

Tax and our total economic contribution

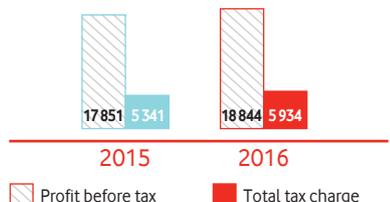
This is our third transparency report, setting out on a country-by-country basis Vodacom's contribution to public finances in the countries in which we operate. This report sets out our contribution for the 2016 financial year in comparison to the contributions made in 2015. The 2015 data is restated to incorporate additional direct non-tax contributions in Tanzania and Lesotho previously omitted. It is presented on an actual cash-paid basis, in addition to our statutory reporting, to provide the clearest possible insight into the scale of money flowing from Vodacom to governments.

We are committed to acting with integrity and transparency in all tax matters. This is particularly important given that our contribution to public finances represents a major part of our positive impact within the societies in which we operate.

2016 key tax facts and figures

Group revenue **R80 077 million** 

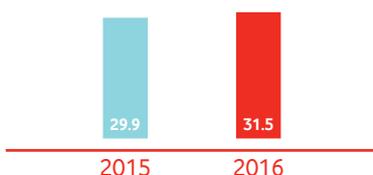
Group PBT and Group tax charge (R million)



R18 844 million
Group PBT

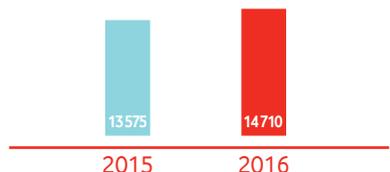
R5 934 million
Group Tax Charge

Effective tax rate (%)



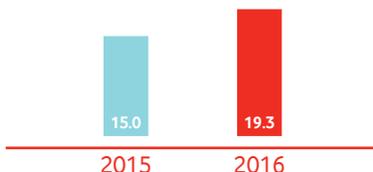
31.5%
Group effective tax rate

Group cash contribution to public finances (R million)



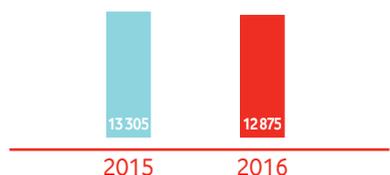
R14 710 million
Group cash contribution to public finances

Telecoms tax as a % of total cash tax contribution



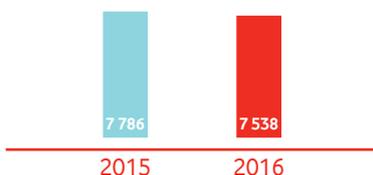
19.3%
Telecoms tax as a % of total cash tax contribution rate

Capital investment (R million)



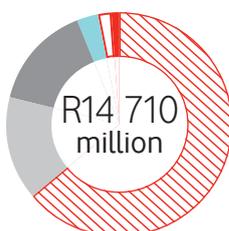
We continue to make a vital contribution to the delivery of governments' ICT policy objectives through our substantial capital investment including expansion of and development of telecoms and broadband infrastructure.

Employment



We employ **7 538** people in 15 countries and work with thousands of suppliers and partner companies around the world, each of which relies to a greater or lesser extent on revenues from Vodacom.

Total tax contribution per country in 2016 (%)



-  64% South Africa
-  15% Tanzania
-  15% DRC
-  3% Mozambique
-  2% Lesotho
-  1% Other countries

Vodacom is a significant contributor to the development of **15 economies across Africa**. As a major investor, taxpayer, employer and purchaser of local goods and services, we make a major contribution to the delivery of governments' policy objectives across the continent.

Our contribution to public finances

As a responsible multinational company, Vodacom understands that it is in the interest of our shareholders, customers, suppliers and employees to ensure that the public services and infrastructure that we rely on are fit for purpose and remain properly funded, including through means of a transparent, fair and effective system of taxation. We fully understand and respect our broader social responsibilities, and will always pay all taxes properly due under the law wherever we operate.

Our contributions to public finances are both direct and indirect. The contributions are provided through a wide range of taxes, as well as non-taxation revenue mechanisms such as spectrum and other regulatory fees. We also make a significant contribution through the taxes paid by our employees and the suppliers that our business support, as well as through taxes collected on behalf of governments such as VAT and excise duties. We are a major investor, taxpayer, employer and purchaser of local goods and services, and contribute to value creation in our countries of operation through capital expenditure and the provision of income, incentives and benefits to our employees.



For more on the value we create in the countries we operate in, see our 2016 integrated report. www.vodacom.com

The value we create through our contribution to the economy:

Cash tax contributions

Direct tax contribution

R7 507 million

Indirect tax contribution

R5 633 million

Direct non-tax contribution

R1 570 million



other value adding financial contributions

Investing in our business

R12 875 million

capital investment representing 16% of revenue



Investing in our people

7 538

full time employees.



R5 599 million*

distributed to employees in salaries and benefits



R106 million

Investing in our communities



* Excludes staff expenses of R687 million capitalised against property, plant and equipment. Includes R41 million relating to dividends declared to Forfeitable Share Plan (FSP) participants. Refer to value added statement online for detail.

Our operating businesses are subject to more than 30 different types of taxes and fees every year, of which a significant number relate specifically to the telecommunications industry.

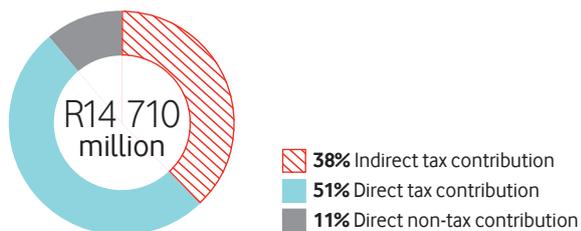
In 2016, we contributed R14 710 million in cash to the public finances in our countries of operation, up from R13 575 million in 2015. The increase is primarily due to an increase in taxable income resulting in higher corporate taxes, as well as an increase in license fees and telecommunications related taxes.

The Group's total corporate tax charge was R5 934 million. The difference between the total tax contribution and the total tax charge primarily relates to telecommunications specific taxes and other indirect taxes such as value-added tax and employment taxes.

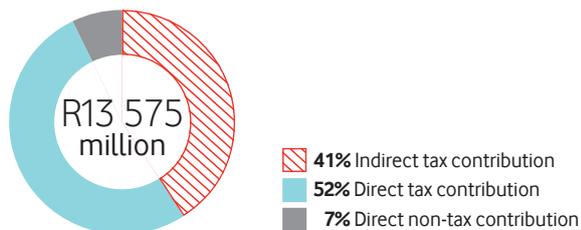
Tax and our total economic contribution continued

Total cash tax contribution per category 2016/2015

Total cash tax contribution 2016 (%)

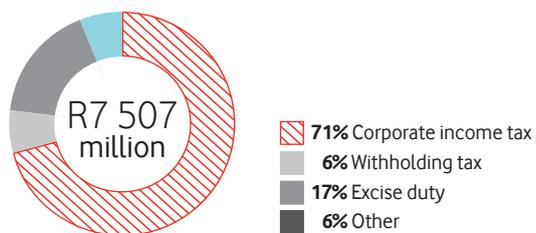


Total cash tax contribution 2015 (%)



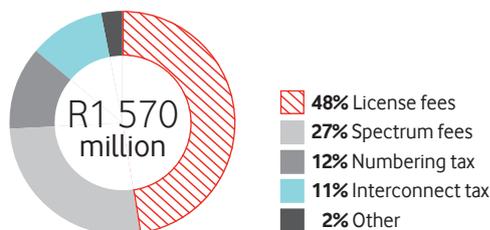
Composition of total direct tax contribution in 2016

Total direct tax contribution (%)



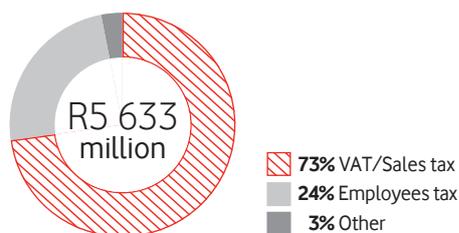
Composition of direct non-tax contributions in 2016

Total direct non-tax contribution (%)



Composition of indirect tax contributions in 2016

Total indirect tax contribution (%)



PG 01

For a breakdown of contributions per country.

In March 2106

the Mozambique Revenue Authority celebrated national day of the taxpayer and Vodacom Mozambique was awarded the second best taxpayer in the value added tax category demonstrating our commitment to being a responsible taxpayer, a policy that we apply in all the countries we operate in.

Taxation on the mobile sector

Despite the widespread growth of mobile services, affordability remains a significant barrier to further adoption of the mobile technology required for these services, particularly in developing markets. Taxation of mobile services remains an important policy issue, as high taxes on mobile restrict the growth of the sector and the use of networks.



In our markets

studies have shown that access to mobile services promotes digital inclusion, enabling millions to benefit from the exchange of information, increased productivity, and improved access to banking services, education, healthcare and government services. Mobile services creates economic activity both through the direct contribution of mobile operators, as well as the contribution of industries such as network equipment providers and creators of applications and other services. These activities increase GDP growth, employment, tax revenues and long-term stability.

In 2016 19.3% (2015:15%) of the Group's contribution to public finances constituted telecommunication-specific taxes (license fees, spectrum fees, numbering taxes, interconnect taxes), including excise duties borne in our operating companies.

Telecommunication taxes including excise duties (R million)



▨ Telecommunication related taxes ■ Excise duties



For a detailed analysis of the Group's statutory tax positions, see our full annual financial statements and Note 9, available online. at www.vodacom.com

Our tax strategy, conduct and principles

We operate within a Tax Risk Management Framework, which sets out clearly defined principles and behaviours. These are aligned with the Vodacom Group Code of Conduct and the values set out in The Vodacom Way. In forming our own assessment of the taxes legally due we follow clearly defined tax risk principles in respect of risk appetite, risk assessment, decision-making and compliance.



We are committed to

- ➔ complying fully with all relevant regulatory obligations in line with our broader social responsibilities and our stakeholders' expectations;
- ➔ acting with integrity in all tax matters in line with our Tax Code of Conduct, disclosing all relevant facts to tax authorities in all countries in which we operate under a policy of full transparency based on open and honest relationships with those authorities;
- ➔ pursuing clarity and predictability on all tax matters, wherever feasible; and
- ➔ seeking to protect shareholder value in line with our broader fiduciary duties.

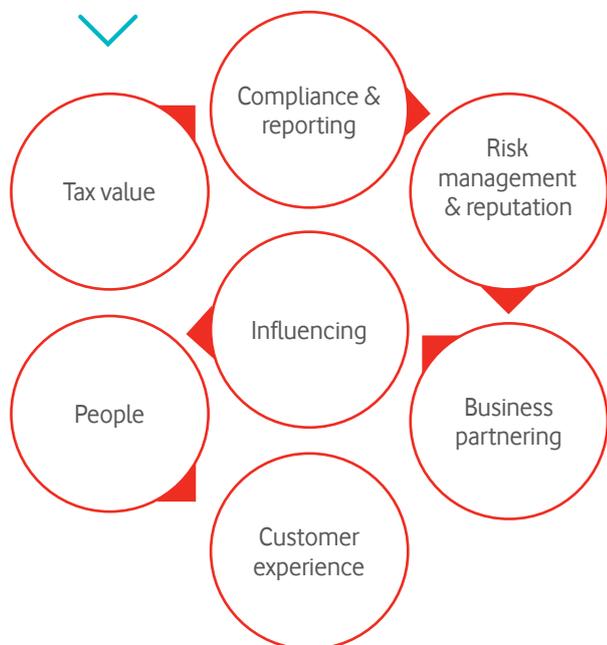


We will not:

- ➔ seek to establish arrangements that are artificial in nature, are not linked to genuine business requirements and would not stand up to scrutiny by the relevant tax authorities;
- ➔ artificially transfer profits from one jurisdiction to another to minimise tax payments; or
- ➔ pay more tax than is properly due under a reasonable interpretation of the law and upon receipt of a lawful demand.

Tax and our total economic contribution continued

Key components of our tax strategy



Our tax strategy is to integrate tax efficiencies into all business processes and decisions, thus maximising shareholder value, while our moral tax obligation remains to pay the fair amount of tax legally due in any territory, in accordance with rules set by those governments.

Tax governance

Reporting to the Board	Representation on Executive Committees
<ul style="list-style-type: none"> • Audit, Risk and Compliance Committee • Tax Risk Committee (through the Group Risk Management Committee) 	<ul style="list-style-type: none"> • Group Finance Committee • Vodacom South Africa Finance Committee • Vodacom International Business Finance Committee

Good governance is fundamental to business sustainability. In line with Vodacom’s overall corporate governance strategy we continue to ensure that our tax governance structures support effective decision-making and robust control, and are aligned with changing requirements, as well as with local and international best practice.

All major tax positions taken are subject to review by executive management and reported to the Vodacom Audit, Risk and Compliance Committee. In addition, the Tax Risk Committee assists the Group Risk Management Committee in the discharge of its duties relating to accountability and associated risk in terms of management, assurance and reporting on taxation.

Our contribution to the development of tax policy

One of our key strategic objectives is to proactively engage with governments and revenue authorities in a constructive and positive manner in respect of tax policy.

Taxation of mobile services remains high on the policy agenda. Taxes and fees levied on mobile services are increasing rapidly across our African footprint. High taxes and fees can hold back the growth of mobile services, hindering the economic benefits they offer. We specifically engage with key external stakeholders to ensure that tax policy encourages digital inclusion, economic growth and fiscal stability.

We are active participants in public consultation processes through various tax committees, working groups and industry forums that lobby on telecoms and general tax reform in-country. We do so to provide our perspective on how best to balance the need for government revenues from taxation against the need to ensure sustainable investment.



For more on our public sector engagements, see our Sustainability report at www.vodacom.com

Assessing our contribution to public finances: county by country

The table below sets out the data for five of the most relevant indicators of Vodacom’s total overall contribution to the public finances and wider economies within which we operate.

We include reference to capital investment as our significant investment in building the networks and services relied upon by millions of Vodacom customers are taken into account when determining our corporate tax liabilities. In addition, we report on direct employment as Vodacom is an important source of employment and skills transfer and we provide incomes, benefits and the potential for a high technology sector career path for thousands of people across Africa. In addition our relationships with agents, contractors and suppliers throughout the continent generate revenue from Vodacom, which in turn creates a broader tax base for the governments in the countries in which we operate.

The data provided is intended to provide a broader insight into Vodacom’s significant economic contribution to the societies in which we operate. We offer no view on the merits of direct versus indirect taxation, nor on the distinction between the revenues that flow to governments from taxation versus those obtained through other means such as spectrum fees. Governments – not companies – determine the rules.

The table below includes all contributions from countries where the Group has a significant legal entity presence.

The figures set out in the table will vary widely from country to country and from year to year, due to local differences between, and annual movements in factors such as levels of profit and capital investment. There are also wide variations in local tax regimes and other government revenue-raising mechanisms, many of which change from year to year.

Amounts less than a million are not reflected in the data provided.

Direct tax contribution

Revenue contribution to public finance (R million)	2016	2015
Contribution to public finance by the entities within the Group holding a licence to provide mobile telecommunication services		
South Africa	4 968	5 016
Tanzania	1 225	1 156
DRC	717	539
Mozambique	70	55
Lesotho	138	36
Contribution to public finance by the other entities within the Group		
South Africa	277	172
Nigeria	87	23
Zambia	1	10
Ghana	1	8
Cameroon	2	3
Angola	1	–
Ivory Coast	–	1
Kenya	7	–
Other	14	8

Direct non-tax contribution

Revenue contribution to public finance (R million)	2016	2015
Contribution to public finance by the entities within the Group holding a licence to provide mobile telecommunication services		
South Africa	364	249
Tanzania	207	217
DRC	782	350
Mozambique	166	120
Lesotho	35	34
Contribution to public finance by the other entities within the Group		
South Africa	–	–
Nigeria	14	38
Zambia	–	2
Ghana	–	–
Cameroon	1	1
Angola	–	–
Ivory Coast	–	–
Kenya	–	–
Other	–	–

Tax and our total economic contribution continued**Indirect tax contribution**

Revenue contribution to public finance (R million)	2016	2015
Contribution to public finance by the entities within the Group holding a licence to provide mobile telecommunication services		
South Africa	3 540	3 717
Tanzania	739	814
DRC	723	604
Mozambique	242	136
Lesotho	50	35
Contribution to public finance by the other entities within the Group		
South Africa	242	138
Nigeria	83	48
Zambia	–	21
Ghana	2	11
Cameroon	7	2
Angola	2	2
Ivory Coast	–	2
Kenya	2	2
Other	3	5

Capital investment

Revenue contribution to public finance (R million)	2016	2015
Contribution to public finance by the entities within the Group holding a licence to provide mobile telecommunication services		
South Africa	8 672	8 555
Tanzania	1 397	1 305
DRC	1 304	1 395
Mozambique	1 006	1 561
Lesotho	210	182
Contribution to public finance by the other entities within the Group		
South Africa	113	103
Nigeria	80	86
Zambia	48	50
Ghana	10	4
Cameroon	10	8
Angola	3	–
Ivory Coast	0	2
Kenya	16	2
Other	4	52

Number of employees

Revenue contribution to public finance	2016	2015
Contribution to public finance by the entities within the Group holding a licence to provide mobile telecommunication services		
South Africa	4 415	4 680
Tanzania	546	531
DRC	613	694
Mozambique	466	417
Lesotho	202	183
Contribution to public finance by the other entities within the Group		
South Africa	829	782
Nigeria	189	194
Zambia	174	199
Ghana	32	36
Cameroon	28	29
Angola	7	7
Ivory Coast	9	7
Kenya	17	15
Other	11	12