

Caltex Australia Limited (CAL)



Australian Tax Transparency

At Caltex, we exercise care in everything we do. A culture of operational excellence is formally supported through an enterprise-wide risk management framework and our management systems. This culture of care and operational excellence extends to every facet of our business, including the reporting and payment of the many taxes paid by Caltex.

Caltex has a strong tax risk management framework, one that involves robust internal policies and practices and regular direct engagement with the ATO. Under the ATO's risk differentiation framework, it has rated Caltex with a low tax risk profile and Caltex has been commended by the ATO for its willingness to "maintain a co-operative and open relationship".

Caltex Australia Limited is an Australian listed public company with its management and control in Australia (Chevron sold its 50% shareholding in Caltex Australia on 30 March 2015). Caltex is the largest supplier of transport fuels across the Australian economy, employing in excess of 3,000 people across its national operations.

As Australia's leading transport fuel supplier, and the only integrated oil refining and marketing company listed on the Australian Stock Exchange, Caltex is committed to being a responsible Australian corporate citizen. As one of the largest tax payers in Australia, Caltex recognises its tax contributions are critical to the Australian economy, public finances and the social policy programs they are required to fund.

Income tax is only one of many taxes paid by Caltex, and one of the ways it contributes to the Australian economy. Further details of Caltex's \$6.4 billion tax contribution in 2013 are outlined below.

ATO Public Disclosure

In line with the Caltex core value of 'Care', Caltex is transparent about its tax positions and, in response to the anticipated disclosure by the Australian Taxation Office of certain tax information, Caltex's Australian Tax Transparency report has been prepared to provide more details and context.

In late 2015, it is expected the Commissioner of Taxation will publicly disclose the following details in respect of the Caltex Tax Group's income tax return for the year ended 31 December 2013 (in lieu of the 30 June 2014 income year):

ABN 40 004 201 307

Total Income	\$ 26,741,291,726
Taxable Income	\$ 502,136,522
Income tax payable	\$ 144,493,240

Of the figures reported above, it should be noted that total income represents gross income of the Caltex Tax Group for accounting purposes. That is, income before any expenses are taken into account. Total income is not an indicator of the real, economic or taxable profits of any organisation.

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Total Income and Net Profit

Total income as reported in Caltex's audited financial statements is \$24.6 billion. Caltex is a business operating with high volumes, high costs and low margins. Operating in a capital intensive industry, Caltex incurs relatively high costs in the running of its business which can be seen in the difference between the total income received and its net profit before tax. Further, revenues are heavily impacted by international crude oil and petroleum products markets and the USD/AUD exchange rates. Therefore, utilising the gross profit margin would be a better measure of the tax paying capability of Caltex and other taxpayers in the downstream petroleum industry.

Whilst the total income for 2013 was \$24.6 billion, net profit before tax is calculated after taking into account \$5.1 billion representing excise duty collected and paid to the ATO, cost of goods sold (of \$17.6 billion relating to costs for, and directly associated with, the supply of crude, petrol, diesel and other purchases) and other expenses. For the year ended 31 December 2013, Caltex achieved an aggregate profit margin of 3 cents a litre on all fuels sold compared to an average of 24 cents a litre of excise. More specifically, and as disclosed in the financial statements, the total profit before tax can be broken down as follows:

<u>CONSOLIDATED INCOME STATEMENT</u> (as per 2013 Annual Report)	
	'000s
Revenue	24,676,383
Less: Cost of Goods Sold (historical cost)	(22,792,400)
Gross profit	1,883,983
Less: Operating expenses	
Net foreign exchange losses	(77,876)
Other income	44,881
Refining & Supply expenses	(242,632)
Marketing expenses	(731,302)
Other expenses	(52,880)
Total Operating expenses	(1,059,809)
Less: Net Finance costs	(88,791)
Add: Share of net profit of entities accounted for using the equity method	158
Net Profit before income tax expense	735,541¹

¹ The Caltex Accounting Group Net Profit before income tax expense for the year ended 31 December 2013 is 735,541,000.

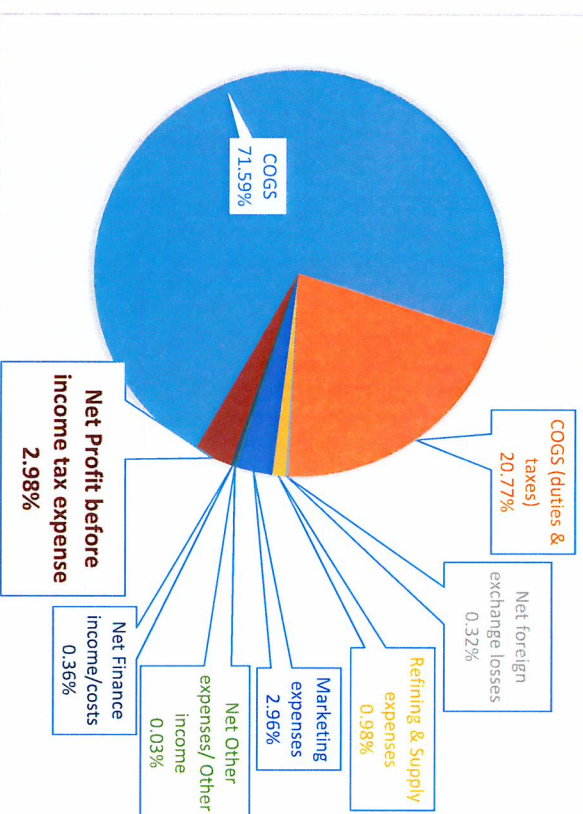
The Caltex Tax Group's Profit before income tax for the year ended 31 December 2014 is 732,357,000.

Reconciliation of profit to taxable income

From the Tax Group Profit the following adjustments are made to reach total tax payable:

Caltex Tax Group profit before tax		732,357,340
Add:		
-Net capital gain	21,381,916	
-Franking credits	1,092,857	
-Other assessable income	21,473,028	
-Accounting book depreciation	162,031,459	
-Other non-deductible expenses ²	203,456,374	409,435,634
Less:		
-Tax depreciation & amortisation	242,653,413	
-Deduction for environmental protection expenses	9,233,102	
-Other income not included as assessable ³	98,419,906	
-Other deductible expenses ⁴	289,350,031	(639,656,452)
Taxable income		502,136,522
Gross Tax @ 30%		150,640,957
<i>Less: Tax Offsets⁵</i>		<i>(6,147,717)</i>
Caltex Tax Consolidated Group Tax Payable		144,493,240

PORTION OF PROFIT OVER TOTAL INCOME



² Other non-deductible expenses such as, employee entitlements, provisions, doubtful debts, prepayments, capital costs

³ Other income not included as assessable includes accounting book profit on sale of asset, unearned income

⁴ Other deductible expenses include major repairs & maintenance of capital items, balancing adjustments for assets to be disposed of

⁵ E.g. R&D, franking credits, carry forward losses

For the year ended 31 December 2013, it is noted in Caltex's financial statements that the income tax expense for the Caltex accounting group was calculated as \$206.784 million. As recognised in the Australian Accounting Standards, income tax expense calculated for the purposes of financial statements disclosure is not reflective of the actual income tax payable for any given income tax year. In addition to the difference between entities in the Caltex accounting group and the Caltex Tax Group, there are a number of reasons for this difference. Notably, the timing of the recognition of income and deductions under Australian income tax laws differ from under the Australian Accounting Standards. For example, certain tax deductions are only allowed under Australian income tax law once paid, as compared to when the expense is accrued under Australian Accounting Standards, and depreciation rates differ between Australian Accounting Standards and Australian income tax law.

Effective tax rate

Noting the difference between accounting profit and taxable income, a tax rate calculated based on an entity's accounting profit would not be reflective of an entity's proper tax contribution. This is illustrated below:

Effective Tax Rate⁶ calculated on Accounting Profit before tax

<i>Effective Tax Rate Calculation</i>		(('000s)
Total Income Tax Expense:		206,784
CAL accounting group profit before tax ⁷ :		735,541
Effective Tax Rate based on Total Taxable Income:		28.11%

The effective tax rate for the Caltex Accounting Group over the past 5 years is detailed below.

	Total Income Tax Expense (('000s)	Accounting Group profit before tax (('000s)	Effective Tax Rate
2012	29,263	86,864	33.69%
2011	-308,546	-1,021,767	-30.20%
2010	124,317	442,295	28.11%
2009	132,916	447,676	29.69%
2008	13,426	46,607	28.81%

⁶ The average effective tax rate is defined in the International Accounting Standards (IAS12 – Income Taxes) as the tax expense (income) divided by the accounting profit

⁷ Per Consolidated Income Statement in 2013 Annual Report

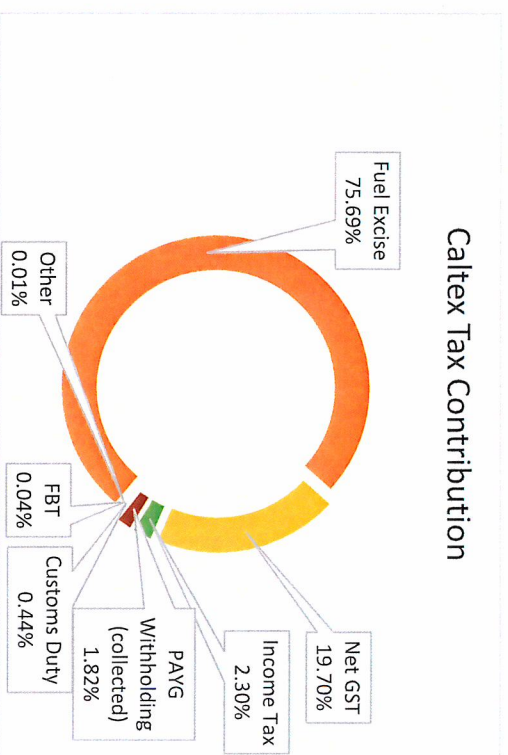
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Caltex's Total Tax Contribution

As previously mentioned, income tax is only one of many taxes making up Caltex's total tax contribution to Australia. As outlined below, Caltex made payment totalling \$6.4 billion for various taxes to across all levels of government in Australia.

Tax (Actual tax payments/(receipts) in 2013)	Amount (\$Million)
Excise	4,846.2
GST paid	4,427.4
GST Input tax credits claimed	(3,166.3)
Income Tax	106.8
Customs duty	28
PAYG Withholding	116.4
Payroll Tax	25.5
Land Tax	14.8
Council Rates	9.9
Licences	2.6
FBT	2.4
Water Rates	2.2
Freight Tax	0.7
Royalty and Interest withholding tax	0.2
Stamp duty	0.1
Fuel Tax Credits	(7.8)
	6,409



Glossary

In this report, the following terms are defined as follows:

	Tax
Income Tax	Taxes based on the taxable profits of a company
Effective Tax Rate	Income Tax expense in respect of an accounting period divided by the accounting profit before tax
Caltex	Caltex Australia Limited and its controlled entities, as outlined in Caltex's Financial Statements
Caltex Tax Group	Caltex Australia Limited and the entities of its tax consolidated group
Government	Any government body of Australia, including federal, state and local councils. Not including any commercial enterprises or financial institutions that may be controlled by the Australian government.
Profit before Tax	Accounting profit for a period before deducting a charge for income tax