08

TAXATION

8.1 ACCOUNTING POLICIES RELATING TO TAXATION

Income tax expense

Income tax expense comprises the sum of current and deferred tax.

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in the determination of taxable profit or loss (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated using tax rates that have been enacted at the reporting date. The effect on deferred tax of any changes in taxation rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends and has the ability to settle its current tax assets and liabilities on a net basis.

Dividend withholding tax

In terms of the Dividend Withholding Tax regime, the liability for paying the tax has moved from the company declaring the dividend to the beneficial owners (shareholders) receiving the dividend. The tax cost on dividends are included in the tax line in profit or loss as disclosed in the previous reporting periods. The dividend declared will be subject to a dividend withholding tax of 15% (31 December 2014: 15%) for all the shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax.

8.2 INCOME TAX (EXPENSE)/BENEFIT

	Group		Company	
For the year ended 31 December	**2015 Rm**	**2014 Rm**	**2015 Rm**	**2014 Rm**
Charge to income				
South African normal tax				
Current	(128)	(97)		
– Current year	(128)	(84)		
– Prior year		(13)		
Deferred	(961)	(589)	26	86
– Current year	(921)	(662)	26	86
– Current year: assets sold previously classified as held-for-sale	(66)			
– Prior year	26	73		
Foreign normal tax				
Current	(10)	41		
– Current year	(10)	(23)		
– Prior year		64		
Deferred	(3)	635		
– Current year	(3)	636		
– Prior year		(1)		
Dividend withholding tax		(3)		
Total charge to statement of comprehensive income	(1 102)	(13)	26	86

8.3 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Tax as percentage of profit/(loss) before tax	80,6	(1,5)	2,6	5,9
Tax effect of:				
– Capital losses	0,5	1,1		
– Expenses not deductible for tax purposes[1]	(6,2)	10,9	4,2	2,9
– Exempt income (not subject to tax)	0,6	0,1		
– Special tax allowances	0,4	(0,4)		
– Post-tax equity-accounted income and investment income[2]	(23,3)	(79,3)	(37,6)	(75,8)
– Remeasurements of foreign tax rate differences	1,9	(4,0)		
– Prior year tax adjustments[3]	1,8	(14,4)		
– Deferred tax assets not recognised[4]	(28,4)	9,7		
– Impairment of assets/investments[5]	(34,6)	119,9	22,4	95,0
– Exchange differences on translations[6]	34,7	(11,0)		
– Dividend withholding tax		0,3		
– Write-down of indebtedness by subsidiaries[7]			36,4	
– Foreign tax credits and refunds[8]		(3,4)		
Standard tax rate	28,0	28,0	28,0	28,0
Effective tax rate for operations, excluding income from equity-accounted investments, impairment charge and share of tax thereon	25,9	0,5		

[1] *Non-deductible expenses reduced by approximately 20% in the current year, largely as a result of a reduction in consulting fees. The current year non-deductible expenses relate mainly to consulting fees, legal fees, share-based payment expenses, share of partnership profits and interest on the ECC acquisition.*

[2] *Post-tax equity-accounted income (mainly Tronox and SIOC) reduced significantly from the prior year from R2 515 million income in the prior year to a loss of R1 137 million in the current year.*

[3] *Prior year adjustments to tax are as a result of differences between income tax returns submitted and tax accruals made in the prior year. No significant differences were assessed in the current year.*

[4] *Significant deferred tax assets were derecognised or no deferred tax assets were recognised mainly from the DMC Congo (R934 million) and Exxaro Reductants Proprietary Limited (R362 million).*

[5] *In the current year goodwill of R1 524 million which arose on the ECC transaction was fully impaired. In the prior year the R5 760 million impairment related to the Mayoko iron ore project.*

[6] *Relates to the FCTR realised on the liquidation of a foreign subsidiary.*

[7] *The loans with ECC have been impaired on 31 December 2015, based on impairment assessment of the investment recoverability.*

[8] *No significant foreign tax credits were received in the current year.*

8.4 DEFERRED TAX

At 31 December	Group 2015 Rm	Group 2014 Rm	Company[1] 2015 Rm	Company[1] 2014 Rm
The movements on the deferred tax account are as follows:				
At beginning of year	(3 193)	(3 115)	365	303
Statement of comprehensive income charge	(898)	71	26	86
– Current	(924)	(26)	26	86
– Prior	26	72		
– Transferred to non-current assets held-for-sale		25		
Exchange rate differences on translation		(36)		
Items charged directly to equity				
– Share-based payments movement	(1)	(35)	(1)	(24)
Items charged directly to other comprehensive income	30	(78)		
– Revaluation of available-for-sale investments[2]	23	(78)		
– Retirement benefit obligation	7			
Acquisition of subsidiary	(465)			
At end of year	(4 527)	(3 193)	390	365
– Deferred tax asset as per statement of financial position	544	539	390	365
– Deferred tax liability as per statement of financial position	(5 071)	(3 732)		

[1] *The deferred tax asset recognised for the company is supported by sufficient forecasted profits to be utilised. The forecasted profits are based on agreements in place with commodity businesses within Exxaro and other external parties.*

[2] *The deferred tax on the RBCT fair value adjustment was raised at an effective CGT tax rate of 18,67%. Subsequent to year end the effective CGT tax rate increased to 22,4%.*

Comprising of the following items:

Group	At 31 December 2014 Assets Rm	Liabilities Rm	Total Rm	Movements during the year Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Acquisition of subsidiary Rm	Recognised directly in equity Rm	At 31 December 2015 Assets Rm	Liabilities Rm	Total Rm
Property, plant and equipment[1]	5	(3 961)	(3 956)	(136)		(299)		648	(5 039)	(4 391)
Share-based payments	30	9	39	(24)			(1)	11	3	14
Other accruals and provisions	(168)	113	(55)	176				(6)	127	121
Bad debt reassessment	6		6	32				38		38
Restoration provisions	198	266	464	207		52		482	241	723
Decommissioning provision	54	66	120	(5)		4		64	55	119
Leave pay accrual	26	20	46	(2)				26	18	44
Retention payables	1	67	68	(24)				1	43	44
Prepayments	(8)	(18)	(26)	5				(8)	(13)	(21)
Environmental rehabilitation funds	(84)	(138)	(222)	(104)		(18)		(171)	(173)	(344)
Income received in advance	3		3					3		3
Inventories	1	(30)	(29)	23				11	(17)	(6)
Unrealised foreign currency gains/(losses)	107	(72)	35	12				1	46	47
Finance lease receivable		(24)	(24)	1					(23)	(23)
Local tax losses carried forward	276	5	281	266				456	91	547
Foreign tax losses carried forward	85		85	194				(19)	298	279
Revaluation of financial assets available-for-sale	(65)	(40)	(105)		23			(48)	(34)	(82)
Post-employment benefit obligation					7			7		7
Derecognition of deferred tax assets	72	(7)	65	(1 507)				(956)	(486)	(1 442)
Mineral resource (AKI interest)		12	12	(12)						
Contingent liabilities						4		4		4
Investment in RBCT						(208)			(208)	(208)
Total	539	(3 732)	(3 193)	(898)	30	(465)	(1)	544	(5 071)	(4 527)

[1] *Include borrowing costs capitalised.*

Company	At 31 December 2014 Rm	Movements during the year Recognised in profit or loss Rm	Recognised directly in equity Rm	At 31 December 2015 Rm
Property, plant and equipment	30	(16)		14
Share-based payments	26	(15)	(1)	10
Other accruals and provisions	44	90		134
Restoration provision	8	(1)		7
Leave pay accrual	9	(2)		7
Environmental rehabilitation funds	(6)			(6)
Unrealised foreign currency gains/(losses)	1	(1)		
Assessed losses	253	(29)		224
Total	365	26	(1)	390

8.4 DEFERRED TAX (CONTINUED)

Calculated tax losses

At 31 December	Group 2015 Rm	Group 2014 Rm	Company 2015 Rm	Company 2014 Rm
Tax losses available for set-off against future taxable income on which deferred tax was raised				
– Local	(1 954)	(1 004)	(800)	(904)
– Foreign	(996)	(304)		
Current year tax losses on which no deferred tax assets were raised	587	363		

All recognised deferred tax asset balances are supported by the future taxable profits against which they can be utilised.

8.5 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

For the year ended 31 December	Group 2015 Rm	Group 2014 Rm
Normal tax paid		
Amounts receivable/(unpaid) at the beginning of year	51	(49)
Amounts (unpaid)/receivable at the beginning of year: non-current assets held-for-sale	(9)	24
Amounts charged to the statement of comprehensive income	(138)	(56)
Acquisition of subsidiaries	21	
Arising on translation of foreign operations	(4)	3
Interest income on tax receivable not yet received	1	
Reclassification to non-current assets held-for-sale		9
Amounts receivable at end of year	(7)	(51)
Normal tax paid	(85)	(120)

8.6 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December	2015 Before tax Rm	2015 Tax Rm	2015 Net of tax Rm	2014 Before tax Rm	2014 Tax Rm	2014 Net of tax Rm
Group						
Unrealised exchange differences on translation of foreign operations	329		329	224		224
Share of comprehensive income from equity-accounted investments	2 046	(50)	1 996	570	51	621
Revaluation of available-for-sale financial assets	(164)	23	(141)	423	(78)	345
Remeasurement of retirement benefit obligation	(24)	7	(17)			
Total	2 187	(20)	2 167	1 217	(27)	1 190