Good Food, Good Life

Taxation

Taxation has been identified by our stakeholders as a material issue for Nestlé. We view the tax we pay as part of both compliance (business ethics) and Creating Shared Value in the countries where we operate. We believe it is good practice to disclose information about our tax management principles and key tax indicators and contributions.

Nestlé Group Tax Management Principles and Foundations of Group Tax Strategy

Over the last years, we have developed 10 Principles of Tax Management and five Foundations of our long-term Group Tax Strategy. They are based on the recognition that tax is an integral element of our overall corporate social responsibility, as well as on the fundamental objective of tax compliance and of legitimate and responsible planning. Those Principles and Foundations are in line with the Nestlé *Corporate Business Principles* and are cascaded down to, and monitored across, our Tax Organisation, both at Group and market levels.

Effective Tax Rate and Tax Payments

In 2017, the Nestlé Group incurred CHF 2.779 billion in corporate taxes worldwide on our Group consolidated profit. This corresponds to a 29.3% effective tax rate on our worldwide profits. By comparison in 2016, Nestlé had a 35.2% effective tax rate worldwide, while incurring an amount of CHF 4.413 billion in corporate taxes. The decrease of the effective tax rate is mainly driven by the US tax reform and the revaluation of deferred tax liabilities. This is a non-cash item. Excluding exceptional items, the underlying effective tax rate in 2017 is in line with our tax rate in 2016 and previous years.

Nestlé also pays and collects for governments various taxes through its transactions with suppliers and customers, as well through our own operations across 197 countries.

After the closing of the year, we run a Group Tax Report on the Total Taxes that we bear and/or collect for governments in the main countries where we operate. This Report covers all direct and indirect taxes, on profit (corporate income tax, withholding taxes, etc.), properties (real estate taxes, stamp taxes), employment (social security charges, employee's salary taxes), transactions (customs, VAT, GST, consumption taxes, excise taxes) and environment (energy taxes, food taxes, green taxes).

In 2017, Nestlé incurred and collected around CHF 15.5 billion of taxes to the governments in its largest markets. Those markets represent nearly the totality of the Group net sales. This amount includes CHF 6.7 billion that were incurred and borne as costs by Nestlé. In addition, Nestlé collected taxes for CHF 8.8 billion.

If we analyse taxes borne by type, 52% of the CHF 6.7 billion was taxes on profit, 30% on employment, 13% on transactions, 3% on properties and 2% taxes on environment.

If we look at the taxes borne by geography, 40% of the CHF 6.7 billion was incurred in EMENA, 34% in Americas and 26% in AOA. 72% of the CHF 6.7 billon were borne in the top 10 countries.

CHF 8.8 billion of taxes were taxes collected by Nestlé through our operations and paid to governments.

When we look at taxes collected, 36% were taxes on employment, 34% on profit, 29% on transaction (VAT or similar) and 1% on environment.

In terms of geography, 49% of taxes collected were incurred in EMENA, 29% in Americas and 22% in AOA. 78% of the CHF 8.8 billion were collected in the top 10 countries.

Finally, we had a Group 'VAT Throughput' of CHF 23,200 billion, i.e. for the total of all VAT receivable (on customers) and VAT payable (to suppliers), as an indicator of the volume of VAT (and similar indirect consumption based taxes), generated and managed by Nestlé worldwide.