
Tax Contribution Report



2015

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We are pleased to present ALDI Australia's 2015 Tax Contribution Report.

Willi Friderich

Managing Director - Finance and Administration
ALDI Australia

ALDI's Contribution to Australia

ALDI Australia Group (ALDI) is wholly owned by Hofer KG, part of the ALDI Süd Group, which is a privately owned discount supermarket chain headquartered in Austria. The ALDI Süd Group operates in a number of European markets, the USA and Australia.

ALDI Australia has played an important role in the Australian community since our first store opened in 2001. ALDI's operations improve the livelihood of local businesses, create employment opportunities and deliver high-quality, permanently low priced products to Australians every day.

Across the world, ALDI's unique value proposition remains the same – high quality products at unbeatable prices, saving our customers time and money. By utilising our unique business model, ALDI can save customers almost \$80 on their weekly grocery shop by replacing leading branded products with the product range from ALDI¹.

Many of the systems we use in Australia are a result of the lessons learnt from around the world; however, we operate a decentralised structure, with each regional business operating independently to maintain competitive commercial operations that are best suited to their market. All ALDI Australia's profits are reinvested into our local operations, with the focus of these investments being directed towards store refurbishments and extensions, new store openings and improving our fresh offer to customers.

ALDI directly employs almost 10,800² people throughout our retail stores, distribution centres and corporate offices. As a truly national business, ALDI is now serving more customers weekly than ever before. Currently, we have over 480² stores across Queensland, New South Wales, Australian Capital Territory, Victoria, Western Australia and South Australia. In addition, over the course of the year we engage with more than 1,000 suppliers, the majority of whom are Australian and have enjoyed growth and success as we have expanded.

ALDI supports the Board of Taxation in developing one of the most advanced and comprehensive tax transparency measures in the world. In the spirit of the code, this report has been prepared for the use of both interested and general users. This report is in addition to the tax information that is already reported to the Australian Taxation Office on an ongoing basis.

The report has been divided into the following sections:

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

¹ "ALDI has the cheapest grocery basket in Australia, Choice survey finds", *The Sydney Morning Herald*, 6th of June 2017.

² As at 8 September 2017.

The ALDI Approach to Tax Planning

ALDI is committed to complying with the 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 in any circumstances. The Framework 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 also recognises that merely obtaining external advice is not a sufficient adherence to our policy and therefore, it is ultimately the Group Tax department's responsibility to determine whether the advice obtained is in line with the ALDI Tax Risk Management Framework ("the Framework").

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 outlines the specific roles and segregation of duties in relation to identifying tax risk and requires all tax risks to be ultimately escalated to the Group Tax Director and the experienced professionals in the Group Tax team.

Our Engagement with Revenue Authorities

ALDI focuses on fostering a strong and open relationship with the ATO and other relevant tax authorities. We aim to continue to maintain a positive and transparent working relationship with all Tax Authorities to enable an efficient and collaborative hearing of tax issues.

The ATO has identified ALDI as a key taxpayer for GST purposes and has assessed our organisation to be "low-risk" for all matters that have been reviewed.





In Australia, the ALDI business trading entity is ALDI Stores (A Limited Partnership) (“the Partnership”) which is structured as a Limited Partnership. This entity conducts the day to day business of the ALDI operations in Australia.

The Partnership is owned and controlled by two partners. ALDI Foods Pty Ltd is the general partner of the Partnership and is responsible for the management and governance of the Partnership’s operations. ALDI Pty Limited is the Limited Partner. Both ALDI Foods Pty Limited and ALDI Pty Ltd are wholly owned subsidiaries of Hofer KG, which is a privately owned entity resident in Austria.

The above local entities are the operating entities which form the ALDI Australia Group. These entities elected to form a Multi-Entry tax consolidated group for income tax purposes. Under the tax consolidation regime, the entities within the ALDI Australia Group are treated as a single entity for income tax purposes.

The ALDI Australia Group lodges a single income tax return and pays tax at the company tax rate of 30% on an annual basis.

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 income earned before taxes. As illustrated in the table above, ALDI has consistently paid tax in line with the Australian Corporate Tax Rate. This supports ALDI’s commitment to paying its fair share of tax within Australia.

Effective Tax Rate

ALDI’s Tax Consolidated Group

2015	2014	2013	2012	2011
29.6%	29.0%	31.6%	28.8%	33.5%

Australian Corporate Tax Rate remains at 30% from 2011-2015.



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 table below.

This represents the actual income tax payable to the Australian Tax Office (ATO) for the years ended 31 December 2015 and 31 December 2014.

Reconciliation of ALDI's Accounting Profit to Income Tax Payable

	2015 A\$m	2014 A\$m
Accounting profit before tax	269.14	231.55
Income Tax at the statutory rate of 30%	80.74	69.47
Non-temporary differences	0.97	1.11
Temporary differences: deferred taxes	4.89	0.98
Current year tax paid	86.60	71.56

Identification of Material Temporary And Non-Temporary Differences

In the 2015 fiscal year, ALDI's calculated tax expense and income tax payable varied slightly due to the effects of non-temporary and temporary differences. The temporary and non-temporary differences are attributable to the differences between the accounting and tax treatment of the carrying amount of certain assets and liabilities.

The non-temporary differences shown in the adjacent table are mainly driven by the recognition of write-offs and disposals in relation to ALDI-owned properties for tax purposes.

Temporary differences of \$4.89 million were mainly driven by:

- 1 Accrued expenses which were not "incurred" for tax purposes
- 2 Provisions for employee benefits
- 3 Differences in accounting and tax depreciation on property, plant and equipment

These temporary differences will reverse in future income years.



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, we receive services from overseas related parties which provide valuable ancillary support to the ALDI Australia business and allow us to effectively execute our 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.

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.

For the 2015 financial year, the gross value of ALDI's inbound and outbound related party transactions represented 0.7% of revenue.

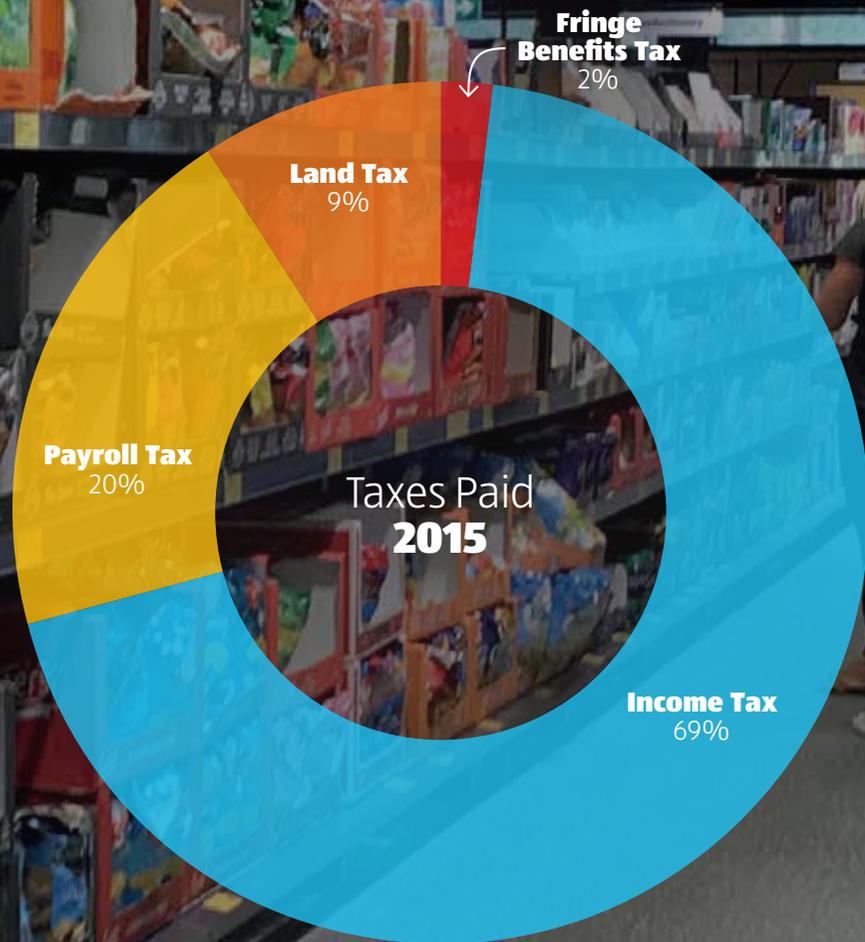
ALDI's related party dealings in jurisdictions outside of Australia which have a material impact on the Australian business can be summarised in the adjacent table.



Service Provider By Country

International Related Party Transaction Provided

Hong Kong	Coordinating the procurement and sourcing of Special Buys for ALDI.
Germany	Provision of IT-related services under a licencing arrangement.
Germany	Supply of coffee products.
Germany	Sourcing of trading stock for ALDI.
Austria	Coordinating the purchase of foreign currency from external banking partners to hedge against foreign exchange risks.
Austria	Supply of chocolate products.
Austria	Provision of administration and assistance services in a centralised manner for the benefit of the global business.
Switzerland	Provision of interest bearing loan.



Taxes Paid by ALDI

Within Australia, ALDI is subject to federal and state government taxes. This includes income tax, payroll tax, land tax and fringe benefits tax.

ALDI's largest tax contribution in 2015 was \$87m, relating to our Income Tax Expense, representing approximately 69% of all taxes borne by ALDI in the 2015 year.

Tax Type	2015 \$m*	2014 \$m
Income Tax	87	72
Payroll Tax	26	22
Land Tax	12	11
Fringe Benefits Tax	3	2
Total	128	107

*Note: Figures have been rounded to the nearest \$M in the graph above.

Taxes Collected by ALDI

In 2015, ALDI collected and paid \$381m in taxes related to the following:

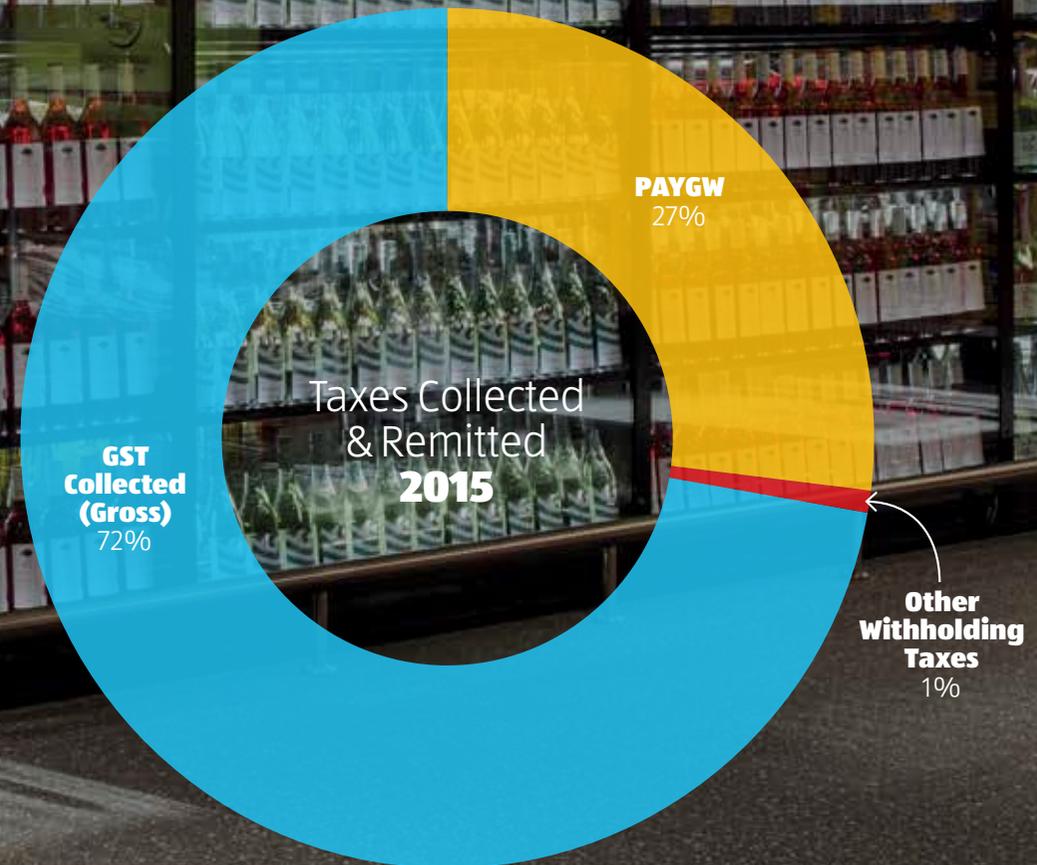
GST - The amount of goods and services tax paid and collected has been disclosed separately in the table.

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 Collected & Remitted	2015 \$'m*	2014 \$'m
GST	273	249
PAYGW	105	85
Other WHT	3	-
Total	381	334

Tax Type Paid & Reclaimed	2015 \$'m*	2014 \$'m
GST	374	332
Total	374	332



Summary

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

We are always happy to hear from our customers so please feel free to contact us with any questions or queries you may have.

ALDI Customer Service - 13 25 34