

2018 Tax Contribution Report

**“At ALDI,
our mission is to
provide you with
incredibly high
quality products
at impossibly
low prices.”**

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Foreword

We are pleased to present ALDI Australia's 2018 Tax Contribution Report.



Sean Sacher

Managing Director — Finance and Administration
ALDI Australia

ALDI's Contribution to Australia

ALDI has proudly played a significant role in the Australian community since its first store opened in 2001.

Today, ALDI operates over 550 stores in the majority of the states and territories in Australia. Since opening in the Australian market, ALDI has contributed an estimated \$23 billion to Australia's gross domestic product, as highlighted in the [Making a Good Difference: how ALDI contributes to the Australian Economy](#) report. ALDI has an Australia-first buying policy and these partnerships represent the most significant component of its contribution to the Australian economy.

As a major Australian retailer, ALDI has a far-reaching influence which evidently has had a positive impact on Australia and the wider communities in which it operates. As a responsible corporate taxpayer, ALDI approaches the matter of tax with integrity and transparency.

ALDI adopts a stringent approach to tax management which ensures that all of its tax compliance obligations are met and ALDI's adopted positions are fully documented and disclosed to the Australian Tax Office (ATO). ALDI's transparent approach to income

tax affairs has resulted in it receiving a high assurance rating from the ATO. A high assurance rating signifies that the ATO has gained sufficient comfort that ALDI is paying the right amount of Australian Income Tax, and is a highly esteemed recognition typically granted to few taxpayers. To have achieved this rating, ALDI has demonstrated distinction at the highest degree in all income tax areas.

ALDI reports all required tax information to the ATO on an ongoing basis. ALDI also continues to support the Board of Taxation in advancing one of the most comprehensive tax transparency measures known. In the spirit of the code, this report has been prepared on a voluntary basis and it is for the use of both interested and general users.

This report covers the year ended 31 December 2018 and has been divided into the following sections:

- Tax Governance and Strategy
- Effective Tax Rate
- Tax Expense / Tax Payable Reconciliation
- International Related Party Dealings
- ALDI's Australian Taxation Contribution



Tax Governance and Strategy

The ALDI Approach to Tax Planning

ALDI is committed to comply with all relevant tax legislation that applies in its associated operating jurisdictions, irrespective of any potential commercial disadvantages this approach may cause.

Tax positions that are considered aggressive will not be supported by ALDI under any circumstances. ALDI mandates that for all tax matters that are ambiguous in nature or where the interpretation of the law is unclear, an opinion from an external advisor is to be sought. ALDI's Tax Risk Management Framework summarises ALDI's overall approach to tax.

ALDI's Tax Policy & Governance

ALDI understands the need for robust tax policy and governance measures within its organisation and as such, uses the Framework to ensure the business is fully compliant with all tax affairs. The Framework sets out the appropriate processes and procedures approved by ALDI's Statutory Directors to be followed in identifying and managing taxation risks in accordance with established thresholds.

More specifically, ALDI has a very low tolerance for errors in tax compliance and processes.

The Framework has been designed to align with the ATO's 'Tax Risk Management and Governance Review Guide' and covers six key elements that ensure ALDI continues to achieve the highest standard in all respective areas of tax governance. The Framework requires all tax risks to be ultimately escalated to the Group Tax Director and the experienced professionals in the Group Tax team.

ALDI's Engagement with Revenue Authorities

ALDI focuses on fostering a strong and open relationship with the ATO and other relevant tax authorities.

It aims to continue to maintain a positive and transparent working relationship with all Tax Authorities to enable an efficient and collaborative approach in dealing with tax matters.

In the recently issued Tax Assurance Report for the Streamline Tax Assurance Review conducted by the ATO, ALDI has received an overall high assurance rating, which is the highest tax assurance rating that can be achieved by a taxpayer in Australia.



Effective Tax Rate, Tax Expense / Tax Payable Reconciliation

Effective Tax Rate

The Effective Tax Rate is the average rate at which a company is taxed. The Effective Tax Rate is calculated by dividing the income tax expense by the profit before tax.

In the 2018 financial year, ALDI's effective tax rate was 30.0%.

As illustrated in the adjacent table, ALDI has consistently paid tax in line with the Australian Corporate Tax Rate of 30%. This supports ALDI's commitment to paying its fair share of tax within Australia.

Year	Effective Tax Rate – ALDI's Tax Consolidated Group
2018	30.0%
2017	31.8%

Reconciliation of Accounting Profit to Income Tax Payable

A reconciliation of ALDI's tax expense on accounting profit to income tax payable is set out in the adjacent table.

Identification of Material Temporary and Non-Temporary Differences

In the 2018 fiscal year, ALDI's effective tax rate is equivalent to the Australian corporate tax rate of 30%. The movement in temporary differences of \$10.9m is attributable to provisions, accrued expenses and the differences between accounting and tax depreciation relating to property, plant and equipment.

Reconciliation of ALDI's accounting profits to tax expense	2018 A\$'m	2017 A\$'m
Profits before income tax	260.9	219.6
Income tax expense	78.3	69.8
Effective Tax Rate	30.0%	31.8%

Reconciliation of Effective Tax Rate	2018 %	2017 %
Australian Corporate tax rate	30.0	30.0
Non-deductible expenses / Non-assessable income	(0.3)	1.8
Adjustment to current year tax expense relating to prior year	0.3	-
Effective Tax Rate	30.0%	31.8%

Reconciliation of ALDI's income expense to income tax payable	2018 A\$'m	2017 A\$'m
Income tax expense	78.3	69.8
Adjustment to current year tax expense relating to prior year	(0.8)	-
Movement of temporary differences	10.9	7.4
Income tax payable¹	88.4	77.2

¹ This represents the actual income tax paid to the ATO for 2017 and 2018.



International Related Party Dealings

ALDI operates its business independently from the ALDI Süd Group in order to cater to local consumer tastes and market expectations.

Despite autonomy of local management, ALDI receives services from overseas related parties which provide valuable ancillary support to ALDI's business and allows it to effectively execute its core functions.

ALDI has a number of international related party dealings with other entities in the ALDI Süd Group. Each year, ALDI discloses its transactions with related parties in the International Dealings Schedule which forms part of the Income Tax Return reporting obligations.

For the 2018 financial year, the gross value of ALDI's inbound and outbound related party transactions represented 1.0% of revenue.

The ALDI Süd Group seeks to conduct its international related party dealings at arm's length in order to meet the regulations of all relevant jurisdictions.

ALDI's related party dealings in jurisdictions outside of Australia, which have a material impact on the Australian business, can be summarised in the table below.



Transaction Type	Austria	Germany	China and Hong Kong
Procurement services			✓
IT related services		✓	
Sourcing of inventory	✓	✓	✓
Management and administrative services	✓		
Treasury services and loans	✓		

ALDI's Australian Tax Contribution

Taxes Paid by ALDI

Within Australia, ALDI is subject to federal and state government taxes.

This includes income tax, customs and excise duty, payroll tax, land tax, wine equalisation tax (WET) and fringe benefits tax.

ALDI's largest tax contribution in 2018 was \$88m, relating to its Income Tax Expense, representing approximately 50% of all taxes borne by ALDI in the 2018 year.

Tax Type	2018 A\$'m*	2017 A\$'m
Income Tax	88	77
Customs and Excise Duty	22	43
Payroll Tax	37	34
Land Tax	17	15
WET	9	6
FBT	3	3
Total	176	178

*Note: Figures have been rounded to the nearest A\$'m in the table above.

Taxes Collected by ALDI

In 2018, ALDI collected and paid \$227m in taxes related to the following:

GST (net) – This represents the GST collected by ALDI on taxable supplies less the GST input tax credits claimed on creditable acquisitions.

Pay As You Go Withholding (PAYGW) –

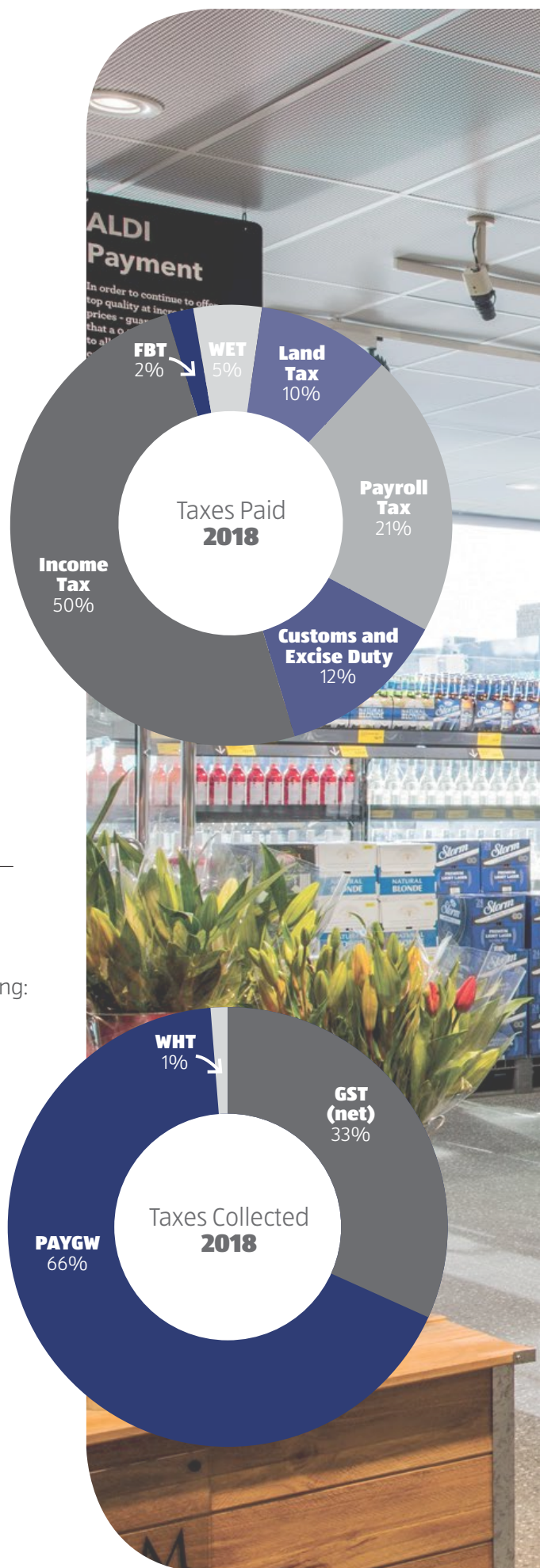
This relates to the PAYG tax that ALDI is required to withhold from employees' salaries.

Other Withholding Taxes (WHT) –

This figure relates to the PAYG amounts that ALDI is required to withhold from interest and royalty payments.

Tax Type	2018 A\$'m*	2017 A\$'m
GST (net)	74	58
PAYGW	150	139
Other WHT	3	3
Total	227	200

*Note: Figures have been rounded to the nearest A\$'m in the table above.



Summary

ALDI is fully committed to supporting all tax obligations in Australia. ALDI will continue to support the Voluntary Tax Transparency Code to ensure that it is publicly disclosing information about its group's tax affairs. This report is intended to assist the public in understanding its group's compliance with Australia's taxation laws.



ALDI is always happy to hear from its customers.
Please feel free to contact ALDI with any questions or queries you may have.