

GrainCorp Limited

**Voluntary Tax
Transparency Code
- 2018**



GrainCorp

100 YEARS OF GROWTH

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GrainCorp is Australia's leading listed agribusiness with an integrated business model across three grain activities: supply chain, origination and processing.

GrainCorp has operations in Australasia, North America and Europe (including the United Kingdom), with these regions collectively representing over 50% of global export trade in wheat, barley and canola.

GrainCorp has three reporting segments:

- Grains
- Malt
- Oils

GrainCorp is committed to transparency and honest and open communication on all regulatory and financial disclosures.

1. Tax Strategy

To be a leading agri-food business, GrainCorp must uphold its responsibility to all stakeholders. Stakeholders include customers, employees, governments, communities and suppliers.

GrainCorp's primary focus on all tax matters is accurate compliance. GrainCorp is committed to paying its fair share of tax and have an effective governance framework to manage our tax affairs.

GrainCorp is committed to conduct its tax affairs consistent with the following objectives, to:

1. Comply with all relevant laws, rules, regulations, and reporting and disclosure requirements, wherever we operate;
2. Apply professional diligence and care in the management of all risks associated with tax matters, and ensure governance and assurance procedures are appropriate;
3. Foster constructive, professional and transparent relationships with tax authorities, based on the concepts of integrity, collaboration and mutual trust.

2. Tax Governance and risk management

GrainCorp is committed to complying with and observing all applicable rules and regulations in all territories in which it operates. GrainCorp has an open and constructive relationships with regulators.

3. International related party dealings

GrainCorp's operations overseas are conducted through legal entities, all of whom are subject

to local tax regimes.

GrainCorp establishes entities in jurisdictions considering where business activities are located and the prevailing regulatory environment available.

All GrainCorp's international related party dealings are conducted on an arm's length basis as set by the Organisation of Economic Co-operation and Development (OECD).

The jurisdictions in which GrainCorp operates and tax rates are shown below:

Country	2018
Australia	30.0%
New Zealand	28.0%
United States of America	21.0-24.0%
Canada	28.0%
United Kingdom	19.0%
Germany	30.0%
China	25.0%
Singapore	17.0%

4. Reconciliation of Accounting Profit to Income Tax Expense

The table below is derived from the audited financial statement prepared by GrainCorp.

	2018		2017	
	Group \$ M	Australia \$ M	Group \$ M	Australia \$ M
Profit / (loss) from continuing operations before income tax expense	73.6	(25.4)	184.7	95.2
Income tax expense / (benefit) calculated at 30%	22.1	(7.6)	55.4	28.6
Tax effect of amounts which are not deductible / (taxable):				
Share of net (profit) / loss of joint ventures	0.4	0.0	0.1	0.0
Non-deductible / non-assessable items	(1.3)	(0.9)	3.2	4.4
Change in US tax rate	(18.7)	0.0	0.0	0.0
Under / (over) provision in prior years	2.3	0.8	(0.9)	0.0
Difference in overseas tax rates	(1.7)	0.0	1.7	0.0
Income tax expense / (benefit)	3.1	(7.7)	59.5	33.0
Accounting effective tax rate	4.2%	30.4%	32.2%	34.6%
Temporary differences				
Provisions / accruals	(5.2)	(2.8)	1.9	2.5
Tax losses	25.8	29.1	(22.3)	(27.6)
Property, plant and equipment	6.8	(5.4)	(23.2)	2.9
Intangible Assets	5.8	4.0	3.5	1.1
Deferred revenue	0.1	0.1	(7.2)	(7.2)
Unrealised gains / (losses) on derivative contracts	(18.7)	(20.9)	(2.4)	0.4
Other	(5.1)	3.7	(6.0)	(5.1)
Income tax payable / (refundable)	12.5	(0.0)	3.8	(0.0)

5. Tax Contributions to Australia and Income Tax Payable

GrainCorp's tax payable is based on taxable income at the prevailing jurisdictional tax rate.

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

Variations between GrainCorp's tax expense and tax payable are explained below:

- GrainCorp's accounting effective tax rate includes income from joint ventures. GrainCorp's joint ventures pay tax in their own name.
- GrainCorp experienced drought conditions in Australia in 2018. When there is a drought, GrainCorp typically incur tax losses - consistent with farmers and other agricultural players.
- On 22 December 2017, US tax reform legislation was enacted which reduced the US Federal Corporate Tax rate from 35% to 21%. The initial impact of this change was to adjust the carrying value of the Group's US deferred tax balances which resulted in a deferred tax credit of \$18.7m.

6. ATO tax transparency disclosure

In December each year, the Australian Taxation Office (ATO) release the prior year details for the GrainCorp Limited Australian consolidated tax group income tax return.

The details released are below:

GrainCorp Limited ATO tax information	2017	2016
	Australia \$M	Australia \$M
Total Income	4,074	2,951
Taxable / Net Income	129	0
Total tax payable	0	0

These numbers are interpreted below:

1. Total Income – This relates to total revenue earned by the GrainCorp Australia Group. The number does not include expenses incurred in making these sales – such as the cost of purchasing grain.
2. Taxable / Net Income – This is GrainCorp's Australian income less expenses. The income and expenses are adjusted for permanent and timing differences between tax to accounting (as shown at part 4 above), including the utilisation of any available carried forward tax losses.
3. Total tax payable – This is taxable income, less withholding taxes, R&D offsets and franking credits (generated by GrainCorp receiving franked distributions on investments) - multiplied by 30%