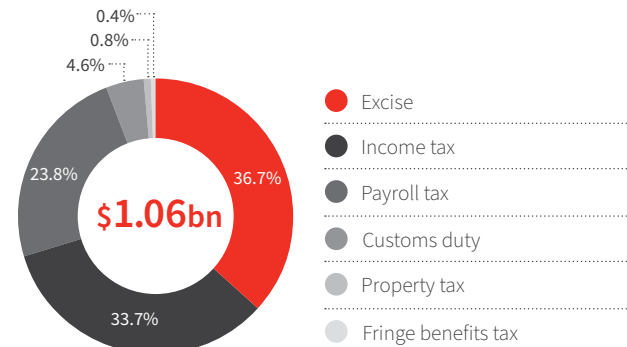
**Coles' economic contribution to the Australian economy in FY21 was \$2.1 billion of taxes paid to and collected on behalf of Australian government authorities.**

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 payroll tax, property taxes and fringe benefits tax.

AUSTRALIAN TAX \$M	2021	2020
Excise <sup>1</sup>	389	742
Income tax <sup>2</sup>	358	504
Payroll tax	252	253
Customs duty	49	36
Property tax <sup>3</sup>	9	12
Fringe benefits tax	4	4
<b>TOTAL</b>	<b>1,061</b>	<b>1,551</b>

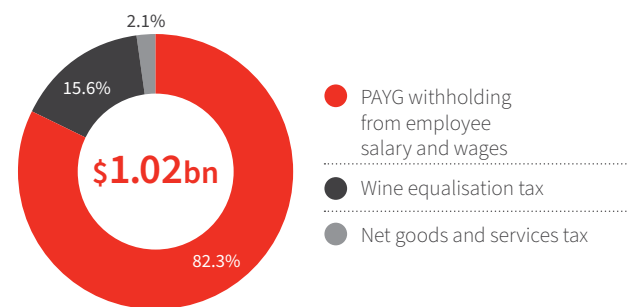


- <sup>1</sup> In FY21 excise paid relates solely to liquor. FY20 also included the payment of excise in respect of tobacco stock on hand in FY19, which no longer applies due to a change in the law.
- <sup>2</sup> Decrease in income tax paid is attributable to a revised pay-as-you-go (PAYG) instalment rate reflecting Coles' position as a standalone taxpayer.
- <sup>3</sup> Property tax includes land tax and council rates.

### Australian taxes collected and paid by Coles

Coles also collects and pays taxes including PAYG withholding tax, excise, wine equalisation tax, net goods and services tax and customs duty on behalf of the Australian Government.

AUSTRALIAN TAX \$M	2021	2020
PAYG withholding from employee salary and wages	840	832
Wine equalisation tax <sup>1</sup>	159	149
Net goods and services tax <sup>2</sup>	22	81
<b>TOTAL</b>	<b>1,021</b>	<b>1,062</b>



- <sup>1</sup> Tax imposed on wine made, imported or sold wholesale in Australia.
- <sup>2</sup> Decrease in goods and services tax from FY20 is due to increased capital expenditure and increased costs in relation to COVID-19, such as additional cleaning and security costs, to maintain a safe in-store environment for team members and customers.

The total taxes paid to and collected on behalf of Australian government authorities in FY21 was \$2,082 million.

## 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' 2021 Annual Report) for the period ended 27 June 2021 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 Australian Accounting Standards Board (AASB).

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

	CONSOLIDATED	
	YEAR ENDED 27 JUNE 2021 \$M	YEAR ENDED 28 JUNE 2020 \$M
<b>Profit before income tax</b>	<b>1,446</b>	<b>1,319</b>
At Australia's corporate tax rate of 30.0% (28 June 2020: 30.0%)	434	396
Adjustments in respect of income tax of previous years	10	2
Share of results of joint venture	2	2
Non-deductible expenses for income tax purposes	2	5
Non-assessable income for income tax purposes	(7)	(21)
Significant item - tax consolidation	-	(31)
Significant item - incorporated joint venture with Australian Venue Co	-	(12)
<b>At the effective income tax rate of 30.5% (28 June 2020: 25.9%)</b>	<b>441</b>	<b>341</b>
Income tax expense reported in the Income Statement	441	341



Coles Online team member Neranda provides groceries to customer Wendy as part of Coles' Click & Collect service.

## Reconciliation of income tax expense to current year income tax payable

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

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

	CONSOLIDATED	
	YEAR ENDED 27 JUNE 2021	YEAR ENDED 28 JUNE 2020
	\$M	\$M
Income tax expense reported in the Income Statement	441	341
Adjustments in respect of current income tax of previous years	(13)	5
Deferred income tax relating to origination and reversal of temporary differences	18	79
Adjustments in respect of deferred income tax of previous years	3	36
<b>Current year income tax payable</b>	<b>449</b>	<b>461</b>

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 FY21 predominantly relate to increases in employee entitlements and other provisions, fixed assets, and movements in lease liabilities and right of use assets, leading to the difference between income tax expense and income tax payable.

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

Non-temporary differences in FY21 primarily relate to the reversal of property impairments, entertainment expenses 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	
	YEAR ENDED 27 JUNE 2021	YEAR ENDED 28 JUNE 2020
Income tax expense	441	341
Effective tax rate for Australian operations	30.5%	25.9%
Effective tax rate for global operations	30.5%	25.9%
Remove tax effect of material adjustments (note 1)	-	56
Adjusted income tax expense	441	397
<b>Adjusted effective tax rate for Australian operations</b>	<b>30.5%</b>	<b>30.1%</b>
<b>Adjusted effective tax rate for global operations</b>	<b>30.5%</b>	<b>30.1%</b>

### Notes

- The effective tax rate in FY20 was impacted by material adjustments including tax consolidation, the disposal of Coles' interests in the hotel business and revaluation of the property portfolio.



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 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 Cooperation and Development guidelines.

While Coles’ operations are predominantly in Australia, in FY21 Coles established 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	YEAR ENDED	YEAR ENDED
		27 JUNE 2021	28 JUNE 2020
		\$M	\$M
China	Services provided by Coles China to Coles Australia	3	0.4
Hong Kong	Holding Company	-	-
Singapore	Insurance capacity and reinsurance placement provided by Coles Singapore to Coles Australia	8	-

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 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 period 29 June 2020 to 27 June 2021 (FY21) and the comparative period 1 July 2019 to 28 June 2020 (FY20). 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.



Coles Urban Coffee Culture is one of our award-winning Coles Own Brand products sold in Coles supermarkets and is Rainforest Alliance Certified.

## 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 \$2,082 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 27 June 2021 (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 \$2,082 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 released, 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.



Ernst & Young  
Melbourne  
17 September 2021





**Coles Group Limited**

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