

**Mitsui-Itochu Iron Pty Ltd**

ABN 84 008 702 761

**Tax transparency report  
for the financial year ended  
31 March 2020**

## **Our business in Australia**

Mitsui-Itochu Iron Pty Ltd (MII) is a company incorporated and operating in Australia, with its ultimate parent company Mitsui & Co., Ltd a company incorporated in Japan. MII has a long history with Australia, involved in iron ore mining operations since the 1960's. MII's principal activity is its 10% interest in the Mt Newman joint venture, which is engaged in iron ore operations in Western Australia. As a joint venture partner exporting iron ore to the world, MII is proud of its continued investment contributing to the strengthening of the Australian economy.

MII supports the promotion of tax transparency as a means to continuously improve trust and credibility among stakeholders in the community and the integrity of the tax environment in which we operate. MII is committed to paying the right amount of tax, at the right time, in the right jurisdiction.

On behalf of the Company.



Motoi Yamamoto  
President and Managing Director



Gavin Patterson  
Chief Financial Officer

## **Basis of preparation**

This report has been prepared in accordance with the Board of Taxation's Tax Transparency Code guidelines.

*i. Reporting currency*

The financial data presented in this report is quoted in Australian Dollars unless otherwise stated.

*ii. Source of Information*

Information has been sourced from submitted tax returns and audited financial statements.

*iii. Approach to materiality*

Materiality for disclosures has been set at the nearest million dollars.

*iv. AASB guidance*

The Company prepares reduced disclosure general purpose financial statements and follows the Australian Accounting Standards Board (AASB).

Deloitte are the auditors of MII.

*v. Reporting period*

The report has been prepared for MII's financial year from 1 April 2019 to 31 March 2020.

## **Tax policy, risk management and governance**

MII's approach to taxation aligns with our business values. MII has a well-developed and structured risk management framework to allow for tax risks to be identified, evaluated, monitored and managed. Taxation is managed within that corporate governance framework and aligns with the Mitsui & Co., Ltd global tax management policy which is available via the Mitsui website: [https://www.mitsui.com/jp/en/company/outline/governance/system/pdf/global\\_tax\\_policy\\_e.pdf](https://www.mitsui.com/jp/en/company/outline/governance/system/pdf/global_tax_policy_e.pdf)

MII's tax strategy under its Tax Corporate Governance Policy is to ensure all applicable tax regulations at the local level are considered while striving for effective tax cost management. The company does NOT engage in artificial tax arrangements or structures which inappropriately erode the tax basis, or shift the attribution of profits to achieve tax avoidance.

The MII tax corporate governance framework was prepared in accordance with the Australian Taxation Office (ATO) Tax Risk Management and Governance Review Guide. The policy sets out MII's approach to conducting its tax affairs and dealings with tax risk, and is periodically reviewed.

MII has paid all its tax liabilities and all tax compliance obligations are up to date.

## **Engagement with the ATO**

MII is committed to maintaining an open and transparent relationship with the ATO. MII's overall appetite for tax risk is "low" as it takes a conservative approach to tax risk management, by mitigating tax risks and obtaining certainty on tax positions from revenue authorities where required.

MII interprets tax law using relevant guidance to review possible risks and minimise the extent of disputes. We maintain full and timely disclosure of necessary information as required by law, by providing tax authorities with information as part of regular filing or during the course of any review or audit. If any disputes arise, we will maintain an open and constructive relationship with tax authorities to achieve resolution.

## International related party dealings

MII's operations involve international related party dealings. Where required to be reported (e.g. due to exceeding the relevant reporting threshold), MII discloses its related party transactions in the International Dealings Schedule which forms part of its company income tax return or through submission of the relevant section(s) of the Australian Local File as part of the Country-by-Country reporting requirements. MII seeks to conduct its international related party dealings at arm's length.

For the year ended 31 March 2020, MII's international related party transactions include:

- Service fees paid by MII to Mitsui & Co., Ltd (Japan) and Itochu Corporation (Japan)
- Iron ore sales between MII and Mitsui & Co., Ltd (Japan)

MII enters into a Bilateral Advance Pricing Arrangement to agree prices charged between significant related party transactions between Australia and Japan to reduce the risk of disputes.

## Reconciliation of accounting profit before income tax to income tax expense and income tax paid

	2020	2019
	A\$mil	A\$mil
<b>Accounting profit before income tax</b>	<b>699.9</b>	<b>451.1</b>
Income tax @ 30%	210.0	135.3
<b>Permanent differences</b>		
Non-deductible expenses	0.1	(0.2)
<b>Income tax expense</b>	<b>210.1</b>	<b>135.1</b>
Temporary differences <sup>1</sup>	(1.7)	2.5
<b>Income tax paid</b>	<b>208.4</b>	<b>137.6</b>
<b>MII effective tax rate (ETR)</b>	<b>30.0%</b>	<b>30.0%</b>
<b>Mitsui &amp; Co. Ltd ETR <sup>2</sup></b>	<b>23.0%</b>	<b>26.1%</b>

The ETR is calculated as income tax expense divided by accounting profit before income tax.

<sup>1</sup> Includes provisions, accruals and differences between accounting and tax depreciation.

<sup>2</sup> Refer page 4 Mitsui & Co., Ltd Consolidated Financial Results for the Year Ended 31 March 2020 ("Flash Report").

## Total tax contributions

During the year ended 31 March 2020, MII paid A\$288.1 million in Federal and State taxes. Amounts presented are on a reporting period basis unless otherwise stated.

### Federal and State taxes paid

	<b>2020</b>	<b>2019</b>
	<b>A\$mil</b>	<b>A\$mil</b>
Corporate income tax – Australia <sup>3</sup>	208.4	137.6
Mining royalties <sup>4</sup>	79.3	52.6
Stamp duties	0.4	0.4
<b>Total</b>	<b>288.1</b>	<b>190.6</b>

### Taxes collected on behalf of Governments

	<b>2020</b>	<b>2019</b>
	<b>A\$mil</b>	<b>A\$mil</b>
GST collected	0.5	1.9
GST paid (but reclaimed)	3.5	2.6

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<sup>3</sup> Income tax paid is in relation to the year ended 31 March 2020 per MII's income tax return lodged with the ATO and includes final payments or refunds for the current financial year. For completeness, it does not include payments or refunds for a prior financial year.

<sup>4</sup> Includes mining royalties paid in relation to a prior financial year settlement.