

## Overview

The responses to these additional Questions on Notice provide further details on the significant amounts of taxes which BHP Billiton pays to Federal and State governments in Australia.

BHP Billiton is proud to be a major contributor to economic development in Australia. In 2014 this contribution was A\$27 billion by way of payments to suppliers, wages and employee benefits, dividends, taxes and royalties.

We are Australia's largest taxpayer. BHP Billiton paid A\$4.9 billion of corporate tax in Australia in 2014. When royalties, resource rent taxes and other taxes are taken into account, BHP Billiton paid more than A\$8.7 billion in taxes in Australia in 2014, representing an effective tax rate of 45%.

These responses also detail transactions between BHP Billiton's entities in Australia and other countries. These transactions principally relate to revenue received in Australia from the sale of Australian commodities to BHP Billiton's marketing organisation in Singapore.

It is important to note that the location of our marketing organisation is consistent with the approach taken to all of BHP Billiton's major activities. The discrete parts of our value chain are separated and managed in dedicated organisational units to ensure that we apply specialist knowledge and expertise to each segment of the value chain. BHP Billiton headquarters these core units closest to their main activities. For example:

- Copper is situated in Santiago given proximity to our major copper assets in Chile;
- Iron Ore is situated in Perth given proximity to our major iron ore assets in the Pilbara;
- Coal is situated in Brisbane given proximity to coal mines in Queensland's Bowen Basin and New South Wales; and
- Petroleum is situated in Houston given proximity to onshore and offshore oil and gas interests in the US.

Consistent with this approach, our centralised marketing organisation is headquartered in Singapore. Marketing activities also take place in other locations that are close to customers or operations. This ensures we are able to meet our customers' needs and understand the markets that underpin our business. 65% of BHP Billiton's sales are in Asia, reflecting the role emerging market economies in this region play in driving global growth and the demand for our commodities.

BHP Billiton employs approximately 400 people in the Singapore marketing organisation. The marketing organisation is responsible for:

- Providing a well-informed, analytically rigorous and insightful view of long run supply, demand and pricing for our commodities.
- Presenting one face to markets and customers across multiple commodities.

- Managing the supply chain of our products from assets to markets.
- Having a detailed understanding of how our products are used by customers and how their particular needs are evolving.
- Maximising sales prices for globally traded commodities.

It is important to note that every dollar of revenue which BHP Billiton's Australian entities earn from the sale of Australian produced commodities, be it from direct sales to customers or to our marketing organisation in Singapore, is included in the calculation of BHP Billiton's Australian taxable income.

In addition, BHP Billiton pays Australian tax on a significant proportion of the profit made by its Singapore marketing organisation. The Singapore marketing organisation is owned 58% by BHP Billiton Limited, with the balance being owned by BHP Billiton Plc. This ownership split represents the original merger ratio between BHP and Billiton. Therefore 58% of the profit that the Singapore organisation makes from selling and delivering commodities to customers which it has purchased from Australian entities owned by BHP Billiton Limited is also subject to Australian tax.

This resulted in BHP Billiton paying A\$945 million of tax in Australia on the profit of BHP Billiton Marketing AG (Singapore branch) for the period 2006 to 2014.

### **Responses to Additional Questions on Notice**

BHP Billiton has a number of different taxpayers in Australia. The information provided in this response relates to BHP Billiton's two wholly owned Australian tax consolidated groups<sup>1</sup> and BHP Billiton's share of those Australian entities in which BHP Billiton Limited or BHP Billiton Plc has an interest of less than 100%.

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<sup>1</sup> One is owned by BHP Billiton Limited and the other is owned by BHP Billiton Plc

**1. Please provide the following information for the past two financial years for your Australian based consolidated groups.**

- a. Total revenue
- b. Total pre-tax profit
- c. Total company tax paid
- d. Total payroll tax paid
- e. Total income tax paid
- f. Total Fringe Benefits tax paid.

**Response:**

<b>BHP Billiton entities in Australia</b>	<b>2013 A\$ million</b>	<b>2014 A\$ million</b>
<i>Financial and tax information</i>		
Total revenue	42,361	46,234
Total pre-tax profit	14,654	16,185
Total taxable income	13,098	14,378
<i>Taxes paid by BHP Billiton</i>		
Total Company tax paid	3,756	4,115
Total Payroll tax paid	194	207
Total Fringe Benefits tax paid	42	38
Total Royalties paid	2,325	2,864
Total PRRT paid	571	955
Total MRRT paid	171	154
<i>Tax collected by BHP Billiton</i>		
Total income tax paid (employee PAYG)	1,058	1,153

**Notes on information provided in this section:**

1. The numbers in the table above differ to those amounts contained in the Overview section (being A\$4.9 billion of corporate tax, A\$8.7 billion of taxes, and an effective tax rate of 45%). This is because the numbers in the Overview section are for taxes paid in 2014, which includes taxes paid in 2014 which relate to prior years (whereas the corresponding numbers above relate to taxes for 2014 only). That is, differences relate to timing only.
2. Details of taxable income, royalties paid, PRRT paid and MRRT paid were not specifically requested but are provided for additional context.

- 2. Please provide the following related party transaction information for the past two financial years, which has involved any of your Australian based consolidated groups.**
- a. The total related party transaction amounts.**
  - b. The number of related party transactions**
  - c. What entities they are being paid to and the location of these entities**
  - d. What is the nature of the product/service that is being sold between related parties.**

***Response:***

The Committee will be aware that Australian taxpayers with international related party dealings of an aggregate amount exceeding \$2 million for an income year are required to include details of those dealings in Section A of the *International Dealings Schedule (IDS)* and lodged with their income tax returns.

The information provided in this response is consistent with the information which BHP Billiton is required to include in each IDS lodged with the ATO.

**Table 1 – International related party transactions by type**

This table responds to parts (a), (b) and (d) of the question for revenue / expenditure transactions of more than A\$1 million. The “Number” shows the number of international related parties which entered into that type of transaction with BHP Billiton in Australia.

<b>Description</b>	<b>Revenue A\$ million</b>	<b>Expenditure A\$ million</b>	<b>Number</b>
<i>For the year ended 30 June 2013</i>			
Financial instruments to manage interest rate, currency and fixed price risks	4	405	3
Insurance premiums and proceeds	3	200	1
Interest	540	182	11
Shipping	27	1	5
BHP Billiton produced commodities	27,875	10	3
Purchase of consumable and other materials		144	1
Intra group charges for various management, administration, and IT costs and services	437	629	33
<b>Total</b>	<b>28,886</b>	<b>1,571</b>	<b>57</b>
<i>For the year ended 30 June 2014</i>			
Financial instruments to manage interest rate, currency and fixed price risks	1,268	26	2
Insurance premiums and proceeds	4	169	1
Interest	558	35	7
Shipping	27	3	5
BHP Billiton produced commodities	31,930		3
Purchase of consumable and other materials		139	1
Intra group charges for various management, administration, and IT costs and services	530	645	34
<b>Total</b>	<b>34,317</b>	<b>1,017</b>	<b>53</b>

**Table 2 – International related party transactions by country**

This table responds to parts (a), (b) and (c) of the question for revenue / expense transactions of more than A\$1 million by country of incorporation / tax residency.

<b>Description</b>	<b>Revenue A\$ million</b>	<b>Expenditure A\$ million</b>	<b>Number</b>
<i>For the year ended 30 June 2013</i>			
Singapore	27,204	654	8
United States	683	68	11
Switzerland	652	10	4
United Kingdom	101	535	7
Guernsey	11	200	2
Chile	83	8	6
South Africa	72	14	5
India		74	1
Canada	25		3
Colombia	15		1
Netherlands	12	2	2
Bermuda	9	2	2
Liberia	9		1
Indonesia	6		1
Malaysia		4	1
Japan	3		1
Belgium	1		1
<b>Total</b>	<b>28,886</b>	<b>1,571</b>	<b>57</b>
<i>For the year ended 30 June 2014</i>			
Singapore	31,221	645	9
United Kingdom	1,401	135	7
Switzerland	738		1
United States	663	33	10
Guernsey	4	169	1
South Africa	101	15	5
Chile	102	3	4
Trinidad and Tobago	19		4
Colombia	15		1
Canada	13		2
Malaysia		13	2
Liberia	12		1
Netherlands	10	2	2
Bermuda	10		1
Japan	7		1
China		2	1
Indonesia	1		1
<b>Total</b>	<b>34,317</b>	<b>1,017</b>	<b>53</b>

**Table 3 – International related parties of BHP Billiton in Australia**

This table responds to part (c) of the question.

<b>Country</b>	<b>Legal Entity Name</b>
Singapore	BHP Billiton Freight Singapore Pte Limited
	BHP Billiton Marketing AG (Singapore Branch)
	BHP Billiton Marketing Asia Pte Ltd.
	Westminer Insurance Pte Ltd
United Kingdom	BHP Billiton (UK) Limited
	BHP Billiton Finance B.V. (incorporated in the Netherlands, tax resident in the United Kingdom)
	BHP Billiton Group Limited
	BHP Billiton International Services Limited
	BHP Billiton Petroleum Great Britain Limited
	BHP Billiton Plc
United States	BHP Billiton Marketing Inc
	BHP Billiton New Mexico Coal Inc
	BHP Billiton Petroleum (Arkansas) Inc.
	BHP Billiton Petroleum (Deepwater) Inc
	BHP Billiton Petroleum (Fayetteville) LLC
	BHP Billiton Petroleum (North America) Inc.
	BHP Copper Inc.
	BHP Holdings (Resources) Inc.
	Broken Hill Proprietary (USA) Inc.
Switzerland	Samancor AG
Guernsey	BHP Financial Services (UK) Limited
	Stein Insurance Company Limited
South Africa	BHP Billiton Energy Coal South Africa Proprietary Limited
	BHP Billiton SA Limited
	Billiton Aluminium SA (Pty) Ltd
	Hillside Aluminium (Pty) Ltd
	Samancor Manganese (Proprietary) Limited
Chile	BHP Billiton Chile Inversiones Limitada
	Compania Minera Cerro Colorado Limitada
	Minera Escondida Ltda
	Minera Spence SA
	BHP Chile Inc. (Chile Branch)
India	BHP Billiton Petroleum (International Exploration) Pty. Ltd.
Canada	BHP Billiton (Trinidad - 2C) Limited
	BHP Billiton Canada Inc.
	BHP Billiton Petroleum (New Ventures) Corporation
Colombia	Cerro Matoso SA
Netherlands	BHP Billiton Eurasia B.V.
	Billiton Investment 1 B.V.
Bermuda	BHP Petroleum (Tankers) Limited
	International Gas Transportation Company Limited
Liberia	BHP Billiton (Liberia) Inc.
Trinidad and Tobago	BHP Billiton Petroleum (Trinidad Block 29) Limited
	BHP Billiton Petroleum (Trinidad Block 5) Limited
	BHP Billiton Petroleum (Trinidad Block 6) Limited
	BHP Billiton Petroleum (Trinidad Block 28) Limited
Malaysia	BHP Billiton Shared Services Malaysia Sdn. Bhd.
Japan	BHP Billiton Japan Limited
Indonesia	PT Billiton Indonesia
China	BHP Billiton International Trading (Shanghai) Co., Ltd.
Belgium	BHP Billiton Diamonds (Belgium) N.V.