



2018 Tax Transparency Report – for Boral Limited



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1. Introduction

I am pleased to present Boral's Tax Transparency Report in respect of the year ended 30 June 2018.

This report represents our response to the Voluntary Tax Transparency Code, an initiative introduced by the Australian Government in recognition of the global need for greater transparency between business and the wider community.

The fundamental principles of this initiative were developed by the Board of Taxation and summarised in their final report dated February 2017. It is these principles that are addressed in this report:

- An outline of our Tax Strategy and Governance policies, as a subset of our Corporate Governance and Risk Management Framework*
- A reconciliation of our Australian and Global income tax expense to income tax payable, together with disclosure of our effective tax rate*
- A breakdown of our Tax Contribution across both state and federal taxes in Australia*
- A summary of our international related party dealings, and transfer pricing methodologies*

The information in this report should be read in conjunction with the Boral Annual Report 2018.

Rosaline Ng
Chief Financial Officer

2. Boral Overview

Boral is an international building and construction materials group, headquartered in Sydney, Australia.

Our primary business is the manufacture and supply of building products and construction materials, in Australia, North America and Asia.

The group is organised by reference to its geographic markets with three divisions: Boral Australia, Boral North America and USG Boral, a 50:50 joint venture with USG Corporation (listed on the NYSE). Through these segments we aim to serve our customers and deliver shareholder value through:

- Maintaining and strengthening our leading position in Australia
- Growing organically and through innovation in Asia
- Delivering transformational growth in America
- Leveraging growth in our key markets and across all geographies
- Further strengthening our cash flows and balance sheet.

As of 30 June 2018, Boral, together with its joint venture with USG, had more than 25,000 full-time equivalent employees and contractors working across 17 countries.

3. Tax Strategy and Governance

Boral is an international building and construction materials group, headquartered in Sydney, Australia.

Boral's tax strategy, governance and risk management is encompassed by the following:

- To meet all our fiscal obligations in a timely manner
- To structure all aspects of our business transactions and dealings to meet the legal and business requirements in all jurisdictions
- To manage tax expense and tax paid
- To manage tax risk
- To keep current with all new and proposed tax legislation

Boral's tax governance is based on the application of appropriate and proper skills and knowledge (both internal and external) coupled with appropriate management input and review.

3. Tax Strategy and Governance (continued)

Fundamental Principles – Framework of Operations

The Boral tax function works within clearly defined, fundamental principles and policies which include elements of both corporate governance and risk management. From an Australian perspective there is broad adherence with the ATO's governance control guidelines.

A summary of Boral's principles and policies is set out below:

- Legally meet our taxation obligations in the jurisdictions we conduct business in. For compliance this means filing our returns on time with complete and accurate disclosures and paying our tax obligations on time. It also means reviewing and explaining where necessary the ATO's published tax data on our Australian corporate income tax position.
- Tax outcomes do not drive transactions, business does.
- Exercising conservatism and applying proper process in managing tax risk. Proper process includes seeking appropriate external advice, informing and briefing management, with oversight by the Audit & Risk Committee and Board as appropriate.

3. Tax Strategy and Governance (continued)

Fundamental Principles – Framework of Operations (continued)

- Significant matters are escalated to senior management, the Audit & Risk Committee and the Board. In addition:
 - The tax group reports (at a high level) on all activity it undertakes during a calendar month;
 - The group tax manager meets with the CFO; and
 - The group tax manager provides updates on material matters to the Audit & Risk Committee.
- The internal tax group works with revenue authorities in a courteous and co-operative way, whilst preserving our rights and protecting our position.
- The internal tax group engages external assistance in a judicious way having regard to the skills, expertise and knowledge of that assistance, and the need for independence.
- The internal tax group is staffed with legal and/or accounting qualified people who are experienced in taxation and business matters and who continue to maintain and build their skills.
- Our records are maintained in accordance with the Statute of Limitation requirements of the countries in which we operate.

4. Reconciliation of Accounting profit to income tax expense

BORAL LIMITED

30 JUNE 2018

	Australia Tax Consolidated (A\$m) ¹	Global Group (A\$m) ¹
Accounting profit before tax	406.3	467.5
Prima facie tax expense at Australian tax rate 30%	121.9	140.2
Adjustment diff Aust and overseas tax rates	-	1.8
<i>Non-Temporary Differences</i>		
Equity Accounted Income ²	(23.4)	(24.1)
External Franked Dividends	(1.5)	(1.5)
Tax Losses ³	(12.7)	(27.6)
Under/(over) provisions in prior year	(9.6)	(9.6)
Share acquisition rights vested	(6.3)	(6.3)
Change in federal tax rate ⁴	-	(33.7)
Non-deductible expense & other	(2.1)	(2.2)
Total Income Tax Expense	66.3	37.0
Effective Tax Rate	16%	8%

Note 1: Excludes discontinued operations

Note 2: The accounting profit before tax reflects Boral's share of net profit after tax from equity accounted investments, hence lowering the effective tax rate. Tax is paid at the investment level. The dividend income received by Boral is non-assessable for Australian tax purposes.

Note 3: Tax losses are capital losses bought forward from prior years, which have been fully utilized in 30 June 2018.

Note 4: The US corporate income tax rate changed on 1 January 2018. Boral North America recognized an one-off tax benefit due to the rate reduction from 35% to 21%, resulting in a lower global effective tax rate.

4. Reconciliation of income tax expense to income tax paid/payable

BORAL LIMITED 30 JUNE 2018	Australia Tax Consolidated (A\$m) ¹	Global Group (A\$m) ¹
Income Tax Expense	66.3	37.0
<i>Temporary Differences</i>		
<i>- Increase/ (Decreases) in deferred tax assets</i>		
Receivables	(1.0)	(1.1)
Inventories	1.4	3.2
Property Plant and Equipment	12.1	9.6
Intangible Assets	0.3	1.3
Payables	2.3	2.3
Loans and borrowings	(0.4)	(0.4)
Provisions	6.5	(10.8)
Other	(9.6)	-
Unrealised foreign exchange	(15.1)	(15.1)
Tax losses carried forward	-	2.0
Deferred tax balance	(3.5)	(9.0)
<i>Other Adjustments to Current tax liabilities</i>		
Tax Expense on discontinued operations	-	5.0
Tax Payments to the Australian Taxation Office ²	(70.0)	(70.0)
Tax Payments to foreign tax authorities	(5.8)	(16.0)
Other	0.2	1.0
Additional over/under provision for tax	(8.7)	(3.3)
Tax rate change	-	33.7
Foreign Exchange impacts recorded direct to equity	(22.5)	(22.5)
Opening balance in provision	47.7	64.1
Provision for Income tax payable as at 30 June 2018 ³	3.7	20.0
Income tax instalments paid for the year ended 30 June 2018	45.5	
Less: Income tax receivable for 30 Jun 18	(7.9)	
Net income tax paid for year ended 30 June 2018 ⁴	37.6	

Note 1: Excludes discontinued operations

Note 2: Tax payments reflects all cash payments paid to the Australian Taxation Office during the financial year ended 30 June 2018, which will include payments in relation to prior financial years.

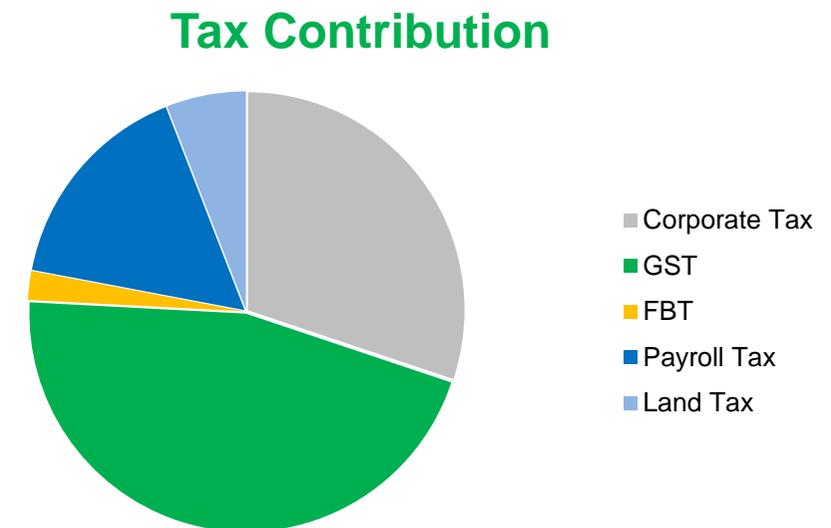
Note 3: Income tax payable as disclosed in the annual report for the year ended 30 June 2018.

Note 4: Income tax paid for the year ended 30 June 2018, after adjusting for amounts payable/ refundable for 30 June 2018, following the lodgment of the 2018 company tax return.

5. Tax Contribution Statement

During the fiscal year 2018, Boral has paid, or collected and remitted approximately \$232.6 million of taxes to the Federal and State Governments in Australia. A summary of the taxes paid and collected and remitted is noted below.

Tax Contribution	Level of government	2018 A\$m
Corporate Tax ¹	Federal	70.0
Goods & Services Tax	Federal	106.3
Fringe Benefit Tax ²	Federal	5.0
Payroll tax	State	37.5
Land tax	State	13.8
Total		232.6



Note 1: Corporate Tax reflects cash payments in relation to company tax made to the Australian Taxation Office in the 30 June 2018 financial year. This does not reflect the income tax liability for the 30 June 2018 year and excludes taxes remitted on interest withholding of A\$5.8m which is paid to foreign tax authorities. Income tax payable for 30 June 2018 is disclosed in Section 4 of this report.

Note 2: Fringe Benefit Tax was for the period ended 31 March 2018

6. International Related Party Dealings

Boral is an international building and construction materials group with operations in various foreign jurisdictions, including North America and through its joint venture with USG in Australia, New Zealand, Asia and the Middle East. These entities and foreign jurisdictions are disclosed in the Annual Report (refer Section 6.4 Controlled Entities) and are subject to the taxation regime of their respective jurisdictions.

Boral Limited as the ultimate global parent company is an Australian company listed on the Australian Securities Exchange, and is also the head of the consolidated group for Australian taxation purposes.

Boral Limited has relatively limited international related party dealings with its foreign subsidiaries. Boral receives and pays interest on a number of intercompany loans and there are various inter-group charges for services provided by different parts of the group.

All international related party dealings are conducted on an arm's length basis in accordance with ATO transfer pricing rulings and guidance and the laws and rulings of the related party country.

Build something great™



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