

Vedanta Limited



**TAX
TRANSPARENCY
REPORT**

2016-17

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ECONOMIC RESPONSIBILITY

Vedanta Limited, formerly known as Sesa Sterlite Limited, along with its subsidiary - Hindustan Zinc Limited is listed on Bombay Stock Exchange and National Stock Exchange. Vedanta Group is one of the world's largest diversified natural resource company, with operations in zinc, lead, silver, oil & gas, iron ore, copper, aluminium and commercial power.

Our operational footprint spans four continents encompassing India, Namibia, South Africa, Liberia, Ireland, Sri Lanka and Australia.

Vedanta operates across the value chain - from exploration, asset development, and extraction, to processing and value addition. And we continue to deliver long term value and growth across all stages.

Mother nature has bestowed us with rich natural resources. Today most of the basic and modern amenities we cherish contain natural resources as a core ingredient. At Vedanta, we believe that the natural resources industry must have an engraving impact and purpose towards the environment rather than just extracting these reserves for human betterment. Vedanta has the potential to substantially contribute towards critical investments in education, employment generation, healthcare and nutrition whilst also mining the Earth's reserves with a sense of care, responsibility and respect so as to maintain these resources for future generations.

We feel that communities should have a clear understanding about the revenue gained by their governments from the extraction of natural resources and how this is allocated in their country's economic and social development. When companies provide transparent information about revenue, the potential for corruption is reduced. Countries that transparently and effectively allocate natural resource wealth for the benefit of their communities have the potential to attract greater, more responsible and longer-term business investment.

IT IS IMPERATIVE THAT BUSINESSES, GOVERNMENTS AND CIVIL SOCIETY WORK IN PARTNERSHIP TO SUPPORT TRANSPARENCY. OUR TRANSPARENCY PRINCIPLES GUIDE OUR APPROACH TO DISCLOSURE INITIATIVES.

OUR CORE VALUES

Trust | Care | Integrity | Respect | Excellence | Innovation | Entrepreneurship

Our strategy - to deliver growth, long term value and sustainable development through our diversified portfolio of large, long life, low cost assets.



Revenue

₹71,721 cr.



Vedanta highest ever dividend

₹7,099 cr.



HZA Dividend

₹21,157 cr.



Contribution to public finances

₹39,452 cr.



6th
largest diversified natural resources company, anchored in India



Direct and indirect employees

60,000+



Social Investment

₹110 cr.

(with 2.2 mn beneficiaries)



ISO 14001 Certified (No. of operating units)

100%

sesa goa iron ore

No. 1

producer and private sector exporter in India



Oil & Gas

26%

of India's crude oil production is operated by us



Zinc India

72%

market share in India's Zinc Industry

aluminium

40%

share in India's market share

sterlite copper

35%

market share for refined copper in India

power

9GW

Diversified power portfolio - one of India's largest power generations

By contributing to the exchequer and the national economy, creating and supporting direct and indirect employment, and by purchasing goods and services, we have developed and maintained a productive and long-lasting relationship with governments across every country we operate in.

□ FOREWORD

I am pleased to report that in fiscal year 2016 -17, Vedanta has made its highest ever contribution of ₹39,452 Cr. to the public finance in form of taxes, royalties and dividends paid. With such contributions, we hope to make a significant difference in the socio-economic development of nations that host our businesses and we see this as an integral part of our commitment to our Social License to Operate. I encourage you to go through our second Tax Transparency Report - a voluntary effort to maintain transparent dialogue with all our stakeholders on contributions made to public finances.



NAVIN AGARWAL | CHAIRMAN, VEDANTA LIMITED

During the FY 2016-17, Vedanta generated economic value of ₹71,721 Cr. through revenue from commodities that we produce and the energy that we generate. This was distributed to our various stakeholders i.e. shareholders and lenders by way of dividend and interest payment, employees by way of payment of wages and benefits, society by way of community investment focusing on health, education, livelihood and environment, contractors by way of expenses incurred on operating assets and government by way of contribution of taxes and dividends.

We have trifurcated our approach to value creation -

We add value to the countries' exchequer by unlocking their natural resources and paying taxes & royalties for our operations

We enhance the value of our assets with innovative and advanced processes that help us to be more productive and competitive

We seed value across the workforce and the community through extensive training, and long term projects and programmes that accelerate development and ensure equitable growth

THE CONTRIBUTION OF VEDANTA TO PUBLIC FINANCES

% of revenue



In FY 2016-17, we contributed ₹39,452 Cr. to public finances through a wide range of contributions such as Corporate Income taxes, royalties, profit oil and through significant indirect revenue contributions by way of withholding taxes, Indirect taxes and also dividends paid to government.

OUR PRIORITIES



1 PRODUCTION GROWTH AND ASSET OPTIMISATION



2 DELEVERAGING THE BALANCE SHEET



3 SIMPLIFY GROUP STRUCTURE



4 CREATE SUSTAINABLE VALUE FOR ALL STAKEHOLDERS



5 IDENTIFY NEXT GENERATION OF RESOURCES

VEDANTA'S APPROACH TO TAX

i Our Philosophy



Transparency is our core value as we firmly believe in long-term, sustainable value creation for our multiple stakeholders including the government and society at large. We remain at the forefront of tax reporting by managing our tax affairs in a succinct and straightforward manner.

It follows that we must act responsibly in relation to our tax affairs in order to provide our host communities with a clear understanding of the revenue gained by their governments from the extraction of natural resources. **It is imperative that businesses, governments and civil society work in partnership to support transparency.**

Our business approach is based on the following principles:

Being a responsible taxpayer

Being fair and reasonable in all our dealings with the tax authorities

Ensuring that tax risks are dealt with in an efficient and proactive manner

ii Approach to Tax Transparency



As a part of our voluntary initiative to be on the forefront of tax transparency, we have prepared our third report to ensure proactive transparency in tax reporting and greater accountability towards our stakeholders. The report also provides our stakeholders detailed information about the overall economic contribution of Vedanta to the government of countries where we operate.

We have collated total contributions made by the Company and its subsidiaries to the Governments of India, Namibia, South Africa, Liberia, Ireland and Australia, where the operations of the Group are located. The Group's total contribution is spread across various assets which include copper, zinc, silver, aluminium, oil & gas, iron ore and power segments.

WE BELIEVE IN GIVING FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURES IN FINANCIAL STATEMENTS, REPORTS AND DOCUMENTS THAT THE GROUP FILES OR SUBMITS TO RELEVANT AUTHORITIES AND IN OTHER PUBLIC COMMUNICATIONS.



The contributions comprise Taxes borne (Corporate income tax, royalty related tax payments, production entitlements i.e. profit oil and other material payments made to the government such as production based Oil cess, stamp duty payments, levies on import/export, local municipal taxes, green levies etc.), Indirect revenue contributions (taxes collected & paid on behalf of our employees and vendors i.e. withholding taxes and social security contributions) and dividends paid to government.

iii Tax Engagement & Governance



Our Tax strategy is aligned to our business strategy i.e. to focus on growth and long-term value while upholding sustainable development through our diversified portfolio of large, long-life and low-cost assets. We believe in creating a long-term sustainable value for our multiple stakeholders including shareholders, governments and the communities in which we operate.

Our Code of Business Conduct and Ethics, which applies to all employees, sets out our zero tolerance on corruption and bribery. Vedanta requires its employees, tax advisors and suppliers of tax services to act with integrity and maintain high ethical standards in all tax activities.

The tax strategy is owned and approved by the company's Board. It is subject to annual review by the Board whereby an annual compliance report is submitted to Board & Audit Committee. The Group Chief Financial Officer holds the responsibility for tax at the Board level and communicates with and advises the Board on the tax affairs and risks of the Group with support from the Group's Corporate tax team. Responsibility for tax governance rests with the tax function, in consultation with the Chief Financial Officer/Financial Controller.

VEDANTA'S APPROACH TO TAX



GUIDING TAX PRINCIPLES

VEDANTA'S APPROACH TO TAX

Compliance with Laws and Regulation



Vedanta maintains a compliance calendar in each jurisdiction in which it operates and an authorized person in each entity is required to report compliance or non-compliance on a periodic basis. Systems, processes and controls should enable the Group to fulfill its tax compliance obligations.

Our in-house team of tax compliance and advisory professionals understand the applicable laws.

Tax Planning & Tax Risk



The Group strives to ensure that commercial transactions are structured in tax-efficient ways where credible technical analysis and interpretation is available. In particular, we ensure that such transactions should be in full compliance with the law. We claim tax incentives and exemptions as legitimately available in the countries where we operate.

The Group evaluates and seeks certainty on material tax planning by taking advance rulings or any other mechanism available under the legislation in the relevant country. In any situation not governed by legislation or explicit regulations, or where the law is ambiguous or conflicting, the Group's affairs are conducted having taken expert internal and external professional advice.

The Group also has a process of identifying, assessing, reporting and managing risk.

Risk management is embedded in our critical business activities, functions and processes.

Tax planning and risk is evaluated within clear risk parameters. These parameters include:

Alignment with commercial or business purposes

Cash flow impact

Intention of the legislature

Sustainability of the tax planning on merits if challenged by the tax authorities

The consequence of disagreement with tax authorities over the application or interpretation of the laws

We mitigate tax risks by taking strong technical positions in accordance with the applicable laws clearly explaining the positions taken with thorough documentation.

Material tax risks or disputes are reported to the Audit Committee for its consideration. This review includes assessment of probabilities of different outcomes, cash flow and reputational impact. The Audit Committee then updates the Board.

Relationship with Tax Authorities and Dispute Resolution



The Group maintains an open, honest, transparent and constructive relationship

in all its dealings with the tax authorities in jurisdictions in which it operates based on mutual trust in line with Vedanta's Code of Business Conduct and Ethics.

The Group actively participates in the tax authority's formal consultation processes on matters having material impact on the Group. We work with Industry chambers wherever possible to contribute in development of tax laws and attendant policies.

If a dispute arises with a tax authority regarding a tax position taken by the Group, we seek to resolve this by filing factual documentation and making detailed legal submissions. If we continue to disagree, the decision to litigate will be assessed on the basis of technical merits, judicial precedents

and international developments, cost and benefit analysis, reputational issues, cash flow implications and industry position.

All dispute resolution mechanisms including arbitration, conciliation and mechanisms available under various Double Taxation Avoidance Agreements shall be appropriately evaluated including resolution by engaging with the Government through industry groups or forums.

OUR CONTRIBUTION TO PUBLIC FINANCES

Vedanta contributed

₹39,452 cr.

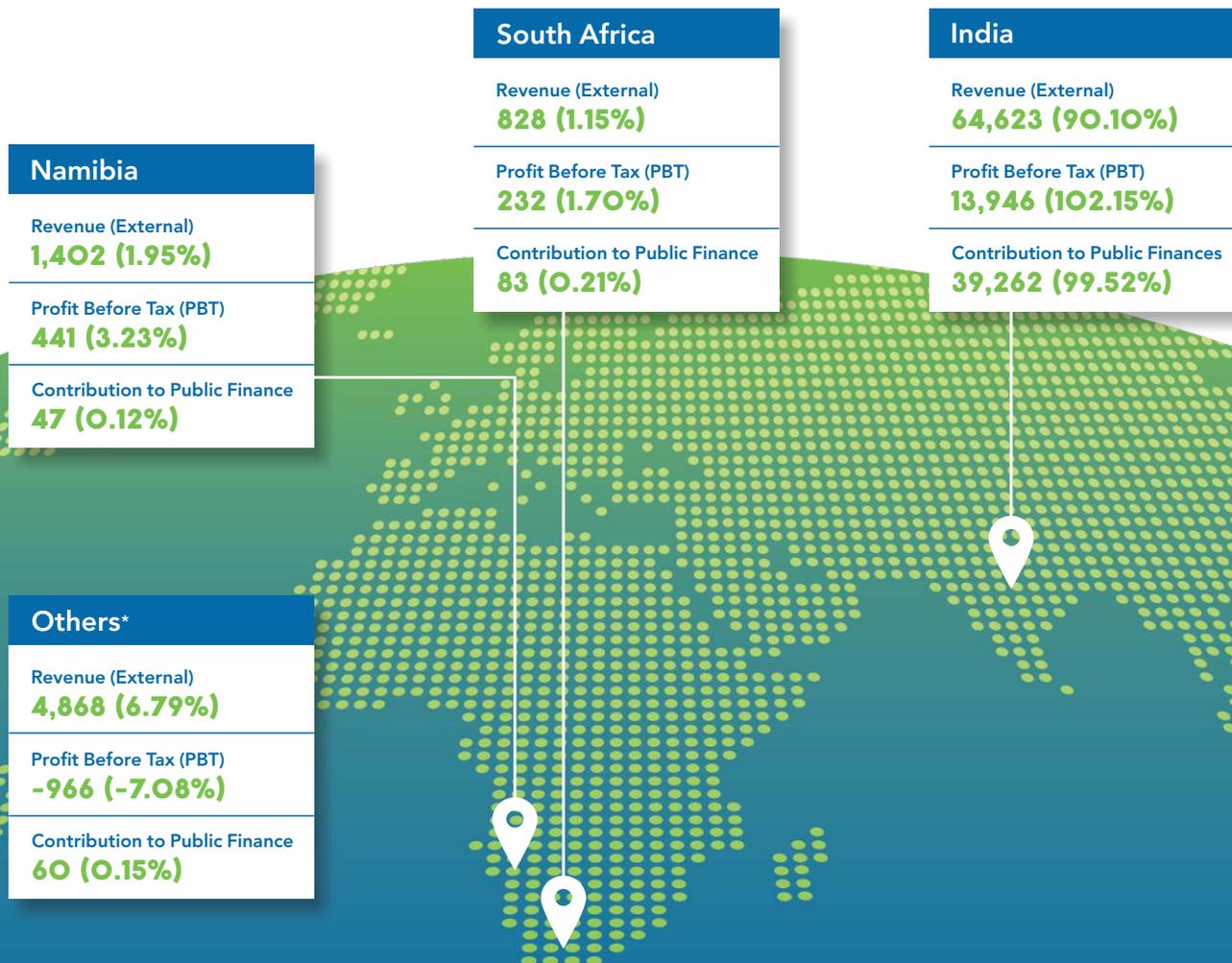
to public finances through a wide range of contributions such as Corporate Income taxes, royalties, profit oil, through significant indirect revenue contributions by way of withholding taxes and Indirect taxes and also dividends paid to government.

Indian Government implemented provisions of Country-by-country Reporting in Transfer Pricing provisions via Finance Act, 2016. For FY 2016-17, Vedanta being a constituent of Multinational group with parent entity - Vedanta Resources Plc. is not required to file Country-by-Country report in India. The same shall be filed by parent company in the UK.



We have collated total tax contributions made by the Company and its subsidiaries to their host governments. The distribution of taxes paid by the Group reflects the geographical spread of the Group's operations. Accordingly, the majority of the tax was paid in India.

The map below summarizes the country wise percentages of revenue, Profit before tax (PBT) and Corporate tax of the Company in FY 2016-17:



C O U N T R Y W I S E O P E R A T I O N S

All amounts are in ₹ Crore | The amount is after considering the exceptional items | *Others include Netherlands, Mauritius, Sri Lanka et al

OUR CONTRIBUTION TO PUBLIC FINANCES



B

Table-1 below outlines the key operations of our Business (Left hand side) and tax contributions (right hand side) made by the Company to their host governments in which the operations are undertaken. However the majority of the taxes are contributed by Zinc and Oil & gas Operations. They contribute 80% of the total contribution to public finances.

Business	Contribution (₹ Crore)	EBITDA (₹ Crore)
Zinc	20,078	10,456
Oil & Gas	11,798	4,013
Aluminium & Power	4,802	3,948
Copper	2,022	1,693
Iron Ore	615	1,322
Other	137	4
Total	39,452	21,437



C

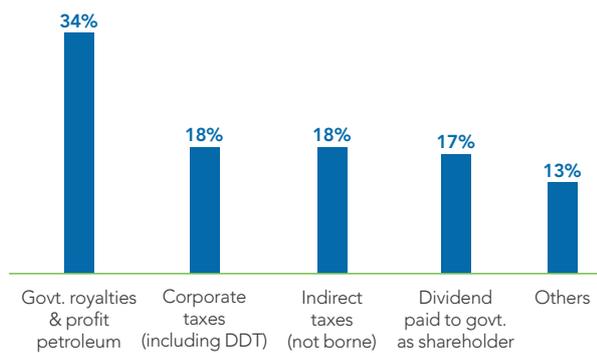
For the purpose of preparation of this table, we have shown the tax contributions under two broad categories of taxes i.e. Taxes borne and Indirect Revenue Contributions.

TAXES BORNE primarily comprise Corporate income tax (including Corporate Dividend tax which is profit based), royalty related tax payments, production entitlements i.e. profit oil and other material payments made to the Government such as production based Oil Cess, Stamp Duty Payments, Levies on Import/Export, Local Municipal taxes, Green levies etc.

INDIRECT REVENUE CONTRIBUTIONS primarily comprise taxes collected and paid on behalf of our employees and vendors i.e. withholding taxes, payroll taxes (professional taxes), payments of value added taxes on sales and other Social Security Contributions to fund the Social Security program of the governments for the employees etc.

ANALYSIS OF TYPE OF TAX

% contribution



Consistent with fiscal year 2015-16, govt royalties and profit petroleum is the largest contributor i.e. 34% followed by corporate income taxes at 18%. Additionally, indirect taxes which are not borne by the company but are paid to government due to operations carried out by the company also contribute 18% of total basket of contribution.

Further, this year the company has included dividends paid to government as part of contribution to public finances which forms approx. 17% of total contribution

□ OUR CONTRIBUTION TO PUBLIC FINANCES



Table-2 below details the country wise amounts of revenue, Profit Before Tax (PBT) contributions by the Company to public finances in FY 2016-17.

All amounts are in ₹ Crore

Particulars	Revenue (External)	Profit Before Tax (PBT)	Direct				Indirect				Dividend	Grand Total
			Taxes on Income and Capital	Govt. Royalties & Profit Oil	Others	Total Payments Borne	Withholding Taxes	Indirect Taxes	Others	Total		
			A	B	C	I=(A+B+C)	E	F		II=(E+F+G)		
India	64,623	13,946	7,065	13,512	2,597	23,174	736	7,165	1,531	9,432	6,656	39,262
Namibia	1,402	441	0	8	1	9	31	3	3	38		47
South Africa	828	232	10	4	0	14	52	9	8	69		83
Others	4,868	-966	46	-	7	53	6	-	2	8	-	60
Total Payments	71,721	13,653	7,121	13,524	2,605	23,250	825	7,177	1,544	9,547	6,656	39,452

□ BASIS OF PREPARATION

Note 1

The financial information contained in the table 1 and table 2 is consistent with that used to prepare our FY 2016-17 Consolidated Financial Statements and financial statements of group's listed/non listed operating company subsidiaries. In case of Joint venture operations, contributions are shown at gross level as made by the Unincorporated Joint Venture (UJV) of which company subsidiary is operator irrespective of our percentage interest in UJV.

Note 2

All data is prepared for the year from 1 April, 2016 to 31 March, 2017. The above contributions have been reported on cash basis. Social expenditures have not been considered in the contribution to public finances shown in the table.

Note 3

Vedanta has not disclosed in Table-2 above, the taxes charged by suppliers/service providers in their invoices and paid by the company. Tax contributions under both the categories i.e. Taxes borne and Indirect Revenue Contributions shown in the table are not netted to the extent of input credits available or any other adjustments under the provision of applicable laws of taxes paid on purchase/ procurement of goods/ services and charged by suppliers/service providers in the invoice.

Note 4

Taxes Borne

A Taxes on Income and Capital

This comprises of Corporate Income Tax, Dividend Distribution Tax but does not include deferred tax. These taxes are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

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 tax laws of respective countries as to the timing of payments.

B Government Royalties and Profit Oil

This comprises of contributions made to public finances in the form of royalties, license fees and resource rents, for example, contribution for the extraction of minerals or metals or crude oil or gas. These form part of operating costs.

Profit oil represents the share of profit paid to the government on account of the production of crude oil and natural gas from the fields awarded by government as per the terms of Production Sharing Contract (PSC). Typically, this is generally reflected in various forms/returns prescribed by the government for this purpose. Government's share of profit oil is accounted for when the obligation (legal or constructive) in respect of the same arises Profit Oil is netted off from revenue generated from such operations.

C Other Taxes Borne

This comprises of Cess paid on production of crude oil in India, Stamp duty that arises on transfer of assets or capital, Levies on import/export of goods (considered part of operating costs), municipal taxes, Service tax, Entry tax/Octroi and other taxes borne. These form part of operating costs.

Indirect Revenue Contributions

D Withholding Taxes

This comprises of payroll and employee taxes (including professional tax) withheld from employee remuneration, and paid to governments, i.e. tax collected and remitted to governments on behalf of employees.

Typically, these taxes would be reflected in payroll tax returns made to public finances and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the returns.

It also comprises of taxes withheld or collected from various payments made to contractors and paid to governments, i.e. taxes collected/deducted and remitted to governments on behalf of the service providers/vendors.

E Indirect Taxes

This comprises of the taxes paid to the Governments on production or sale of goods like Value Added Tax (VAT)/sales tax, Excise Duty, Central Sales Tax etc. These taxes would not be collected if the Company does not produce and make sales to the customers.

F Others

This includes contribution of employers and employees for funding the Social Security program of government like Provident Fund (PF) and Employee State Insurance Fund (ESI) etc. Such contributions are reflected in the monthly and annual returns made to the respective organizations.

Dividends paid to government

This includes dividends paid to government wherever the government holds shareholding in the any of the group companies and that company has paid dividend during the year.

Please refer to Appendix 1 on types of taxes paid by Vedanta in various countries.

□ APPENDIX-1 TAXES PAID

Below mentioned are the types of taxes paid by Vedanta companies:





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GET IN TOUCH

We value your feedback and welcome comments on this report or any aspect of our approach to sustainability reporting.
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MORE ONLINE

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sd.vedantaresources.com/SustainableDevelopment2016-17/



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