

The 13th Annual Americas School of Mines

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*connectedthinking

PRICEWATERHOUSECOOPERS 

Agenda

Total Tax Contribution

Total Tax Contribution

Purpose and Outline of the Study

What is Total Tax Contribution?

Understanding Study Results

Study Results

What are the benefits of TTC for companies?

Reporting Total Tax Contribution

Contacts

Purpose and Outline of the Study

- PricewaterhouseCoopers LLP (PwC) have carried out a study of the taxes paid or other contributions to government by a number of large listed companies in the mining sector.
- The purpose of the study is to provide greater transparency over the overall contribution of Mining companies to the public finances of the countries where they operate.
- The study has been carried out using the PwC Total Tax Contribution (TTC) Framework. TTC provides a standardized methodology for companies to measure and communicate all the taxes and contributions that they pay.

What is Total Tax Contribution?

- The total of all business taxes paid by a company
 - Either in a particular country or on a global basis
 - Is much wider than just corporate income tax
- Makes a distinction between
 - Taxes which are a cost to the company and will impact their results, for example property taxes
- Includes other payments and contributions to government
 - For example, royalties, licence fees, contributions to infrastructure
 - Part of a company's economic impact and particularly relevant to the mining sector

Understanding the study results

- Fourteen of the world's largest Mining companies participated in the study
 - This includes seven of the largest ten as measured by market capitalisation
- Participant companies provided data on their taxes and other contributions paid to government in their largest countries of operation
- Companies were asked to provide data on a country by country basis
- Between them, the companies provided data for operations in fourteen different countries, including Australia, Brazil, Canada, Chile, Indonesia, South Africa and the United States
- Each participant provided data for between one and six different countries
 - The Average number of countries covered was 3.3

Study Results

Total contribution to Government

Mining Companies make a large contribution to the public finances

- Mining companies make a large economic contribution in the countries where they have mining operations
 - The fourteen companies participating in the study reported total figures for turnover of US\$196bn, wages and salaries paid to employees of US\$13.5bn, and a total contribution to government of US\$29bn
- The average total contribution to government by a company in a single country reported in the study was US\$743m, comprising an amount of US\$623m borne and US\$120m collected
 - As a comparison, the average amount of taxes borne paid to the UK Treasury by large listed UK companies (FTSE 100) is US\$499m

Total Tax Contribution

Study Results

Total contribution to Government

Mining Companies make a large contribution to the public finances

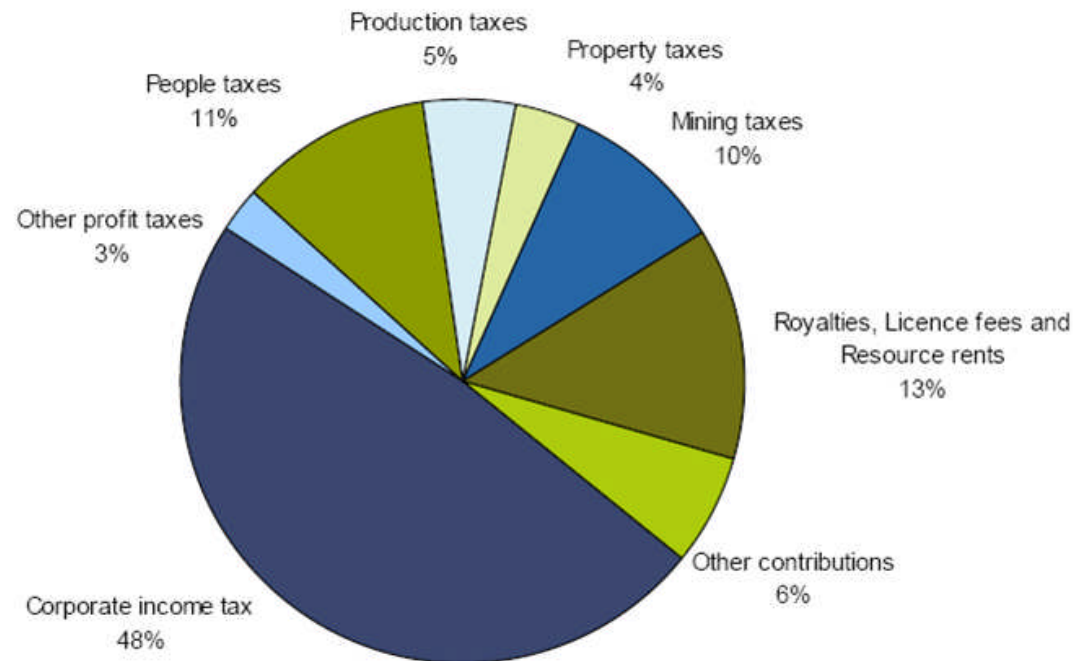
Total participants (data for y/e Mar 08)	\$
Taxes borne	20,513,431,814
Taxes collected	4,687,726,825
User fees	3,271,029,913
Other contributions	1,132,301,370
Total payments to Governments	29,604,489,921
Less Grants and subsidies received	(608,578,767)
Total contribution to Government	28,995,911,154

Total Tax Contribution

Study Results

Taxes and contributions borne

- Corporate income tax is less than half of the picture
- 29% of the total on average are additional taxes and contributions that are specific to the mining sector



Result shows the average position for a participant in a country across all the countries covered in the study

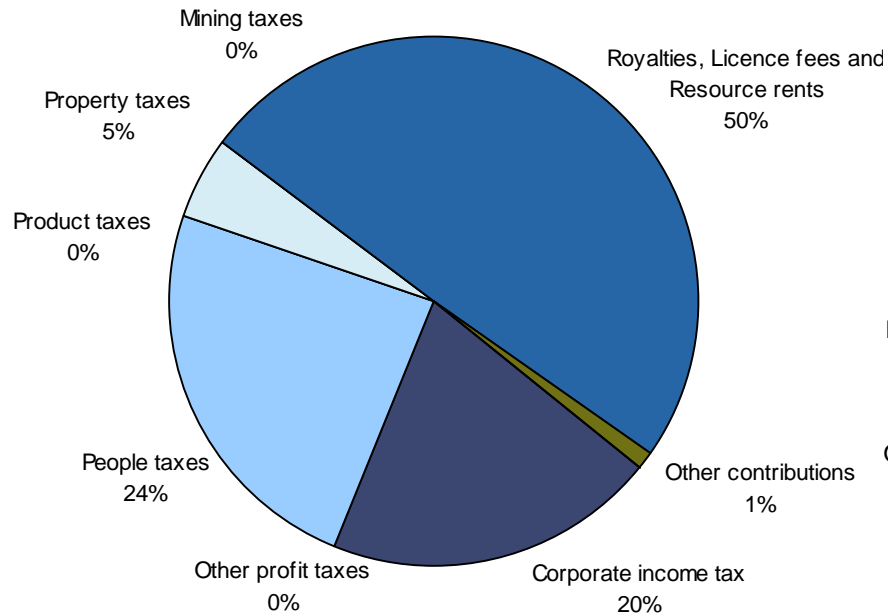
Total Tax Contribution

Study Results

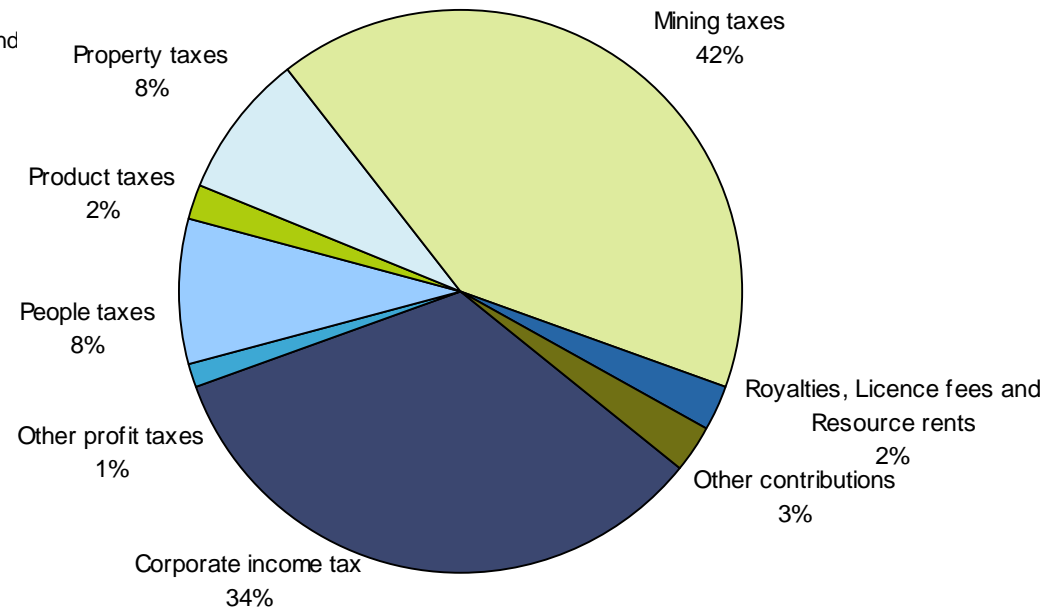
Taxes and contributions borne

The pattern varies by country

Australia



Canada



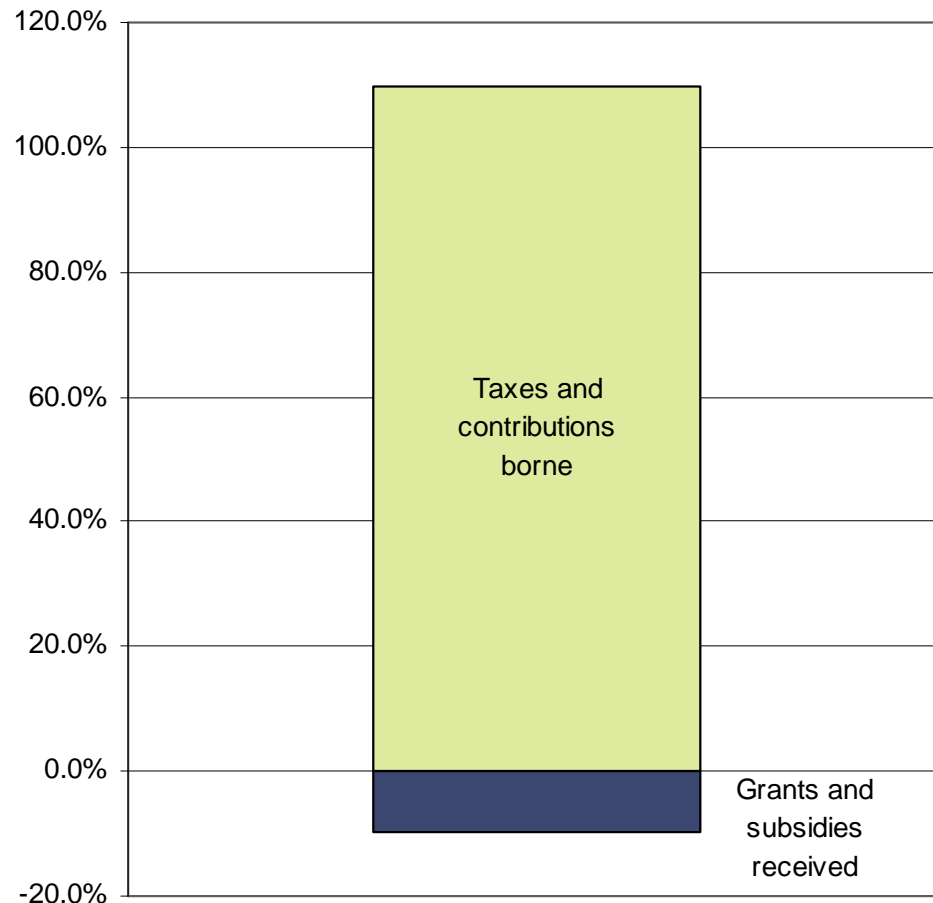
Result shows the average position for a participant in each country

Total Tax Contribution

Study Results

Grants and subsidies

Grants and subsidies received are small in relation to amounts borne (9.9%)

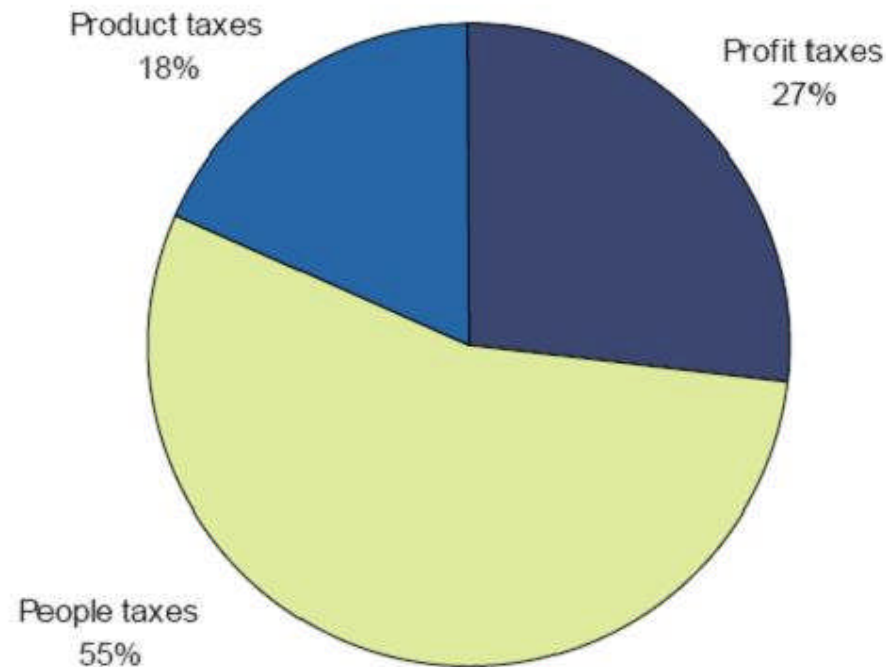


Result shows the average position for a participant in a country across all the countries covered in the study

Total Tax Contribution

Study Results – Taxes collected

Mining Companies also administer taxes on behalf of Government



Result shows the average position for a participant in a country across all the countries covered in the study

Total Tax Contribution

Study Results

Total contribution to Government as a percentage of turnover

On average mining companies contribute an amount equivalent to 16.7% of their turnover to Government

Total contribution to Government as a percentage of turnover	Total contribution		Taxes and contributions borne		Taxes Collected	
Calculated for all participants as a group. Total contribution to Government as a % of turnover	14.7%		12.3%		2.4%	
Calculated for all individual participant companies. Mean average total contribution to Government as a % of turnover for individual companies	16.7%		12.5%		4.2%	
Calculated for all individual participant companies. Median average total contribution to Government as a % of turnover for individual companies	16.8%		11.6%		3.0%	
Range of ratios of total contribution to Government as a % of turnover for individual companies	-2.5%	40.0%	0.6%	33.9%	-9.1%	29.7%

Total contribution as a percentage of turnover is an indicator of the size of the tax contribution in relation to the size of the business. Result shows the distribution of results for a participant in a country across all the countries covered in the study

Total Tax Contribution

Study Results

Employment taxes per employee

On average, for every one of 412,962 employees, mining companies paid US\$14,875 in employment taxes

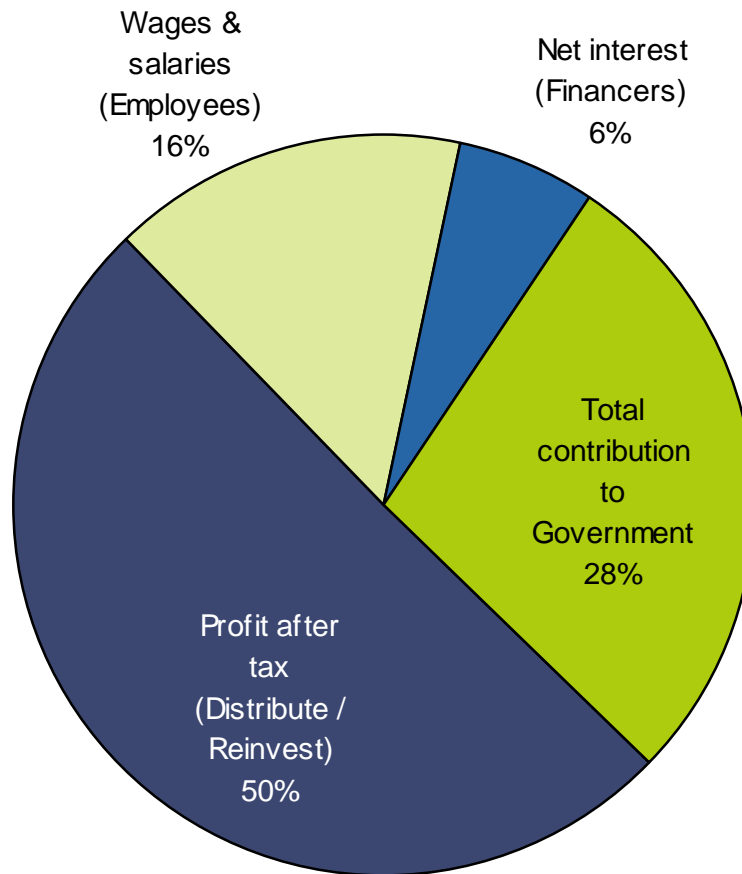
Employment taxes per employee \$	Total taxes		Taxes Borne		Taxes Collected	
Calculated for all participants as a group. Total employment taxes paid per employee	7,966		2,371		5,595	
Calculated for all individual participant companies. Mean average of employment taxes per employee for individual companies	14,875		3,655		11,220	
Calculated for all individual participant companies. Median average of employment taxes per employee for individual companies	10,807		3,067		7,012	
Range of ratios of employment taxes per employee for individual participant companies	1,065	41,462	125	9,701	23	36,148

Total Tax Contribution

Study Results

Value distributed to stakeholders

On average mining companies distribute 28% of value to Government

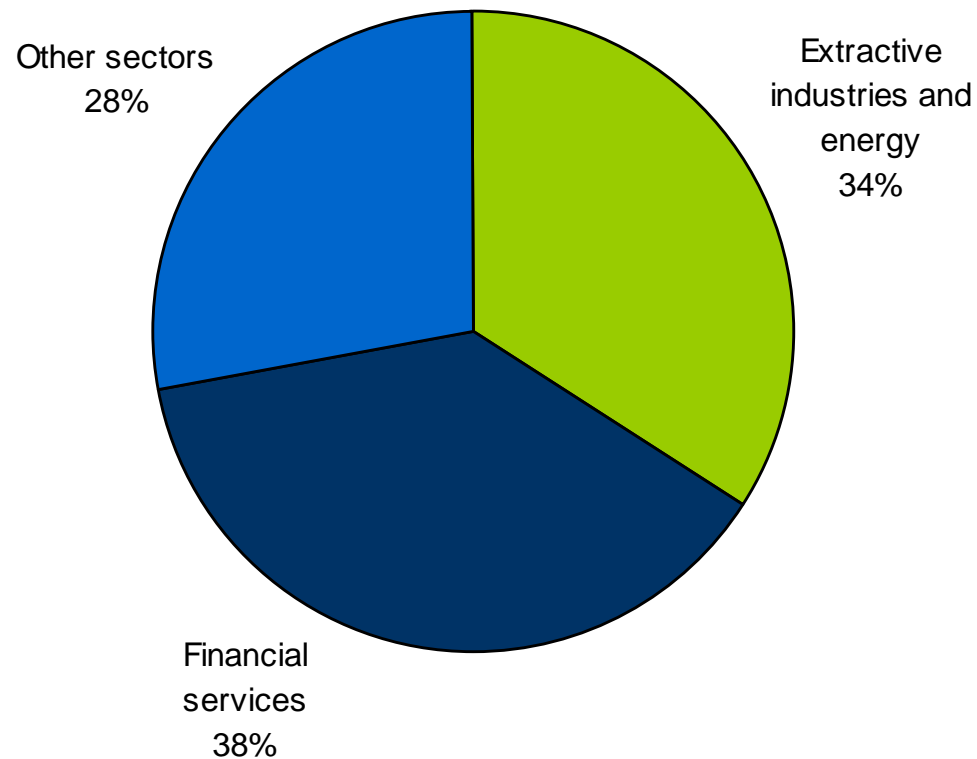


Value distributed shows how companies distribute value to their shareholders. Result shows the average per country position for a participant

Total Tax Contribution

Study Results

These sectors account for a third of taxes borne by large companies in the UK



Result shows the total taxes borne for the 2007 TTC study for the Hundred Group of companies in the UK (broadly the FTSE100) split by industry sector

What are the benefits of TTC for Companies?

- TTC provides easily understandable information on tax for stakeholders
 - Shareholder relations and external communications
 - Board of Directors
 - Government relations
 - External PR
 - Corporate responsibility reporting
- TTC is essential management information
 - Informs investment decisions
 - Management of taxes and tax resources

Reporting Total Tax Contribution

Tax Strategy

Group tax strategy

The Group has a tax strategy which has been reviewed and endorsed by the Group's Board of Directors. It is aligned with our long-term business strategy and our *Good Citizenship* business principles.

This strategy is central to our tax governance, management of reputational risk and to ensuring that the appropriate amount of tax is paid in each jurisdiction.

Our investment in the countries in which we operate is reflected in a combination of social, infrastructure and economic benefits - and those economic benefits include taxes.

The taxes we pay as a company and those we collect from employees on behalf of government are important contributions to the creation of wealth and well-being in those countries. We endorse the principle of transparency in our business dealings and are signatories to the EITI, which promotes reporting on taxes by companies and the countries in which they are paid.

In many countries the Group's operations form a fundamental part of the local economy and the socio-economic impact of the Group spreads significantly wider than the operations and their employees. In many cases there are businesses ancillary to the Group's operations which would otherwise not exist. We do not report the taxes resulting from these ancillary businesses. However, on page 22 we investigate the wider impact of the Landau colliery.

Over \$2,867 million was paid directly to governments in taxes as a result of our operations in 2007 (\$3,119 million in 2006). The reasons for this decline at a time of increased earnings are given below. This included company

taxes, employer taxes, royalties, transaction and other taxes. In addition, we indirectly contributed some \$943 million in valued-added tax (VAT) and employee taxes, which we collected on behalf of governments and paid over to them. The regional breakdown is shown on page 21*.

We believe that this wider tax footprint is a valid reflection of the tax contribution that results from our activities. In many developing countries this is a particular concern as, in the absence of our operations, there would be few alternative sources of income and therefore of collectable tax revenues.

Extractive industries require significant investment for exploring and developing mineral resources before production - and therefore revenue generation - starts. During these initial phases, which can last for many years, the tax footprint consists of directly paid taxes and those that the operation collects on behalf of government. In addition, there are taxes paid and collected by contractors working for the Group. During the production phase the tax footprint expands to include taxes on profits, royalties and other similar taxes.

Because governments recognise the significant benefits which can accrue to an economy through the responsible extraction of natural

Source: *Anglo American plc, Report to Society 2007, p20 & 21*

Total Tax Contribution

Reporting Total Tax Contribution

TAXES PAID DIRECTLY TO GOVERNMENTS BY CATEGORY AND REGION					
\$ MILLION					
	Africa	Europe	N&S America	Australia Asia	Total
Profits	861	216	1,173	14	2,264
Transactions	1	-	4	-	5
Labour	34	90	23	32	179
Royalties and environment	28	144	51	77	300
Other	38	36	34	11	119
Total taxes borne	962	486	1,285	134	2,867
Taxes collected and remitted	416	332	123	72	943
Total taxes	1,378	818	1,408	206	3,810

TAXES PAID DIRECTLY TO GOVERNMENTS BY MANAGED OPERATIONS, BY COUNTRY†

	Borne	Collected	Total
South Africa	936	411	1,347
Chile	912	49	961
United Kingdom	333	255	588
Brazil	169	61	230
Australia	133	70	203
Venezuela	189	-	189
France	35	28	63
Switzerland	41	-	41
Ireland	34	5	39
Poland	16	20	36
Namibia	29	5	34
Canada	12	12	24
Others	28	27	56
Total	2,867	943	3,810

† Unaudited amounts payable as a result of our operations (borne) and employee taxes and net value-added tax (collected).

Source: Anglo American plc, Report to Society 2007, p20 & 21

Total Tax Contribution

Reporting Total Tax Contribution

TOTAL TAX CONTRIBUTION

During 2007, the Group paid \$1,107.5 million in taxes across the countries in which it has a presence. Company taxes, such as corporate income taxes, excess profits tax, royalties and employer taxes, comprised \$1,058.9 million of this total. In addition,

the Group indirectly contributed \$48.6 million in employee taxes and withholding taxes on interest and services, which the Group collected on behalf of government authorities and paid over to them.

TAXES PAID DIRECTLY TO GOVERNMENTS BY CATEGORY AND REGION

\$ million	Kazakhstan and Central Asia	UK	Germany	Total
Taxes paid				
Corporate income taxes (including excess profits tax)	834.9	14.7	–	849.6
Payroll taxes (employer's obligations)	45.6	1.9	7.0	54.5
Customs and stamp duties	33.4	2.3	–	35.7
Taxes on properties	17.3	–	0.4	17.7
Royalties and environmental payments	100.1	–	–	100.1
Miscellaneous taxes	1.3	–	–	1.3
	1,032.6	18.9	7.4	1,058.9
Taxes collected and remitted				
Withholding taxes on interest and services	3.0	–	–	3.0
Payroll taxes (employee's obligations)	22.9	5.8	16.9	45.6
	25.9	5.8	16.9	48.6
Total	1,058.5	24.7	24.3	1,107.5

Source: Kazakhmys Plc, Annual Report 2007, p38

Building on the study results

- To our knowledge, this is the first study to collect data on the taxes and other amounts paid to governments by Mining companies
- The second study currently underway for the 2008 taxation year, to extend the study results and enable a first look at trends in payment amounts

Total Tax Contribution

Contacts

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Thank you

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