

## SENATE ECONOMICS REFERENCES COMMITTEE

### INQUIRY INTO THE COMMITMENT TO THE SENATE ISSUED BY THE BUSINESS COUNCIL OF AUSTRALIA

#### FORTESCUE RESPONSE TO WRITTEN QUESTIONS ON NOTICE

##### QUESTION 1

Fortescue Metals Group's ('Fortescue') financial statements are presented in United States dollars, which is the Group's reporting currency and the functional currency of the Company and the majority of its subsidiaries.

##### Australian corporate tax expense as listed in the Income statement

	<b>Profit before Income Tax (USD)</b>	<b>Total income tax expense (USD)</b>	<b>Effective Tax Rate</b>	<b>Annual Report Reference</b>
30-Jun-13	2,466	720	29.20%	Note 8
30-Jun-14	3,913	1,173	29.98%	Note 8
30-Jun-15	420	104	24.76%	Note 8
30-Jun-16	1,354	369	27.25%	Note 8
30-Jun-17	2,967	874	29.46%	Note 14

##### Total cash payments in relation to the financial year

	<b>Total Cash Tax Payments (USD)</b>	<b>Deferred Tax Expense</b>	<b>Annual Report Reference</b>
30-Jun-13	136	584	Note 8
30-Jun-14	824	349	Note 8
30-Jun-15	(112)	216	Note 8
30-Jun-16	313	128	Note 8
30-Jun-17	823	57	Note 14

##### Explanation of variances

The primary difference between the total income tax expense and total cash tax payments in the tables above relates to deferred tax expense movements, details of which are available in Fortescue's annual report (relevant Deferred Tax Assets and Liabilities Note to the Financial Statements). Deferred tax assets and liabilities represent timing differences, being future deductible and assessable amounts which are booked to Fortescue's balance sheet.

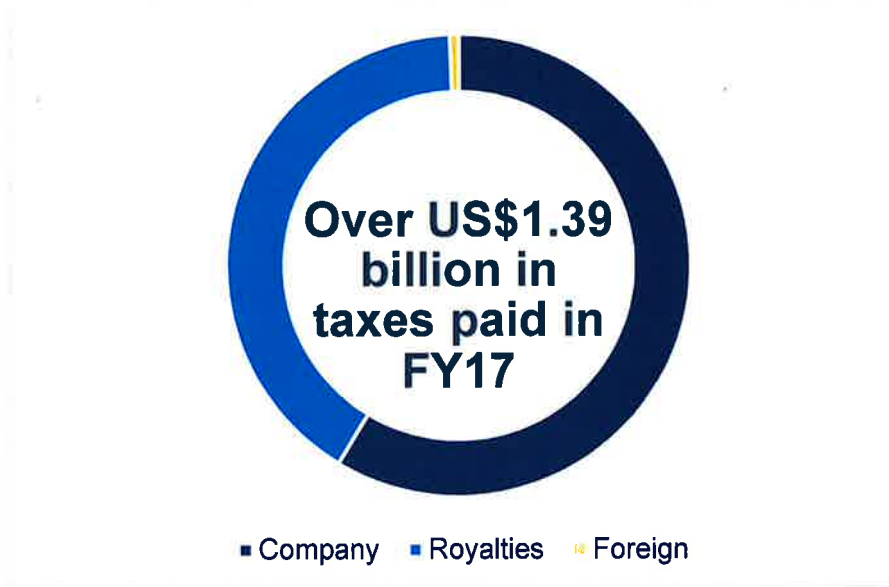
In 2017, Fortescue signed up to the Tax Transparency Code and has provided additional disclosures in Note 14 in the annual report.

## QUESTIONS 2 AND 3

Fortescue is unable to provide forecasts of the company's future tax payments, given that any such forecast would be confidential and subject to numerous factors outside of the company's control, including exchange rates, iron ore prices and other variables affecting the realised price we receive for our products.

We do however note our tax payments are an important element of our commitment to ensuring communities benefit from the growth and development of our business, as is our focus on providing training, jobs and business development opportunities within all jurisdictions in which we operate.

The success of Fortescue has contributed to the strength of the State of WA and to Australia's national economy, and since inception we have paid royalties of over US\$3.9 billion and corporate tax of more than US\$2.6 billion. We currently employ more than 8,500 people, of which approximately 50 per cent are direct employees.



*Figure 1 - Tax Contribution FY2017*

It is critical for Australia to be internationally competitive on tax rates to encourage business investment and employment. A strong economy will generate job growth, which will in turn lead to market driven outcomes for wages.

At Fortescue, we continually benchmark our labour rates to ensure they are competitive within the industry, and we provide competitive remuneration packages to our team members which offer short term and long term incentives including productivity based bonus payments.

We are committed to investing in the long-term sustainability of our core iron ore business and a reduction in corporate tax will facilitate our investment decisions in these important capital projects, including the proposed Eliwana mine project, currently under final feasibility consideration.