Taxes paid in 2015

A report on the economic contribution made by Rio Tinto to public finances
Foreword

This report on taxes paid by Rio Tinto in 2015 shows the payments we make to governments in each of the main countries in which we operate, the payments in relation to specific projects, and other Group tax information.

Rio Tinto makes a significant contribution to public finances in the countries in which it operates around the globe. At a time when tax and transparency continue to be seen by the public as important topics of discussion, we are proud to produce this, our sixth annual report, disclosing how much tax we pay in each country. We publish this report on a voluntary basis, as part of our commitment to tax transparency. Rio Tinto believes that transparency makes good business sense.

The Rio Tinto Group paid US$4.5 billion of taxes during 2015, and a further US$1.6 billion on behalf of its employees. US$3.3 billion and US$0.8 billion of these totals respectively were paid in Australia. This represents a thirty two per cent decrease in total tax payments from 2014, which primarily reflects lower underlying earnings in 2015. Our total underlying tax charge for the year, including final payments due after 2015, was US$4.3 billion.

The stage of an operation within the mining life cycle is a significant factor influencing the type and amount of taxes paid by that operation. This report includes an explanation of this relationship, illustrated by case studies of two operations at different stages in their life cycle.

The disclosures contained in this report are consistent with Rio Tinto’s support for the principles of the Extractive Industries Transparency Initiative (EITI). Rio Tinto is an EITI supporting company and one of our employees sits on the EITI Board. We engage actively with EITI processes in the countries in which we operate.

Our group effective corporate income tax rate is reflective of the statutory corporate income tax rates in the countries in which we operate and we pay the vast majority of our group taxes in the countries in which we have mining and processing operations.

In the specific area of natural resource taxation policy, we believe that it is essential for tax policy and design to take into account the cyclical nature of the industry and to respect agreements under which investment capital has already been committed. For an industry that makes multi-decade investments, with significant up-front capital expenditure, the risk of fiscal instability will influence the global flow of capital and a country’s ability to attract and retain investment. Above all, tax law should never be retrospective.

Rio Tinto is committed to maintaining and enhancing its reporting and transparency procedures.

This report includes an analysis of our tax payments by project, in line with the EU Accounting Directive. The report also includes information recommended to be disclosed under the Australian Voluntary Tax Transparency Code and the UK Large Business Tax Compliance proposals. We welcome feedback on this report.

Chris Lynch
Chief Financial Officer
June 2016
## Contents

1 Introduction 3
2 Our direct economic contributions 4
3 Our tax strategy and governance 6
4 Tax transparency and reporting 9
5 Our tax payments in 2015 10
  5.1 Analysis by country and level of government 10
  5.2 Analysis by type of tax 14
  5.3 Analysis by extractive project 15
6 Payments to governments and the mining life cycle 17
7 Tax charged as shown in the financial statements in 2015 18
8 Financial statement disclosures 20
  8.1 Corporate income tax charge 20
  8.2 Deferred tax 22
9 Independent auditors’ report 23
Appendix 1 Glossary of key terms 24
Appendix 2 Basis of preparation 25
1 Introduction

Rio Tinto believes our investors, stakeholders and communities deserve to understand in clear terms the amount of tax we pay in each country. We are committed to providing transparency about tax payments made to governments, to promote good corporate governance. We produced our first Taxes paid report in 2010. This is our sixth report, which covers the year ended 31 December 2015, and presents key data on tax payments, gross sales revenues and earnings showing our economic contribution to public finances. We continue to produce this voluntary report as it provides tax information in context with the aim of making the information more accessible and understandable.

The report presents an overview of our tax strategy and governance and sets out our policy, with specific reference to matters of current interest and debate. We have provided an analysis of our tax payments in 2015 by tax type, country and named level of government to show our contribution to public finances.

This year we will also file our first mandatory report under the EU Accounting Directive (as implemented by the UK’s Reports on Payments to Governments Regulations 2014). Consistent with these regulations, this report splits payments by specific projects, using a payment threshold of $100,000. We have shown how our tax payments reconcile with the tax information presented in our financial statements, explaining how the difference between payments and charges arises since some tax payments are accrued, but not paid, in the calendar year.

The report includes information recommended to be disclosed by the Australian Voluntary Tax Transparency Code. It also complies with the requirement to publish a tax strategy contained in the UK’s Large Business Tax Compliance proposals in the 2016 Finance Bill.

The report goes into further detail than the statutory disclosures required for financial statement reporting, and that required under the EU Accounting Directive. Tax, for the purpose of this report, is defined as any amount of money required to be paid to a government, including local, regional and national governments. This includes corporate income tax, government royalties, licence fees, permitting fees, property taxes, employment taxes, sales taxes, stamp duties, dividends and any other required payments.

We also include commentary on the wider economic contribution made by Rio Tinto to other third parties, for example community contributions. As our employees spend their wages locally on diverse goods and services, there is a further, indirect economic contribution. We do not measure this indirect or induced economic benefit globally, but it is an important component of Rio Tinto’s contribution to host economies.

The data within the report includes all our main countries of operation. However, it excludes amounts relating to certain non-controlled entities where information has not been made available by these businesses for this report. These exclusions are detailed in the Basis of Preparation.

Where we hold a share in a joint operation, joint venture or associate, we have included Rio Tinto’s share of the tax payments of those operations consistent with our share of equity in the operations. A glossary of key terms and the basis of preparation for the data within the report are presented in Appendices 1 and 2 respectively. This explains the scope of reporting and the definitions applied for each type of tax payment.

Selected information on tax payments included in the report has been subject to audit by PricewaterhouseCoopers LLP. Their independent auditors’ report can be found in section 9. The audit process comprised more detailed testing of tax payments than that performed for the audit of the financial statements of the Rio Tinto Group, to support the more detailed level of tax reporting we have presented.

We will continue to keep our tax payment reporting under review, taking into account best practice and regulatory developments. We are committed to continuing to have a leading role in developing best practice in tax transparency.
2 Our direct economic contributions

Helping to build economies

We assess our financial performance not only on our profits, but also by the economic contributions we make to the countries in which we operate. It is important to our shareholders, employees and many other stakeholders that we create a sustainable net benefit to local economies by providing employment opportunities, procurement, and the transparent payment of tax and dividends.

Approach
Our operations can make a substantial economic contribution to the regions and countries in which we operate through:

• Employment: We strive to hire locally where possible. We support a number of local education and training programmes with the aim of creating a stronger local workforce, which is then better positioned to participate in the opportunities that our operations create.

• Payments to suppliers: Where possible we buy goods and services locally, and provide small enterprises with technical support to help the local community take advantage of procurement opportunities.

• Government revenues: Through our tax contributions and the equity participation of some governments in Rio Tinto-operated mines, we contribute to government revenue. Our Taxes paid reports ensure that the Group remains transparent about its payments to governments in a way that is consistent with our support for the principles of the Extractive Industries Transparency Initiative.

Community investment: This includes investments in local programmes that support communities. Our programmes are the result of rigorous consultation and research and cover a wide range of activities: health, education, business development, housing, environmental protection and agricultural development. In addition, the infrastructure developed for a particular mine or processing plant can also greatly benefit local communities, businesses and governments.

Our approach helps us build a reputation as an organisation that facilitates economic growth. In turn, this helps us earn our social licence to operate.

Results
In 2015, Rio Tinto’s global economic contribution was US$37 billion. This comprises US$18 billion of payments to suppliers, and US$19 billion of “value added”.

Our 2015 economic contribution can be broken down as follows:

• Payments to suppliers – US$17,896 million (49 per cent)
• Taxes and royalties – US$3,666 million (10 per cent)
• Payments to employees – US$4,887 million (13 per cent)
• Dividends and finance items – US$8,420 million (23 per cent)
• The remainder was reinvested.

Our business activity also generates indirect contributions to the economy. These include the effects of our workers spending their wages, governments distributing their tax revenues, shareholders spending profits, export revenues from the international sale of our products and investment in local infrastructure such as roads, power or telecommunications for our operations. We do not measure our indirect economic effect globally but it is important to keep this in mind when considering Rio Tinto’s overall contribution to host economies.
Taxes paid in 2015

2 Our direct economic contributions

Discretionary contributions

Direct contributions

<table>
<thead>
<tr>
<th>Local</th>
<th>Regional</th>
<th>National</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries – US$3,161m</td>
<td>Salaries – US$491m</td>
<td>Salaries – US$1,206m</td>
<td>Salaries – US$29m</td>
</tr>
<tr>
<td>Payable to governments – US$213m</td>
<td>Payable to governments – US$1,956m</td>
<td>Payable to governments – US$1,497m</td>
<td>Payable to governments – US$0m</td>
</tr>
<tr>
<td>Payments to suppliers – US$2,652m</td>
<td>Payments to suppliers – US$4,559m</td>
<td>Payments to suppliers – US$8,515m</td>
<td>Payments to suppliers – US$2,170m</td>
</tr>
</tbody>
</table>

Total Direct economic contributions

- Total US$6,026m
- Local US$2,652m
- Regional US$1,956m
- National US$1,497m
- International US$29m

Direct community programmes – US$69m
Benefit receiving trusts – US$96m
Management costs – US$19m

Total Discretionary contributions

- Total US$184m
- Local US$69m
- Regional US$96m
- National US$19m

49% Payments to suppliers
5% Value added**
10% Payables to governments
13% Wages and employee benefits
23% Dividends and finance items

Distribution of economic contributions*

* Due to rounding, sum may not equal total shown.
** This can be thought of as the value that a company has added to its inputs through its processes of production. It can be thought of as the sum of payments to labour (wages), the state (taxes and royalties), and to capital (interest payments to debt providers, dividends to shareholders, and retained earnings).

Economic contributions*

US$ million

- Total US$36,784
- 2006 US$14,411
- 2007 US$23,353
- 2008 US$29,281
- 2009 US$33,812
- 2010 US$28,412
- 2011 US$28,444
- 2012 US$26,195
- 2013 US$31,818
- 2014 US$29,178
- 2015 US$36,784

Value added**

- 2006 US$2,099
- 2007 US$2,986
- 2008 US$3,293
- 2009 US$2,749
- 2010 US$1,724
- 2011 US$1,810
- 2012 US$1,481
- 2013 US$3,161
- 2014 US$1,206
- 2015 US$96

Payments to suppliers

- 2006 US$14,411
- 2007 US$23,353
- 2008 US$29,281
- 2009 US$33,812
- 2010 US$28,412
- 2011 US$28,444
- 2012 US$26,195
- 2013 US$31,818
- 2014 US$29,178
- 2015 US$36,784

The sum of the categories may be different due to rounding.
3 Our tax strategy and governance

Pursuing a sustainable tax strategy

In support of our overall business strategy and objectives, Rio Tinto pursues a tax strategy that is principled, transparent and sustainable in the long term. The Group has established a group tax policy (‘the Policy’) governing its tax strategy, which has been reviewed and approved by the Board in 2015. This remains largely unchanged from previous years, and includes the following key points:

**Tax risk management and governance**

- The Board reviews and approves the Policy, and management’s adherence to it, on an annual basis.
- Subject to this oversight by the Board, the conduct of the Group’s tax affairs and the management of tax risk are delegated to a global team of tax professionals.
- The global tax team operates in partnership with the Group’s businesses to identify and mitigate tax risks.
- A manual of procedures is maintained in relation to tax risk management, and thorough risk assessments are completed before entering into any tax planning on significant transactions.
- This includes a commitment to ensure full compliance with all statutory obligations. The Group actively considers the implications of tax planning on its wider corporate reputation.

**Dealings with tax authorities**

- The Group values having good relations with tax authorities and is committed to full disclosure to tax authorities.
- The Group has entered into co-operative compliance agreements in relation to income tax and GST in Australia. In other countries it adopts more informal programmes of real-time communication with tax authorities.

**Principles of tax planning**

- Tax planning is aligned with our business strategy and conforms to our global code of business conduct, “The way we work”.
- The Group does not undertake aggressive tax planning.
- The Group manages its tax affairs in a proactive manner that seeks to maximise shareholder value, while operating in accordance with the Policy.
- Where the Group takes an uncertain position in relation to a major business transaction or initiative it will seek an opinion from an independent external advisor to support its position.
- Subject to the above, the Policy is not prescriptive on levels of acceptable risk.

**Entities resident in “Tax haven” countries**

There has been increased public and media interest in the use of entities resident in “tax haven” countries in recent years.

Following a review, the Board determined how the group’s tax strategy applies to entities resident in a “tax haven” jurisdiction.

The principles Rio Tinto applies are as follows:

- Profits should be taxed in the country in which the business and profit generating activity is carried out.
- The Group should avail itself of tax concessions and incentives (including a lower company tax rate) offered by countries in which business activity is undertaken.
- The Group should pay no more tax than is due under a reasonable interpretation of the tax law.

Rio Tinto will not:

- Establish arrangements that are artificial and not linked to business requirements and that rely on non-disclosure.
- Artificially transfer profits from one business location to another to avoid taxation.
3 Our tax strategy and governance

There is no commonly accepted definition of the term “tax haven” and defining a country as a “tax haven” involves judgement. For example, countries with relatively high headline tax rates commonly make policy decisions to exempt certain categories of income or gains from tax or to apply lower tax rates to certain activities by way of incentive. Other countries may choose to create a relatively low overall tax environment as a means of stimulating economic activity.

Rio Tinto defines a “tax haven” entity as a controlled entity which is resident for tax purposes in a country with a general corporate income tax rate of 10% or less. This means that an entity incorporated in a country with a low tax rate but tax resident in, say the UK, is not a “tax haven” entity. This is because the entity is subject to UK taxation rules and files an annual UK tax return.

Other cases where entities are resident in non “tax haven” countries with a higher general corporate income tax rate but which receive the benefit of lower incentive rates or other tax advantages have also been reviewed.

For example, in Singapore, where the general corporate income tax rate is 17%, Rio Tinto qualifies through significant business activity for a lower tax rate for a set period of time.

“Tax haven” entities
The group has more than 600 controlled entities of which 17 are resident in “tax havens”. Of these 8 are dormant and either in liquidation or scheduled for liquidation. Details of the 9 retained entities are summarised as follows:

- Four entities were established as investment holding companies to hold shares in operating companies prior to becoming part of the Rio Tinto group via acquisition. No tax benefits are obtained from these entities but liquidating them would incur unnecessary costs.
- Three entities provide interest free loan funding to Group operating companies. The funding is in substance equity but is required to have the legal form of debt to avoid diluting the equity rights of host governments pursuant to mine development and investment agreements. These entities eliminate a tax imbalance that would otherwise result in a tax charge in a situation where the group generates no income.
- One entity, established through an independent trust, holds investments for the benefit of a community in the region of a mine which has ceased operating. No tax benefits are obtained by Rio Tinto from the entity.
- One entity was established to provide in-country services prior to becoming part of the Rio Tinto group via acquisition. Its business has been reduced such that it has only US$1 million turnover and approximately US$50,000 profit.

Tax incentives and benefits
Rio Tinto has a small number of Singapore resident companies which receive tax benefits under an incentive regime such that qualifying income is subject to an effective corporate income tax rate of 10% or less. Such incentives result from a policy decision by the Singapore Government to incentivise the qualifying activity and are contingent on the location of significant economic substance in Singapore and are available to all qualifying taxpayers.

The group provides historical mine development funding through companies in intermediate countries where the application of a Double Tax Agreement (DTA) reduces or eliminates withholding taxes.
3 Our tax strategy and governance

**Singapore commercial centre**

- Markets and customers
- Shared strategic framework (commercial excellence)
- Knowledge sharing (best practice, common framework)
- Resource sharing (shared need, common processes)
- Talent management

**Product Groups**
- Aluminium
- Copper & Coal
- Diamonds & Minerals
- Iron Ore
- GBS, Legal etc

**Organisational capability**
Strong technical and product knowledge

Centralising best practice across our product groups in marketing, shipping, procurement and other services adds value for the Group.

**International related party dealings**

**Singapore commercial centre**

Rio Tinto has established a commercial centre in Singapore which undertakes marketing, shipping, procurement and other services. The centre employs approximately 320 people and was established to support customers in the Asian region. The commercial centre centralises best practice across product groups and other corporate functions, and includes centres of excellence for pricing and contracting strategies with a focus on managing risk and capturing value through all market conditions.

Rio Tinto entities based in Singapore generate income from activities carried out by the centralised marketing, shipping and procurement functions. This includes global and/or regional marketing activities of the Product Groups in respect of iron ore, bauxite, alumina, aluminium, copper, salt and borates.

These activities result in purchases, sales and services to global and regional Rio Tinto producer entities. Our Singapore Commercial Centre also provides global category management services in relation to certain strategic categories of goods, materials and services.

Rio Tinto Marine in Singapore provides ocean freight services to the Group. As a critical supply chain partner to our mining businesses, Marine adds value by providing global shipping services and acting as the central repository of maritime expertise for the Group.

All transactions with our Singaporean entities are undertaken on an arm’s length basis and priced in accordance with OECD guidelines and local legal requirements. While we are satisfied these transactions align with tax requirements, differences of interpretation between companies and tax authorities can occur. In order to reduce the risk of dispute, we enter into Advance Pricing Agreements (APAs) which operate to agree the price charged with tax authorities. We have entered into APAs with the Australian Tax Office (ATO), Canada Revenue Authority and Singapore Revenue Authority in relation to some of the transactions involving the Singapore commercial centre. We are engaged in discussions with the ATO in relation to the pricing of iron ore marketing services.

**Other international related party dealings**

The Group also has a commercial centre based in London for global diamonds’ marketing and logistical management. The pricing for the sale of diamonds from Australia and Canada to the UK has been agreed with the ATO, HMRC and Canada Revenue Authority.

In addition, borates and other minerals and products are sold from Rio Tinto producer entities to marketing and distribution entities operating principally in Europe and North America. All such transactions are undertaken on an arm’s length basis.

The Group’s Treasury function is based in London, and UK Group entities provide intra-group financing at market interest rates to the Group’s businesses. Various other central support functions are also based in London, and management services relating to these functions are provided by UK Group entities to the Group’s businesses. Management service costs are recharged to all businesses under a global service agreement.
4 Tax transparency and reporting

Engaging with our stakeholders

Rio Tinto is committed to tax transparency, and has engaged constructively with governments and other stakeholders on a number of initiatives. We have supported the Extractive Industries Transparency Initiative (EITI) since it was established in 2003. The EITI is a multi-stakeholder initiative governed through a global Board and Secretariat. Rio Tinto employees take active roles in the EITI. One employee sits on the global Board and several others represent Rio Tinto on countries’ multi-stakeholder groups.

The EITI sets a global standard for transparency on tax and royalty payments to governments and currently includes 51 implementing countries of which 31 are compliant, together with 17 supporting governments. In addition to wide civil society support there are over 90 supporting oil, gas and mining companies. Rio Tinto was an active contributor to the revised and expanded EITI Standard which was adopted in 2013, and recently revised at the global conference held in February 2016.

Our business units support and promote the EITI and its implementation in the countries in which they operate. We fully support the EITI’s principles of transparency and accountability.

Rio Tinto supports countries publicly disclosing contracts and licences for the exploitation of oil, gas and minerals, as outlined in the EITI standard. Many of Rio Tinto’s major contracts for resource development are publicly available, including the Investment Agreement which underpins the development of the Oyu Tolgoi mine in Mongolia and the Settlement Agreement covering the development of the Simandou project in Guinea.

This support for transparency is also evidenced through the voluntary development of this report in which we disclose the tax payments that we make in all the main countries in which we operate, and the taxes of our main business units.

This report also meets the requirements of the Australian Voluntary Tax Transparency Code.

Mandatory requirements for entities in the extractive sector to report payments to governments connected to their extractive activity have been introduced in the European Union and Canada (Chapter 10 of Accounting Directive 2014/34 and the Extractive Sector Transparency Measures Act respectively). The development of equivalent requirements in the United States continues (Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act).

While we support transparency in reporting of tax payments, and we have engaged constructively with governments to implement mandatory reporting, we are concerned about the proliferation of such new initiatives. Potentially we will face multiple and inconsistent reporting requirements, and will incur significant additional costs in complying with these obligations, often with little or no added public benefit.

We therefore believe governments should work together to adopt a consistent global approach, which establishes disclosure requirements and thresholds that are proportionate.

We believe any mandatory rules need to remain focused on the ultimate objectives, both for governments and for companies namely:

• Good tax governance
• Accountability and
• Transparency.

This report shows how business unit and country disclosures can be made by groups on a voluntary basis. In a number of areas, including sustainable development reporting, voluntary transparency has been shown to encourage innovation in reporting as well as proactive engagement with stakeholder audiences to develop reporting models.
5. Our tax payments in 2015

We paid US$4.5 billion of tax in the year and US$1.6 billion on behalf of our employees.

5.1 Analysis by country and level of government

This table shows the total of all tax payments for each of the main countries where the Rio Tinto Group has revenue generating operations or projects. The Group does not earn any significant amount of profit in countries not listed in this table. Within each country, total tax payments are reported by the national, regional or local government to which they are paid.

The distribution of taxes paid by the Group reflects the geographical spread of the Group’s businesses. Accordingly the majority of the tax was paid in Australia and North America. However, the tax amounts paid in South America, Europe, Southern Africa, Mongolia and the rest of Asia are significant in the context of the tax receipts of some of the countries in these regions.

<table>
<thead>
<tr>
<th>Country and level of government</th>
<th>Corporate income tax (US$ millions)</th>
<th>Government royalties</th>
<th>Fees, dividends and other extractive related payments</th>
<th>Employer payroll taxes (US$ millions)</th>
<th>Other taxes and payments</th>
<th>Total tax payments borne (US$ millions)</th>
<th>Employee payroll taxes (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia Federal</td>
<td>1,547</td>
<td>7</td>
<td>1</td>
<td>64</td>
<td>70</td>
<td>1,689</td>
<td>843</td>
</tr>
<tr>
<td>Western Australia Government</td>
<td>–</td>
<td>1,076</td>
<td>1</td>
<td>98</td>
<td>21</td>
<td>1,196</td>
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<td>Queensland Government</td>
<td>–</td>
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<td>5</td>
<td>37</td>
<td>2</td>
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<td>New South Wales Government</td>
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<td>3</td>
<td>19</td>
<td>4</td>
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<tr>
<td>Northern Territory Government</td>
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<td>3</td>
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<td>Shire of Ashburton (WA)</td>
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<td>7</td>
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<td>Tasmania Government</td>
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<tr>
<td>Gladstone Regional Council (QLD)</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<td>3</td>
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<td>Victoria Government</td>
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<td>Singleton Shire Council (NSW)</td>
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<tr>
<td>Issac Regional Council (QLD)</td>
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<td>Weipa Town Authority (QLD)</td>
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<td>–</td>
<td>–</td>
<td>1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,547</strong></td>
<td><strong>1,408</strong></td>
<td><strong>13</strong></td>
<td><strong>227</strong></td>
<td><strong>120</strong></td>
<td><strong>3,315</strong></td>
<td><strong>843</strong></td>
</tr>
</tbody>
</table>

Fees, dividends and other extractive related payments include income tax, royalties and payments.

Taxes paid in 2015

We paid US$4.5 billion of tax in the year and US$1.6 billion on behalf of our employees.
Our tax payments in 2015

Although the Group has its head office in the UK, only a small proportion of its operations are located in the UK and the amount of taxes paid in the UK reflects this.


<table>
<thead>
<tr>
<th>Country and level of government</th>
<th>Corporate income tax</th>
<th>Government royalties</th>
<th>Fees, dividends and other extractive related payments</th>
<th>Employer payroll taxes</th>
<th>Other taxes and payments</th>
<th>Total tax payments borne</th>
<th>Employee payroll taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRC du Fjord-du-Saguenay (QC)</td>
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<td>–</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Ville de Bécancour (QC)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Ville de Sorel-Tracy (QC)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>–</td>
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<tr>
<td><strong>Canada Total</strong></td>
<td><strong>112</strong></td>
<td><strong>65</strong></td>
<td><strong>84</strong></td>
<td><strong>84</strong></td>
<td><strong>345</strong></td>
<td><strong>428</strong></td>
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<td>Mongolia National</td>
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<td><strong>–</strong></td>
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### 5 Our tax payments in 2015

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<th>Country and level of government (US$ millions)</th>
<th>Corporate income tax</th>
<th>Government royalties</th>
<th>Fees, dividends and other extractive related payments</th>
<th>Employer payroll taxes</th>
<th>Other taxes and payments</th>
<th>Total tax payments borne</th>
<th>Employee payroll taxes</th>
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</tr>
<tr>
<td>Netherlands Total</td>
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<td>5</td>
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<tr>
<td>Kern County (CA)</td>
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<tr>
<td>Colorado Government</td>
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<td>26</td>
<td>73</td>
<td>(57)</td>
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### 5. Our tax payments in 2015

<table>
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<tr>
<th>Country and level of government</th>
<th>Corporate income tax</th>
<th>Government royalties</th>
<th>Fees, dividends and other extractive related payments</th>
<th>Employer payroll taxes</th>
<th>Other taxes and payments</th>
<th>Total tax payments borne</th>
<th>Employee payroll taxes</th>
</tr>
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<td>Madagascar</td>
<td>–</td>
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<td>–</td>
<td>5</td>
<td>3</td>
<td>9</td>
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<td>–</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Namibia</td>
<td>–</td>
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<td>–</td>
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</tr>
<tr>
<td>Indonesia</td>
<td>(5)</td>
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<td>–</td>
<td>–</td>
<td>(5)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total payments to governments</strong>&lt;sup&gt;(i) (ii) (iii) and (iv)&lt;/sup&gt;</td>
<td>2,018</td>
<td>1,617</td>
<td>32</td>
<td>452</td>
<td>404</td>
<td><strong>4,523</strong></td>
<td><strong>1,569</strong></td>
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</tbody>
</table>

**Notes**

(i) Total 2015 net refunds from governments on sales taxes, VAT, GST, excise duties, fuel credits and withholding taxes on supplier invoices not borne by Rio Tinto were US$1,503 million. These refunds are not included in the table above.

(ii) Total government grant receipts in 2015, included in other taxes and payments above, were US$4 million.

(iii) Amounts include Rio Tinto’s share of payments by joint operations, joint ventures and associates.

(iv) All amounts are stated in accordance with the basis of preparation set out in Appendix 2 of this report.

(v) Corporate income tax paid to the national government of Mongolia is withholding tax on loan interest.

(vi) Corporate income tax paid to the national government in France in 2015 is précompte.

(vii) The Group employs approximately 320 people in Singapore. Taxes on salaries are paid by the individuals, and therefore there is no employee tax deducted by the company.

(viii) The loss associated with the decision to abandon the Molybdenum Autoclave Process in Utah, along with 2014 efforts to begin salvage and demolition of the plant, gave rise to Federal corporate income tax refunds in 2015.
Corporate income tax is still the largest component of our payments to governments, though other taxes and payments also comprise a significant proportion.

5.2 Analysis by type of tax

The chart below analyses the total US$6.1 billion of payments in 2015 by type of tax. Corporate income taxes are the largest component at 33% followed by government royalties at 27%. Payroll taxes collected on behalf of employees and paid to governments account for 26% of total taxes paid, while employer payroll taxes borne represent 7%. The other 7% includes customs duties, property taxes and a range of other tax payments. Other taxes paid in 2015 are stated before refunds of sales taxes and other indirect tax payments.

An explanation of the different taxes is presented in the Glossary and Basis of Preparation in Appendices 1 and 2 respectively.
5. Our tax payments in 2015

### 5.3 Analysis by extractive project

For the first time we have included an analysis of our taxes paid on an extractive project-by-project basis. The analysis by project is prepared in accordance with the basis of preparation in Appendix 2. Where payments on a project were less than US$1m, the total paid is included in ‘other projects’ and principally relates to exploration projects. The corporate income tax paid on each project includes payments made within consolidated tax groups where the final payments to government are typically paid by a representative/head entity on behalf of the tax group. The total tax paid is reconciled to the total paid in Table 5.1 due to non-extractive project related payments.

<table>
<thead>
<tr>
<th>Product group and project (US$ millions)</th>
<th>Extractive Project type</th>
<th>Corporate income tax</th>
<th>Government royalties</th>
<th>Fees, dividends and other extractive related payments</th>
<th>Payments to governments for EU Accounting Directive purposes</th>
<th>Employer payroll taxes</th>
<th>Other taxes</th>
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<th>Employee payroll taxes (not borne)</th>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Pilbara - Western Australia</td>
<td>Iron Ore mines</td>
<td>1,980.2</td>
<td>1,061.9</td>
<td>1.1</td>
<td>3,043.2</td>
<td>113.1</td>
<td>70.3</td>
<td>3,226.6</td>
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<td>–</td>
<td>0.9</td>
<td>15.0</td>
<td>17.8</td>
<td>33.7</td>
<td>70.8</td>
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<td>Iron Ore Project (i)</td>
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<td>0.1</td>
<td>–</td>
<td>0.1</td>
<td>1.7</td>
<td>0.3</td>
<td>2.1</td>
<td>2.1</td>
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<td><strong>Copper and coal</strong></td>
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<td>New South Wales Coal - Australia</td>
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<td>145.2</td>
<td>3.0</td>
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<td>58.8</td>
<td>(44.3)</td>
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<td>0.7</td>
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<td>(5.7)</td>
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<td>Ilmenite mine</td>
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<td>90.6</td>
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<td>–</td>
<td>91.6</td>
<td>16.3</td>
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<td>11.4</td>
<td>0.8</td>
<td>(72.1)</td>
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<td>(67.5)</td>
<td>19.2</td>
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<td>Diamond mine</td>
<td>63.2</td>
<td>–</td>
<td>0.4</td>
<td>63.6</td>
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<td>4.4</td>
<td>69.8</td>
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<td>–</td>
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<td>–</td>
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<td>(2.0)</td>
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<tr>
<td>QIT Madagascar Minerals</td>
<td>Ilmenite mine</td>
<td>–</td>
<td>0.6</td>
<td>0.1</td>
<td>0.7</td>
<td>4.6</td>
<td>2.5</td>
<td>7.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Murowa – Zimbabwe</td>
<td>Diamond mine</td>
<td>–</td>
<td>3.9</td>
<td>–</td>
<td>3.9</td>
<td>–</td>
<td>–</td>
<td>3.9</td>
<td>1.4</td>
</tr>
</tbody>
</table>
5 Our tax payments in 2015

<table>
<thead>
<tr>
<th>Product group and project (US$ millions)</th>
<th>Extractive Project type</th>
<th>Corporate income tax</th>
<th>Government royalties</th>
<th>Fees, dividends and other extractive related payments</th>
<th>Payments to governments for EU Accounting Directive purposes</th>
<th>Employer payroll taxes</th>
<th>Other taxes</th>
<th>Total tax payments borne</th>
<th>Employee payroll taxes (not borne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminium</td>
<td>Bauxite mine</td>
<td>(2.7)</td>
<td>83.5</td>
<td>1.1</td>
<td>81.9</td>
<td>11.5</td>
<td>2.3</td>
<td>95.7</td>
<td>27.1</td>
</tr>
<tr>
<td>Weipa including Amrun - Australia</td>
<td>Bauxite mine</td>
<td>13.4</td>
<td>29.6</td>
<td>2.8</td>
<td>45.8</td>
<td>8.2</td>
<td>15.7</td>
<td>69.7</td>
<td>11.0</td>
</tr>
<tr>
<td>Gove - Australia</td>
<td>Bauxite mine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Exploration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exploration - Australia</td>
<td></td>
<td>(10.6)</td>
<td>–</td>
<td>–</td>
<td>(10.6)</td>
<td>1.6</td>
<td>0.2</td>
<td>(8.8)</td>
<td>6.5</td>
</tr>
<tr>
<td>Exploration - USA</td>
<td></td>
<td>(8.1)</td>
<td>–</td>
<td>–</td>
<td>(8.1)</td>
<td>0.5</td>
<td>0.1</td>
<td>(7.5)</td>
<td>2.3</td>
</tr>
<tr>
<td>Exploration - Peru</td>
<td></td>
<td>6.0</td>
<td>–</td>
<td>0.2</td>
<td>6.2</td>
<td>–</td>
<td>–</td>
<td>6.2</td>
<td>–</td>
</tr>
<tr>
<td>Exploration - Other</td>
<td></td>
<td>–</td>
<td>–</td>
<td>0.1</td>
<td>0.1</td>
<td>0.6</td>
<td>0.4</td>
<td>1.1</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Total Extractive Project related payments - Subsidiaries</strong></td>
<td></td>
<td><strong>2,021.3</strong></td>
<td><strong>1,543.2</strong></td>
<td><strong>31.2</strong></td>
<td><strong>3,595.7</strong></td>
<td><strong>248.5</strong></td>
<td><strong>286.1</strong></td>
<td><strong>4,130.3</strong></td>
<td><strong>892.8</strong></td>
</tr>
<tr>
<td><strong>Equity accounted units (EAUs)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Escondida - Chile</td>
<td>Copper mine</td>
<td>184.0</td>
<td>–</td>
<td>0.8</td>
<td>184.8</td>
<td>–</td>
<td>11.1</td>
<td>195.9</td>
<td>23.0</td>
</tr>
<tr>
<td>New South Wales Coal - Australia</td>
<td>Coal mines</td>
<td>3.4</td>
<td>–</td>
<td>–</td>
<td>3.4</td>
<td>0.9</td>
<td>–</td>
<td>4.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Queensland Coal - Australia</td>
<td>Coal mines</td>
<td>1.6</td>
<td>–</td>
<td>–</td>
<td>1.6</td>
<td>–</td>
<td>–</td>
<td>1.6</td>
<td>–</td>
</tr>
<tr>
<td>Sangaredi - Guinea</td>
<td>Bauxite mine</td>
<td>65.7</td>
<td>–</td>
<td>–</td>
<td>65.7</td>
<td>–</td>
<td>–</td>
<td>65.7</td>
<td>–</td>
</tr>
<tr>
<td>Porto Trombetas - Brazil</td>
<td>Bauxite mine</td>
<td>0.7</td>
<td>1.5</td>
<td>–</td>
<td>2.2</td>
<td>1.0</td>
<td>0.7</td>
<td>3.9</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Extractive Project related payments including EAUs</strong></td>
<td></td>
<td><strong>2,276.7</strong></td>
<td><strong>1,544.7</strong></td>
<td><strong>32.0</strong></td>
<td><strong>3,853.4</strong></td>
<td><strong>250.4</strong></td>
<td><strong>297.9</strong></td>
<td><strong>4,401.7</strong></td>
<td><strong>919.7</strong></td>
</tr>
<tr>
<td><strong>Non-extractive project related payments</strong></td>
<td></td>
<td>(258.7)</td>
<td>72.3</td>
<td>–</td>
<td>(186.4)</td>
<td>201.6</td>
<td>106.1</td>
<td>121.3</td>
<td>649.3</td>
</tr>
<tr>
<td><strong>Total Taxes paid</strong></td>
<td></td>
<td><strong>2,018.0</strong></td>
<td><strong>1,617.0</strong></td>
<td><strong>32.0</strong></td>
<td><strong>3,667.0</strong></td>
<td><strong>452.0</strong></td>
<td><strong>404.0</strong></td>
<td><strong>4,523.0</strong></td>
<td><strong>1,569.0</strong></td>
</tr>
</tbody>
</table>

Notes
(i) Managed by Diamonds & Minerals product group.
6 Payments to governments and the mining life cycle

The types and total value of payments to governments made in respect of a mining project vary over time depending on the phase of the mining life cycle the project is at:

- **Exploration and evaluation**: 10-20 years
- **Design and construction**: Up to 10 years
- **Operation**: Decades
- **Closure and decommissioning**: Up to 5 years
- **Post closure**: Decades

In the first phase, exploration and evaluation, payments to governments will typically include employment related taxes for small project teams. Payments may also be made for permits, fees and licences.

In the second phase, design and construction, payments to government significantly increase. Customs duties and other indirect taxes are imposed on the construction of the mine and acquisition of plant. Higher employment related taxes reflect a larger workforce on the construction project.

In the operating phase, government royalty payments start shortly after commencement of operations.

Corporate income tax payments are profit based and may be subject to significant fluctuations resulting from commodity price volatility. In the early years of the operating phase, as annual tax allowances for capital construction expenditures are higher, there may be no corporate income taxes paid. As annual tax allowances for capital construction costs are amortised, corporate income tax payments increase. Import related payments decrease compared with the construction phase.

Payments to governments in the final closure and post closure phases will be significantly less than in the operating phase.

**Case study**

Escondida and Oyu Tolgoi are copper operations in Chile and Mongolia respectively. These operations’ payments to governments over the period from 2011 to 2015 are summarised in the charts below.

**Escondida**
Rio Tinto has a 30% interest in Escondida, where mine construction started in the late 1980’s and production began in 1990.

As a long established mining operation, Escondida pays corporate income taxes including royalty related income taxes. The corporate income taxes paid are subject to fluctuations in operating profit, which is significantly impacted by commodity price volatility.

**Oyu Tolgoi**
Oyu Tolgoi has been operating since 2013. During the construction phase, Oyu Tolgoi made significant other payments to government (including customs duties and irrecoverable indirect taxes).

Payments of government royalties began with the commencement of operations in 2013.

Corporate income taxes paid in Mongolia is withholding tax on loan interest. The other payments in Mongolia in the chart below include tax prepayments by Oyu Tolgoi of US$100 million in 2011.

---

**Graphs**

- **Escondida**: Payments to governments in Chile (Rio Tinto 30%)
  - Corporate income taxes
  - Government royalties
  - Employer payroll taxes
  - Other payments

- **Oyu Tolgoi**: Payments to governments in Mongolia
  - Corporate income taxes
  - Government royalties
  - Other payments
The table below shows the total tax charge, on underlying earnings and on exclusions from underlying earnings. The tax charges reflect the amount of tax accrued rather than the amount paid. Our total underlying tax charge for the year, including final payments due after 2015, was US$4,256 million, which represents 48% of our underlying profit before all taxes.

<table>
<thead>
<tr>
<th>All amounts are in US$ millions</th>
<th>Corporate income tax charge</th>
<th>Other tax charges</th>
<th>Total tax charge</th>
<th>Profit/(loss) before tax</th>
<th>Minority interest</th>
<th>Net earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying earnings</td>
<td>1,760</td>
<td>2,496</td>
<td>4,256</td>
<td>6,434</td>
<td>134</td>
<td>4,540</td>
</tr>
<tr>
<td>Items excluded for underlying earnings</td>
<td>(590)</td>
<td>–</td>
<td>(6,983)</td>
<td>(987)</td>
<td>(5,406)</td>
<td></td>
</tr>
<tr>
<td>Total included in Group income statement</td>
<td>1,170</td>
<td>2,496</td>
<td>3,666</td>
<td>(549)</td>
<td>(853)</td>
<td>(866)</td>
</tr>
</tbody>
</table>

A reconciliation between the tax payments shown in section 5 and the taxes charged is shown below.

<table>
<thead>
<tr>
<th>All amounts are US$ millions</th>
<th>Corporate tax</th>
<th>Other taxes</th>
<th>Total tax borne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total included in Group income statement</td>
<td>1,170</td>
<td>2,496</td>
<td>3,666</td>
</tr>
<tr>
<td>Less deferred tax credit included above</td>
<td>91</td>
<td>–</td>
<td>91</td>
</tr>
<tr>
<td>Tax charges less than tax payments</td>
<td>757</td>
<td>9</td>
<td>766</td>
</tr>
<tr>
<td>Total tax paid in the year</td>
<td>2,018</td>
<td>2,505</td>
<td>4,523</td>
</tr>
</tbody>
</table>

The amounts paid by parent companies, subsidiaries and joint operations, and by non-controlled entities were as follows.

<table>
<thead>
<tr>
<th>All amounts are US$ millions</th>
<th>Corporate tax</th>
<th>Other taxes</th>
<th>Total tax borne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent companies, subsidiaries and joint operations</td>
<td>1,792</td>
<td>2,484</td>
<td>4,276</td>
</tr>
<tr>
<td>Non-controlled entities (joint ventures and associates)</td>
<td>226</td>
<td>21</td>
<td>247</td>
</tr>
<tr>
<td>Total tax paid in the year</td>
<td>2,018</td>
<td>2,505</td>
<td>4,523</td>
</tr>
</tbody>
</table>

Notes:

(i) Includes Equity Accounted Units (EAU) tax charge of US$200m on underlying earnings and US$(23)m on exclusions, giving a net US$177m tax charge EAU.

(ii) Other tax charges are the other taxes borne by Rio Tinto and include government royalties, fees dividends and other extractive related payments, employer payroll taxes and other taxes charged through the income statements.

(iii) The analysis between controlled and non-controlled entities is as follows:
### 7 Tax charged as shown in the financial statements in 2015

<table>
<thead>
<tr>
<th>All amounts are in US$ millions</th>
<th>Corporate income tax charge</th>
<th>Other tax charges</th>
<th>Total tax charge</th>
<th>Profit/(loss) before income tax</th>
<th>Non-controlling interests</th>
<th>Net earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent companies, subsidiaries and joint operations</td>
<td>993</td>
<td>2,494</td>
<td>3,487</td>
<td>(1,087)</td>
<td>(853)</td>
<td>(1,227)</td>
</tr>
<tr>
<td>Non-controlled entities (joint ventures and associates)</td>
<td>177</td>
<td>2</td>
<td>179</td>
<td>538</td>
<td>–</td>
<td>361</td>
</tr>
<tr>
<td><strong>Total included in Group income statement</strong></td>
<td><strong>1,170</strong></td>
<td><strong>2,496</strong></td>
<td><strong>3,666</strong></td>
<td><strong>(549)</strong></td>
<td>(<strong>853)</strong></td>
<td>(<strong>866)</strong></td>
</tr>
</tbody>
</table>

Notes:

(iv) For further information on the calculation of the corporate income tax charge, see the tax reconciliation in the 'Corporate income tax charge' at section 8.1 of this report.

(v) Corporate income tax fluctuates in relation to the profits for the year. Government royalties fluctuate based on various factors including commodity prices and volume of production.

(vi) All amounts are stated in accordance with the Basis of Preparation set out in Appendix 2 of this report.
8 Financial statement disclosures

8.1 Corporate income tax charge

Our effective corporate income tax rate on underlying earnings was 26.7%
Our effective corporate income tax rate on Australian underlying earnings was 30.1%.

The corporate income tax charge for parent companies, subsidiaries and joint operations for 2015 was US$993 million, of which US$1,132 million was current tax charge and US$(139) million was deferred tax credit.

The corporate income tax charge for non-controlled entities was US$177 million and, including this amount, the total charge was US$1,170 million. Of this, US$1,261 million was current tax charge and US$(91) million was deferred tax credit.

The total corporate income tax paid in the year was US$2,018 million including the Group’s share of tax payments of non-controlled entities of US$226 million. These amounts differ from the tax charges in the income statement mainly because of the timing of tax instalment payments.

As shown in the following table, our effective corporate income tax rate on underlying earnings has averaged 29.9% (Australia 30.7%) in the period 2011-2015.

<table>
<thead>
<tr>
<th>Effective corporate income tax rates</th>
<th>Group</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>26.7%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Average 2011-2015</td>
<td>29.9%</td>
<td>30.7%</td>
</tr>
</tbody>
</table>
### 8 Financial statement disclosures

The tables below reconcile the corporate income tax charge to the UK statutory tax rate of 20%. The effective corporate income tax rate on underlying earnings was 26.7%.

#### 2015 corporate income tax charge

<table>
<thead>
<tr>
<th></th>
<th>Parent companies, subsidiaries and joint operations</th>
<th>Non-controlled entities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1,132</td>
<td>129</td>
<td>1,261</td>
</tr>
<tr>
<td>Deferred</td>
<td>(139)</td>
<td>48</td>
<td>(91)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>993</strong></td>
<td><strong>177</strong></td>
<td><strong>1,170</strong></td>
</tr>
</tbody>
</table>

#### 2015 reconciliation of effective corporate income tax rates on net earnings and underlying earnings of parent companies, subsidiaries and joint operations

<table>
<thead>
<tr>
<th></th>
<th>Profit before tax</th>
<th>Tax charge</th>
<th>Effective tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying earnings</td>
<td>5,837</td>
<td>1,560</td>
<td>26.7%</td>
</tr>
<tr>
<td>Exclusions from underlying earnings</td>
<td>(6,924)</td>
<td>(567)</td>
<td>8.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(1,087)</strong></td>
<td><strong>993</strong></td>
<td><strong>(91.4%)</strong></td>
</tr>
</tbody>
</table>

After taking into account items excluded from underlying earnings, the effective corporate income tax rate was (91.4%).

### Corporate income tax charge reconciliation:

#### US$ millions

- **Parent companies, subsidiaries and joint operations**
  - **Loss** before tax: (1,087)
  - Expected tax charge at UK rate of 20%: (217)
  - Higher rate of taxation on Australian earnings at 30%: 506
  - Impact of items excluded in arriving at Underlying earnings: 818
  - Impact of changes in tax rates and laws: (3)
  - Other tax rates applicable outside the UK and Australia: (68)
  - Resource depletion and other depreciation allowances: (15)
  - Research, development and other investment allowances: (21)
  - Recognition of previously unrecognised deferred tax assets: (40)
  - Unrecognised current year operating losses: 45
  - Other items: (12)
  - **Total corporate income tax charge**: 993

- **Temporary differences**
  - Unrealised exchange losses: 108
  - Tax losses: 335
  - Provisions: (40)
  - Capital allowances: (251)
  - Tax on unremitted earnings: 16
  - Post retirement benefits: (47)
  - Other temporary differences: 18
  - **Current income tax charge**: 1,132

- **(a) Items excluded in arriving at Underlying earnings:**
  - Impairment charges net of reversals: 615
  - Gains and losses on disposal and consolidation of businesses: (11)
  - Foreign exchange on excluded finance items: 481
  - Recognition of deferred tax assets in relation to planned divestments: (250)
  - Other exclusions: (17)

  - **Total**: 818
Deferred tax accounting seeks to address the temporary differences that can occur when items of income or expense are included in the financial statements in different periods to those in which they are taxable or tax-deductible. Deferred tax assets and liabilities represent the tax effects of such timing differences that will occur in future periods. Deferred tax assets and liabilities are measured at tax rates that are substantively enacted at the reporting date.

The Group had deferred tax liabilities of US$6,926 million and deferred tax assets of US$6,949 million at 31 December 2015. After offsetting balances within the same jurisdiction that are settled on a net basis, the amounts presented on the balance sheet are liabilities of US$3,286 million and assets of US$3,309 million. The deferred tax liabilities and assets prior to this offsetting of balances are shown within the table to the right.

The recognised deferred tax assets include capital losses that can only be recovered against future capital gains.

The above amounts relate to parent companies, subsidiaries and joint operations. The above does not include any amounts attributable to non-controlled entities (joint ventures and associates).
We have audited selected information contained in the report 'Taxes paid in 2015 – A report on the economic contribution made by Rio Tinto to public finances' (the 'Report'). The 'Selected information' comprises the following data:

**Section 5: Our tax payments in 2015**

**Totals for:**
- Total tax payments borne of US$4,523 million
- Employee payroll taxes of US$1,569 million

### Management’s responsibilities

The Report is the responsibility of management. The Audit Committee has reviewed the procedures established by management to prepare the Report, and has reviewed the Report on behalf of the Board of Directors of Rio Tinto. Management are responsible for preparing the Selected Information in accordance with the Basis of Preparation set out in Appendix 2 to the Report, and for such internal control as management determine is necessary to enable the preparation of Selected Information that is free from material misstatement whether due to fraud or error.

### Auditors’ responsibilities

Our responsibility is to express an opinion on the Selected Information in the Report based on our audit. This report, including the opinion, has been prepared for and only for Rio Tinto in accordance with our engagement letter, to assist management and the Directors in reporting Rio Tinto’s taxes paid. We do not accept or assume responsibility for our work or this report to anyone other than the Directors as a body and Rio Tinto save where terms are expressly agreed with us and with our prior written consent.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Selected Information has been prepared in all material respects in accordance with the Basis of Preparation set out in Appendix 2 to the Report.

An audit involves performing procedures to obtain audit evidence about the amounts in the Selected Information. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the Selected Information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation of the Selected Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Selected Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion the Selected Information in the Report for the year ended 31 December 2015 is prepared, in all material respects, in accordance with the Basis of Preparation.

### Basis of Preparation

Without modifying our opinion, we draw attention to Appendix 2 to the Report, which describes the Basis of Preparation.

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PricewaterhouseCoopers LLP
Chartered Accountants
London

24 June 2016
Appendix 1  Glossary of key terms

In this report the following terms have the meanings shown below:

- **Corporate income tax**: All taxes that are based on the taxable profits of a company.
- **Current tax**: The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS12.
- **Deferred tax**: The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.
- **Effective tax rate**: The tax charge in respect of an accounting period divided by the accounting profit before tax.
- **Government**: Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.
- **Rio Tinto Group**: Rio Tinto plc, Rio Tinto Limited and their subsidiaries, associates and joint arrangements.
- **Indirect tax**: Tax that is required to be paid to a government by one person at the expense of another person.
- **Gross sales revenue**: The total of subsidiaries’ sales revenue and the Group’s share of the sales revenue of joint arrangements and associates (after adjusting for sales to subsidiaries).
- **Project**: Operationally and geographically integrated contracts, licences, leases or concessions giving rise to tax liabilities in relation to extractive activities in accordance with Chapter 10 of the EU Accounting Directive.
- **Profit before tax**: Accounting profit for a period before deducting a charge for corporate income taxes.
- **Tax**: Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, government royalties, licence fees, permitting fees, property taxes, dividends (where the payment is related to extractive activities) employment taxes, sales taxes, stamp duties, and any other required payments.
- **Tax borne**: Tax that a person or company is obliged to pay to a government, directly or indirectly, on that person’s own behalf.
- **Tax charge**: The amount of tax included in the income statement of a company for an accounting period.
- **Tax collected**: Tax that a person is obliged to pay to a government on behalf of another person.
- **The report**: The report on taxes paid in 2015 by Rio Tinto.
- **Underlying earnings**: An alternative measure of earnings which is reported by Rio Tinto to provide greater understanding of the underlying business performance of its operations. Further information is included in Note 2 of the Rio Tinto 2015 Annual report.
- **Underlying profit before tax**: The amount of profit before tax after excluding items that have been excluded from underlying earnings.
- **Underlying tax charge**: The tax charge on items included in underlying profit before tax.
Appendix 2  Basis of preparation

This Basis of Preparation document supports the preparation and reporting of the data on tax payments presented in Rio Tinto’s report entitled “Taxes paid in 2015” (hereafter “the report”). The report seeks to provide its users with an overview of the total payments made by Rio Tinto to governments worldwide to reflect the direct contribution made to public finances by Rio Tinto.

Rio Tinto includes Rio Tinto plc, Rio Tinto Limited and subsidiaries, associates and joint arrangements (hereafter and above – “Rio Tinto” or “the Group”). The scope of reporting is described further below.

The basis of preparation supports the following data for Rio Tinto included in the report:
- Taxes borne
- Employee payroll taxes
- Taxes refunded

It is the responsibility of the management of Rio Tinto to ensure that appropriate procedures are in place to prepare reporting in line with, in all material respects, this Basis of Preparation.

All data, unless otherwise stated, are prepared for the year from 1 January to 31 December 2015. Data as they relate to taxes paid, collected or refunded, are included when cash is released from, or received by, Rio Tinto.

Data are prepared based on a 100% basis for all operations in which Rio Tinto has a controlling interest, and on Rio Tinto’s share where Rio Tinto does not have a controlling interest.

Where an acquisition is completed in the year, or a company is newly consolidated in the year, the numbers relating to that business are included from the date of acquisition; where a disposal has been completed in the year, the numbers relating to that disposal have been included up to the point of disposal.

In addition to the above, where full information for non-controlled and divested entities’ tax payments, consistent with the Basis of Preparation, has not been available, no information on the tax payments, collections or refunds for that business is reported.

Restatements
The measuring and reporting of the data may in some circumstances involve a degree of estimation. In exceptional circumstances, restatements of prior year reported data may be required; this will be determined on a case by case basis.

Scope and methodology of reporting

Scope of data reporting
The scope of the data reporting is presented in each definition below. “Tax” in this report means any amount of money required to be paid to, or repaid by, a government. In overview, the key information shown is as follows:

Payments to governments
(Section 5)

(1) Taxes borne
These are the taxes that the Group is obliged to pay to a government on its own behalf, or taxes that the Group is obliged to pay to a third party and that cannot be recovered from a government. A list of the main taxes we have included in this category are:

Corporate income tax – This comprises any tax on the business calculated on the basis of its profits including resource rent taxes, income or capital gains. Typically, these taxes would be reflected in corporate income tax returns made to governments, and tend to become payable, and are paid, either in the year the profits were made or up to one year later, depending on the local tax rules as to the timing of payments.

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Government royalties – This comprises payments made to governments in the form of royalties, and resource rents for example, for the extraction of minerals or metals. Typically, these taxes tend to become payable, and are paid, in the year to which they relate. These form part of operating costs.

Fees, dividends and other extractive related payments – This comprises other payments required as a result of extractive industry projects which typically arise as a result of contractual obligations in relation to the extraction of minerals or metals. Typically, these taxes tend to become payable, and are paid, in the year to which they relate, though in the case of infrastructure improvements, the payments (none in 2015) will be reported when the infrastructure improvements are handed over to the government. These form part of operating costs.

Employer payroll taxes – This comprises payroll and employer taxes payable as a result of a company’s capacity as an employer. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return. These form part of operating costs.

Taxes paid in 2015

Restatements
The measuring and reporting of the data may in some circumstances involve a degree of estimation. In exceptional circumstances, restatements of prior year reported data may be required; this will be determined on a case by case basis.
Other taxes and payments
The 'Other taxes and payments' column of the table at Section 5 of the report includes:

Property taxes – This comprises any property related taxes, including real property/land/estate tax (other than Stamp Duty which is shown below). Typically, these taxes tend to become payable, and are paid, to governments throughout the year. These form part of operating costs.

Customs duties – This comprises all customs/excise/import and export duties. Typically, these taxes tend to become payable and are paid to governments at the point where goods are imported and exported from territories. These form part of operating costs.

Stamp duty – This comprises taxes that arise on transfers of assets or capital. Typically, these taxes would be reflected in stamp duty returns made to governments and tend to become payable, and are paid, to governments shortly after capital or assets are transferred. These form part of operating costs.

Irrecoverable indirect taxes – This comprises sales tax, VAT and other taxes that arise on production or sale which cannot be recovered from governments. Typically these taxes would form part of a sales tax return made to government and tend to become payable, and are paid, regularly (often quarterly) throughout the year. These form part of operating costs.

Environmental taxes – This comprises any carbon taxes or other payments to governments relating to government environmental policy. Typically these taxes tend to be payable and are paid on production.

Government grant receipts – These are grants received by Rio Tinto business units from governments, other than those given effect through corporate income tax legislation. Government grant receipts are often conditional on specific activity by the recipient business. Government grants may be either capital in nature (for example linked to specific assets) or income in nature.

Any other categories of payments to governments borne by Rio Tinto not described above are reported in the ‘Other taxes and payments’ column of the table in Section 5 of the report.

(2) Employee payroll taxes collected
This comprises payroll and employee taxes withheld from employee remuneration, and paid to governments, i.e. tax collected by Rio Tinto and remitted to governments on behalf of employees. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.

(3) Net taxes refunded
Taxes refunded reported at the foot in the table of Section 5 of the report are as follows:

Sales Taxes/VAT/GST/Excise duties – This comprises net amounts refunded from governments that a company has paid on its supplies, for example all raw materials, and is entitled to recover. Such a refund does not result in a net cost to governments. Typically these taxes would tend to become repayable and are repaid by governments regularly (often quarterly) throughout the year shortly after the submission of the sales tax returns.

Withholding taxes collected from suppliers – This comprises taxes that are required to be withheld in advance on payments made to suppliers. Typically, these taxes would be reflected in income tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.
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- Find out more about our business and performance.
- View our full 2015 Annual report.
- View our full 2015 Sustainable development report.