

# DISCLOSURE OF 2016 COMPANY TAX INFORMATION BY THE AUSTRALIAN TAXATION OFFICE

The Australian Taxation Office ("ATO") is required by law to disclose to the public certain financial and tax information about large corporate entities. The source of this information is the annual company tax return lodged with the ATO.

The following is the information regarding Blackmores Ltd Tax Consolidated Group for the 2016 financial year:

Company Name	Blackmores Ltd
ABN	35 009 713 437
Total income	\$553,343,752
Taxable income	\$143,540,278
Tax payable	\$40,130,041

The above information only provides a partial picture of the Australian income tax profile of the Blackmores Group. Conclusions drawn from the above information could be misleading and do not necessarily reflect the true tax position of, and the level of contribution Blackmores Group makes to, the ATO. In particular, the Effective Tax Rate cannot be calculated from this information alone.

To give a more complete picture of the Australian income tax profile of the Blackmores Group, the below sets out further financial information to supplement the information disclosed by the ATO.

## FURTHER INCOME TAX DISCLOSURE - 2016 FINANCIAL YEAR

### Operating profit

The Australian operating profit of Blackmores Ltd (and members of its Australian Tax Consolidated Group) was:

	\$
Total income	553,343,752
Total expenses	415,988,730
Operating profit	137,355,022
	\$
Expected tax (at 30%)	41,206,506.60
Tax payable	40,130,041.00

Tax payable is determined by firstly applying the company tax rate of 30% to taxable income (which differs from operating profit), and then is reduced by any tax credits and offsets available under Australian tax law. Below are explanations of the difference between the operating profit and taxable income of Blackmores Ltd Australian Tax Consolidated Group and the tax offsets available to it during the 2016 financial year.

# DISCLOSURE OF COMPANY TAX INFORMATION

## Reconciliation between Operating profit and Taxable income

Items of income and expenses may have different treatment for financial reporting and taxation purposes. In addition, there are items which are not included in financial reporting but are specifically included in the income tax calculation under Australian tax law.

The difference between the Operating profit and the Taxable income of Blackmores Group's Australian operation for 2016 are explained as follows:

	\$
Operating profit	137,355,022
Taxable income	143,540,278
Difference	6,185,256
Explained by:	
- Permanent differences <sup>1</sup>	182,363
- Temporary differences <sup>2</sup>	7,338,169
- Eligible Research & Development expenditure <sup>3</sup>	5,882,898
- Profits from overseas operations included in Australian tax return <sup>4</sup>	2,840,448
Dividend received from overseas subsidiaries <sup>5</sup> (10,058,622)	
	6,185,256

## Reconciliation between tax on Taxable income and Tax payable

Under Australian tax law, company tax is applied to the company's taxable income. The information below explains the difference between the company tax otherwise applicable to Blackmores Ltd's 2016 taxable income and the actual tax payable:

	\$
Taxable income	143,540,278
Company tax otherwise payable (at 30%)	43,062,083
Tax Payable	40,130,041
Difference	2,932,042
Explained by:	
- Research & Development tax rebate (at 40%) <sup>3</sup>	2,395,558
- Credit for income tax paid to overseas Revenue Authorities on Blackmores' overseas operations <sup>4</sup>	536,484
	2,932,042

1. Permanent differences are income items that are exempt from taxation and expense items that no tax deductions are allowed. Examples of permanent differences are non-deductible entertainment expenses, fines and penalties, expenses that are capital in nature and give rise to an enduring benefit (e.g. intellectual property costs).
2. Temporary differences are income and expense items that are subject to tax in a reporting period earlier or later than the period they are reported for financial reporting purposes. Examples of temporary differences include employee leave and bonus provisions (deductible in the reporting period when they are paid and not when they accrue), debts that are not expected to be recovered but have yet to be written off (only deductible when the debt is formally written off).

The main temporary differences during the 2016 financial year were accruals for staff bonus and other remunerations (which were accrued as expenses in determining accounting profit but were not deductible until a later financial year), offset by a write-off of obsolete stock during 2016 (deductible in 2016 financial year, a year after the obsolete stock value was provided for in the 2015 financial accounts).

3. The Research & Development initiative by the Federal Government provides tax rebates to encourage the undertaking of research and development activities in Australia. Where such activities qualify under the initiative, 10% of the expenditure is provided as a rebate to offset the income tax liability.

The rebate is calculated by firstly adding back the qualifying expenditure to the operating profit, then applying the company tax rate to the increased operating profit (resulting in the company tax being inflated by 30% of the qualifying expenditure). A tax rebate of 40% of the qualifying R&D expenditure is then given, resulting in a net Research & Development tax rebate equal to 10% of the qualifying R&D expenditure.

Below is a sample calculation of a R&D tax rebate:

### Profit and loss statement:

Sales	\$1,100
Qualifying R&D expenditure	(\$100)
Other operating expenses	(\$900)
Operating profit	\$100

### Company tax calculation:

Operating profit	\$100
Add:	
Qualifying R&D expenditure	\$100
Taxable income	\$200
Tax on taxable income (at 30%)	\$60
Less:	
R&D tax rebate (40% of qualifying R&D expenditure)	(\$40)
Tax payable	\$20
Tax payable (without R&D tax rebate) (30% of operating profit)	\$30
Tax payable (with R&D tax rebate)	\$20
R&D tax rebate	\$10

4. Certain profits generated by Blackmores Group's overseas operations are required to be included in its Australian tax return (and subject to Australian company tax as well as income tax of the countries in which the profits are made). The amount of Australian company tax payable on such overseas profits is the Australian company tax less tax paid to overseas Revenue Authorities on such profits.

Certain payments from Blackmores Group's overseas operations to Blackmores Limited are subject to withholding tax in the countries where the payments are originated. The withholding tax can be offset against Australian income tax payable on such payments when received by Blackmores Limited.

5. Dividends received by Australian parent company from its overseas subsidiaries are not subject to further Australian tax under the Australian tax rules. The profits from which the overseas dividends were paid have been subject to income tax in the countries where they were earned.