We connect for a better future

Tax Transparency Report
for the years ended 31 March 2019 and 2020
Regular readers of our Integrated Report would be familiar with the Public Finance report that has been published since 2014 as a supplementary report. As part of our commitment and continuous effort to improve tax transparency, this report intends to expand on the information, we provided in our previous Public Finance reports.

This report presents a detailed view of our approach to tax, tax governance, our tax control framework and risk management policies. It also provides insights into our involvement in stakeholder engagement and our tax contributions in the various tax jurisdictions in which we operate for the two financial years ending 31 March 2019 and 2020 respectively.

The Global Sustainability Standards Board (GSSB) approved the new standard, GRI 207: Tax 2019 in September 2019. Vodafone Group Plc, our majority shareholder, was a member of the technical committee tasked with the development of the new standard for disclosures related to tax and payments to governments. Vodacom elected to early adopt the standard for the 2019 financial year. The finalisation of the report for the 2019 financial year, which included the disclosure required as per the new standard, coincided with the publication of our Integrated Report for the 2020 financial year, and thus we included the information for our 2020 financial year in the report as well.

To get the most value out of this report we recommend reading our Integrated report and the various supplementary reports as well as our Consolidated annual financial statements that are available at www.vodacom.com in conjunction with this report.

Our tax transparency reporting approach is guided by the principles and requirements contained in the International Financial Reporting Standards ('IFRS'), the King Code on Corporate Governance 2016 ('King IV'), and the JSE Listing Requirements.

The manner in which we approach tax undoubtedly has an impact on the economies and society as a whole, in the countries where we operate. Taxes are acknowledged by the United Nations to play a vital role in achieving the Sustainable Development Goals. With this in mind this report was also guided by the recently published Global Reporting Initiative's Sustainability Reporting Standard on Tax (GRI 207).

Our approach to collecting data for this report

In this report we provide tax and other financial data from the audited consolidated annual financial statements. Ernst & Young Inc audited the consolidated AFS for the financial year ending 31 March 2019 and 2020 respectively. Both gave an unmodified opinion.

We also provide data for the most relevant indicators of Vodacom’s total overall contribution to the public finances and wider economies within which we operate. The contributions we make to governments are reported on an annual actual cash-paid basis for each country in which we have a registered Vodacom entity, as we believe this is the most meaningful and transparent metric we can use when assessing a company’s tangible role in helping to fund public services.

The additional data in this report (not sourced from our audited consolidated annual financial statements) has been compiled from information sourced from our subsidiaries. The primary data was drawn from our internal reporting and data management systems.

Our approach to tax undoubtedly has an impact on the economies and society as a whole, in the countries where we operate. Taxes are acknowledged by the United Nations to play a vital role in achieving the Sustainable Development Goals. With this in mind this report was also guided by the recently published Global Reporting Initiative’s Sustainability Reporting Standard on Tax (GRI 207).
A message from our CEO

Vodacom, as a purpose led organisation, with an agreed Social Contract, remains committed to deliver societal value through our core purpose, ‘connecting for a better future’.

The United Nations Sustainable Development Goals provide the best articulation of what that ‘better future’ looks like. Vodacom is committed to playing its role, as a private sector company, in the attainment of these goals, supporting governments, communities, businesses and individuals to build a better future.

In the countries in which we operate taxes are most often the largest source of government revenue. These tax revenues enable governments to meet the United Nations Sustainable Development Goals for example providing essential public services, such as health care, security and education.

Paying taxes is an integral part of how we create value and contribute to sustainability and inclusive economic growth.

Operating responsibly and building relationships based on trust is integral to the long-term success of our business. As a multinational company, with operations in various African countries, we are committed to operating responsibly, by acting with honesty and integrity and maintaining robust ethics, governance and risk management processes.

We believe that our approach to tax and our total economic contribution to public finances, as set out in this report, demonstrates our commitment to reach the United Nations Sustainable Development Goals.

Increased transparency with regards to our tax strategy, policies, practices and economic contributions is part of our commitment to delivering on our Social Contract.

The aim of this report is to demonstrate how Vodacom contributes towards a better future.

We trust that this report will enable more constructive conversations with other taxpayers, tax authorities, policy makers, investors, and stakeholders.

We remain committed to building a brand with purpose, developing and maintaining a reputation as a company that is ‘connecting for a better future’, and promoting being a responsible and transparent taxpayer.

Shameel Joosub
Chief Executive Officer
1 July 2020

**Highlights for the year ended 31 March 2020**

Profit before tax: **R23.1 billion**

Total net tax charge: **R6.4 billion**

Adjusted profit before tax: **R18.9 billion**

Effective tax rate: **27.8%**

Cash tax rate: **33.9%**

Corporate tax paid: **R6.4 billion**

The total net tax charge represents corporate income tax of R6.3 billion; irrecoverable withholding taxes suffered on income of R0.6 billion; and a deferred tax credit of R0.5 billion.

When we compare our total corporate tax paid of R6.4 billion, in actual cash terms, to our adjusted profit before tax of R18.9 billion, our actual cash tax rate of 33.9% is higher than our effective tax rate of 27.8%. As the corporate tax paid, does not include the corporate tax payments of our associate (Safaricom Plc) and joint ventures, we adjust the profit before tax to exclude the net profit from associate and joint ventures.

The primary reason for the variance between our effective tax rate and the cash tax rate is the inclusion of the after tax profits of our associate and joint ventures, in the consolidated profit before tax which reduces our effective tax rate.

Furthermore, in some of the tax jurisdictions in which we operate, such as the DRC, Lesotho and Mozambique, the corporate tax paid in the current year is based on the taxable income of the prior year (as required by the applicable legislation in that jurisdiction). Thus the current year corporate tax charge is thus not comparable to the taxes paid during the same year in these jurisdictions.

Another contributing factor for the variance is the fact that certain items of income or expenditure are taxable or deductible in different years. For these timing differences a net deferred tax liability of R4 billion is recognised as at 31 March 2020.

*Audited consolidated annual financial statements for our accounting policy in respect of tax.*

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2. Profit before tax includes the after tax profits of our associate, Safaricom Plc and newly created joint venture, M-Pesa Global Services.
3. Adjusted profit before tax excludes the after tax profits of our associate, Safaricom Plc and joint ventures.
Our consolidated effective tax rate explained
for the financial year ended 31 March 2020

Reconciliation to effective tax rate (%)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY20 Statutory rate</th>
<th>Reconciliation to effective tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit from associate and joint ventures</td>
<td></td>
<td>-5.0 ppts</td>
</tr>
<tr>
<td>Irrecoverable foreign taxes</td>
<td></td>
<td>+2.4 ppts</td>
</tr>
<tr>
<td>Non-deductible operating expenditure</td>
<td></td>
<td>+0.9 ppts</td>
</tr>
<tr>
<td>Non-deductible finance costs</td>
<td></td>
<td>+0.7 ppts</td>
</tr>
<tr>
<td>Loss on disposal of investments</td>
<td></td>
<td>+0.4 ppts</td>
</tr>
<tr>
<td>Tax rate differences</td>
<td></td>
<td>+0.4 ppts</td>
</tr>
<tr>
<td>FY20 ETR</td>
<td>28.0%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>

Our consolidated effective tax rate is lower than the South African Statutory tax rate of 28%.

- It is noted that the largest benefit comes from the inclusion of the net profit from our associate (Safricom Plc) and joint ventures in our profit before tax, as these are already net of taxation. This benefits the effective tax rate by 5.0 ppts.
- Included in the irrecoverable foreign taxes are the withholding taxes suffered on the intragroup dividend income from Tanzania, Kenya and Lesotho and irrecoverable withholding taxes suffered in the DRC in respect of intragroup loan interest income. This increase the effective tax rate by 2.4 ppts.
- Included in the non-deductible operating expenditure is marketing expenditure incurred in Mozambique and consulting and legal fees incurred in South Africa. The non-deductible expenditure increases the effective tax rate by 0.9 ppts.
- The main components in non-deductible finance costs relates to the preference shares held in the BEE scheme and unproductive interest on the short term loan entered into for the acquisition of the minorities interest in Vodacom Tanzania Plc. This increases the effective tax rate by 0.7 ppts.
- The loss on disposal of the Vodacom Business Africa subsidiaries contributed 0.4 percentage points to the effective tax rate as no deferred tax asset was recognised for these capital losses.
- Our key operations in the DRC, Mozambique, Tanzania and Kenya are subject to higher statutory tax rates than the South African statutory tax rate and hence the negative 0.4 ppts impact on the effective tax rate of these tax rate differences.

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The value we created in 2020

1. Refer to our Sustainability report available at www.vodacom.com for more detail.
Highlights for the year ended 31 March 2019

Profit before tax $2
R22.1 billion

Total net tax charge
R6.6 billion

Adjusted profit before tax $2
R19.3 billion

Effective tax rate: 29.7%

Cash tax rate: 33.7%

Corporate tax paid
R6.5 billion

The total net tax charge represents corporate income tax of R6.0 billion; irrecoverable withholding taxes suffered on income of R0.5 billion; and a deferred tax charge of R0.1 billion.

When we compare our total corporate tax paid of R6.5 billion, in actual cash terms, to our adjusted profit before tax of R 19.3 billion, our actual cash tax rate of 33.8% is higher than our effective tax rate of 29.7%.

The contributing factors for the variance between the effective tax rate and the cash tax rate for the 2019 financial year is the same as reported for the 2020 financial year.

2. Profit before tax includes the after tax profits of our associate, Safaricom Plc.
3. Adjusted profit before tax excludes the after tax profits of our associate, Safaricom Plc.
Highlights for the year ended 31 March 2019
continued

Our consolidated effective tax rate explained
for the financial year ended 31 March 2019

Our consolidated effective tax rate is higher than the South African Statutory tax rate of 28%.

- The costs relating to the BEE deal increases the effective tax rate by 2ppts. The day one non-recurring non-cash charge of R1.4 billion, the R124 million of transaction costs and the recurring finance costs of R171 million are non-tax deductible. Excluding the impact of the BEE deal the effective tax rate would have been 27.7%.

- It is noted that a benefit of 3.5ppts comes from the inclusion of the net profit from our associate (Safricom) in our profit before tax, as these are already net of taxation.

- Included in the irrecoverable foreign taxes that increases the effective tax rate by 2.1ppts are the withholding taxes suffered on the intragroup dividend income from Tanzania, Kenya and Lesotho and irrecoverable withholding taxes suffered in the DRC in respect of intragroup loan interest income.

- The main component in non-deductible finance costs is the unproductive interest on the loan funding for the additional shareholding acquisition in Vodacom Tanzania Plc in prior years. The loan was repaid on the 25th of January 2019. The non-deductible finance costs increase the effective tax rate by 0.2ppts.

- The net unrecognised tax asset relates primarily to the current year tax losses generated in the DRC and the UK for which no deferred tax asset has been recognised. This increases the effective tax rate by 0.2ppts.

Reconciliation to effective rate (\%)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY19 Statutory tax rate</th>
<th>Net profit from associate</th>
<th>Irrecoverible foreign taxes</th>
<th>Net unrecognised tax asset</th>
<th>Non-deductible finance costs</th>
<th>Non-deductible operating expenditure</th>
<th>FY19 ETR (excluding BEE)</th>
<th>FY19 ETR</th>
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</thead>
<tbody>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
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<td></td>
<td></td>
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<td>Net unrecognised tax asset</td>
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<td></td>
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1. Refer to our Sustainability report available at www.vodacom.com for more detail.
Our approach to tax

We are committed to acting with integrity, honesty and transparency in the creation and execution of our tax strategy, policies and practices.

We are governed by the principles set out in King IV\(^1\), requiring the Vodacom Board to demonstrate responsible corporate citizenship by being a transparent taxpayer.

The Vodacom Board has delegated the responsibility for tax governance to the Audit, Risk and Compliance committee (‘ARCC’) and the Managing Executive: Group Tax.

Our approach to tax, as approved and regularly reviewed by the ARCC, complies with the applicable laws where we operate, but is also congruent with responsible corporate citizenship, and takes account of reputational repercussions.

As a publicly listed company we are mindful that we have obligations to a very diverse range of stakeholders. The Vodacom Board has a duty to the individuals and institutions who have invested their funds in our business, whom most often are seeking to maximise investment returns. For any business, an increase in taxes paid equates to a reduction in the profit available to invest in future growth or in returns to shareholders.

We also understand that tax is a material issue for investors, given underlying investment risks, and therefore investors expect more public disclosure to shed light on our approach to tax governance across all our markets.

Investors expect companies to employ governance mechanisms that enable the implementation and appropriate oversight of a company’s approved tax strategy. And they expect disclosure of underlying economic and financial data that support any wider assertions made by companies concerning those practices\(^2\).

As a responsible corporate citizen the role of the Vodacom Board is to ensure that a strong culture of ethics and good governance is embedded across the organisation, along with a clear commitment to corporate citizenship and to fulfilling the Vodacom Social Contract with all of its stakeholders. Our commitment, as a purpose-led organisation, includes considering the balance between profit and purpose. We believe that it is in our interest and the interest of all our stakeholders to ensure that the public services and infrastructure we rely on are fit for purpose and remain properly funded, including through transparent, fair and effective taxation.

In our view, it is possible to achieve an effective balance between a company’s responsibilities to society as a whole, through the payment of taxes and other government revenue-raising mechanisms, and its obligations to shareholders.

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Our key tax principles

The most successful businesses in the world are those that have a clear social purpose, and that seek to generate profit responsibly by finding business solutions to societal challenges. At Vodacom, our purpose is to ‘connect for a better future’. This is at the heart of what we do.

Vodacom CEO
Shameel Aziz Joosub

We will:

- comply fully with all relevant legal and regulatory obligations in line with our broader social responsibilities and our stakeholders’ expectations;
- act with integrity in all tax matters, disclosing all relevant facts to tax authorities in all countries in which we operate under a policy of full transparency and based on open and honest relationships with those authorities;
- pursue clarity and predictability on all tax matters, wherever feasible;
- select locations for our operations that are most logical from an operational and strategic perspective; and
- seek to protect shareholder value in line with our broader fiduciary duties.

As a responsible corporate citizenship and a transparent taxpayer:

We will not:

- enter into arrangements that are artificial in nature and which are not linked to genuine business requirements;
- artificially transfer profits from one jurisdiction to another to minimise tax payments;
- pay more tax than is properly due under a reasonable interpretation of the law; or
- choose locations for our operations on the basis of tax arrangements in countries that may offer an attractive tax regime but would be impractical in operational and strategic respects.

The Vodacom Board, in maintaining the reputation for responsible leadership, places a specific focus on sustainability considerations, risks, opportunities, stakeholder relations, and the creation of stakeholder value within the business operating context. In addition to protecting value by building trust and mitigating risk, we also encourage responsible business practices which are important for value creation.

We live out our commitment to sustainability through the decisions we make and actions we take on a daily basis. We are optimistic about the positive impact we make towards the United Nations Sustainable Development Goals through our total economic contribution (direct tax, indirect tax and other non-tax payments) and our tax engagement initiatives to support the tax systems in the countries in which we operate.
Our tax strategy

A responsible and transparent tax strategy is one of the fundamental concepts and corporate citizenship considerations put forward in King IV.

Our tax strategy is underpinned by our tax principles and supported by our tax risk management policy and includes our tax code of conduct that is aligned to that of our majority shareholder, Vodafone Group Plc.

Our tax strategy, as part of our tax governance framework, is monitored by the Audit, Risk and Compliance Committee and the Tax Risk Committee. The strategy is aligned with the business and sustainable development strategies of the Group and the broader societal needs of the communities in which we operate.

The areas below form the foundation of our Tax Strategy

1. Compliance
   In all territories in which we operate, we ensure that there is:
   • integrity in all reported tax numbers,
   • timely compliance with relevant statutory tax obligations, and
   • payment of all taxes due under the rules set by respective governments.

2. Transparency
   Support responsible taxation through a transparent relationship with tax authorities and other key stakeholders. Manage Vodacom’s reputation through an appropriate, externally published, tax policy, and clear reporting on our tax and economic contributions.

3. Tax cost and risk management
   Ensure the Group has a sustainable effective tax rate and taxes paid. Manage all tax costs and risks in accordance with the tax risk management policy and ensure all tax positions taken are subject to robust risk assessment and adequately supported for the benefit of Vodacom’s stakeholders.

4. Constructive engagement
   Engage with governments, authorities and other bodies, constructively and cooperatively in the interests of all our stakeholders, and support development of effective tax systems, laws and administration.

5. People
   Be a great place to work and develop for all our people. Ensure there is a diverse and inclusive working environment with a focus on continual professional development, digital skills and be a respected world-class tax team.

6. Business partnering
   Be recognised as a trusted and vital partner by our business stakeholders and customers, facilitating solutions that align with the commercial aims and overall business strategy of Vodacom.
Our tax governance

Vodacom operates within a clearly defined tax governance framework that is designed to provide certainty for all stakeholders with an interest in our tax affairs.

Our tax governance framework applies to all our operating subsidiaries and we encourage our joint ventures and associates to follow similar principals to those we have outlined in this report.

Vodacom implemented the three lines of defence, a widely recognised corporate governance model that is equally applicable to tax governance and aims to assign key tax risk management responsibilities at various levels within our business.

1. Tax policies, processes and procedures for tax compliant and risk aware operating practices. Responsibility for accuracy and completeness of taxes collected and paid in accordance with local laws.

2. Tax governance through effective control and monitoring systems with tax risk oversight. Share knowledge, best practice and guidance and control framework.

3. Independent tax risk assurance and oversight.

Who

Managing Director, Finance Director and Tax and Finance teams in various countries of operation.

Group CEO, Group CFO, Group Tax Function, Tax Risk Management Function, Tax Risk Committee, Audit, Risk and Compliance Committee, Executive Committee of the Board of Directors.

Internal Audit, External Audit, External Consultants.

Vodacom furthermore applies best practice guidelines for tax governance as recommended by King IV and the Organisation for Economic Co-operation and Development (‘OECD’).

• A board endorsed and Vodacom-wide implemented tax control framework with roles and responsibilities for tax risk management assigned and embedded at a director, executive, managerial and operational level, which includes the principles and procedures to identify, assess, communicate and manage tax risk. Detailed guidance is provided to all employees assigned with these responsibilities as part of our tax risk management policy.

• All major tax positions taken are subject to a robust risk assessment, based on clearly defined parameters and subsequent decisions are reviewed by executive management and reported to the Audit, Risk and Compliance Committee of which the Managing Executive: Group Tax is a permanent member.

• Regular summarised progress updates to the Audit, Risk and Compliance Committee of the Vodacom Board on how tax issues and risks are trending and the escalation of issues to the Vodafone Board where appropriate.

• A Tax Risk Committee and Tax Risk Management Function that assists the Group Risk Management Committee with tax risk management through tax assurance and review of the effectiveness of the tax control framework and transparent tax reporting to the Audit, Risk and Compliance Committee of the Vodacom Board.

Our Tax Governance Framework is overseen by the Audit, Risk and Compliance Committee, a sub-committee of the Vodacom Board of Directors.

Further details of the activities of the Audit, Risk and Compliance Committee can be found in the audited consolidated annual financial statements at www.vodacom.com.

Our tax code of conduct

The tax code of conduct is a key component of our Tax Governance Framework and it endeavours to guide the role of tax professionals within the Group, their key responsibilities in respect of tax, their professional conduct and their approach to working relationships with external parties.

Vodacom tax professionals aim to effectively manage tax risk by application of the principles set out in the Tax Risk Management Policy. This is achieved by:

• Observing all applicable tax laws, rules and regulations and disclosure requirements.
• Applying diligent professional care and judgement to arrive at well-reasoned conclusions.
• Acting with integrity in all tax matters and always being compliant with all anti-bribery legislation through ensuring compliance with the approved Anti-Bribery Policy.
• Ensuring all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved.
• Operating under a policy of transparency while seeking to develop and foster good working relationships with tax authorities, government bodies and other related third parties.
• Undertaking all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner.

• Seeking to influence applicable industry bodies or associations, governments and other external local and international bodies where possible and appropriate
• Lobbying to shape future tax legislation, tax policy and prevailing practice in ways that balance Vodacom’s interest (e.g. consistency, certainty, and competitiveness) with those of the relevant authority or policy.

Vodacom also supports and fosters a culture of zero tolerance towards bribery or corruption in all our activities. Our anti-bribery policy states that employees or others working on behalf of Vodacom must never offer or accept any kind of bribe, including political funding. Any policy breaches can lead to dismissal or termination of contract. To increase awareness among our employees and contractors of this matter, Vodacom train our employees on anti-bribery and corruption.

Vodacom operates a whistle-blowing mechanism called ‘Speak Up’ for all employees and third parties. It is the duty of our suppliers, contractors, business partners and employees to report any breach of the Code of Conduct, including the anti-bribery policy.
**Our principal tax risk**

Vodacom has a mature risk management framework that aligns with the ISO 31000 International Risk Management Standard and the requirements of South Africa’s King IV Governance Code.

We identified the following three tactical tax risks which provides the Audit, Risk and Compliance Committee and the Board with a robust assessment of the key tax risks facing Vodacom.

### 1. Lack of appropriate governance policies, guides and control framework to manage transactional, operational, financial reporting and tax compliance risk.

**Context:** A well-defined tax risk management policy allows Vodacom to improve business decisions by considering the tax impact of transactions and operations; increase tax compliance and therefor reducing unexpected tax assessments from tax authorities; react appropriately to the evolution of the taxation of the telecommunications industry.

**Mitigating control:** Vodacom operates within a clearly defined tax governance framework, as set out in this report, that is designed to provide certainty for all stakeholders with an interest in our tax affairs.

**Control effectiveness assessment:** Very Good.

**Impact:** Major impact on reputation and financial loss.

**Risk Rating:** High due to possible impact.

### 2. Failure to ensure timely and accurate compliance with all relevant financial reporting and regulatory requirements including the timely identification of changes in tax policy and reform impacting Vodacom at a transactional and operational level.

**Context:** Compliance risk addresses the risks implicit in the systems, processes and procedures adopted by a company to prepare and submit its tax returns (direct and indirect) and in responding to any enquiries/issues raised by the various tax and regulatory authorities. This risk is impacted by the integrity of the underlying accounting systems and information; the accuracy and efficiency of tax processes; ensuring the tax compliance analysis processes are based on up to date knowledge of the latest tax laws and practices; and the proper and efficient use of technology in the various tax processes.

**Mitigating control:** Vodacom implemented the three lines of defence, a widely recognized corporate governance model that is equally applicable to tax governance and aims to assign key tax risk management responsibilities at various levels within our business.

**Control effectiveness assessment:** Very Good.

**Impact:** Major impact on reputation and financial loss.

**Risk Rating:** High due to possible impact.

### 3. Reputational damage due to unfavourable or inaccurate tax matters reported in the media.

**Context:** Reputational risk concerns the wider impact on Vodacom that might arise from changes to the perception of the company by its shareholders, customers, suppliers, or employees should Vodacom be portrayed as not being a responsible corporate citizen and transparent taxpayer.

**Mitigating control:** We trust that this report will enable more constructive conversations with other taxpayers, tax authorities, policy makers, investors, and stakeholders and demonstrates Vodacom’s commitment to being a responsible corporate citizen and transparent taxpayer.

**Control effectiveness assessment:** Very Good.

**Impact:** Major impact on reputation and financial loss.

**Risk Rating:** High due to possible impact.
Our approach to tax authority relationships

In line with the Tax Code of Conduct requirements, the Vodacom tax function foster good relationships with tax authorities, governments and related third parties and undertake all such dealings in a professional, courteous and timely manner.

Vodacom’s tax function pro-actively manages the relationship with the tax authorities with the aim of minimising the risk of challenge, dispute or damage to Vodacom’s credibility arising when tax matters are inadvertently incorrect.

Compliance with all relevant legal disclosure and approval requirements is adopted and all information is clearly presented to the tax authorities or other relevant bodies, as appropriate. Transparency goes beyond the observation of all applicable laws, rules, regulations and disclosure requirements. It requires the proactive consideration of the provision of information to tax authorities or other relevant bodies in respect of tax relevant facts and circumstances if they will aid the resolution of the matter under discussion or provide more information on our contribution to public finances.

The tax function also participate in any tax authority formal consultation process where it is expected that the matter under consultation will have a material impact on Vodacom’s liability, or where a significant change in practice is being proposed that will impact Vodacom’s tax compliance management and business strategy.

It is Vodacom’s policy to be transparent and proactive in all interactions with tax authorities.
Our approach to tax controversy and uncertain tax positions

Vodacom is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that in some instances disputes can arise with tax authorities over the interpretation or application of certain tax rules where these tax laws are ambiguous and subject to a broad range of interpretations. To address and manage this tax uncertainty Vodacom operates within a clearly defined Tax Governance Framework that is designed to provide certainty for all stakeholders with an interest in our tax affairs and to prevent unnecessary tax disputes.

All major tax positions taken and disputes with tax authorities are subject to review by executive management and reported to the Audit, Risk and Compliance Committee of the Vodacom Board. Furthermore, Vodacom have support from external advisors supporting the positions taken in respect of the significant tax matters where these tax laws are ambiguous and subject to a broad range of interpretations, which confirms the application and interpretation of the tax legislation applied by Vodacom.

Vodacom’s future tax charge, effective tax rate and profit before tax could be affected by the resolution of open tax disputes or uncertain tax positions with the relevant tax authorities in these jurisdictions if not resolved in favour of Vodacom. Therefore, Vodacom considers all matters in dispute with the tax authorities and account for any exposure identified, if and when required in accordance with the principles included in IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (‘IAS 37’) and IFRIC 23 – Uncertainty over Income Tax Treatments.

IAS 37 paragraph 86 requires Vodacom to disclose for all un-provided tax disputes classified as a contingent liability a brief description of the nature of the contingent liability, and where practicable an estimate of its financial effect. The disclosures should also include an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of reimbursement.

A contingent liability is defined in IAS 37 as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

IAS 37 paragraph 92 however notes that in some cases, disclosure of some or all of the information required by paragraph 86 can be expected to prejudice seriously the position of Vodacom in these disputes with the various tax authorities. In such cases IAS 37 allows Vodacom to disclose the general nature of the dispute together with the fact that, and reason why, the information has not been disclosed.

The following open tax disputes are material, classified as contingent liabilities and may have a significant impact on the profit of Vodacom once resolved if the tax authorities positions are upheld.

**Tanzanian Capital Allowances:**
Open tax disputes in relation to the classification of telecommunication equipment are currently in the court. The Tanzanian Revenue Authority disagrees with the company’s classification of the equipment as there is no clearly defined category for telecommunication equipment in the Income Tax Act. The matter is however a timing difference as the capital allowance deductions claimed in future years of assessment will be more if the court agrees with the classification applied by the Tanzania Revenue Authority.

**Tanzanian withholding tax on satellite services, international roaming and undersea cable services.**
The assessments received by the company in respect of withholding tax on satellite services, international roaming and undersea cable services provided by foreign suppliers are also currently in the court process. The company did not withhold the foreign services withholding tax on these telecommunication services as Tanzania is a member of the International Telecommunication Union (‘ITU’) and is a signatory to the ITU conventions that established the elimination of double taxation of international telecommunication services. The Company has provided evidence (attestation) from the ITU that these agreements were ratified in Tanzania to the Court.

**Tanzanian Transfer pricing**
As part of a multinational enterprise, Vodacom makes use of services provided by associated entities in generating its income and applies the arm’s length principle in all such undertakings as confirmed by external advisors. These intercompany transactions are documented in the transfer pricing documentation that complies with the requirements of local Transfer Pricing legislation and the OECD guidelines. The Tanzanian tax authorities conducted a transfer pricing audit for the 2015 to 2017 tax years which resulted in certain disputed items in terms of the methodology applied to certain measurement bases and other aspects used to support the arm’s length principle.
Our contribution to the development of tax policy

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 financial services, education, health care and government services. Mobile services create economic activity and these activities increase Gross Domestic Product growth, employment, tax revenues and long-term stability.

One of our key strategic objectives is thus to proactively engage with governments, revenue authorities, regulators and other key stakeholders in a constructive and positive manner to communicate key messages and to ensure that tax policy encourages digital inclusion, economic growth and fiscal stability. Being transparent and responsive to stakeholders’ interests is essential in building and maintaining trust, which is fundamental to our ability to create value.

We are active participants in public consultation processes to provide our perspective on how best to balance the need for government revenues from taxation against the need to ensure sustainable investment. In our engagement we are supported by specialist tax, legal, regulatory and government relations teams and use targeted intelligence to understand material legislative changes.

How we engage:

- Personal consultation with the government and regulatory representatives.
- Participation in public forums, tax committees, working groups or in our role as a member of an industry group focussed on telecommunication service providers.
- Engagement on draft regulations, bills and general tax reform in-country.
- Industry consultative bodies.
- Hosting workshops to improve sector understanding and the related tax considerations.
- Participation in parliamentary processes.

We are active participants in:

- The African Industry Tax Association (‘AITA’) – a group of multinational companies with operations in Africa which engages on a wide range of tax issues;
- Various industry and economic forums in South Africa, Tanzania and the Democratic Republic of the Congo which frequently participate in tax policy discussions; and
- GSMA, which represents the mobile industry when looking at emerging tax issues across Africa.

We support initiatives related to voluntary transparency of taxes and through this report we hope to enable more constructive conversations with other taxpayers, tax authorities, policy makers, investors, and stakeholders. We welcome interactions with civil society groups, non-governmental organisations and other organisations such as the Africa Tax Administration Forum (‘ATAF’), the Southern African Development Community (‘SADC’) Tax Subcommittee, International Monetary Fund (‘IMF’) and the OECD.

The goal of tax reform should be to promote economic growth and to build a sustainable revenue base for government, without compromising the equity and fairness of the tax system.

General complexities experienced in our current tax environment

Based on our experience tax is considered a complex area across the countries in which we operate, as the establishment of an effective tax policy has to contend with numerous practical difficulties including widespread informal economic activity, limited institutional resources and political pressure.

Our key challenges include (but are not limited to):

- **The lack of pragmatic solutions to address fiscal deficits and raise investment to fund key government programmes**: The general cash flow shortage on the continent results in punitive assessments, more frequent and wider scope tax audits, delays in refunds (if provided for at all), and significant deposits required to object to assessments.

- **Lack of consistency and certainty in tax policy**: Certain legislation is not aligned or adapted for the advances made in technology. Some Revenue Authorities also adopt prevailing practice whilst good corporate and tax governance requires adherence to tax law.

- **Judicial effectiveness**: Long delays and the possibility of compromised objectivity in the court system when trying to objectively resolve tax disputes.

Complexities in our international tax environment

Some of the tax complexities we experience due to our international footprint include the following.

1. **Transfer Pricing**

The companies within the Vodacom Group, as part of a multinational enterprise, makes use of services provided by subsidiaries and associated entities in generating income. The OECD Transfer Pricing Guidelines, which are often enshrined in domestic tax law, recommend that the provider of such services should be remunerated for the services they perform as if they were an independent business. Multinational companies, like Vodacom, therefore, establish internal charging mechanisms to ensure that the local country subsidiaries that use these services pay a representative price for them. The internal charging mechanisms involved are known as ‘transfer pricing’. Governments and tax authorities pay close attention to how companies implement transfer pricing arrangements to ensure that profits are appropriately allocated to the jurisdictions where the relevant economic activity takes place.

We follow the OECD best-practice guidelines when agreeing upon prices for the provision of such (intra-group) services to ensure that we follow best international practice. All these services are provided on transparent and commercially validated market terms, and all of our subsidiaries (both those that offer these services and those that benefit from them) comply in full with local tax rules on transfer pricing.

2. **Double Taxation**

Governments enter into pan-regional, bilateral and international cooperation agreements to enable companies to establish operations in different countries and operate and trade across borders with as few impediments as possible. Multinational companies such as Vodacom operate in an international taxation environment that, in some respects, is determined by governments working multilaterally.

The tax treaties and various agreements entered into by the governments play a key role in the context of international cooperation in tax matters. They encourage international investment and, consequently, global economic growth, by reducing or eliminating international double taxation on cross-border income. These tax treaties and agreements however do not always include any guidance on how the provisions of the treaties and agreements should be applied, leaving the matter to the domestic law, which then results in the ineffective application of the treaties and agreements resulting in the double taxation that it initially intended to avoid. The complexity in the application of the tax treaties and international agreements can thus lead to disputes (and the associated litigation) between the taxpayer and the government.

Vodacom will only adopt business structures that reflect genuine and substantive commercial and operational activities.

Our licensed businesses are incorporated and taxed in the same jurisdiction as our customers. This means that our corporate tax and other direct tax liabilities are paid in the country in which the relevant economic activities take place, exactly the outcome that governments are seeking to deliver through their measures to address artificiality.

3. **Profit Shifting**

Many governments have established measures to restrict companies from entering into artificial arrangements intended to move profits from one higher-tax jurisdiction to another lower-tax destination. We support government action to block these artificial arrangements that exploit gaps and mismatches in tax rules to avoid paying tax. Without decisive intervention, aggressive avoidance of this kind would threaten to undermine the integrity of international taxation norms, with unpredictable consequences for the global economy as a whole.
## Where we operate

In this report we aim to provide an informative overview of our activities in each of the countries in which we operate.

This includes a summary of our activities in each jurisdiction where the entities included in Vodacom’s audited consolidated annual financial statements, are resident for tax purposes. For each tax jurisdiction reported we provide a list of the legal entities present in that country, a brief description of the purpose of those entities and the relevant financial data, which all help to determine our overall tax and economic contribution in the various tax jurisdictions in which we operate.

This section of the report excludes our joint ventures and associates of the Group. Our associate, Safaricom Plc, is an entity where we do not have control, but we do have influence over their operation. Safaricom Plc reports on their economic and social contributions in their Annual Report that is available at www.safaricom.co.ke.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of operating legal entities</th>
<th>Total tax and economic contribution to public finances FY19</th>
<th>Total tax and economic contribution to public finances FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>26</td>
<td>R12.2 billion</td>
<td>R11.7 billion</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1</td>
<td>R331 million</td>
<td>R391 million</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2</td>
<td>R1.2 billion</td>
<td>R1.8 billion</td>
</tr>
<tr>
<td>DRC</td>
<td>3</td>
<td>R2.4 billion</td>
<td>R2.9 billion</td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
<td>R2.3 billion</td>
<td>R2.9 billion</td>
</tr>
<tr>
<td>Other operations</td>
<td>20</td>
<td>R1.6 billion</td>
<td>R638 million</td>
</tr>
</tbody>
</table>

* Refer to Annexure A for more details of the legal entities incorporated in each jurisdiction. Annexure A does not include any dormant companies, associates and joint ventures and it is recommended to read the supplementary report to our Integrated Report noting our interest in subsidiaries and JVs. This supplementary report is available at www.vodacom.com
**Tax and our total economic contribution to public finances**

In the countries in which we operate taxes are most often the largest source of government revenue. These tax revenues enable governments to pay for essential public services, such as health care, security and education, whilst ensuring a functional infrastructure is built and maintained across society.

We take our responsibilities to contribute to the social and economic development of the countries in which we operate seriously, and we remain committed to acting with integrity, honesty and transparency in the creation and execution of our tax strategy, policies and practices. The below contributions reported excludes the taxes and other economic contributions made by joint ventures and associates of the Group.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed more than R20.4 billion (2019: R20.0 billion) to the public finances of governments in the jurisdictions in which we operate.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>(2019: Amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct taxes</td>
<td>R8.2 billion</td>
<td>R9.4 billion</td>
</tr>
<tr>
<td>Indirect tax contributions</td>
<td>R9.9 billion</td>
<td>R9.2 billion</td>
</tr>
<tr>
<td>Direct non-tax contributions*</td>
<td>R2.3 billion</td>
<td>R1.5 billion</td>
</tr>
</tbody>
</table>

R20.4 billion was paid in direct taxes (2019: R9.4 billion)

R9.9 billion was collected and paid as indirect tax contributions (2019: R9.2 billion)

R2.3 billion was paid in direct non-tax contributions* (2019: R1.5 billion)

**The major tax types included in the above are:**

- We paid R6.4 billion (2019: R6.5 billion) in corporate taxes and dividend withholding taxes on profit before tax of R23.1 billion (2019: R22.1 billion).

  Thus we paid R0.28 (2019: R0.29) in corporate tax for every R1 we generated in profit.

- We paid R2.2 billion (2019: R2.2 billion) in various forms of employment tax on behalf of our 7 641 (2019: 7 746) employees.

- We paid R1 billion in customs and import duties (2019: R1.1 billion).

- We collected R7.6 billion (2019: R6.9 billion) in net value-added tax from our operations and excise duty on behalf of governments.

  Thus we contributed R0.33 (2019: R0.31) in value-added tax and excise duties for every R1 we generated in profit.

- We withheld R537 million (2019: R521 million) in withholding tax from our suppliers and paid it to the relevant tax authorities on their behalf.

*Direct non-tax contributions refer to all other regulatory fees paid to the various relevant government bodies and include among other license fees, spectrum fees and contributions made to the universal access fund.*
Vodacom Group Limited is the ultimate holding company of Vodacom, incorporated in South Africa and is listed on the Johannesburg Stock Exchange. The South African operations was founded in 1994. Vodacom derives the large majority of its revenue from its biggest operating company Vodacom (Pty) Ltd through the provisioning of mobile and fixed line services. Financial and insurance services are also provided to customers through separate legal entities to promote customer loyalty.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed R11.7 billion (2019: R12.2 billion) to the public finances of South Africa.

- **R5.5 billion** was paid in direct taxes (2019: R6.2 billion)
- **R5.7 billion** was collected and paid as indirect tax contributions (2019: R5.6 billion)
- **R431 million** was paid in direct non-tax contributions (2019: R428 million)

### Our total tax and economic contribution to public finances in South Africa

The major tax types included in the total tax and economic contributions paid are:

**CORPORATE TAXES**

We paid R5.2 billion (2019: R5.5 billion) in corporate taxes on a profit before tax of R16.5 billion (2019: R16.2 billion).

During the 2019 financial year the corporate tax paid was more due to the realisation of foreign exchange gains previously deferred by Vodacom Group Limited which resulted in additional taxable income.

**EMPLOYMENT TAXES**

We paid R1.6 billion (2019: R1.6 billion) in various forms of employment taxes on behalf of our 5 620 (2019: 5 422) employees.

**NET VALUE ADDED TAX**

We collected R4.2 billion (2019: R4.0 billion) in net value added tax on behalf of the government from our operations.

Thus we contributed R0.25 (2019: R0.25) in value added tax alone for every R1 we generated in profit.

**DIVIDEND WITHHOLDING TAX**

We paid R13 million (2019: R21 million) in dividend withholding tax on behalf of the participants of the Vodacom Black Economic Empowerment scheme.

The withholding tax paid in the 2019 financial year was more due to the higher dividend declared and paid by Yebo Yethu (RF) Limited.

**Direct taxes**

- **R5.5 billion** was paid in direct taxes (2019: R6.2 billion)

**Indirect tax contributions**

- **R5.7 billion** was collected and paid as indirect tax contributions (2019: R5.6 billion)

**Direct non-tax contributions**

- **R431 million** was paid in direct non-tax contributions (2019: R428 million)
Our total tax and economic contribution to public finances in Lesotho

Vodacom Lesotho Pty Ltd is a subsidiary of the South Africa-based Vodacom Group Limited, through Vodacom International Holdings Pty Limited, which owns 80% of the company. The remaining interest is owned by Sekhametsi Enterprises (Pty) Limited. Vodacom entered Lesotho in 1996 through the award of a mobile license. Vodacom Lesotho Pty Ltd also provides mobile financial services through M-Pesa, enabling people unable to access traditional banking systems to benefit from money transfer and other financial services.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed R391 million (2019: R331 million) to the public finances of the Kingdom of Lesotho.

- R148 million was paid in direct taxes (2019: R155 million)
- R140 million was collected and paid as indirect tax contributions (2019: R104 million)
- R104 million was paid in direct non-tax contributions (2019: R73 million)

The major tax types included in the total tax and economic contributions paid are:

**CORPORATE TAXES**

We paid R125 million (2019: R119 million) in corporate taxes on a profit before tax of R456 million (2019: R495 million).

We thus paid R0.27 (2019: R0.24) in corporate tax for every R1 of profit we generated. The corporate taxes paid during the year is based on the prior year taxable income as required per local legislation. Thus the taxes paid will vary year on year based on the increase in taxable income in the prior years.

**EMPLOYMENT TAXES**

We paid R28 million (2019: R29 million) in employment and fringe benefit taxes on behalf of our 229 (2019: 220) employees.

**NET VALUE ADDED TAX**

We collected R93 million (2019: R60.0 million) in net value added tax on behalf of the governments from our operations.

Thus we contributed R0.20 (2019: R0.12) in value added tax alone for every R1 we generated in profit. The increase in the net VAT paid for the 2020 financial year is due to the increase in the VAT rate for telecommunication services enacted on the 1st of April 2019. The rate increased from 9% to 12%.

**DIVIDEND WITHHOLDING TAX**

We paid R22 million (2019: R23 million) in dividend withholding tax on behalf of our shareholders.

The withholding tax paid in the 2019 financial year was more due to the higher dividend declared and paid.
VM.S.A and its subsidiary Vodafone M-Pesa S.A is a significant contributor to the development of the economy of the Republic of Mozambique. VM.S.A is a subsidiary of the South Africa-based Vodacom Group Limited, through Vodacom International Limited, which owns 85% of the company. The remaining interest is owned by various minority shareholders. Vodacom entered Mozambique in 2003 through the award of a mobile license. Vodafone M-Pesa S.A provides mobile financial services through M-Pesa, enabling people unable to access traditional banking systems to benefit from money transfer and other financial services.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed R1.8 billion (2019: R1.2 billion) to the public finances of the Mozambique.

- **R588 million** was paid in direct taxes (2019: R491 million)
- **R568 million** was collected and paid as indirect tax contributions (2019: R466 million)
- **R654 million** was paid in direct non-tax contributions (2019: R210 million)*

The major tax types included in the total tax and economic contributions paid are:

**CORPORATE TAXES**

We paid R534 million (2019: R429 million) in corporate taxes on a profit before tax of R1.8 billion (2019: R1.3 billion).

We thus paid R0.30 (2019: R0.34) in corporate tax for every R1 of profit we generated. The corporate taxes paid during the year is based on the prior year taxable income as required per local legislation. Thus the taxes paid will vary year on year based on the increase in taxable income in the prior years.

**EMPLOYMENT TAXES**

We paid R100 million (2019: R87 million) in employment and social security taxes on behalf of our 599 (2019: 551) employees.

**NET VALUE ADDED TAX**

We collected R413 million (2019: R319 million) in net value added tax on behalf of the governments from our operations.

Thus we contributed R0.23 (2019: R0.25) in value added tax alone for every R1 we generated in profit.

**WITHHOLDING TAX**

We paid R74 million (2019: R77 million) in withholding tax on behalf of our suppliers (both local and foreign).

In the 2019 financial year the withholding tax paid was higher due to the payment of withholding tax on interest paid to a foreign lender. The loan was repaid in that year.

* The significant increase in the direct non-tax contributions is due to the license renewals paid in instalments over a three year period, the 4G spectrum acquired through auction (800Mhz frequency) and direct acquisition (1800Mhz frequency).
Vodacom Congo (RDC) SA (VDRC) is a subsidiary of the South Africa-based Vodacom Group Limited through Vodacom International Limited, which owns 51% of the company. Congo Wireless Network owns the remaining interest. Vodacom entered the Democratic Republic of the Congo (DRC) in 2002 through the award of a mobile license. Vodacom also operates mobile financial services through the wholly owned subsidiary, Vodacash SA (also known as M-Pesa in other markets), providing mobile money transfer and other financial services to people unable to access traditional banking systems.

In the DRC the tax year is linked to a calendar year. This report is however based on the Group’s financial year and is thus for the 12 month period ending 31 March 2019 and 2020 respectively.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed **R2.9 billion** (2019: R2.4 billion) **to the public finances of the DRC.**

- **R778 million** was paid in direct taxes (2019: R626 million)
- **R1.4 billion** was collected and paid as indirect tax contributions (2019: R1.2 billion)
- **R769 million** was paid in direct non-tax contributions (2019: R571 million)

The major tax types included in the total tax and economic contributions paid are:

**CORPORATE TAXES**
We paid **R77 million** (2019: R60 million) in corporate taxes due to the legal requirement to pay a minimum alternative tax when generating losses. We reported a loss before tax of **R102 million** (2019: R51 million).

**EMPLOYMENT TAXES**
We paid **R200 million** (2019: R204 million) in various direct and indirect employment taxes on behalf of our **578** (2019: 573) employees.

**NET VALUE ADDED TAX AND EXCISE DUTY**
We collected **R1.2 billion** (2019: R1 billion) in net value added tax and excise duty on behalf of the governments from our operations. The excise duty is payable on telecommunication services.

**WITHHOLDING TAX**
We paid **R136 million** (2019: R222 million) in withholding tax in respect of imported services and on behalf of local suppliers.

In the 2019 financial year the withholding tax paid was higher due to the payment of withholding tax on interest paid on borrowings.

* The increase in the direct non-tax contributions is due to the license renewals paid in the 2020 financial year.
Our total tax and economic contribution to public finances in Tanzania

Vodacom Tanzania Public Limited Company (VTPLC) is a subsidiary of the South Africa-based Vodacom Group Limited. Vodacom Group Limited is the beneficial owner of 75% of the issued and paid up shares of VTPLC, with 25% being held by the public as VTPLC is listed on the Dar es Salaam stock exchange. VTPLC entered the market in Tanzania in 2000 and is Tanzania’s leading mobile operator and mobile financial services provider, with the fastest nationwide data network and the largest mobile money network in the country.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed

**R2.9 billion**
(2019: R2.3 billion)
to the public finances of Tanzania.

- **R615 million**
  was paid in direct taxes
  (2019: R491 million)

- **R2 billion**
  was collected and paid as indirect tax contributions
  (2019: R1.7 billion)

- **R285 million**
  was paid in direct non-tax contributions
  (2019: R160 million)

The major tax types included in the total tax and economic contributions paid are:

**CORPORATE TAXES**
We paid R380 million (2019: R307 million) in corporate taxes on a profit before tax of R340 million (2019: R854 million). R93 million paid in the current year relates to prior years. The profit before tax is impacted by the operating loss of Shared Networks Tanzania (a 100% owned subsidiary). Furthermore due to the longer tax depreciation period of our capital investments in Tanzania (in accordance with the current legislation), compared to the useful life of the assets, the corporate tax paid is disproportioned to the profit before tax.

**EMPLOYMENT TAXES**
We paid R164 million (2019: R151 million) in various direct and indirect employment taxes on behalf of our 551 (2019: 548) employees.

**NET VALUE ADDED TAX AND EXCISE DUTY**
We collected R1.7 billion (2019: R1.4 billion) in net value added tax and excise duty on behalf of the governments from our operations. Excise duty of 17% is payable on electronic communication services and 10% on money transfer services. The consideration used to determine the 18% VAT payable is inclusive of the excise duty payable.

**WITHHOLDING TAX**
We paid R282 million (2019: R174 million) in withholding tax on behalf of our suppliers (both local and foreign).

* The increase is due to an increase in spectrum fees paid.
Our total tax and economic contribution to public finances in other jurisdictions

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

### Kenya

**Number of entities:** 2

**Vodacom Business (Kenya) Limited** provides a range of communications services from mobile and fixed-line connections through to cloud computing services, to Vodafone’s and Vodacom’s large corporate and multinational customers with a presence across Africa.

**Vodafone Kenya Limited** is a Investment Holding Company holding 39.93% of the ordinary shares of Safaricom Plc. Safaricom Plc is a public company quoted on the Nairobi Securities Exchange incorporated in Kenya. Safaricom Plc provides a wide range of integrated telecommunication services.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total contribution to public finance</strong></td>
<td>R’million</td>
<td>R’million</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>433.6</td>
<td>270.7</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>10.2</td>
<td>9.4</td>
</tr>
</tbody>
</table>

The direct tax contribution primarily relates to the dividend withholding tax paid in country. The increase in the dividend withholding tax paid is due to the increase in the dividend declared and paid by Safaricom Plc that is on-declared by Vodafone Kenya Limited.

### Ghana

**Number of entities:** 1

**Vodacom Business (Ghana) Limited** provides telecommunication services and products. Vodacom sold its investment in this company during the 2020 financial year to Vodafone Ghana Limited.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total contribution to public finance</strong></td>
<td>R’million</td>
<td>R’million</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>8.4</td>
<td>13.0</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>8.8</td>
<td>19.5</td>
</tr>
<tr>
<td>Non-tax contribution</td>
<td>6.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

The 2020 contributions paid are reported only for the months that Vodacom was the shareholder of the company and hence the variance in the payments made. The business licence renewal was paid in May 2019 before the sale.

### Nigeria

**Number of entities:** 1*

**Vodacom Business Africa (Nigeria) Limited** provides and operates domestic private network links including hub and international services as well as the supply, installation and maintenance of telecommunication equipment to provide these services.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total contribution to public finance</strong></td>
<td>R’million</td>
<td>R’million</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>36.8</td>
<td>39.2</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>34.8</td>
<td>35.9</td>
</tr>
<tr>
<td>Non-tax contribution</td>
<td>15.5</td>
<td>25.5</td>
</tr>
</tbody>
</table>

The non-tax contribution primarily relates to spectrum fees paid. The 2020 contributions paid are reported for only the 11 months that Vodacom was the shareholder of the company.

* Vodacom sold its investment in this company during March 2020.

### Cameroon

**Number of entities:** 1

**Vodacom Business Cameroon SA** provides and operates domestic private network links including hub and international services as well as the supply, installation and maintenance of telecommunication equipment to provide these services.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total contribution to public finance</strong></td>
<td>R’million</td>
<td>R’million</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>13.9</td>
<td>9.3</td>
</tr>
</tbody>
</table>

The direct tax contribution primarily relates to the dividend withholding tax paid in country. The increase in the dividend withholding tax paid is due to the increase in the dividend declared and paid by Safaricom Plc that is on-declared by Vodafone Kenya Limited.
Our total tax and economic contribution to public finances in other jurisdictions

**United Kingdom**

**Number of entities: 2**

Vodacom UK Limited is an intermediate holding company of the Vodacom Business Africa Group of companies. The group offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.

Vodacom Business Africa Group Services Ltd offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.

<table>
<thead>
<tr>
<th></th>
<th>2020 R’million</th>
<th>2019 R’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution to public finance</td>
<td>17.3</td>
<td>44.2</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Indirect tax contribution*</td>
<td>16.6</td>
<td>43.7</td>
</tr>
</tbody>
</table>

* The net VAT collected on behalf of the government and paid in 2020 decreased compared to the previous year. This is due to a decrease in the net taxable supplies of the company.

**Mauritius**

**Number of entities: 4**

Vodacom International Limited (Mauritius) is an investment holding company for telecommunication ventures in Africa (excluding countries in the South African Rand common monetary area) that provides management, technical, consulting, and satellite services to its subsidiaries.

Mobile Wallet VM1, Mobile Wallet VM2 and VBA (Mauritius) Ltd are investment holding companies.

<table>
<thead>
<tr>
<th></th>
<th>2020 R’million</th>
<th>2019 R’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution to public finance</td>
<td>26.1</td>
<td>18.4</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>25.1</td>
<td>17.9</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>1.0</td>
<td>0.6</td>
</tr>
</tbody>
</table>

The direct tax contribution increased in 2020 due to the increase in taxable income of Vodacom International Limited (Mauritius).

**Ivory Coast**

**Number of entities: 1* **

Vodacom Business Côte d’Ivoire provides and operates domestic private network links including hub and international services as well as the supply, installation and maintenance of telecommunication equipment to provide these services.

<table>
<thead>
<tr>
<th></th>
<th>2020 R’million</th>
<th>2019 R’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution to public finance</td>
<td>8.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>3.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Non-tax contribution</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

The 2020 contributions paid are reported only for the months that Vodacom was the shareholder of the company.

* Vodacom sold its investment in this company during March 2020.

**Zambia**

**Number of entities: 1* **

Africonnect (Zambia) Ltd is an internet service provider incorporated in Zambia.

<table>
<thead>
<tr>
<th></th>
<th>2020 R’million</th>
<th>2019 R’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution to public finance</td>
<td>17.3</td>
<td>30.9</td>
</tr>
<tr>
<td>Direct tax contribution</td>
<td>4.6</td>
<td>10.8</td>
</tr>
<tr>
<td>Indirect tax contribution</td>
<td>12.7</td>
<td>20.0</td>
</tr>
<tr>
<td>Non-tax contribution</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

The 2020 contributions paid are reported only for the months that Vodacom was the shareholder of the company.

* Vodacom sold its investment in this company during March 2020.
The different tax types applicable to our operations

List of direct taxes, indirect taxes and direct non-tax fees paid to, or collected on behalf of governments in the countries we operate in.

Direct tax contribution
- Advertisement tax
- Capital gains tax
- City services levy and other municipal taxes
- Communications services tax
- Construction tax
- Corporation tax (including minimum alternative taxes)
- Customs and import duty
- Donations tax
- Education tax
- Environmental and pollution taxes
- Fuel tax
- Gaming tax
- National fiscal stabilisation levy
- Real estate/property/landlord tax
- Stamp duty and other transfer taxes
- Tax on measuring equipment
- Telecommunication tax
- Vehicle tax
- Withholding tax suffered on income withheld by customers
- Withholding tax for foreign services paid to the revenue authority

Indirect tax contribution
- Excise duty
- Consumption tax
- Employees taxes
- Expatriate tax
- Fringe benefit tax
- Social security tax
- Value added tax
- Withholding tax suffered on M-Pesa interest in Tanzania
- Withholding tax withheld from suppliers

Direct non-taxation mechanisms
- Frequency fees
- Interconnect tax (local and international)
- License and regulatory fees
- Numbering tax
- Spectrum fees
- Universal communications access fund
# Annexure A: Our legal entities

<table>
<thead>
<tr>
<th>Legal entity: Subsidiaries</th>
<th>Country of incorporation and relevant tax jurisdiction</th>
<th>Nature of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodacom Group Limited</td>
<td>South Africa</td>
<td>Investment Holding Company listed on the Johannesburg stock exchange. Its principal subsidiaries are engaged in the provision of a wide range of communication products and services including but not limited to voice, messaging, converged services, broadband, data connectivity and financial services.</td>
</tr>
<tr>
<td>Vodacom International Holdings (Pty) Ltd</td>
<td>South Africa</td>
<td>Investment Holding Company. Its principal subsidiary is engaged in the provision of a wide range of communication products and services including but not limited to voice, messaging, converged services, broadband, data connectivity and financial services in the Kingdom of Lesotho.</td>
</tr>
<tr>
<td>Wheatfields Investments 276 (Pty) Ltd</td>
<td>South Africa</td>
<td>Investment company incorporated on the 20th of May 2009 for the purpose of holding shares in Vodacom Group Limited.</td>
</tr>
<tr>
<td>Yebo Yethu (RF) Limited</td>
<td>South Africa</td>
<td>The company is listed on the BEE segment of the Johannesburg stock exchange. The principal activities of the company are to acquire and hold shares in YeboYethu Investment Company (RF) Proprietary Limited; and to receive and distribute dividends and other distributions received pursuant to the investment held. The investment held is part of a series of interlinked transactions in the Vodacom BEE deal concluded in 2018.</td>
</tr>
<tr>
<td>YeboYethu Investment Company (RF) Proprietary Limited</td>
<td>South Africa</td>
<td>The company was incorporated on the 24th of April 2018 to be a broad-based black economic empowerment owned and controlled company. The principal activities of the company are to acquire and hold shares in Vodacom Group Limited and to remain a wholly owned subsidiary of Yebo Yethu (RF) Limited.</td>
</tr>
<tr>
<td>Vodacom (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is the provision of a wide range of communication products and services including, but not limited to, voice, messaging, broadband, data connectivity, converged services and value added services in South Africa.</td>
</tr>
<tr>
<td>Mezzanine Ware Pty Ltd</td>
<td>South Africa</td>
<td>The company is involved in the research and development of electronic and mobile health systems and operations in South Africa.</td>
</tr>
<tr>
<td>Storage Technology Services (Pty) Ltd</td>
<td>South Africa</td>
<td>The company provides Multi-Cloud, Security, Data Management and Storage solutions to organisations.</td>
</tr>
<tr>
<td>Jupicol (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is the acquisition and operation of Long Term Evolution (‘LTE’) and any future spectrum made available by the Independent Communications Authority of South Africa. The company remained dormant for the 2019 and 2020 financial years.</td>
</tr>
<tr>
<td>Vodacom Payment Services (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is to offer financial services products to the South African market.</td>
</tr>
<tr>
<td>Vodacom Properties No 1 (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is the investment in immovable property (known as Vodacom Boulevard, Data Park, Corporate Park, Commercial Park, Renaissance Park, Service Park, Smart Park, Techno Park, Techno Centre and Century City) earning rental income.</td>
</tr>
<tr>
<td>Vodacom Properties No 2 (Pty) Ltd</td>
<td>South Africa</td>
<td>The Company acts as a principal for property lease agreements for retail distribution outlets and to sublease these properties to Vodacom Pty Ltd at a profit.</td>
</tr>
<tr>
<td>X-Link Communications (Pty) Ltd</td>
<td>South Africa</td>
<td>The company is engaged in telecommunications services and operates principally in South Africa.</td>
</tr>
<tr>
<td>Vodacom Financial Services (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is to hold investments in insurance entities providing short-term and long-term insurance products and providing affinity insurance and brand assurance to large accessible groups of individuals with a common interest or attribute, as a value add to the existing product offering of Vodacom Pty Ltd.</td>
</tr>
<tr>
<td>Scarlet IBIS Investment 23 (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is the investment in immovable property held for sale (as approved by the Board) to Vodacom Pty Ltd.</td>
</tr>
<tr>
<td>Motiprops 1 (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal business of the Company is the investment in immovable property (known as Vodaworld Retail Park) and the rental of this property.</td>
</tr>
<tr>
<td>Vodacom Insurance Company (RF) Limited</td>
<td>South Africa</td>
<td>The Company renders value added short term-insurance products to Vodacom Pty Ltd and its mobile customers in terms of the company’s short term insurance licence. The primary objective is to drive loyalty and retention of Vodacom Pty Ltd customers.</td>
</tr>
<tr>
<td>Vodacom Life Assurance Company (RF) Limited</td>
<td>South Africa</td>
<td>The Company renders value added long term-insurance products to Vodacom Pty Ltd and its mobile customers in terms of the company’s long term insurance licence. The primary objective is to drive loyalty and retention of Vodacom Pty Ltd customers.</td>
</tr>
<tr>
<td>Vodacom Insurance Administration Company (Pty) Ltd</td>
<td>South Africa</td>
<td>The Company was formed on the 6th of May 2009 and remained dormant since incorporation. The company will provide insurance administration services in the foreseeable future.</td>
</tr>
<tr>
<td>10T Holdings (Pty) Ltd</td>
<td>South Africa</td>
<td>The Company is the investment and intelectual property rights holding company. The principal activities of the subsidiaries of the company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>IoT.nxt (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal activities of the Company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>IoT.nxt Development (Pty) Ltd</td>
<td>South Africa</td>
<td>The principal activities of the Company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>Vodacom Business Africa Group (Pty) Ltd</td>
<td>South Africa</td>
<td>Investment Holding Company. Its principal subsidiaries offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>GS Telecom (Pty) Ltd</td>
<td>South Africa</td>
<td>The Company offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>Vodacom Siyanda Employee Trust</td>
<td>South Africa</td>
<td>The Trust was established as a employee share ownership plan in 2018 with the principal activities of the Trust being the holding of YeboYethu (RF) Limited ordinary shares.</td>
</tr>
<tr>
<td>YeboYethu Employee Participation Trust</td>
<td>South Africa</td>
<td>The Trust was established as a employee share ownership plan with the principal activities of the Trust being the holding of YeboYethu (RF) Limited ‘N’ ordinary shares.</td>
</tr>
</tbody>
</table>
### Annexure A: Our legal entities

<table>
<thead>
<tr>
<th>Legal entity: Subsidiaries</th>
<th>Country of incorporation and relevant tax jurisdiction</th>
<th>Nature of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodacom Business Limiteda (Angola)</td>
<td>Angola</td>
<td>The principal activity of the company is the provision of telecommunication services and products. Vodacom sold its investment in this company during the 2020 financial year.</td>
</tr>
<tr>
<td>Vodacom Business Cameroon SA</td>
<td>Cameroon</td>
<td>The primary activity of the company is the provision of fixed and converged telecommunication solutions to large corporate and SME clients as well as the installation and sale of the equipment for the provisioning of these services.</td>
</tr>
<tr>
<td>Vodacom Congo (RDC) SA</td>
<td>Democratic Republic of Congo</td>
<td>Operates in GSM telecommunication throughout the Democratic Republic of Congo.</td>
</tr>
<tr>
<td>Vodacash SA</td>
<td>Democratic Republic of Congo</td>
<td>Provisioning of a safe, secure and affordable way to send and receive money, top-up airtime, make bill payments, receive salaries, get a short-term loan and other related mobile money services.</td>
</tr>
<tr>
<td>Vodacom Business (Ghana) Limited</td>
<td>Ghana</td>
<td>The principal activity of the Company is the provision of telecommunication services and products. Vodacom sold its investment in this company during the 2020 financial year to Vodafone Ghana Limited.</td>
</tr>
<tr>
<td>VBA Holdings Limited (Guernsey)</td>
<td>Guernsey</td>
<td>The Company is an intermediate holding company of the Vodacom Business Africa Group of Companies. The group offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>VBA International Limited (Guernsey)</td>
<td>Guernsey</td>
<td>The Company is an intermediate holding company of the Vodacom Business Africa Group of Companies. The group offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>Vodacom Business Cote D’Ivoire</td>
<td>Ivory Coast</td>
<td>The Company offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>Vodafone Kenya Limited</td>
<td>Kenya</td>
<td>Investment Holding Company holding 39.93% of the ordinary shares of Safaricom Plc. Safaricom Plc is a public company quoted on the Nairobi Securities Exchange incorporated in Kenya. Safaricom Plc provides a wide range of integrated telecommunication services.</td>
</tr>
<tr>
<td>Vodacom Business (Kenya) Limited</td>
<td>Kenya</td>
<td>The Company provides electronic telecommunication services.</td>
</tr>
<tr>
<td>Vodacom Lesotho (Pty) Ltd</td>
<td>Lesotho</td>
<td>Vodacom Lesotho was established in 1996 and it’s principal nature of the business is the operating of a cellular network.</td>
</tr>
<tr>
<td>Vodacom International Limited (Mauritius)</td>
<td>Mauritius</td>
<td>Investment Holding Company for telecommunication ventures in Africa (excluding countries in the South African Rand common monetray area) that provides management, technical, consulting, and sattelite services to its subsidiaries.</td>
</tr>
<tr>
<td>Mobile Wallet VM1</td>
<td>Mauritius</td>
<td>Investment Holding Company: 1 share held in Vodafone Mpesa S.A.</td>
</tr>
<tr>
<td>Mobile Wallet VM2</td>
<td>Mauritius</td>
<td>Investment Holding Company: 1 share held in Vodafone Mpesa S.A.</td>
</tr>
<tr>
<td>VBA (Mauritius) Ltd</td>
<td>Mauritius</td>
<td>Investment holding company.</td>
</tr>
<tr>
<td>VM, S.A. (Mozambique)</td>
<td>Mozambique</td>
<td>The operation of a GSM mobile cellular telecommunication network offering a broad range of communication services for both individuals and companies.</td>
</tr>
<tr>
<td>Vodafone Mpesa S.A</td>
<td>Mozambique</td>
<td>The Company has as it objective, the issuing of means of payment in the form of electronic money, as well as the rendering of transaction services directly with its clients for the issuing of an electronic amount in exchange for the receipt of equivalent funds. The company also offers financial and non-financial services related with the issuing of electronic money.</td>
</tr>
<tr>
<td>IoT.nxt B.V</td>
<td>Netherlands</td>
<td>The Company is the investment and intelectual property rights holding company. The principal activities of the subsidiaries of the company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>IoT.nxt Europe B.V</td>
<td>Netherlands</td>
<td>The principal activities of the Company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>IoT.nxt USA B.V</td>
<td>Netherlands</td>
<td>The principal activities of the Company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>Vodacom Business Africa (Nigeria) Ltd</td>
<td>Nigeria</td>
<td>The principal activity of the Company is the provision and operation of domestic private network links including hub and international services as well as the supply, installation and maintenance of telecommunication equipment to provide these services. Vodacom sold its investment in this company during March 2020.</td>
</tr>
<tr>
<td>Vodacom Tanzania Plc</td>
<td>Tanzania</td>
<td>The Company is a mobile network operator listed on the Dar-es-Salaam stock exchange.</td>
</tr>
<tr>
<td>Vodacom Trust Limited</td>
<td>Tanzania</td>
<td>The Company is a bona fide trustee protecting and safeguarding all and any monies gained from and/or relating to Mpesa cellular phone money transfer service for the benefit of the users of said service.</td>
</tr>
<tr>
<td>Shared Networks Tanzania Limited</td>
<td>Tanzania</td>
<td>The principal business of the Company is to build a shared 3G network that facilitates and creates coverage and capacity to the widespread population in all the regions of Tanzania.</td>
</tr>
<tr>
<td>Vodacom UK Limited</td>
<td>United Kingdom</td>
<td>The Company is a intermediate holding company of the Vodacom Business Africa Group of Companies. The group offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>Vodacom Business Africa Group Services Ltd</td>
<td>United Kingdom</td>
<td>The Company offers a range of connectivity services to multinational corporations and large and medium sized businesses operating in Africa.</td>
</tr>
<tr>
<td>IoT.nxt USA Inc.</td>
<td>United States of America</td>
<td>The principal activities of the Company is the software development, programming and related services, focussing specifically on the Internet of Things.</td>
</tr>
<tr>
<td>Africonnect (Zambia) Ltd</td>
<td>Zambia</td>
<td>The Company is a internet service provider incorporated in Zambia. Vodacom's investment in this company was disposed of during March 2020.</td>
</tr>
</tbody>
</table>
Annexure B: Our country-by-country report

In 2013, in order to address the differences in tax systems of multiple countries, the Base Erosion and Profit Shifting (‘BEPS’) Action Plan was adopted by the OECD and G20 countries, including South Africa.

This resulted in the development of Country-by-Country (‘CbC’) reporting that requires Multinational Entity (‘MNE’) Groups to report on their operations in all countries in which they operate, allowing revenue authorities to assess transfer pricing and other BEPS related risks with regards to the MNE Groups operating in their countries. Regulations to implement the CbC reporting requirements were finalised in South Africa in 2016.

Based on these regulations Vodacom is not required to submit a CbC report to the South African Revenue Services, but submits a notification stating that Vodafone Group Plc is the Ultimate Parent Entity and the Reporting Entity with Tax residency in the United Kingdom. Vodafone Group Plc files a CbC report on behalf of all its subsidiaries with the HMRC.

As demonstrated in this report we recognise the importance of tax transparency and therefore we have no hesitation in sharing CbC information (which is normally only shared with revenue authorities) publicly.

Our CbC information included in this report is based on the CbC reporting requirements as per recently published Global Reporting Initiative’s Sustainability Reporting Standard on Tax (‘GRI 207’).

The below revenue analysis is aimed at providing more insight into the scale of activity in the various tax jurisdictions in which we operate:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue from third parties*</td>
<td>Revenue from third parties*</td>
</tr>
<tr>
<td></td>
<td>Revenue from other related parties**</td>
<td>Revenue from other related parties**</td>
</tr>
<tr>
<td></td>
<td>Revenue from intragroup transactions**</td>
<td>Revenue from intragroup transactions**</td>
</tr>
<tr>
<td>Total as per consolidated annual financial statements</td>
<td>86 627</td>
<td>90 746</td>
</tr>
<tr>
<td>South Africa</td>
<td>67 505</td>
<td>69 114</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6 111</td>
<td>6 568</td>
</tr>
<tr>
<td>DRC</td>
<td>6 374</td>
<td>7 459</td>
</tr>
<tr>
<td>Mozambique</td>
<td>4 547</td>
<td>5 557</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1 140</td>
<td>1 167</td>
</tr>
<tr>
<td>Nigeria</td>
<td>405</td>
<td>388</td>
</tr>
<tr>
<td>Zambia</td>
<td>81</td>
<td>75</td>
</tr>
<tr>
<td>Ghana</td>
<td>45</td>
<td>29</td>
</tr>
<tr>
<td>Kenya (excluding Safaricom)</td>
<td>48</td>
<td>52</td>
</tr>
<tr>
<td>Cameroon</td>
<td>64</td>
<td>55</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Angola</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>274</td>
<td>250</td>
</tr>
<tr>
<td>Mauritius</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guernsey</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>TOTAL</td>
<td>86 490</td>
<td>90 542</td>
</tr>
</tbody>
</table>

* Revenue reported in our audited consolidated financial statements does not include dividends, interest and other non-sector specific sources of income that is disclosed separately in the consolidated income statement. The revenue analysis included in this report thus also does not include dividends, interest and other non-sector specific sources of revenue.

* Revenue from other related parties refers to revenue from transactions with connected parties outside of the Vodacom Group i.e. fellow Vodafone subsidiaries.

** Revenue from intragroup transactions refers to revenue from transactions with fellow Vodacom subsidiaries.
The below table provides additional analysis into the scale of activity in the various tax jurisdictions in which we operate:

<table>
<thead>
<tr>
<th>Country</th>
<th>Capital Expenditure</th>
<th>Number of employees</th>
<th>Amount distributed to employees in salaries and benefits</th>
<th>Capital Expenditure</th>
<th>Number of employees</th>
<th>Amount distributed to employees in salaries and benefits</th>
<th>Tangible assets other than cash and cash equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total as per consolidated annual financial statements</strong></td>
<td>12 957</td>
<td>7 746</td>
<td>5 978</td>
<td>13 218</td>
<td>7 641</td>
<td>6 367</td>
<td>60 658</td>
</tr>
<tr>
<td>South Africa</td>
<td>9 583</td>
<td>5 422</td>
<td>4 244</td>
<td>33 124</td>
<td>9 867</td>
<td>5 620</td>
<td>4 662</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1 042</td>
<td>548</td>
<td>360</td>
<td>4 044</td>
<td>995</td>
<td>551</td>
<td>365</td>
</tr>
<tr>
<td>DRC</td>
<td>1 005</td>
<td>573</td>
<td>726</td>
<td>4 055</td>
<td>941</td>
<td>578</td>
<td>667</td>
</tr>
<tr>
<td>Mozambique</td>
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<td>321</td>
<td>3 329</td>
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<td>229</td>
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<td>44</td>
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<td>92</td>
<td>–</td>
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<td>–</td>
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<td>13</td>
<td>6</td>
<td>5</td>
<td>28</td>
<td>15</td>
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<tr>
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<td>14</td>
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<td>1</td>
<td>28</td>
<td>13</td>
</tr>
<tr>
<td>Ivory Coast</td>
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<td>8</td>
<td>9</td>
<td>–</td>
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<td>21</td>
<td>42</td>
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<td>20</td>
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<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Guernsey</td>
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</tr>
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</table>
Annexure B: Our country-by-country report
continued

The below analysis is aimed at providing more insight into the reasons for the difference in the effective tax rate, tax paid rate and statutory tax rate in the various tax jurisdictions in which we operate for the year ended 31 March 2019:

<table>
<thead>
<tr>
<th>Total as per consolidated annual financial statements</th>
<th>Profit before tax* R’million</th>
<th>Total Tax Charge* R’million</th>
<th>Effective tax rate (ETR) %</th>
<th>Statutory tax rate %</th>
<th>Current Year Corporate tax charge R’million</th>
<th>Corporate tax paid** R’million</th>
<th>Corporate tax paid rate %</th>
<th>Comment on ETR and tax paid rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total as per consolidated annual financial statements</td>
<td>22 089</td>
<td>6 557</td>
<td>29.7%</td>
<td>28.0%</td>
<td>6 440</td>
<td>6 535</td>
<td>29.6%</td>
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</tr>
<tr>
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<td>5 391</td>
<td>33.3%</td>
<td>28.0%</td>
<td>5 321</td>
<td>5 452</td>
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<tr>
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<td>307</td>
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</tr>
<tr>
<td>DRC</td>
<td>(51)</td>
<td>80</td>
<td>(156.9%)</td>
<td>35.0%</td>
<td>80</td>
<td>60</td>
<td>(117.6%)</td>
<td>3</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 268</td>
<td>434</td>
<td>34.2%</td>
<td>32.0%</td>
<td>405</td>
<td>429</td>
<td>33.8%</td>
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</tr>
<tr>
<td>Lesotho</td>
<td>495</td>
<td>126</td>
<td>25.5%</td>
<td>25.0%</td>
<td>119</td>
<td>117</td>
<td>23.6%</td>
<td>5</td>
</tr>
<tr>
<td>Nigeria</td>
<td>25</td>
<td>11</td>
<td>44.0%</td>
<td>30.0%</td>
<td>11</td>
<td>12</td>
<td>48.0%</td>
<td>6</td>
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<tr>
<td>Zambia</td>
<td>(26)</td>
<td>3</td>
<td>(11.5%)</td>
<td>35.0%</td>
<td>1</td>
<td>–</td>
<td>0.0%</td>
<td>7</td>
</tr>
<tr>
<td>Ghana</td>
<td>1</td>
<td>1</td>
<td>100.0%</td>
<td>25.0%</td>
<td>1</td>
<td>2</td>
<td>200.0%</td>
<td>8</td>
</tr>
<tr>
<td>Kenya (excluding Safaricom)</td>
<td>30</td>
<td>18</td>
<td>60.0%</td>
<td>30.0%</td>
<td>18</td>
<td>26</td>
<td>86.7%</td>
<td>9</td>
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<tr>
<td>Cameroon</td>
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<td>3</td>
<td>37.5%</td>
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<td>6</td>
<td>75.0%</td>
<td>10</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>(10)</td>
<td>2</td>
<td>(20.0%)</td>
<td>25.0%</td>
<td>2</td>
<td>1</td>
<td>(10.0%)</td>
<td>11</td>
</tr>
<tr>
<td>Angola</td>
<td>8</td>
<td>1</td>
<td>12.5%</td>
<td>30.0%</td>
<td>1</td>
<td>–</td>
<td>0.0%</td>
<td>12</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>(28)</td>
<td>38</td>
<td>(135.7%)</td>
<td>19.0%</td>
<td>37</td>
<td>–</td>
<td>0.0%</td>
<td>13</td>
</tr>
<tr>
<td>Mauritius</td>
<td>540</td>
<td>175</td>
<td>32.4%</td>
<td>15.0%</td>
<td>169</td>
<td>123</td>
<td>22.8%</td>
<td>14</td>
</tr>
<tr>
<td>Guernsey</td>
<td>(3)</td>
<td>4</td>
<td>(133.3%)</td>
<td>0.0%</td>
<td>–</td>
<td>–</td>
<td>0.0%</td>
<td>15</td>
</tr>
</tbody>
</table>

* The profit before tax in each jurisdiction reported in this section of the report is after the elimination of intragroup transactions and thus would be different to the statutory profit before tax reported in the annual financial statements of those legal entities when aggregated.

* The total tax charge represents the sum of our corporate income tax, irrecoverable withholding taxes and deferred tax. Refer page 32 of the audited consolidated annual financial statements available at www.vodacom.com for more details on our tax accounting policy.

** Corporate tax paid includes dividend withholding taxes paid where dividend income is exempt from corporate tax in that jurisdiction.
1. The ETR and tax paid rate for our South African operations is higher than the statutory tax rate due to the irrecoverable withholding taxes; non-deductible Black Economic Empowerment expenditure; other consulting and legal fees and finance costs.

2. The ETR for our operations in Tanzania is higher than the statutory tax rate due to the unrecognised tax losses of Shared Networks Tanzania Limited (a wholly owned subsidiary). The tax paid rate is higher than the ETR due to the difference in the accounting depreciation period of the network equipment (i.e. useful life) and the allowance period granted in terms of the tax legislation in Tanzania. This timing difference results in more taxes paid in the initial years of acquisition of the equipment when compared to the profit before tax for the same period.

3. The ETR for our operations in the DRC is impacted by the unrecognised tax losses and the payment of minimum alternative taxes while generating a statutory loss before tax. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR.

4. The ETR for our operations in Mozambique is higher than the statutory tax rate primarily due to the non-deductible marketing expenditure. Marketing expenditure in terms of the Mozambique tax legislation is limited to 1% of revenue. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR.

5. The ETR for our operations in Lesotho is higher than the statutory tax rate primarily due to the non-deductible donations made to the healthcare sector. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR.

6. The ETR and tax paid rate for our operations in Nigeria is higher than the statutory tax rate primarily due to the unrecognised deferred tax asset, non-deductible operating expenditure and the additional 2% education tax that is payable on the taxable income.

7. The ETR and tax paid rate for our operations in Zambia is impacted by the non-deductible operating expenditure while generating a statutory loss before tax.

8. The ETR for our operations in Ghana is impacted by the non-deductible operating expenditure and the national fiscal stabilisation levy of 5%. In Ghana the tax payments made during a year is based on an estimate of taxable income filed in the first quarter of the year and thus resulted in an overpayment of taxes during the 2019 financial year.

9. The ETR for our operations in Kenya is impacted by the unrecognised deferred tax asset and non-deductible operating expenditure. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR.

10. The ETR for our operations in Cameroon is impacted by the non-deductible operating expenditure. The tax paid rate is impacted by the minimum tax instalments payable each month based on the turnover. The surplus tax payment made can be offset against future corporate taxes payable. The tax paid rate is also impacted by the timing of tax payments made as companies in Cameroon is required to have a December tax year.

11. The ETR for our operations in Ivory Coast is impacted by the unrecognised deferred tax asset and the non-deductible operating expenditure while generating a statutory loss before tax. The tax paid rate is impacted by the timing of tax payments made as companies in Ivory Coast are required to have a December tax year.

12. The ETR and the tax paid rate for our operations in Angola is impacted by the utilisation of a unrecognised tax asset in the current year, offset by the non-deductible operating expenditure.

13. The ETR for our operations in the United Kingdom is impacted by the unrecognised deferred tax asset and the withholding taxes suffered while generating a statutory loss before tax. The withholding taxes is paid in other tax jurisdictions (as an indirect tax) and thus not included as a corporate tax paid in the United Kingdom.

14. The ETR for our operations in Mauritius is higher than the statutory tax rate due to the irrecoverable withholding taxes suffered. There is a timing difference between the accrual of the irrecoverable withholding taxes and the payment thereof which results in the variance between the ETR and the tax paid rate.

15. The ETR for our operations in Guernsey is impacted by the irrecoverable withholding taxes suffered while generating a statutory loss before tax. The withholding taxes is paid in other tax jurisdictions (as an indirect tax) and thus not included as a corporate tax paid in Guernsey.
Annexure B: Our country-by-country report
continued

The below analysis is aimed at providing more insight into the reasons for the difference in the effective tax rate, tax paid rate and statutory tax rate in the various tax jurisdictions in which we operate for the year ended 31 March 2020:

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<thead>
<tr>
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<th>Total Tax Charge* R'million</th>
<th>Effective tax rate (ETR) %</th>
<th>Statutory tax rate %</th>
<th>Current Year Corporate tax charge R'million</th>
<th>Corporate tax paid** R'million</th>
<th>Corporate tax paid rate %</th>
<th>Comment on ETR and tax paid rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>23 058</td>
<td>6 414</td>
<td>27.8%</td>
<td>28.0%</td>
<td>6 515</td>
<td>6 417</td>
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<tr>
<td>South Africa</td>
<td>16 527</td>
<td>5 297</td>
<td>32.1%</td>
<td>28.0%</td>
<td>5 144</td>
<td>5 245</td>
<td>31.7%</td>
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</tr>
<tr>
<td>Tanzania</td>
<td>340</td>
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<td>25.0%</td>
<td>30.0%</td>
<td>285</td>
<td>380</td>
<td>111.8%</td>
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</tr>
<tr>
<td>DRC</td>
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<td>84</td>
<td>(82.4%)</td>
<td>30.0%</td>
<td>84</td>
<td>77</td>
<td>(75.5%)</td>
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</tr>
<tr>
<td>Mozambique</td>
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<td>598</td>
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<td>32.0%</td>
<td>675</td>
<td>534</td>
<td>30.4%</td>
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<tr>
<td>Lesotho</td>
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<td>125</td>
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<td>14</td>
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<tr>
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<td>–</td>
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<tr>
<td>Ghana</td>
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<td>1</td>
<td>(33.3%)</td>
<td>8</td>
</tr>
<tr>
<td>Kenya (excluding Safaricom)</td>
<td>10</td>
<td>2</td>
<td>20.0%</td>
<td>30.0%</td>
<td>4</td>
<td>2</td>
<td>20.0%</td>
<td>9</td>
</tr>
<tr>
<td>Cameroon</td>
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<td>33.0%</td>
<td>3</td>
<td>16</td>
<td>1 600.0%</td>
<td>10</td>
</tr>
<tr>
<td>Ivory Coast</td>
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<td>100.0%</td>
<td>25.0%</td>
<td>2</td>
<td>(1)</td>
<td>(50.0%)</td>
<td>11</td>
</tr>
<tr>
<td>Angola</td>
<td>19</td>
<td>(1)</td>
<td>(5.3%)</td>
<td>30.0%</td>
<td>(1)</td>
<td>(1)</td>
<td>(5.3%)</td>
<td>12</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>(11)</td>
<td>8</td>
<td>(72.7%)</td>
<td>19.0%</td>
<td>8</td>
<td>–</td>
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<td>13</td>
</tr>
<tr>
<td>Mauritius</td>
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<tr>
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<td>(1.5%)</td>
<td>0.0%</td>
<td>–</td>
<td>–</td>
<td>0.0%</td>
<td>15</td>
</tr>
</tbody>
</table>

* The profit before tax in each jurisdiction reported in this section of the report is after the elimination of intragroup transactions and thus would be different to the statutory profit before tax reported in the annual financial statements of those legal entities when aggregated.

* The total tax charge represents the sum of our corporate income tax, irrecoverable withholding taxes and deferred tax. Refer page 32 of the audited consolidated annual financial statements available at www.vodacom.com for more details on our tax accounting policy.

** Corporate tax paid includes dividend withholding taxes paid where dividend income is exempt from corporate tax in that jurisdiction.
Annexure B: Our country-by-country report
continued

1. The ETR and tax paid rate for our South African operations is higher than the statutory tax rate due to the irrecoverable withholding taxes; non-deductible consulting and legal fees and finance costs. The tax paid rate is also impacted by the fact that some income and expenditure is taxable or deductible in different years of assessment.

2. The ETR for our operations in Tanzania is lower than the statutory tax rate due to the recognition of intragroup losses relating to the liquidation of Shared Networks Tanzania Limited (a wholly owned subsidiary).

   The tax paid rate is higher that the ETR due to the difference in the accounting depreciation period of the network equipment (i.e. useful life) and the allowance period granted in terms of the tax legislation in Tanzania. This timing difference results in more taxes paid in the initial years of acquisition of the equipment when compared to the profit before tax for the same period. The taxes paid in the current year also include a deposit paid for the objection against the revised assessments received for the 2017 and 2018 years of assessment. Refer page 14 for more detail in respect of the dispute.

3. The ETR for our operations in the DRC is impacted by the unrecognised tax losses and the payment of minimum alternative taxes while generating a statutory loss before tax. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR. The tax paid rate is also impacted by the timing of tax payments made as companies in the DRC are required to have a December tax year.

4. The ETR for our operations in Mozambique is higher than the statutory tax rate primarily due to the non-deductible marketing expenditure. Marketing expenditure in terms of the Mozambique tax legislation is limited to 1% of revenue. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR.

5. The ETR for our operations in Lesotho is higher than the statutory tax rate primarily due to the non-deductible donations made to the healthcare sector and penalties paid to the regulator in the current year. The tax payments for the current year is based on the taxable income of the prior year (as required per the legislation) and hence the variance between the tax paid rate and the ETR.

6. The ETR and tax paid rate for our operations in Nigeria is higher than the statutory tax rate primarily due to the unrecognised deferred tax asset, non-deductible operating expenditure and the additional 2% education tax that is payable on the taxable income. The Nigeria taxable income is significantly impacted by the devaluation of the local currency.

7. The ETR and tax paid rate for our operations in Zambia is impacted by the de-recognition of the deferred tax liability due to the disposal of the entity during the year.

8. The ETR for our operations in Ghana is impacted by the non-deductible operating expenditure and the national fiscal stabilisation levy of 5% while generating a statutory loss before tax. The entity was disposed of during the year.

9. The ETR and tax paid rate for our operations in Kenya is impacted by the utilisation of an unrecognised deferred tax asset and non-deductible operating expenditure.

10. The ETR for our operations in Cameroon is impacted by the non-deductible operating expenditure and unrecognised deferred tax asset. The tax paid rate is impacted by the minimum tax instalments payable each month based on the turnover. The surplus tax payment made can be offset against future corporate taxes payable. The tax paid rate is also impacted by the timing of tax payments made as companies in Cameroon is required to have a December tax year.

11. The ETR for our operations in Ivory Coast is impacted by the unrecognised deferred tax asset and the non-deductible operating. The tax paid rate is impacted by the timing of tax payments made as companies in Ivory Coast are required to have a December tax year. The entity was disposed of during the year.

12. The ETR and the tax paid rate for our operations in Angola is impacted by the utilisation of a unrecognised tax asset in the current year, offset by the non-deductible operating expenditure. The entity was disposed of during the year.

13. The ETR for our operations in the United Kingdom is impacted by the unrecognised deferred tax asset and the withholding taxes suffered while generating a statutory loss before tax. The withholding taxes is paid in other tax jurisdictions (as an indirect tax) and thus not included as a corporate tax paid in the United Kingdom.

14. The ETR for our operations in Mauritius is higher than the statutory tax rate due to the irrecoverable withholding taxes suffered. There is a timing difference between the accrual of the irrecoverable withholding taxes and the payment thereof which results in the variance between the ETR and the tax paid rate.

15. The ETR for our operations in Guernsey is impacted by the irrecoverable withholding taxes suffered while generating a statutory loss before tax. The withholding taxes is paid in other tax jurisdictions (as an indirect tax) and thus not included as a corporate tax paid in Guernsey. The loss before tax has been impacted by the disposal of the investments held in Nigeria, Ghana, Angola, Ivory Coast and Zambia during the year.