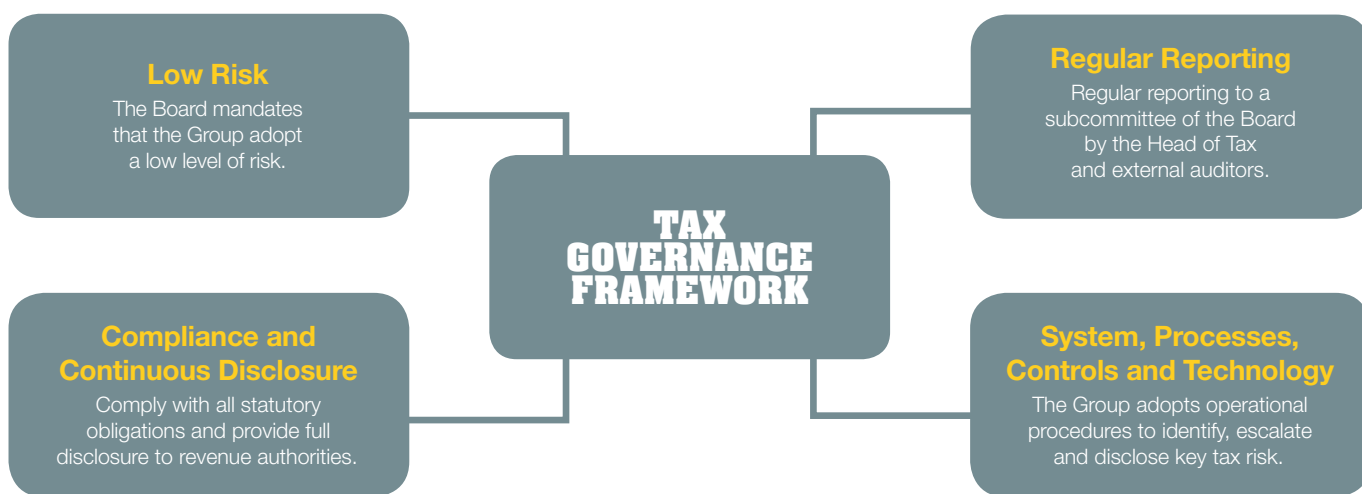


OUR APPROACH TO TAX.

As one of the largest corporate taxpayers in Australia, Commonwealth Bank of Australia (“the Group”) is committed to being a responsible corporate taxpayer and to acting with the highest integrity in complying with all prevailing tax laws.

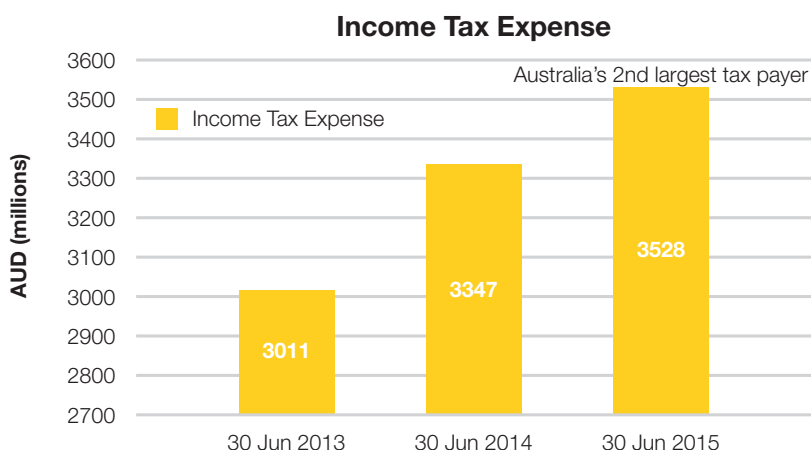
We maintain transparent and collaborative relationships with all taxing authorities. Tax risks are managed like any operational risks in the Group’s risk framework. As tax laws can be complex and open to interpretation, we maintain a rigorous Tax Governance Framework to ensure we do the right thing.



The Tax Governance Framework is supported by the Tax Governance Policy which can be found in our Sustainability Report at <https://www.commbank.com.au/sustainability2015/approach-who-we-are.html>

One of Australia’s largest taxpayers

The Group is one of the largest taxpayers in Australia and this contribution continues to grow in line with profits. According to Bloomberg the Group was Australia’s 2nd largest taxpayer in 2015.



OUR APPROACH TO TAX.

The company tax rate in Australia is currently 30 per cent. Because we have businesses in other countries which have different company tax rates our effective tax rate will always vary from 30 per cent. A full explanation of the adjustments which increase or reduce this rate is provided in the tax note in our annual financial accounts and is reproduced in summary form below.

	2015 \$M	2014 \$M	2013 \$M	
Profit before Income Tax	12,612	11,997	10,645	
Prima facie income tax at 30%	3,784	3,599	3,193	
Items which increase/(decrease) income tax expense				
Offshore tax rate differential	(116)	(99)	(89)	Note 1
Income tax under/(over) provided in previous years	(163)	(121)	(50)	Note 2
Other	23	(32)	(43)	Note 3
Total income tax expense	3,528	3,347	3,011	Note 4

Key Notes

Note 1: Tax rates in overseas countries which are less than the 30 per cent in Australia including, NZ 28 per cent, UK 20 per cent, Singapore 17 per cent and HK 16.5 per cent.

Note 2: Prior year adjustments – as tax laws are complex and subject to interpretation, we sometimes need to adjust past year results for actual tax outcomes.

Note 3: Other comprises the following key adjustments:

- Offshore Banking Unit – to enable Australian financial institutions to compete for offshore business with financial institutions operating in lower tax jurisdictions such as Singapore, a limited range of eligible transactions for overseas customers are subject to an effective Australian tax rate of 10 per cent.
- Tax losses used in offshore locations – this is where the Group can apply a loss made in an earlier year to current year profits in determining the tax liability offshore. Once all the losses are used, the income in that location will be subject to the local tax rate.
- One off concessions in offshore jurisdictions e.g. New Zealand has no capital gains tax so any capital gains can be exempt from tax.

Note 4: We note the following in relation to income tax expense:

- The Group Statutory Accounts include the total income tax expense in relation to the domestic and worldwide operations of the Group. The majority of our revenues relate to Australia but we also have a significant presence in New Zealand and operations in Europe, Asia and US.
- Income tax expense is an accounting concept that measures the amount of tax which will be paid in relation to the accounting profits of the period. The difference between the income tax expense and total cash taxes paid worldwide in any year will be due to timing differences. Timing differences arise when the time that the tax legislation assesses the income or allows the deduction varies from when accounting recognises the same income/expense - for example the Australian Government currently allows some assets to be depreciated faster for tax than accounting purposes. Over time the differences between the accounting and tax depreciation will net out to zero.
- Statutory income tax expense includes tax paid on behalf of policyholders.



OUR APPROACH TO TAX.

Australian Taxation Office publication

In late 2015, the Australian Taxation Office will be required by law to publish specific information from the 2014 financial year Australian tax return of the Australian Tax Consolidated Group. The following information is proposed to be published:

- 1. Australian Tax Consolidated Group Total Revenues (30/6/2014) – \$43,152M**
- 2. Australian Tax Consolidated Group Total Taxable Income (30/6/2014) – \$9,882M**
- 3. Australian Tax Consolidated Group Tax Payable (30/6/2014) – \$2,872M**

The above figures will differ from the figures disclosed in the annual Group Statutory Accounts for the following reasons:

- Broadly, for the purposes of income taxation, the Australian Tax Consolidated Group is a subset of the Group result which excludes foreign entities and non-100% owned entities.
- The Australian Tax Consolidated Group Total Revenues figure represents gross revenues i.e. revenues before operating expenses or intra-group dividends have been deducted. Total Revenues for tax return purposes above includes policyholder income.
- Timing differences as explained above.
- Concessional tax treatment for certain income e.g. certain policyholder superannuation income and retirement savings account income included in the Total Revenues shown above is taxed at the concessional tax rate of 15 per cent.
- Credits for tax already paid offshore on income that is also taxable in Australia, in addition to franking credits in respect of franked dividends received both in respect of policyholder income and the Group's own investments. These legislative provisions are designed to prevent double taxation.

The Group is committed to being a responsible corporate taxpayer and is actively engaged with regulators to improve transparency measures. The Group plans to update the above disclosures for future developments. We note that the Australian Taxation Office is expected to publish the 30 June 2015 numbers in December 2016.

