



2018-19

# **TAX TRANSPARENCY REPORT**





Hindustan Zinc Limited was incorporated from the erstwhile Metal Corporation of India on 10 January 1966 as a Public Sector Undertaking.

Pursuant to the April 2002 disinvestment of Government of India's (GOI) stake in Hindustan Zinc Limited

**Vedanta Group acquired 64.92% while GOI holds 29.54%, and balance is with public and financial institutions.**

Hindustan Zinc Limited operates across the value chain - from exploration, asset development and extraction to processing and value addition. The Company continues to deliver long-term value and growth across all stages.

#### ● Rampura Agucha Mine

Reserve	35.3 million MT
Resource	55.0 million MT
Reserve Grade Zn	13.6%
Reserve Grade Pb	1.8%

#### ● Sindesar Khurd Mine

Reserve	32.5 million MT
Resource	81.1 million MT
Reserve Grade Zn	4.1%
Reserve Grade Pb	3.2%

#### ● Zawar Mining Complex

Reserve	10.1 million MT
Resource	95.4 million MT
Reserve Grade Zn	3.4%
Reserve Grade Pb	1.8%
Captive Power Plant	80 MW

#### ● Dariba Smelting Complex

Hydro-metallurgical Zinc Smelter	234,000 tpa
Lead Smelter	120,000 tpa
Captive Power Plant	160 MW

#### ● Zinc Smelter Debari

Hydro-metallurgical Zinc Smelter	88,000 tpa
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(tpa = MT per annum)

#### ● Rajpura Dariba Mine

Reserve	10.2 million MT
Resource	47.7 million MT
Reserve Grade Zn	5.1%
Reserve Grade Pb	1.8%

#### ● Kayad Mine

Reserve	4.5 million MT
Resource	3.2 million MT
Reserve Grade Zn	5.4%
Reserve Grade Pb	0.9%

#### R&R Summary

	Tonnage		Grade	
	million MT	Zn (%)	Pb (%)	(Ag) (g/t)
Reserve	92.6	7.8	2.3	94
Mineral Resource - Measured & Indicated	91.4	7.5	2.0	72
Mineral Resource - Inferred	219.0	5.3	2.3	67

#### ● Chanderiya Lead-Zinc Smelting

Pyro-metallurgical Zinc Smelter	105,000 tpa*
Pyro-metallurgical Lead Smelter	85,000 tpa
Hydro-metallurgical Zinc Smelter	453,000 tpa
Captive Power Plant	234 MW

\*retrofitted to produce lead also

#### Wind Power Plants by State (MW)

Rajasthan	88.8
Gujarat	88.8
Maharashtra	25.5
Karnataka	49.4
Tamil Nadu	21.0



Notes: Additional facilities in Pantnagar in the state of Uttarakhand, for processing and refining of zinc, lead and silver which does not add to our overall smelting capacity

## Smelting and Power Summary

Zinc Smelting  
**880,000** tpa

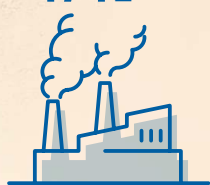
Lead Smelting  
**205,000** tpa



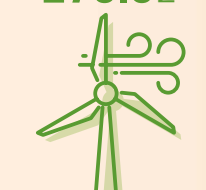
Silver Refining  
**800** tpa



Captive Power  
**474** MW



Wind Power  
**273.5** MW



Solar Power  
**38.9** MW



WHRB Power

**34.4** MW



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Hindustan Zinc is committed to tax transparency and compliance. The purpose of this report is disclosure of tax contribution made by the Company to the Indian Government. The details of the different types and amounts of taxes paid by Hindustan Zinc as well as the principals that guide its tax governance are provided in this report.

We strive to be a responsible corporate citizen to make a positive contribution to the communities in which we operate and aim to move towards greater transparency that increases understanding of our tax contribution and builds public trust. We will continue to monitor our tax framework taking into account best practices and regulatory developments.

We pursue an approach to tax that is principled, transparent and sustainable for the long term. Our approach to tax management is full compliance with all statutory obligations and full disclosure to revenue authorities, maintenance of documented policies and procedures in relation to tax risk management and completion of risk assessments, including escalation and reporting to the Board of Directors where appropriate.

Hindustan Zinc takes its tax obligations seriously and is committed to paying the right amount of tax in all jurisdictions where it operates. The Company's corporate values and behaviours are reflected in its approach to tax transparency and relationship with tax regulators.

**Hindustan Zinc is the top taxpayer in the state of Rajasthan, contributing about 74% of its revenue to public finances. This report covers the financial year that ended March 31, 2019.**

## CHAIRMAN VALUE STATEMENT



There are many ways to measure success. Some would say it comes from having a clear purpose and a sense of belonging. Hindustan Zinc's purpose is to create economic value through a sustainable approach to corporate governance and social responsibility.

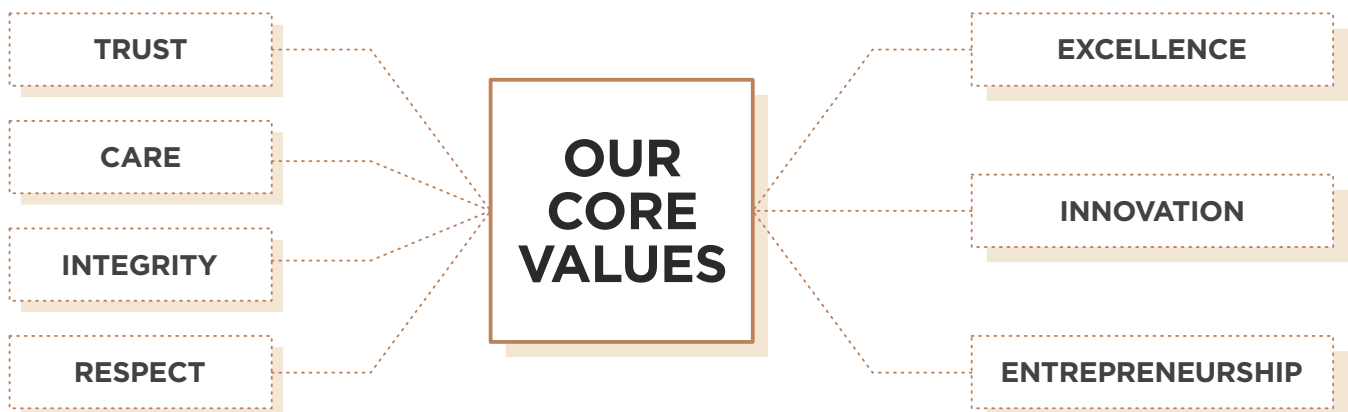
We are proud to support our communities by being a responsible taxpayer. As we embark on the release of our second Tax Transparency Report, we are more aware than ever of the important role our business and industry can and must play in ensuring benefit to all from mining activities.

We look forward to continuing to make a positive contribution.

**KIRAN AGARWAL**

Chairman, Hindustan Zinc Limited.

By contributing to the government treasury and the national economy, creating and supporting direct and indirect employment and purchasing goods and services, we have developed and maintained a productive and long lasting relationship with local, state and central governments.





## FORWARD MESSAGE FROM CEO

I am pleased to report that in fiscal year 2018 -19, Hindustan Zinc has made the contribution of ₹15,505 Crore to the public finances in form of taxes, royalties and dividends paid at gross level and ₹11,563 Crore at net level. With such contributions, we hope to make a significant



difference in the socio-economic development of our country and we see this as an integral part of our social license to operate. I encourage you to go through our Tax Transparency Report - a voluntary effort to maintain transparent dialogue with all our stake holders on contributions made to public finances.

We will continue to promote the principles of transparency and accountability as well as engage with our stakeholders on our tax and other government payment reporting, while taking into account best practice and regulatory developments.

I hope that you will find this approach to disclosure useful and we welcome your feedback.

**SUNIL DUGGAL**  
CEO & Whole time Director

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

### Globally ranked

**1<sup>st</sup>** towards care for the environment  
(Dow Jones Sustainability Index - Metal & Mining)

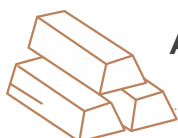
**2<sup>nd</sup>** zinc-lead miner globally

Net Profit  
**₹7,956** Crore

**₹20,834** Crore  
Revenue from Operations  
(Net of ED)

**79%** Market Share  
of primary zinc in India

**346.8** MW  
of Renewable Power



Among **Top 10** Global Silver Producers  
(The Silver Institute, Thomson Market Report, March 2019)



## GUIDING TAX PRINCIPLES

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We have long recognised our crucial role in helping create strong, sustainable economies by contributing to the society in which we operate. With this in mind, we maintain our leadership role by developing best practices in tax transparency.

Transparency is an enabler of sustainable development; we are therefore committed to supporting meaningful disclosure of our economic contribution and have been making comprehensive disclosures around our tax payments. We aim to continue improving our tax payment reporting by adopting best practices and incorporating regulatory developments.



To maintain high standards of integrity with respect to tax compliance and reporting.

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To observe all applicable laws, rules and regulations including in respect to transfer pricing. To meet all tax compliance requirements in a timely manner through a team of qualified tax professionals and external service providers.

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To maintain the Company's reputation as a fair contributor to the economy where tax forms a part of that contribution. To proactively disclose detailed information about the overall tax contribution to the Government.

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To ensure that all transactions and tax positions are properly documented. As part of the Company's tax compliance, we aim to apply diligent professional care and judgment including ensuring all decisions are taken at appropriate levels and supported by documentation that evidences the judgment involved.

To avoid transactions which will have tax results that are inconsistent with the underlying economic consequences, unless there exists specific legislation designed to give that result.

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Working positively, proactively and transparently with tax authorities to minimise the extent of disputes, achieve early agreement on any disputed issues and achieve certainty wherever possible.

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To identify tax risks in a consistent and formal manner and communicate these to the Audit Committee and the Board.

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To actively participate in tax policy consultation processes at a national or international level.

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To develop our people through training, experience and opportunity.

# TAXES & BUSINESS MODEL

Our projects are long-term investments and our contribution to the Government vary depending on where the project is in its life cycle.

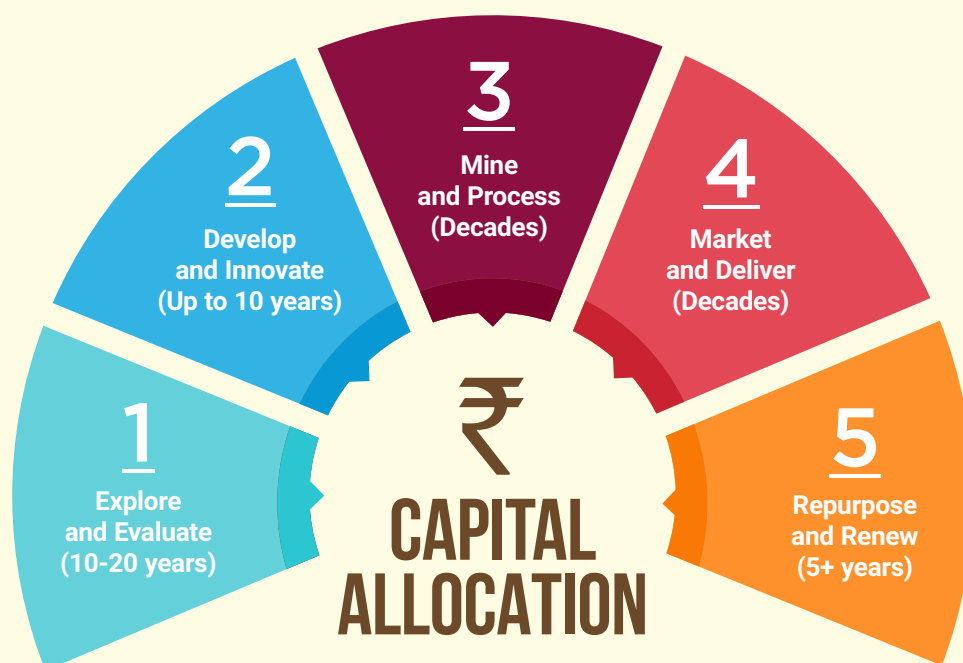
World-class operations are built with significant upfront investments. To be sustainable, we believe tax policy needs to take into account the cyclical nature of our industry and respect agreements under which investment capital was committed.

## 1 Explore and Evaluate - 10-20 years

The first phase of a project is exploration and evaluation. Payments made to governments during this stage usually include employment-related taxes for small project teams as well as payments for permits, fees and licences. Sales taxes and import duties are generated based on money spent with suppliers, in addition to payments to contractors and suppliers who in turn pay their own taxes. Generally, no corporate taxes or royalties are paid in this phase.

## 2 Develop and Innovate - Up to 10 years

The increased expenditure created by the design and construction of a facility as well as employment taxes associated with the greater number of staff employed to work on the project implies that there are usually more taxes paid during a project's second phase. Withholding taxes and unrecoverable GST on payments supporting the development of the project may be relevant. Significant amounts are spent with suppliers in developing the mine and infrastructure, generating sales taxes and import duties.



## 3 Mine and Process - Decades

Once the facility is operational, the Government begin to receive royalty payments, which can span many decades.

These revenues will start to flow to the Government even before the operation has made any profit. As corporate income taxes are related to profits, commodity prices affect the tax revenue. Profitable operations can result in significant economic contribution in the form of taxes and royalties, as well as other benefits to local economies in the form of employment, payments to suppliers and support to local communities.

## 4 Market and Deliver - Decades

Corporate income tax will be paid on profits from production. Royalties and employment taxes continue to be generated, as well as payments being made to contractors. Suppliers and contractors will also pay their own taxes.

## 5 Repurpose and Renew - 5+ years

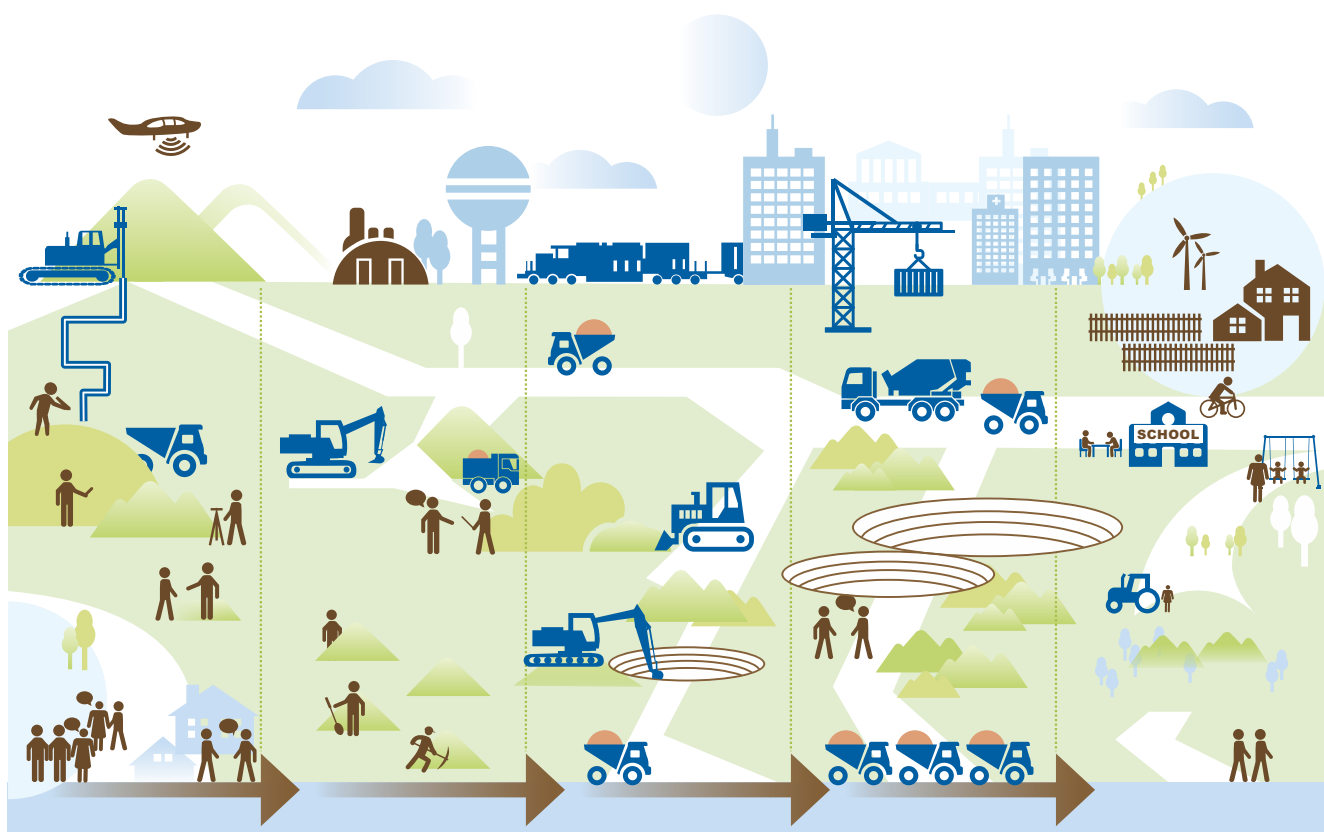
Payments to the Government in the final closure and post-closure phases will be significantly less than in the operating phase. Employment taxes will continue to be paid.

Mother nature has bestowed us with rich natural resources. Today, most of the basic and modern amenities we cherish contain natural resources as a core ingredient. At Hindustan Zinc Limited, we believe that the natural resources industry must have a lasting impact and purpose towards human betterment and preservation of the environment, rather than just extracting these reserves for profit.



**Hindustan Zinc has the potential to substantially contribute towards critical investments in education, employment generation and skill development, healthcare and nutrition whilst also mining the earth's reserves with a sense of care, responsibility and respect to maintain these resources for future generations**

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





# OUR TAX APPROACH

During FY 2018-19, Hindustan Zinc Limited, generated economic value of ₹20,834 Crore through product revenues. This was distributed to our various stakeholders including shareholders and bankers by way of dividend and interest payment, employees by way of payment of wages and benefits, society by way of community investment focusing on health, education, livelihood and environment, vendors by way of supply of goods and services, and Government by way of contribution of taxes, royalties and dividends.

## We have trifurcated our approach to value creation:

We add value to the country's exchequer by unlocking its natural resources and paying taxes and royalties for our operations

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

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

## OUR PHILOSOPHY

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

We follow the philosophy wherein we believe that we must act responsibly in relation to our tax affairs in order to provide our host communities with a clear understanding of the revenue gained by their governments from the extraction of natural resources.

**It is imperative that businesses, governments and civil society work in partnership to support transparency.**

Our business approach is based on the following principles:

Conducting business in the most transparent manner



Being a responsible stakeholder in the growth of the society and nation



Being fair and reasonable in all our dealings with the stakeholders



## APPROACH TO TAX TRANSPARENCY

As a part of our voluntary initiative to be at the forefront of transparency, we have prepared this report to ensure proactive transparency in tax reporting and greater accountability towards our stakeholders. The report also provides our stakeholders detailed information about the overall economic contribution of Hindustan Zinc Limited to the local, state and central governments.

The contributions comprise corporate income tax, royalty related tax payments including contributions to District Mineral Foundation and National Mineral Exploration Trust, material payments made to the Government such as duties on import/export, local municipal taxes, cesses, etc., indirect revenue contributions (taxes collected and paid on behalf of our employees and vendors i.e. withholding taxes and social security contributions) and dividends paid to the Government.

**WE BELIEVE IN GIVING FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURES IN FINANCIAL STATEMENTS, REPORTS AND DOCUMENTS THAT WE FILE OR SUBMIT TO RELEVANT AUTHORITIES**

## TAX ENGAGEMENT & GOVERNANCE

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

Hindustan Zinc Limited requires its employees, tax advisors and suppliers to act with integrity and maintain high ethical standards in all their dealings.

The tax strategy is owned and approved by the Board. It is subject to annual review by the Board whereby an annual compliance report is submitted to the Board and Audit Committee. The Chief Financial Officer holds the responsibility for tax at the Board level and communicates with and advises the Board on the tax affairs and risks of the Company, with support from the Company's corporate tax team.

Responsibility for tax governance rests with the tax function, in consultation with the Chief Financial Officer.

**Our Code of Business Conduct and Ethics, which applies to all employees, sets out our zero tolerance on corruption and bribery**

## COMPLIANCE WITH LAWS & REGULATION

Hindustan Zinc Limited maintains a compliance calendar and reports on compliance or non-compliance on a periodic basis. Systems, processes and controls enable the Company to fulfill its tax compliance obligations.

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



## TAX PLANNING & TAX RISK

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

The Company also has a process of identifying, assessing, reporting and managing risk. Risk management is embedded in our critical business activities, functions and processes. Tax planning and risk is evaluated within clear risk parameters.

Risk parameters include:



Alignment with commercial or business purposes

Cash flow impact

Intention of the legislature

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

Consequences of disagreement with tax authorities over the application or interpretation of the laws

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

Material tax risks or disputes are reported to the Audit Committee for its consideration.

**This review includes assessment of probabilities of different outcomes, cash flow and reputational impact. The Audit Committee then updates the Board.**



## RELATIONSHIP WITH TAX AUTHORITIES AND DISPUTE RESOLUTION

**We maintain an open, honest, transparent and constructive relationship in all our dealings with the tax authorities based on mutual trust and in line with Hindustan Zinc's Code of Business Conduct and Ethics**

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

If a dispute arises with the tax authority regarding a tax position taken by the Company, we seek to resolve this by filing factual documentation and making detailed legal submissions. If we continue to disagree, the decision to litigate will be assessed on the basis of technical merits and judicial precedents, cost and benefit analysis, reputational issues, cash flow implications and industry position.





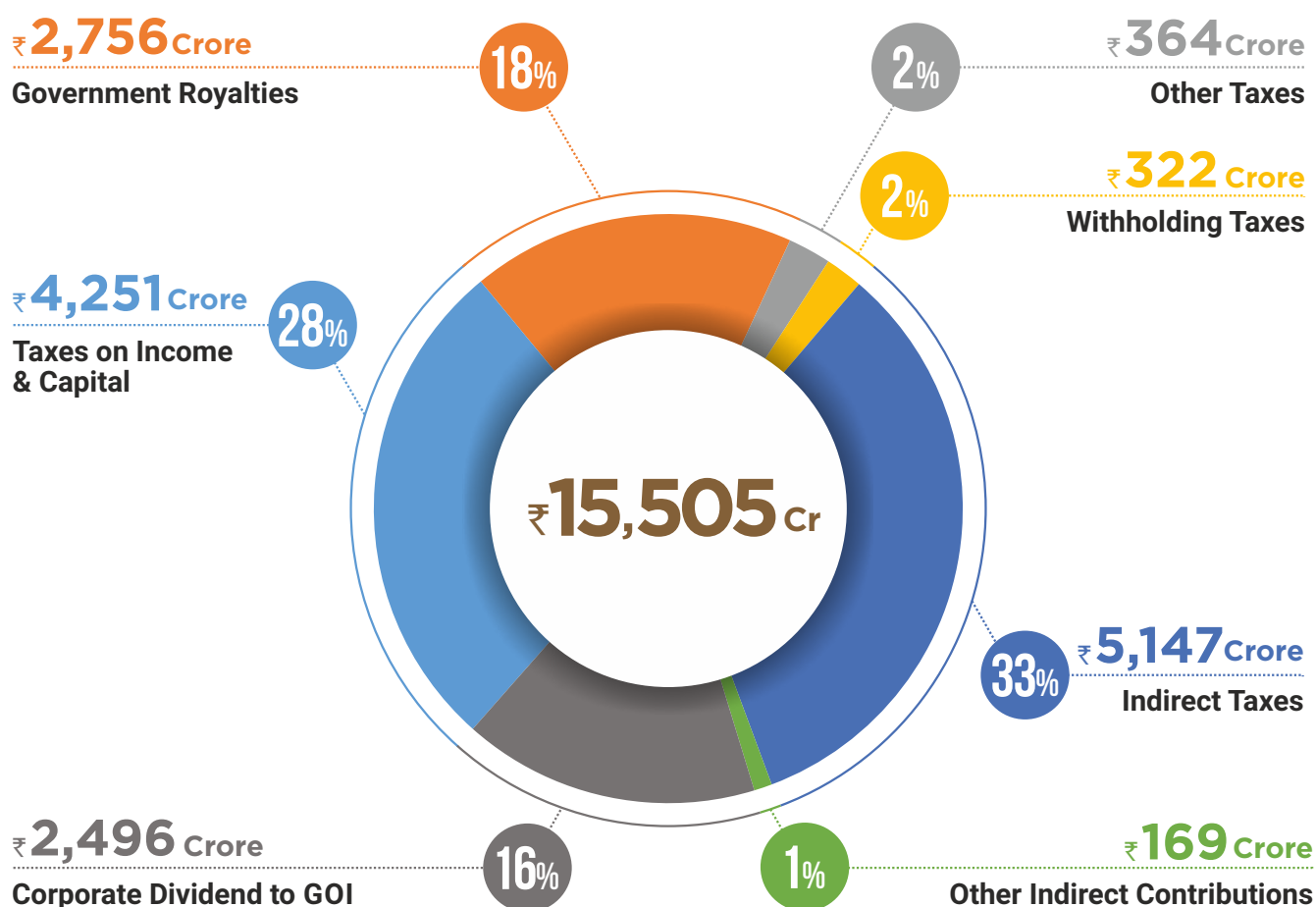
## ECONOMIC CONTRIBUTION AT A GLANCE

Below details the amounts of Revenue, Profit Before Tax (PBT) contributions made by the Company to public finances in FY 2018-19:

In Rs. Crore

Revenue from Operations (Net of Excise Duty)	Profit Before Tax (PBT)	Taxes paid & Contributions made				Indirect Revenue Contributions				Corporate Dividend to GOI	Contribution to Public Finances (Gross)
		Taxes on Income & Capital	Government Royalties	Others	Total Taxes Borne	Withholding Taxes	Indirect Taxes	Others	Total		
20,834	10,456	4,251	2,756	364	7,371	322	5,147	169	5,638	2,496	15,505

## HINDUSTAN ZINC LIMITED'S CONTRIBUTION TO PUBLIC FINANCES



## EFFECTIVE TAX RATE



This is based on the disclosures in Hindustan Zinc Limited's FY 2018-19 audited financial statements, which comply with the Indian Accounting Standards, the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The numerator is current tax expense of

**₹ 2,500 cr.**



The denominator is the profit before tax of

**₹ 10,456 cr.**



The ETR is lower than the corporate tax rate of

**34.94%**



Information regarding the Global ETR can be found in the Vedanta Group's financial statement in Vedanta's 2019 Annual Report.

<https://www.vedantalimited.com/Pages/AnnualReports.aspx>

Particulars	UOM	FY 2019	FY 2018
Profit Before Tax (PBT)	₹ Cr.	10,456	12,497
Tax Expense	₹ Cr.	2,500	3,221
ETR*	%	23.91	25.77

\* Effective tax rate is calculated as income tax expense divided by profit before tax.



# BASIS OF PREPARATION

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## Note 1

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Amounts reported in the table above are from financial statements for FY 2018-19 and the Company's contribution to the public finances are in line with the amounts reported in Vedanta Tax Transparency Report.

## Note 2

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All data is prepared for the year 2018-19, starting from 1 April 2018 to 31 March 2019. The above contributions have been reported on cash basis. Social expenditures have not been considered in the contribution to public finances shown in the table.

## Note 3

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





## Note 4

### Taxes Paid

#### Taxes on Income and Capital

This comprises Corporate Income Tax and Dividend Distribution Tax but does not include deferred tax. These taxes are provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Typically, these taxes would be reflected in corporate income tax returns made to government authorities and generally tend to become payable in the year the profits were made or up to one year later.

#### Government Royalties

This comprises contributions made to public finances in the form of royalties on extraction of ore and contributions to District Mineral Foundation and National Mineral Exploration Trust. These form part of operating costs.

#### Other Taxes Paid

This primarily comprises Duties on Import/Export of Goods (considered part of operating costs), Municipal Taxes, Service Tax, Entry Tax/Octroi and other taxes paid. These form part of operating costs.

### Indirect Revenue Contributions

#### Withholding Taxes

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

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

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

#### Indirect Taxes

This comprises the taxes paid to the governments on production or sale of goods like Integrated Goods and Services Tax (IGST), Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). These taxes would not be collected if the Company does not produce and make sales to the customers.

#### Others


This includes contribution of employers and employees for funding the Social Security programme of the government, like the Provident Fund and Employee State Insurance Fund. Such contributions are reflected in the monthly and annual returns made to the respective organisations.



### Dividends paid to Government

This includes dividends paid to the Government as GOI holds shareholding in the Company.

## Appendices -I Taxes Paid by Hindustan Zinc Limited

Corporate Income Tax		Municipal Taxes
Corporate Dividend Tax		Withholding Taxes
Government Royalties		Goods and Services Tax
Duties on Export and Import		Octroi/Entry Tax
Other Cesses and Surcharges		Provident Fund and Employee State Insurance
Stamp Duty		

## Appendices -II Glossary of Terms

<b>Corporate income tax</b>	All taxes that are based on the taxable profits of a company.
<b>Current tax</b>	The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS 12.
<b>Deferred tax</b>	The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS 12.
<b>Effective corporate income tax rate</b>	The corporate income tax charge in respect of an accounting period divided by the accounting profit before tax.
<b>Government</b>	Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.
<b>Vedanta Group/the Group</b>	Vedanta Limited and their subsidiaries, associates and joint arrangements.
<b>Indirect tax</b>	Tax that is required to be paid to a government by one person at the expense of another person.
<b>Project</b>	Operationally and geographically integrated contracts, licences, leases or concessions.
<b>Profit before tax</b>	Accounting profit for a period before deducting a charge for corporate income taxes.
<b>Tax</b>	Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, government royalties, licence fees, permitting fees, property taxes, dividends (where the payment is related to extractive activities), employment taxes, sales taxes, stamp duties and any other required payments.
<b>Tax charge</b>	The amount of corporate income tax included in the income statement of a company for an accounting period.
<b>Tax collected</b>	Tax that a person is obliged to pay to a government on behalf of another person.
<b>The report</b>	Tax Transparency Report - FY 2019

## Notes



## Notes



Developing Communities through Women Empowerment



Zinc Football Academy



**We are committed.**

**The infinity sign implies our commitment that is forever...**

to comply with all applicable tax laws, rules and regulations determined by the legislation  
of relevant national, regional or local governments...

to maintain long-term, open, transparent and cooperative relationships with tax authorities.



**HINDUSTAN ZINC**  
Zinc & Silver of India



**Hindustan Zinc Limited**

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