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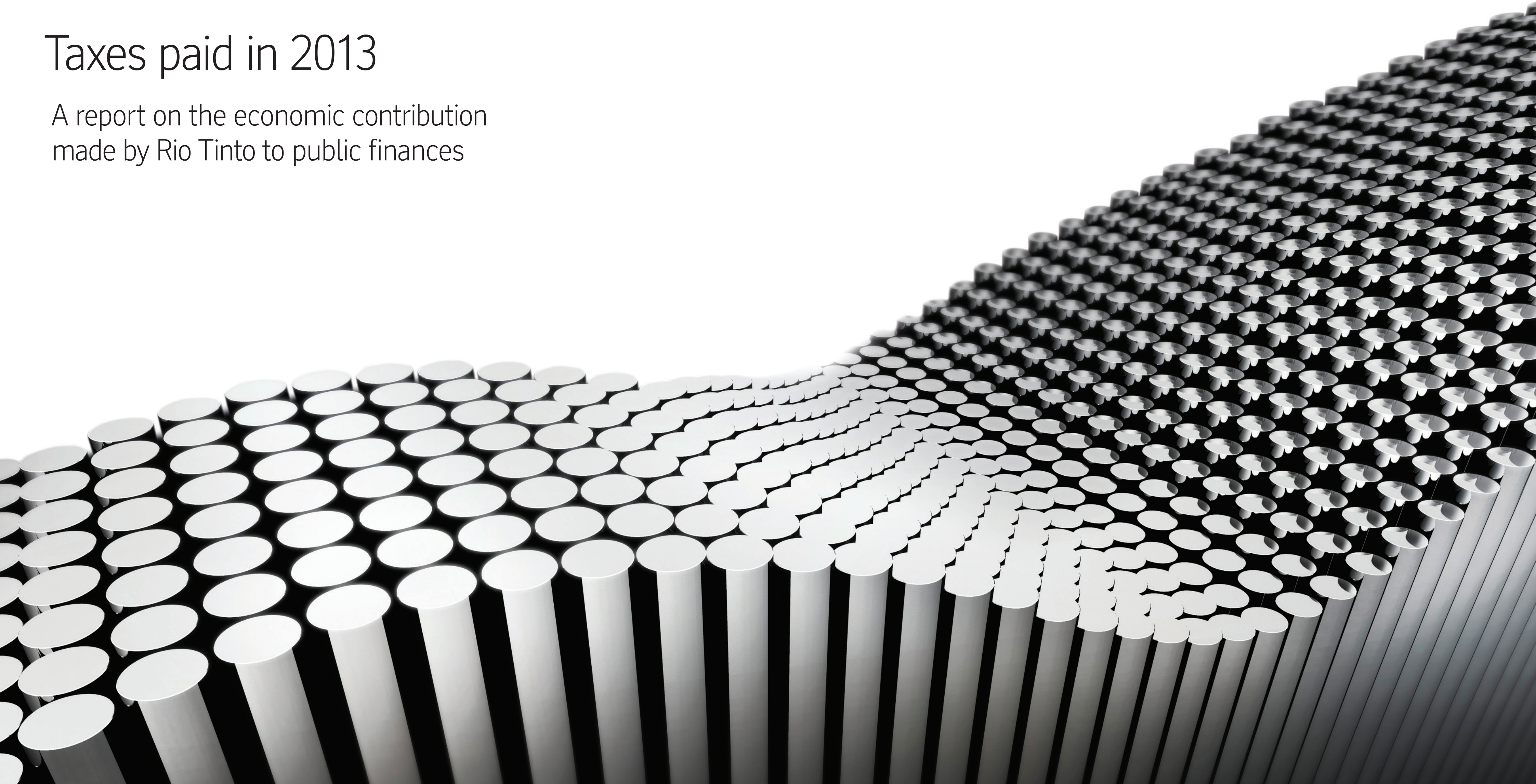
Rio Tinto

# Taxes paid in 2013

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



**Chris Lynch**
Chief Financial Officer

**As in previous years, this report on taxes paid by Rio Tinto in 2013 brings together information on the payments we make to governments in each of the main countries in which we operate, as well as the taxes and net earnings of business units and other Group tax information.**

This report demonstrates the significant contribution Rio Tinto makes to public finances in the countries where it operates around the globe. Tax transparency also assists in the fight against corruption and enhances the scope for communities and citizens to hold their governments to account.

The Rio Tinto Group paid US$7.5 billion of taxes during 2013, and a further US$1.9 billion on behalf of its employees. US$5.7 billion and US$1.1 billion of these totals respectively were paid in Australia. This represents a nineteen per cent decrease in total tax payments from 2012, which primarily reflects timings of instalment payments of corporate income taxes with lower payments in 2013 in respect of 2012 profits. Our total underlying tax charge for the year, including final payments due after 2013, was US$9.1 billion, which represents forty seven per cent of our underlying profit before all taxes.

The disclosures contained in this report ensure that the Group remains transparent about its payments to governments and are consistent with Rio Tinto's support for the principles of the Extractive Industries Transparency Initiative (EITI). Rio Tinto was a founding member and continues to engage actively with EITI processes in the countries where it operates.

As part of its commitment to showing leadership in tax transparency, Rio Tinto publishes this report on a voluntary basis because the Group believes that transparency makes good business sense. Rio Tinto is leading the way in this area. We are, however, concerned about the additional compliance costs associated with a proliferation of new regulatory initiatives in relation to worldwide tax reporting that have recently been introduced, or are under consideration, by governments.

Rio Tinto encourages governments to work together to adopt a consistent global approach and establish disclosure requirements and thresholds that are proportionate. Otherwise, global companies will face multiple reporting requirements. A multitude of different reporting formats is unlikely to result in greater clarity or comparability and will therefore impose significant additional costs upon companies, with little or no public benefit. Mandatory reporting must remain focused on the ultimate objectives of disclosure requirements for both companies and governments: good tax governance, accountability, and transparency.

Rio Tinto also welcomes constructive debate on natural resource taxation policy as part of the overall contribution to economic development that responsible mining investments can make. 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 improving its reporting and transparency procedures, and welcomes feedback on this report.

**Chris Lynch**
Chief Financial Officer

March 2014

# Contents

Cape Lambert

# 1 Introduction

**Tax is a major subject of debate for all businesses, governments and other stakeholders. At Rio Tinto, our tax strategy and payments are central to our approach to achieving sustainable development for the long term as a business, as a sector and as a global corporate citizen.**

Rio Tinto is committed to providing transparency about tax payments made to governments, as part of our corporate commitment to sustainable development and good corporate governance. We have provided voluntary reporting of tax and wider economic contributions for a number of years. In 2010 we committed to increase the level of our detailed reporting on tax payments to governments. This report, which covers the year ended 31 December 2013, presents key data on tax payments, gross sales revenues and earnings showing our economic contribution to public finances. For the fourth year, we have chosen to report this information voluntarily.

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 2013 by tax type, country and named level of government to show our contribution to public finances. 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 builds on the framework of reporting developed under the EITI. It goes into further detail than the statutory disclosures required for financial statement reporting.

Tax, for the purpose of this report, is defined as any amount of money required to be paid to a government, including local, state and national governments. This includes corporate income tax, government royalties, licence fees, permitting fees, property taxes, employment taxes, sales taxes, stamp duties, and any other required payments.

This report excludes the wider economic contribution made to other third parties, for example community contributions which are reported separately in our sustainable development reporting. 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 and induced economic effect globally, but it is important to keep this in mind when considering Rio Tinto's contribution to host economies.

The data within the report includes all our main countries of operation. However it excludes total amounts less than US$1 million by country/level of government and 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 non-controlled joint ventures and associates we have included the share of the tax payments from those operations consistent with our level 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.

Tax payments data included in the Report have been subject to assurance by PricewaterhouseCoopers LLP. Their independent assurance report can be found in section 8. The assurance process comprised more detailed testing of tax payments than that performed for the audit 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 continue to have a leading role in developing best practice in tax transparency.

# 2 Distribution of direct economic contributions

## How we spent our revenue in 2013

**Gross sales revenue by geographical origin**
(US$ billions)

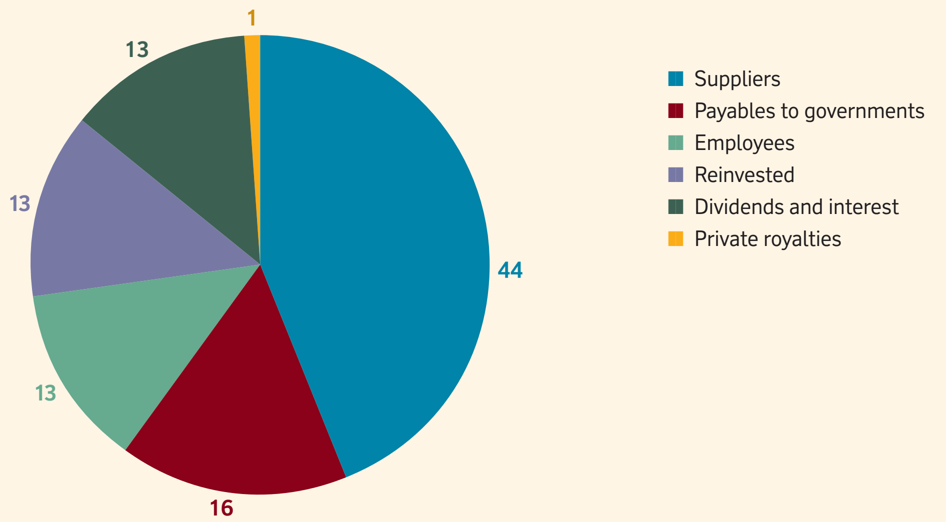
| | |
|---|---|
| Australia | 34 |
| North America | 11 |
| Europe | 3 |
| South America | 3 |
| Africa | 2 |
| Asia/rest of the world | 2 |
| Total | 55 |

The chart below shows the distribution to different stakeholder groups of revenues generated by our businesses in 2013 . Tax contributions to governments comprised 16% of our gross sales revenue in 2013. This is the second largest constituent in the distribution of gross sales revenues, after payments to external suppliers.

The majority of our revenues result from operations in Australia and North America; correspondingly tax payments are highest in these markets (see Section 5).

The effective total tax rate, calculated as the total underlying tax charge for the year on underlying profits before all taxes, is 47%. The detailed calculation of this is explained in Appendix 2.

**How our revenues are spent – distribution of economic contributions**
(%)



# 3 Our tax strategy and governance

Pilbara – locomotives and rail cars

**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 principles governing its tax strategy which have been reviewed and approved by the board of directors. These remain unchanged from previous years and include the following key points:**

- A tax strategy that is aligned with our business strategy and conforms with our global code of business conduct, *"The Way We Work"*.
- Commitment to ensure full compliance with all statutory obligations, and full disclosure to tax authorities.
- Maintenance of documented policies and procedures in relation to tax risk management and completion of thorough risk assessments before entering into any tax planning strategy.
- Sustaining good relations with tax authorities, and actively considering the implications of tax planning for the Group's wider corporate reputation.
- Management of tax affairs in a pro-active manner that seeks to maximise shareholder value, while operating in accordance with the law.

Within this governance framework, the conduct of the Group's tax affairs and the management of tax risk are delegated to a global team of tax professionals. Management certifies our adherence to these principles to the Rio Tinto board of directors on an annual basis. The suitability of the tax strategy and principles is kept under regular review.

There has been increased public and press interest in the use of "tax havens" by multinational companies in recent years. There are sound commercial reasons for a multinational group to use companies located in territories that offer a stable government and a clear legal and regulatory framework. Such territories may also offer low tax rates. A neutral tax territory is often required for joint ventures between companies that are headquartered in different countries.

Rio Tinto has over 550 subsidiaries of which about 30 are located in countries which might be considered to be "tax havens". Of these, several are inactive. The remainder are subject to the UK or Australia's international tax rules or other similar international tax rules. The activities of these entities are fully disclosed to all relevant tax authorities. The Group regularly reviews the activities of all entities to ensure compliance with all tax requirements and other regulations.

In accordance with our tax strategy, all transfers of goods and services between companies within the Group are conducted on an arm's length basis. The pricing of such transactions between Group companies is based on fair market terms and reflects the commercial nature of the transactions.

Rio Tinto locates certain of its activities in the areas of marketing, procurement and freight close to external customers, suppliers and a relevant skills base, rather than at the site of the mine or operating site. Centralising activities also delivers benefits in the form of economies of scale and skill.

Marketing, procurement, freight, debt finance, management services and other similar services provided to other Group companies (related party transactions) are charged at an arm's length price in accordance with relevant international tax principles and are subject to review and audit by the relevant tax authorities.

Where required the tax returns contain schedules that provide details of related party transactions, and we provide the tax authorities all necessary information to determine whether to make further enquiries on audit.

# 4 Tax transparency and reporting

Argyle Diamonds underground mine

**Rio Tinto is a strong supporter of the Extractive Industries Transparency Initiative (EITI) which was established in 2003. The EITI is a multi-stakeholder initiative governed through a global Board and Secretariat. Debra Valentine, Rio Tinto's Group Executive Legal and Regulatory Affairs, is a member of the EITI Board.**

The EITI sets a global standard for transparency on tax and royalty payments to governments and currently includes 25 'compliant' and 16 'candidate' countries, together with 17 supporting governments. In addition to wide civil society support there are over 80 supporting oil, gas and mining companies who participate at the international level. Rio Tinto was an active contributor to the revised and expanded EITI Standard which was adopted in 2013.

Our business units support and promote the EITI, and its implementation in the countries where they operate. We fully support the EITI's principles of transparency and accountability. This support is 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 and earnings of the main business units.

Various worldwide tax reporting initiatives have recently been introduced, or are under consideration, by governments. These include Section 1504 of the Dodd-Frank Wall Street Reform Act in the United States, and Chapter 10 of Accounting Directive 2013/34 in the European Union.

While we support transparency in reporting of tax payments, 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: 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 the stakeholder audiences to develop reporting models.

**Base Erosion and Profit Shifting (BEPS)**
Rio Tinto is actively engaged in discussions with the Organisation for Economic Co-operation and Development (OECD) and other Government advisory groups in relation to the BEPS project being led by the OECD. We support the OECD approach to achieving consensus and delivery of proportionate and considered multilateral solutions in order to prevent uncoordinated and potentially damaging action by individual countries. Indeed, we are concerned about the increased risk of double taxation arising from new laws or unilateral action by an individual country.

We encourage the OECD to consider models such as "Co-operative Compliance" to achieve some of the BEPS objectives. In the last 18 months, Rio Tinto has concluded Co-operative Compliance agreements in relation to corporate income tax and Goods and Services Tax (VAT) with the Australian Taxation Office. These models rely upon greater trust between the Revenue Authority and the taxpayer and provide a more sustainable solution.

Just as importantly as recommending changes to international tax, it is vital that any new initiatives are adequately tested and considered in order to avoid imposing significant additional compliance and reporting burdens on industry. Fundamentally, profitable business activity generates economic growth, employment and improved living standards.

# 5 Our tax payments in 2013

We paid US$7.5 billion of tax in the year and US$1.9 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. 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.

Although the Group has a 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.

The US$7.5 billion paid by Rio Tinto in 2013 compares with US$9.7 billion paid in 2012. The US$1.9 billion paid on behalf of employees in 2013 compares with US$1.9 billion paid in 2012.

The decrease in the tax paid by Rio Tinto reflects timings of instalment payments of corporate income tax with lower payments in 2013 in respect of 2012 profits.

| Country and level of government (US$ millions) | Corporate income tax | Government royalties | Employer payroll taxes | Other taxes and payments | Total tax payments borne | Employee payroll taxes |
|---|---|---|---|---|---|---|
| Australia Federal | 3,157 | 15 | 77 | 254 | 3,503 | 1,138 |
| Western Australia Government | – | 1,514 | 119 | 27 | 1,660 | – |
| Queensland Government | – | 166 | 62 | 9 | 237 | – |
| New South Wales Government | – | 191 | 25 | 9 | 225 | – |
| Northern Territory Government | – | 12 | 15 | – | 27 | – |
| Shire of Roebourne (WA) | – | – | – | 5 | 5 | – |
| Shire of Ashburton (WA) | – | – | – | 4 | 4 | – |
| Victoria Government | – | – | 4 | – | 4 | – |
| Tasmania Government | – | – | 3 | – | 3 | – |
| Isaac Regional Council (QLD) | – | – | – | 3 | 3 | – |
| Central Highlands Regional Council (QLD) | – | – | – | 2 | 2 | – |
| Gladstone Regional Council (QLD) | – | – | – | 2 | 2 | – |
| Singleton Shire Council (NSW) | – | – | – | 2 | 2 | – |
| Town of Port Hedland (WA) | – | – | – | 1 | 1 | – |
| Other local government (NSW) | – | – | – | 1 | 1 | – |
| **Australia Total** note (vi) | 3,157 | 1,898 | 305 | 319 | 5,679 | 1,138 |
| Canada Federal | 153 | – | 23 | (1) | 175 | 246 |
| Quebec Government | 26 | 64 | 89 | (6) | 173 | 160 |
| Newfoundland Government | 20 | – | 6 | 34 | 60 | – |
| Ville de Saguenay (QC) | – | – | – | 31 | 31 | – |
| British Columbia Government | – | 20 | – | – | 20 | 1 |
| North West Territories Government | 9 | – | – | 6 | 15 | 4 |
| District of Kitimat (BC) | – | – | – | 17 | 17 | – |
| Ville de Alma (QC) | – | – | – | 11 | 11 | – |
| Labrador City (NL) | – | – | – | 7 | 7 | – |
| Ville de Sept-Îles (QC) | – | – | – | 3 | 3 | – |
| Ville de Montréal (QC) | – | – | – | 2 | 2 | – |
| Ville de St-Joseph (QC) | – | – | – | 2 | 2 | – |
| Commission scolaire des Rives-du-Saguenay (QC) | – | – | – | 2 | 2 | – |
| Commission scolaire du Lax-Saint-Jean (QC) | – | – | – | 1 | 1 | – |
| Ville de Sorel-Tracy (QC) | – | – | – | 1 | 1 | – |
| Ville de Havre-St-Pierre (QC) | – | – | – | 1 | 1 | – |
| MRC Maria Chapdelaine (QC) | – | – | – | 1 | 1 | – |
| MRC du Fjord- du Saguenay (QC) | – | – | – | 1 | 1 | – |
| **Canada Total** | 208 | 84 | 118 | 113 | 523 | 411 |

# 5 Our tax payments in 2013 (continued)

| Country and level of government (US$ millions) | Corporate income tax | Government royalties | Employer payroll taxes | Other taxes and payments | Total tax payments borne | Employee payroll taxes |
|---|---|---|---|---|---|---|
| Chile National | 370 | – | – | 10 | 380 | 26 |
| **Chile Total** | **370** | **–** | **–** | **10** | **380** | **26** |
| Mongolia National | – | 4 | – | 175 | 179 | – |
| Ulaanbataar City | – | – | 20 | 1 | 21 | 15 |
| Khanbogd Sum | – | – | – | 20 | 20 | – |
| Umnugobi Aimag | – | – | – | – | – | 7 |
| **Mongolia Total** | **–** | **4** | **20** | **196** | **220** | **22** |
| USA Federal | 91 | – | 28 | – | 119 | 102 |
| Utah Government | (1) | 16 | – | 27 | 42 | 13 |
| Salt Lake County (UT) | – | – | – | 39 | 39 | – |
| California Government | 6 | – | – | 1 | 7 | 5 |
| Kern County (CA) | – | – | – | 7 | 7 | – |
| Marquette County (MI) | – | – | – | 2 | 2 | – |
| Arizona Government | – | – | – | 1 | 1 | – |
| Colorado Government | (2) | – | – | – | (2) | 1 |
| Other US government | 1 | 1 | – | – | 2 | 1 |
| **USA Total** | **95** | **17** | **28** | **77** | **217** | **122** |
| South Africa National | 139 | 26 | 1 | 1 | 167 | 29 |
| **South Africa Total** | **139** | **26** | **1** | **1** | **167** | **29** |
| France National | 5 | – | 93 | 5 | 103 | 38 |
| Rhône-Alpes | – | – | – | 12 | 12 | – |
| Nord | – | – | – | 10 | 10 | – |
| Other regions | – | – | – | 1 | 1 | – |
| **France Total** | **5** | **–** | **93** | **28** | **126** | **38** |
| Guinea National | 61 | – | 3 | – | 64 | 2 |
| **Guinea Total** | **61** | **–** | **3** | **–** | **64** | **2** |
| Singapore National | 52 | – | – | – | 52 | – |
| **Singapore Total** | **52** | **–** | **–** | **–** | **52** | **–** |

# 5 Our tax payments in 2013 (continued)

| Country and level of government (US$ millions) | Corporate income tax | Government royalties | Employer payroll taxes | Other taxes and payments | Total tax payments borne | Employee payroll taxes |
|---|---|---|---|---|---|---|
| UK National | 1 | – | 19 | 1 | 21 | 70 |
| Westminster City Council | – | – | – | 5 | 5 | – |
| Highland Council of Scotland | – | – | – | 3 | 3 | – |
| Northumberland County Council | – | – | – | (3) | (3) | – |
| UK Total | 1 | – | 19 | 6 | 26 | 70 |
| Brazil Federal | 4 | 1 | – | – | 5 | – |
| Municipality of Sao Luis | – | – | – | 1 | 1 | – |
| Brazil Total | 4 | 1 | – | 1 | 6 | – |
| India National | 2 | – | 1 | 1 | 4 | 1 |
| State Government of Madhya Pradesh | – | – | 1 | – | 1 | – |
| India Total | 2 | – | 2 | 1 | 5 | 1 |
| Switzerland Federal | 2 | – | – | – | 2 | – |
| Stadt Zurich | 2 | – | – | – | 2 | – |
| Switzerland Total | 4 | – | – | – | 4 | – |
| China Federal | 3 | – | – | – | 3 | – |
| Shanghai Municipality | – | – | – | – | – | 4 |
| Beijing Municipality | – | – | – | – | – | 1 |
| China Total | 3 | – | – | – | 3 | 5 |
| Stadt Singen | 2 | – | – | – | 2 | – |
| Germany Total | 2 | – | – | – | 2 | – |
| Namibia | – | 12 | – | – | 12 | 15 |
| Zimbabwe | – | 10 | – | – | 10 | – |
| Iceland | 2 | – | 6 | – | 8 | 9 |
| Madagascar | – | 2 | – | 4 | 6 | 2 |
| Peru | – | – | 1 | 6 | 7 | 7 |
| Mozambique | – | 1 | – | 3 | 4 | 9 |
| Norway | – | – | 4 | – | 4 | 9 |
| Cameroon | 4 | – | – | – | 4 | – |
| Belgium | 1 | – | 1 | – | 2 | 4 |

# 5 Our tax payments in 2013 (continued)

| Country and level of government (US$ millions) | Corporate income tax | Government royalties | Employer payroll taxes | Other taxes and payments | Total tax payments borne | Employee payroll taxes |
|---|---|---|---|---|---|---|
| Netherlands | (1) | – | – | – | (1) | 12 |
| New Zealand | – | – | – | (19) | (19) | 12 |
| Indonesia | (41) | – | – | – | (41) | – |
| Japan | – | – | – | – | – | 1 |
| **Total payments to governments** note (i), (ii), (iii), (iv) and (v) | 4,068 | 2,055 | 601 | 746 | 7,470 | 1,944 |

Notes

(i) Total 2013 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$2,990 million.

(ii) Total 2013 government grant receipts were US$21 million.

(iii) Amounts include Rio Tinto's share of payments by non-controlled entities (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) Total taxes paid in 2013 were US$9,414 million including US$7,470 million paid by Rio Tinto and US$1,944 paid by Rio Tinto on behalf of its employees.

(vi) **Minerals Resource Rent Tax (MRRT)** Resource rent taxes that are based on adjusted taxable profits calculated in accordance with the applicable legislation, such as Australian MRRT which came into effect on 1 July 2012, are included in corporate income tax.

The MRRT is a super profits tax designed to apply in high commodity price environments and is extremely sensitive to changes in commodity prices and the A$/US$ foreign exchange conversion rate.

As is the case for the existing Australian Petroleum Resource Rent Tax (PRRT), the tax receipts from the MRRT will be very volatile.

In computing the MRRT payable to the Australian Federal Government, royalties paid to Australian state governments are allowed as a deduction (at a value which has the effect of treating the royalties as a tax credit against the MRRT) so that the mining company does not pay tax twice on the same profits, once to the state governments and for a second time to the Federal Government.

Where a mining company like Rio Tinto has existing investments that become subject to the MRRT a separation of old investments not subject to the MRRT from new investments in the same mine, which will be subject to the MRRT, would be impractical. Instead the tax was designed to allow a mining company to claim a deduction (the starting base allowance) in each tax year for the May 2010 market value of the investments over the shorter of the life of the mine or 25 years.

The royalty credit and the starting base allowance are deliberate design features of the MRRT that respectively ensure there is no double taxation of the same income, and that the MRRT is not levied retrospectively on existing investments.

In 2013, for the reasons explained above, there were no MRRT payments included within the US$3,157 million of corporate income taxes paid to the Australian Federal Government.

# 5 Our tax payments in 2013 (continued)

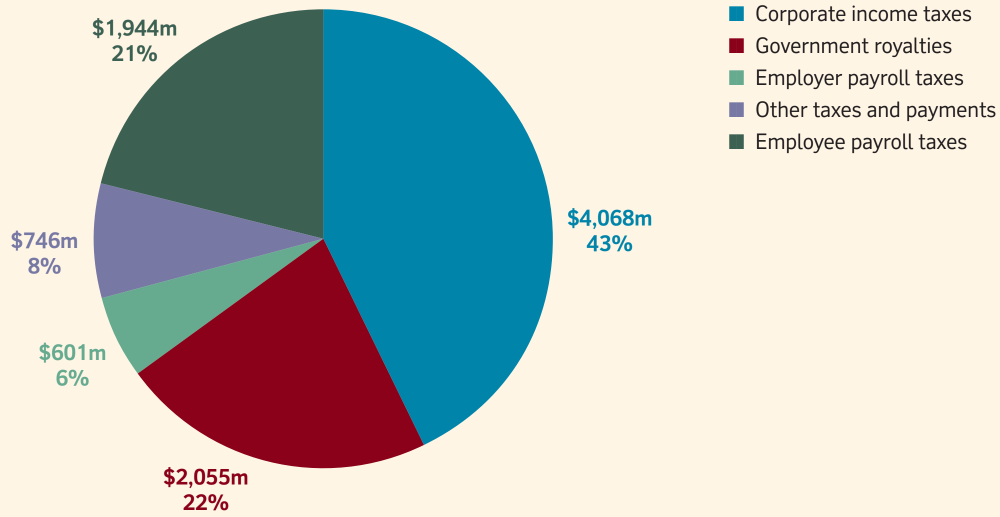
Corporate income tax is the largest component of our tax payments, though other taxes also make a significant contribution

**5.2 Analysis by type of tax**
The chart below analyses the total US$9.4 billion payments in 2013 by type of tax.

Government royalties and employer payroll taxes account for 22% and 6% respectively. The other 8% includes customs duties, property taxes and a range of other tax payments. Other taxes paid for 2013 are stated before refunds of sales taxes and other indirect tax payments. Payroll taxes collected on behalf of employees and paid to governments account for 21% of total taxes paid.

An explanation of the different taxes is presented in the Glossary and Basis of Preparation in Appendices 1 and 2 respectively.

**Total tax payment by tax type**
(US$ millions)



# 6 Tax charged in the financial statements in 2013

We charged US$9.1 billion of tax on underlying earnings to the income statement in the year

This table shows the total tax charge and net underlying earnings of each of the Group's main business units.

The tax charges reflect the amount of tax accrued rather than paid.

The effective total tax rate, calculated as the total underlying tax charge for the year divided by the underlying profits before all taxes, is 47%.

| All amounts are in US$ millions | Corporate income tax charge a | Other tax charges b | Total tax charge = a+b | Profit before tax c | Minority interest d | Net earnings = c-a-d |
|---|---|---|---|---|---|---|
| **Iron Ore** | | | | | | |
| Hamersley | 4,002 | 1,518 | 5,520 | 11,970 | – | 7,968 |
| Robe River | 1,036 | 322 | 1,358 | 3,003 | 367 | 1,600 |
| Iron Ore Company of Canada | 233 | 52 | 285 | 754 | 216 | 305 |
| **Aluminium** | | | | | | |
| Integrated Aluminium operations (i) | (32) | 587 | 555 | 452 | 3 | 481 |
| **Copper** | | | | | | |
| Kennecott Utah Copper | 125 | 100 | 225 | 553 | – | 428 |
| Escondida | 460 | 10 | 470 | 1,237 | – | 777 |
| Freeport | (15) | 2 | (13) | (36) | – | (21) |
| Oyu Tolgoi | 32 | 123 | 155 | (238) | (180) | (90) |
| Palabora | 28 | 6 | 34 | 102 | 32 | 42 |
| Northparkes | 60 | 15 | 75 | 201 | – | 141 |
| **Energy** | | | | | | |
| Rio Tinto Coal Australia | 103 | 362 | 465 | 529 | 59 | 367 |
| Rio Tinto Coal Mozambique | – | 4 | 4 | (142) | – | (142) |
| Rössing | 8 | 9 | 17 | 15 | 3 | 4 |
| Energy Resources of Australia | (50) | 9 | (41) | (189) | (44) | (95) |
| **Diamonds and Minerals** | | | | | | |
| Diamonds | 23 | 38 | 61 | 77 | 1 | 53 |
| RTIT | 133 | 51 | 184 | 459 | 62 | 264 |
| Rio Tinto Minerals | 35 | 19 | 54 | 166 | – | 131 |
| Dampier Salt | 3 | 9 | 12 | 13 | 3 | 7 |
| Simandou | – | 9 | 9 | (87) | (44) | (43) |
| Exploration, evaluation projects, other operations and corporate items | (633) | 281 | (352) | (3,111) | (518) | (1,960) |
| Underlying earnings | 5,551 | 3,526 | 9,077 | 15,728 | (40) | 10,217 |
| Items excluded from underlying earnings | (2,661) | – | (2,661) | (11,759) | (2,546) | (6,552) |
| Total | 2,890 | 3,526 | 6,416 | 3,969 | (2,586) | 3,665 |

(i) Reflects the integrated production of aluminium. Following their reintegration into Rio Tinto Alcan in 2013, the four aluminium smelters and the Gove bauxite mine, previously grouped within Pacific Aluminium are now reported within the Aluminium Product Group. The Gove alumina refinery continues to be reported within exploration, evaluation projects, other operations and corporate items.

# 6 Tax charged in the financial statements in 2013 (continued)

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

| All amounts are US$ millions | Corporate income tax | Other taxes | Total tax borne |
|---|---|---|---|
| Total included in Group income statement (i) | 2,890 | 3,526 | 6,416 |
| Add deferred tax credit included above | 1,613 | – | 1,613 |
| Tax charges (greater)/less than tax payments | (435) | (124) | (559) |
| Total tax paid in the year | 4,068 | 3,402 | 7,470 |

| All amounts are US$ millions | Corporate income tax | Other taxes | Total tax borne |
|---|---|---|---|
| Parent companies and subsidiaries | 3,698 | 3,383 | 7,081 |
| Non-controlled entities | 370 | 19 | 389 |
| Total tax paid in the year | 4,068 | 3,402 | 7,470 |

Notes:

(i) The analysis between controlled and non-controlled entities is as follows:

| All amounts are in US$ millions | Corporate income tax charge | Other tax charges | Total tax charge | Profit before tax | Non-controlling interests | Net earnings |
|---|---|---|---|---|---|---|
| Parent companies and subsidiaries | 2,426 | 3,511 | 5,937 | 3,023 | (2,586) | 3,183 |
| Non-controlled entities | 464 | 15 | 479 | 946 | – | 482 |
| Total included in Group income statement | 2,890 | 3,526 | 6,416 | 3,969 | (2,586) | 3,665 |

(ii) For further information on the calculation of the corporate income tax charge, see the tax reconciliation in the 'Corporate income tax charge' at section 7.1 of this report.

(iii) Tax charges other than corporate income tax do not fluctuate in relation to the profits for the year.

(iv) 'Exploration, evaluation projects, other operations and corporate items' include project costs and other corporate items. The amount of tax relief on this net expenditure is reduced by taxes borne on projects at an early stage of development, before profits are generated.

(v) All amounts are stated in accordance with the Basis of Preparation set out in Appendix 2 of this report. For details of the method for calculation of the effective total tax rate (to which the letters on the table columns refer), see the Basis of Preparation.

# 7 Financial statement disclosures

### 7.1 Corporate income tax charge

The corporate income tax charge for parent companies and subsidiaries for 2013 was US$2,426 million, of which US$4,102 million was current tax charge and US$(1,676) million was deferred tax credit.

The corporate income tax charge for non-controlled entities was US$464 million and, including this amount, the total charge was US$2,890 million. Of this, US$4,503 million was current tax charge and US$(1,613) million was deferred tax credit.

The total corporate income tax paid in the year was US$4,068 million including the Group's share of tax payments of non-controlled entities of US$370 million. These amounts differ from the tax charges in the income statement mainly because of the timing of tax instalment payments.

The tables below reconcile the corporate income tax charge to the UK statutory tax rate of 23%. The effective corporate income tax rate on underlying earnings was 34.9%. After taking into account items excluded from underlying earnings the effective corporate income tax rate was 80.3%.

**2013 corporate income tax charge**
US$ millions

| | Parent and controlled subsidiaries | Non-controlled entities | Total |
|---|---|---|---|
| Current | 4,102 | 401 | 4,503 |
| Deferred | (1,676) | 63 | (1,613) |
| Total | 2,426 | 464 | 2,890 |

**2013 reconciliation of effective corporate income tax rates on net earnings and underlying earnings of parent and controlled subsidiaries**
US$ millions

| | Profit before tax | Tax charge | Effective tax rate |
|---|---|---|---|
| Underlying earnings | 14,535 | 5,068 | 34.9% |
| Exclusions from underlying earnings | (11,512) | (2,642) | 22.9% |
| Total | 3,023 | 2,426 | 80.3% |

The high effective tax rate on net earnings reflects impairment charges for which no tax credit is available.

**Corporate income tax charge reconciliation:**
US$ millions

| | |
|---|---|
| Parent companies and subsidiaries | |
| Profit before tax | 3,023 |
| Expected tax charge at UK rate of 23% | 695 |
| Higher rate of taxation on Australian earnings | 1,411 |
| Impact of items excluded in arriving at underlying earnings (a) | 6 |
| Adjustments to deferred tax liabilities following changes in tax rates | 12 |
| Other tax rates applicable outside the UK and Australia | (63) |
| Resource depletion and other depreciation allowances | (103) |
| Research, development and other investment allowances | (49) |
| Unrecognised current year operating losses | 339 |
| Other items | 178 |
| Total corporate income tax charge | 2,426 |

| | |
|---|---|
| (a) Items excluded in arriving at underlying earnings: | |
| Impairment charges | 135 |
| Gains and losses on disposal and consolidation of businesses | (199) |
| Foreign exchange on excluded finance items | 77 |
| Other exclusions | (7) |
| | 6 |

# 7 Financial statement disclosures (continued)

### 7.2 Deferred tax

Deferred tax accounting seeks to address the timing 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$8,228 million and deferred tax assets of US$7,643 million at 31 December 2013. 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$4,140 million and assets of US$3,555 million. The deferred tax liabilities and assets prior to this offsetting of balances are shown within the table.

The Group has tax losses and other deferred tax assets, mainly in the UK, France, Canada, US and Australia, which have the potential to reduce tax payments in future years. The probability of recovery of these assets has been assessed under the relevant International Financial Reporting Standard, IAS12, based on the projected future taxable profits of the relevant entities. The potential tax assets in these countries totalled US$17,755 million at 31 December 2013. Of these, US$3,555 million have been recognised as deferred tax assets, leaving US$14,200 million unrecognised.

The unrecognised deferred tax assets include US$10,664 million in respect of temporary differences that are deductible for the purposes of MRRT.

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

The above amounts relate to parent companies and subsidiaries, and do not include any amounts attributable to non-controlled entities.

**At 31 December 2013**
US$ millions

| | Total |
|---|---|
| Allowances for property, plant and equipment | 6,391 |
| Unrealised exchange gains | 91 |
| Unremitted earnings | 637 |
| Other temporary differences | 1,109 |
| **Total liabilities** | **8,228** |
| Capital allowances | (1,289) |
| Provisions | (2,084) |
| Post-retirement benefits | (1,036) |
| Tax losses | (2,496) |
| Unrealised exchange losses | (184) |
| Other temporary differences | (554) |
| **Total assets** | **(7,643)** |
| **Net deferred tax liability** | **585** |

| Deferred tax | 2013 US$ millions |
|---|---|
| At 1 January | 1,669 |
| Adjustment on currency translation | (201) |
| Credited to the income statement | (1,676) |
| Charged to statement of comprehensive income | 697 |
| Newly consolidated operations | 1 |
| Other movements | 95 |
| **At 31 December** | **585** |

# 8 Independent assurance report

## Independent assurance report to the directors of Rio Tinto

We have audited selected information contained in the report 'Taxes paid in 2013 - A report on the economic contribution made by Rio Tinto to public finances' (the 'Report'). The 'Selected Information' comprises the following data and related notes:

Schedule 5: Our tax payments in 2013
Total taxes paid of US$9,414 million, being the total of 'Total tax payments borne' and 'Employee payroll taxes'

Schedule 6: Tax charged in the financial statements in 2013
Totals for:
- Corporate income tax charge
- Other tax charges
- Total tax charge

**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 to assist management and the directors in reporting Rio Tinto's taxes paid to public finances. We consent to the inclusion of this report within the Report to enable the directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Selected Information. 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 and with our prior consent in writing.

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 2013 is prepared, in all material respects, in accordance with the Basis of Preparation set out in Appendix 2 to the Report.

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

**PricewaterhouseCoopers LLP**
Chartered Accountants
London

13 March 2014

Notes:
(a) The maintenance and integrity of Rio Tinto's website is the responsibility of management and the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# 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.

**The Group/ Rio Tinto Group** Rio Tinto plc, Rio Tinto Limited and their subsidiaries and associated companies.

**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 non-controlled entities (after adjusting for sales to subsidiaries).

**MRRT** Minerals Resource Rent Tax (MRRT) is an additional tax on profits from the mining of iron ore and coal in Australia, which came into effect on 1 July 2012.

**Profit before tax** Accounting profit for a period before deducting a charge for corporate income taxes.

**PRRT** Petroleum Resource Rent Tax (PRRT) is an additional tax on the profits of Australian offshore petroleum projects.

**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, 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 2013 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 2013 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 2013" (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 and associated companies (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
- Effective total tax rate

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 January 1 to December 31, 2013. 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. For 2013 this applied to two businesses; the impact is not expected to be significant in the context of the total taxes paid 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

**Organisational reporting boundaries**
Section 5 of the report 'Our tax payments in 2013' sets out taxes paid by Rio Tinto business units to governments in the countries in which they operate, by country and named level of government. Countries where the taxes paid in the year are less than US$1 million are excluded from reporting. Taxes are reported at a named local, state and federal level for each government to which a Rio Tinto business unit has paid taxes greater than US$1 million in 2013.

Section 6 of the report 'Tax charged in the financial statements in 2013' sets out the 2013 tax charge by Product Group (which represent Rio Tinto's main areas of business activity), and major business units within each Product Group, on the same basis as reported in Rio Tinto's annual report.

**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 rent resource 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 timing of payments.

**Government royalties –** This comprises payments made to governments in the form of royalties, licence fees 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.

**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.

# Appendix 2 Basis of Preparation (continued)

**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.

**Withholding taxes –** This comprises tax charged on payments of dividends or other distributions of profits. Typically, this tax would be reflected in income tax returns made to governments and tends to become payable, and is paid, at the point of a distribution of profits from one territory to another rather than in the year the profits actually arise. These form part of the Corporate Income Tax charge.

**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 of any carbon taxes or other payments to governments relating to 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, ie. 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 of 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.

**(4) Effective total tax rate**
Our tax rate shows total tax charge as a percentage of profit before all taxes for 2013.

This formula is calculated as (a+b)/(c + b) where

a = corporate income tax charge i.e. as shown directly in the financial statements. This figure will differ from taxes actually paid, primarily as a result of either timing differences between when tax is charged and actually becomes payable, or because of differences between the timing of an item of income or expense in the accounts versus when tax is payable on that item.

b = the sum of other taxes charged.

c = profit before tax. (Note: the profit before tax is before deduction of corporate income tax charged, but after deduction of other taxes charged.)

riotinto.com/taxespaidin2013

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Rio Tinto