



2020 Tax Contribution Report



Our mission is to provide you with incredibly high quality products at impossibly low prices.

Contents

- 3** Foreword
- 4** Tax Governance and Strategy
- 5** Effective Tax Rate/
Tax Payable Reconciliation
- 6** International Related Party Dealings
- 7** ALDI's Australian Tax Contribution
- 8** Summary

Foreword

We are pleased to present ALDI Australia's 2020 Tax Contribution Report.



Alex Richards

Managing Director — Finance and Administration
ALDI Australia

ALDI's contribution to Australia

ALDI Australia's operating philosophy is based on the clear values: simplicity, responsibility and consistency. This is reflected in the way we interact with our people, our customers, our business partners, the communities in which we operate and the environment. We are committed to doing the right thing in every aspect of our operations.

ALDI Australia operates more than 580 stores in six states and territories, directly employing more than 13,500 people. In 20 years of operation ALDI has contributed \$34.2 billion to the Australian economy since operations began in Australia. We have an Australia first sourcing approach, working with more than 1,000 Australian business partners, and these partnerships represent the most significant component of our contribution to the Australian economy.

To remain competitive and continue to service our customers with the best quality products at the lowest prices, we are focused on efficiency and finding more modern ways of operating. During 2020 we invested in upgrading our distribution centres on the east coast. The existing six distribution centres spread across New South Wales, Victoria and Queensland are being replaced as we build three new larger distribution centres - one in each state. The new high-tech warehouses will leverage the benefits of high bay storage and automated picking.

In line with our values, we approach our Australian Income Tax contributions with transparency and honesty, adopting stringent processes to ensure our tax obligations are fulfilled accurately and all relevant financial documentation is fully disclosed to the Australian Tax Office (ATO).

This approach has resulted in the ATO providing us with a high assurance rating, the highest possible rating that can be achieved by Australian taxpayers. This highlights that the ATO asserts ALDI Australia is paying the correct amount of tax and has demonstrated distinction in all areas of income tax reporting.

ALDI supports the Voluntary Tax Transparency Code and has prepared this report on a voluntary basis to enhance the community's understanding of our compliance with Australia's tax laws. This report is in addition to the tax information we report to the ATO on an ongoing basis.

This report covers the year ending 31 December 2020.

Tax Governance and Strategy

ALDI's approach to tax planning

ALDI is committed to complying with all relevant tax legislation that applies to its associated operating jurisdictions.

Tax positions that are considered aggressive will not be supported by ALDI under any circumstances. ALDI mandates that for all tax matters that are contentious in nature or where the interpretation of the law is unclear, an opinion from an external advisor is to be sought and a conservative approach taken.

ALDI's tax policy and governance

ALDI understands the need for robust tax policy and governance measures within its organisation. As such, ALDI has developed a Tax Risk Management Framework (the Framework) which summarises ALDI's overall approach to tax and is used 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 the following six key elements that ensure ALDI continues to achieve the highest standard in all respective areas of tax governance.

1. Tax Risk Tolerance & Actions
2. Roles and Responsibilities
3. Management of Key Tax Processes
4. Tax Risk Monitoring and Reporting
5. Training and Awareness
6. Non-compliance with the Framework

The Framework requires all tax risks to be escalated to the Tax Director and the experienced professionals in the Tax team, and ultimately to ALDI's Statutory Directors.

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 approach in dealing with tax matters.

In the last Tax Assurance Report issued by the ATO as part of the Streamline Tax Assurance Review, ALDI 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 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 2020 financial year, ALDI's Effective Tax Rate was 28.0%.

As illustrated in the adjacent table, ALDI continues to pay 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
2020	28.0%
2019	30.9%
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 difference

ALDI's Effective Tax Rate of 28% for the 2020 fiscal year is marginally lower than the Australian Corporate Tax Rate of 30% mainly due to utilisation of carried forward tax losses.

The temporary differences mainly arise from differences in the timing of deductions for accounting and tax purposes for provisions, accrued expenses, and depreciation.

Reconciliation of ALDI's accounting profits to tax expense	2020 A\$'m	2019 A\$'m
Profits before income tax	639.6	290.8
Income tax expense	179.0	89.9
Effective Tax Rate	28.0%	30.9%

Reconciliation of Effective Tax Rate	2020 %	2019 %
Australian Corporate Tax Rate - %	30.0	30.0
Non-deductible expenses	0.1	0.9
Utilisation of carried forward tax losses	(2.2)	0.0
Adjustment to current year tax expense relating to prior year	0.1	0.0
Effective Tax Rate	28.0%	30.9%

Reconciliation of ALDI's income expense to income tax payable	2020 A\$'m	2019 A\$'m
Income tax expense	179.0	89.9
Adjustment to current year tax expense relating to prior year	0.4	(0.3)
Movement of temporary differences	90.7	17.2
Income Tax Payable¹	270.1	106.8

1. This represents the actual income tax paid to the ATO for 2019 and 2020



International Related Party Dealings

ALDI Australia 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 Australia has a number of international related party dealings with other entities in the ALDI Süd Group, including receiving services from overseas related parties which provide valuable ancillary support, which allows us to effectively execute our core functions.

Each year, ALDI Australia discloses its transactions with related parties in Part A of the Local File in lieu of the relevant questions in the International Dealings Schedule, both of which form part of the Income Tax Return reporting obligations.

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.

In 2020, the gross value of ALDI Australia's inbound and outbound related party transactions represented 1.3% of revenue.

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



International Related Party Dealings

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

ALDI's largest tax contribution in 2020 was \$267m, relating to our Income Tax Expense, representing approximately 76% of all taxes borne by ALDI in the 2020 year.

Tax Type	2020 A\$'m*	2019 A\$'m*
Income Tax	267	107
Customs and Excise Duty	6	7
Payroll Tax	46	41
Land Tax	18	19
Wine Equalisation Tax	11	9
Fringe Benefits Tax	3	3
Total	351	186

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

Taxes collected by ALDI

In 2020, ALDI collected and paid \$335m 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	2020 A\$'m	2019 A\$'m
GST (net)	144	68
PAYGW	189	173
Other WHT	2	3
Total	335	244



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.

