Taxation and our total economic contribution to public finances 2016-17

vodafone

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This Report sets out our total contribution to public finances in all our countries of operation for the financial year 1 April 2016 to 31 March 2017.

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CFO introduction

In 2013, Vodafone published its first *Taxation and our Total Economic Contribution Report* – and this edition marks the sixth iteration. The Report has been updated and expanded since its launch and is widely considered to be the most comprehensive publication of its kind in the global telecommunications and technology sectors.

Tax matters. If governments cannot reliably secure the funds they require to develop and maintain civil infrastructure and public services, communities and societies begin to suffer, reducing productivity and harming economic growth. Unstable socio-economic conditions present a risk for every business, particularly so where companies are committed to very large capital-intensive projects with long payback periods, as is typical in the telecoms sector. It is therefore in the interests of every responsible business to support the operation of fair, effective and predictable tax regimes that are trusted by the public and that meet governments' public financing needs.

Unfortunately, national tax regimes and international taxation norms are also highly complex, reflecting numerous legal precedents and choices made by governments over the years. Unsurprisingly, they are therefore only truly understood by a small number of experts, and for much of the wider public (as well as many policymakers) they are largely incomprehensible. This lack of understanding can be problematic: the technical merits of a tax regime count for little if the public loses confidence that the outcomes produced are equitable.

We believe that increasing transparency and understanding is vital to address the erosion of public trust. Our decision to publish all the financial data in this Report, on a country by country and an actual cash-paid basis, removes any potential for perceived ambiguity as a consequence of accounting treatments.

Regular readers of this Report may recognise much of the content and structure. Our principles and beliefs have remained consistent for many years and are restated again here for completeness. Central to these is the commitment to act with integrity in all matters related to tax, including a policy of full transparency with all tax authorities and the payment of all taxes properly due under the law wherever we operate. As a multinational company, with operations in 26 countries, we remain committed to the highest standards of corporate governance and our management teams believe strongly in the importance of acting responsibly and ethically.

> Vodafone will act with integrity in all matters related to tax, including a policy of full transparency with all tax authorities

This Report sets out our total contribution to public finances in all our countries of operation for the financial year 1 April 2016 to 31 March 2017. As in previous years, it will not be possible to reconcile many of the financial metrics disclosed in this Report with those published in our Annual Report in June 2017 as the latter were prepared on a statutory basis in line with international accounting principles rather than on an actual cash-paid basis.

This year's Report also contains additional material in response to specific feedback from the many stakeholders – including NGOs, corporate tax activists, industry bodies, professional finance and accounting communities, policymakers and tax authorities – who provided us with their views on the content. We are grateful to all for their contributions. Included in this Report are an update on our approach to transfer pricing, our views on the challenges for tax authorities within the global digital economy, background on our Luxembourg subsidiaries and further information on our operations in emerging economies. In the country by country section of the Report, we now split out the payment of corporate taxes as a subset of total direct taxes paid in order to provide greater insight into an area of continued public scrutiny.

We also include our views on the tax transparency measures designed by the Organisation for Economic Co-operation and Development (OECD) and subsequently implemented at national level by governments and tax authorities. The OECD has led global taxation policy development for decades.

Under its Base Erosion and Profit-Shifting (BEPS) programme, the OECD now requires companies to share information with the relevant tax authorities in order to help ensure that multinationals are taxed "where their economic activities take place and value is created". We strongly support the principles behind the OECD BEPS programme and will make our first Country by Country Report (CbC Report) submission to Her Majesty's Revenue and Customs (HMRC) – the tax authority in the UK where Vodafone Group is domiciled – by March 2018.

The CbC Report shared with tax authorities under the BEPS programme is confidential. The OECD does not require this information to be published either and recommends that tax authorities limit their use of it to high-level risk assessments only. However, in our view, it would be in the public interest for the relevant country by country information provided to the authorities to be publicly disclosed, as doing so may help to continue to restore public faith in tax systems and administrations worldwide. We therefore intend to publish our CbC Report (with supporting explanations to aid non-expert understanding) in the next iteration of this Report in early 2019.

Nick Read
Chief Financial Officer
Vodafone Group Plc

Data highlights 2016-17

Our business[1]

516 million
mobile customers

75 million
4G customers

17.9 million
fixed broadband customers

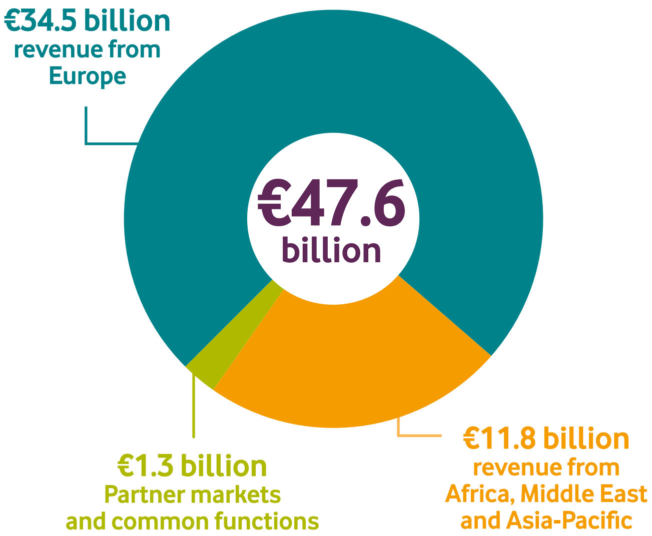
54 million
IoT connections

31 million
mobile money customers

108,271
employees

Our revenue[1]

Vodafone's turnover was **€47.6 billion**, on which we made a profit before tax of €2.8 billion.



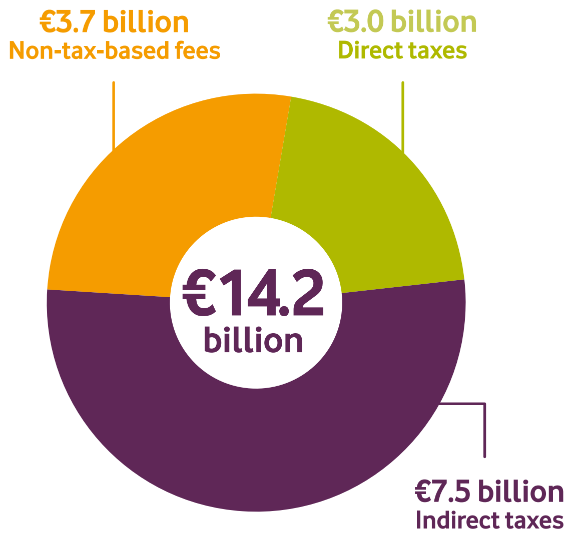
€14.1 billion
EBITDA

€2.8 billion
profit before tax

€7.7 billion
on capital expenditure

Our total economic contribution

In cash terms, we contributed more than **€14.2 billion** of our revenue to the public finances in our countries of operation.

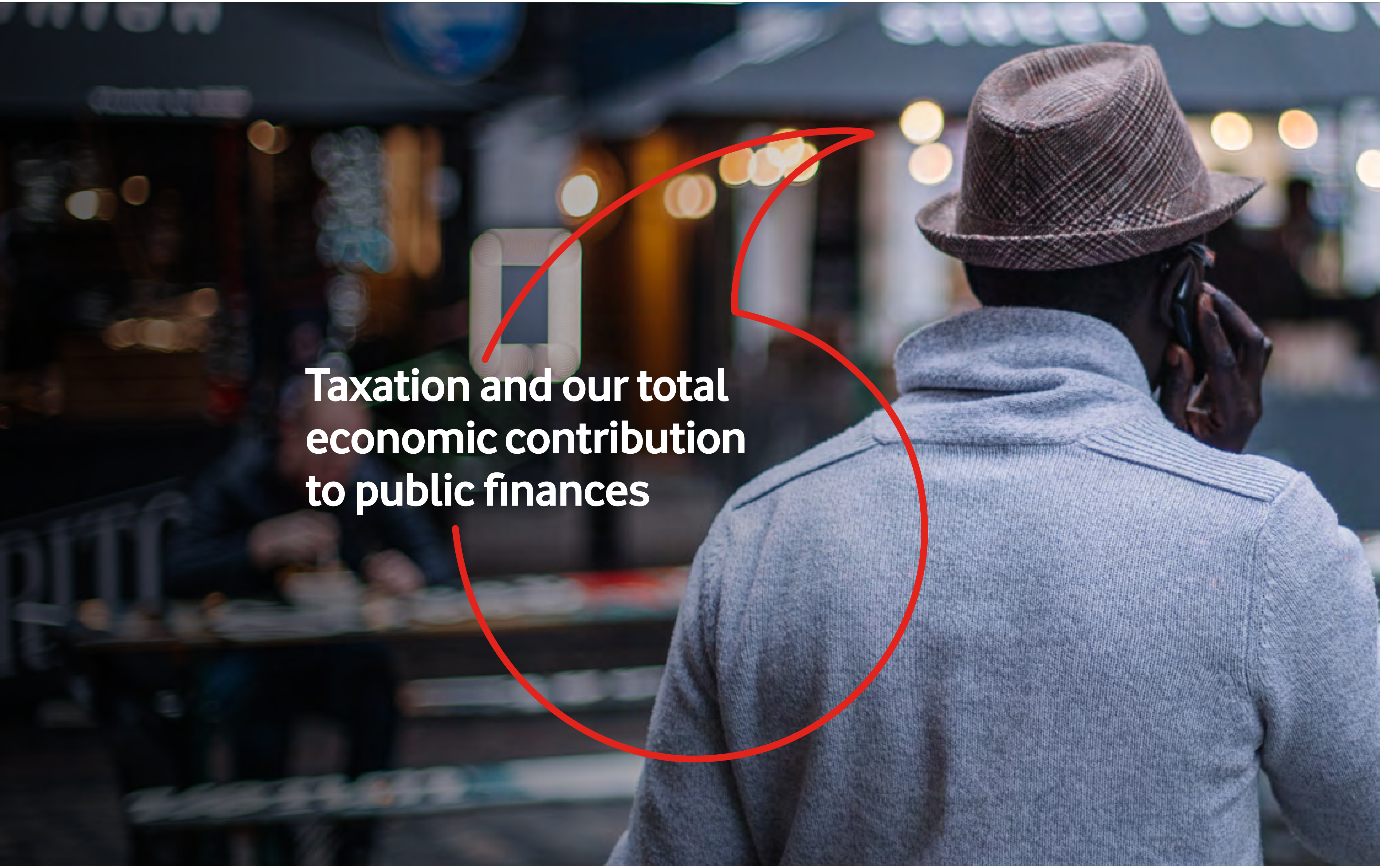


25.4%
Group effective tax rate

€1.1 billion
total corporate taxes paid

For more information, see our Annual Report 2017 and our Sustainable Business Report.

[1] Figures taken from Vodafone Group Annual Report 2017



Taxation and our total economic contribution to public finances

Overview

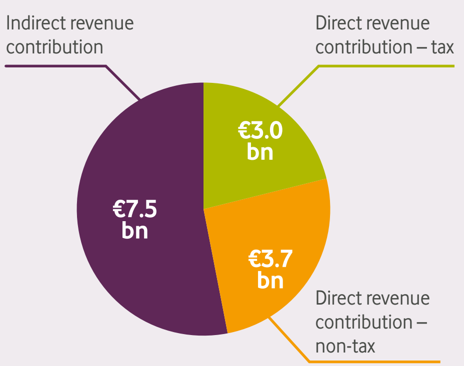
In 2016-17, Vodafone's turnover was €47.6 billion, on which we made a profit before tax of €2.8 billion. In cash terms, we contributed more than €14.2 billion to the public finances in our countries of operation, as compared with the €15.6 billion of cash passed to governments in 2015-16. The year-on-year decrease is a result of a lower number of spectrum licence auctions and renewals in the year.

In 2016-17, we paid governments around the world nearly €3.0 billion in cash in direct taxes, raised €7.5 billion in cash on those governments' behalf through the collection of indirect taxes and paid governments more than €3.7 billion in cash via non-taxation based revenue mechanisms such as payments for the right to use spectrum. We also invested more than €9.5 billion[2] in our network and services globally.

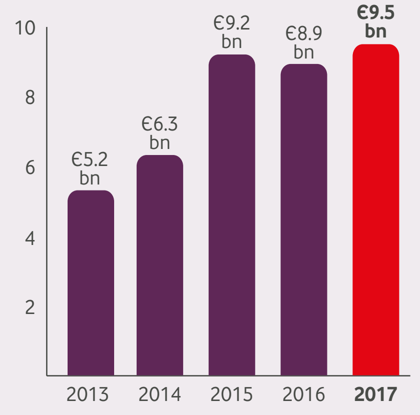
Across the Group as a whole, our underlying effective tax rate (ETR) at the end of 2016-17 was 25.4%. When comparing our total profit before tax with our total corporate taxes paid in actual cash terms, our 'actual cash-paid' ETR was in line with our Group ETR, at 24.5%. We therefore pay €1 in corporate tax for every €4 we make in profit globally.

At a country level, our total contribution is broadly in line with last year in the majority of our markets with some exceptions reflecting the absence of spectrum auctions during the year. It also reflects the local circumstances such as increased capital expenditure (and, therefore, capital allowances), or the effect of refunds of taxes overpaid in previous periods.

Total contributions to governments



Total capital expenditure

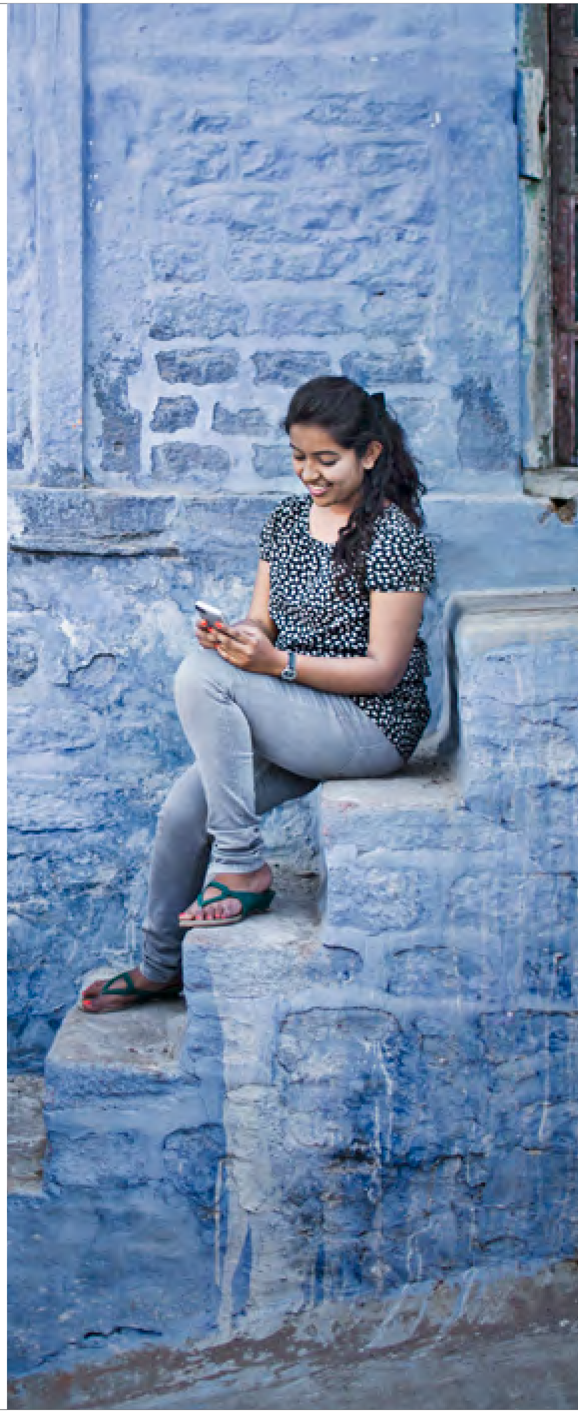


€14.2 billion total contribution in cash to governments across **26** countries

€3.0 billion paid in direct taxes, in cash, to governments in our countries of operation

€9.5 billion invested in our networks and services worldwide

€3.7 billion paid in direct non-taxation based revenue contributions



[2] See reconciliation on page 77

Corporate responsibilities and obligations

We fully recognise and value the benefits for society that arise from well-functioning taxation systems that command public confidence. We are committed to acting with integrity, honesty and transparency in the creation and execution of our Tax Strategy, policies and practices.

In doing so, we are mindful that we have obligations to a very wide range of stakeholders, some of which may be in tension with each other. The most acute tension arises from our duties as a public company listed on the London and NASDAQ stock exchanges. Companies are required to act in the interests of their shareholders. While this is by no means the only obligation, it is a central principle of private enterprise that the board of a company has a duty of care towards the individuals and institutions who have entrusted the company with their capital. For large public companies such as Vodafone, the majority of those shareholders are pension and long-term investment funds seeking to maximise investment returns for the benefit of millions of ordinary pensioners and savers. We also have more than 365,000 retail shareholders – private individuals who hold Vodafone shares – many of whom rely on our dividends for income.

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. It would therefore seem at first glance that the interests of the individual pensioner, saver and shareholder are in conflict with the interests of the individual citizen. While the latter may benefit from higher tax receipts (on the assumption that these are used to fund public services), the former could experience lower returns as a result of a higher corporate tax bill.

> It is possible to achieve an effective balance between a company's responsibilities to society and its obligations to shareholders

In our view, it is entirely possible to achieve an effective balance between a company's responsibilities to society as a whole and its obligations to its shareholders. Indeed, as we explain in the CFO introduction, we believe that it is strongly in all shareholders' interests that companies fully acknowledge their responsibilities, including the payment of all taxes due under fair and effective tax regimes that underpin social stability.

However, in recent years it has become increasingly difficult to persuade the wider public that many companies can – and do – manage to balance their obligations in this way. There is growing public scrutiny of multinational companies' tax affairs as a result of media reporting of aggressive and artificial tax avoidance schemes (by both companies and high net worth individuals) of a kind explicitly prohibited within Vodafone's Tax Principles.

These artificial arrangements have in turn become conflated in the public's minds with other entirely legitimate (but often equally complex) aspects of national and international taxation systems. The result is that tax treatments (such as reliefs, exemptions and allowances) that are deliberate features of tax regimes are wrongly reported as 'loopholes', while the companies that utilise them – properly and fairly, and in line with the intentions of the governments that created the rules and the authorities that enforce them – find themselves unjustly singled out for tax avoidance.

Common sources of confusion

This kind of public misunderstanding is unhelpful. We list below the five areas that are a common source of confusion.

1 'Corporation tax' is not the same as 'all taxes paid by a company'

Corporation tax is just one of numerous direct taxes paid to governments by companies. In 2017, Corporation Tax only accounted for around 9%[3] of the total taxes paid to the UK Exchequer and just over 25%[4] of total taxes paid by the UK's largest 100 companies. As we set out in Appendix 3, corporation tax is one of more than 85 different corporate taxes (many of which are specific to the telecoms sector) paid by Vodafone's operating businesses every year. While important, it is incorrect to conclude that a company's corporation tax payments represent the total of its direct tax contributions to a government.

2 Most corporate taxes are paid on profits, not on revenues

This approach is common to almost all countries. If a company makes little or no profit, it will generally pay less corporation tax as a consequence. Without such an approach, companies experiencing periods of low profitability would be faced with disproportionate tax demands and significant disincentives for investment (and in the worst cases would effectively cease to be a going concern).

In some markets, the payment of other taxes that are levied on revenue (together with the payment of non-taxation based contributions such as spectrum fees) can decrease the amount of profit a company makes and will, in turn, reduce their corporation tax liabilities. The telecommunications sector is very capital-intensive and also has very high operating costs. For context, Vodafone made a total profit before tax (PBT) of €2.8 billion in 2016-17, based on a total revenue of €47.6 billion. It is therefore the PBT of €2.8 billion which determines many of the taxes we pay, not our revenue.

3 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/682279/Jan18_Receipts_Table_Final.pdf
4 http://www.pwc.co.uk/total-tax-contribution-100-group/index.jhtml

3 Taxation is local

Taxes generally fall due where profits are generated (indeed, this is the outcome that the OECD BEPS programme is designed to strengthen) which should be aligned with where the economic activity takes place. The extent of those tax liabilities is therefore determined by the rules of the country in which the business activity in question is undertaken. It is therefore incorrect to assume that *all* of the global profit of a multinational company (€2.8 billion in Vodafone's case) is taxable in its country of domicile (the UK for Vodafone). Every country in which that multinational company operates will assess the appropriate tax liability due based on the profit generated from the company's business activities in that country and will raise a local tax demand accordingly.

Under some circumstances, this may mean that a multinational company faces being taxed twice on the same income (so-called 'double taxation', explained later in this Report).

We pay all taxes that are due under the law in each and every country in which we have a taxable presence. In 2016-17, those direct taxes paid amounted to a total of €3.0 billion globally, in cash terms, which was broadly in line with the amount paid in 2015-16.

4 Taxation is not the only route used by governments to raise revenue from businesses

Governments also use other mechanisms to derive income from a company's activities, including a wide range of licensing regimes, revenue or production-sharing agreements and, for communications companies, radio spectrum fees and auction proceeds.

These additional sources of government revenue are often substantial – sometimes exceeding the monies raised through taxation – and represent a critically important contribution to public finances. It is therefore essential to take these government revenue-raising mechanisms into account when assessing the extent to which a company is playing its part in funding wider civil society.

In 2016-17, Vodafone contributed €3.7 billion, in cash, to governments in non-taxation based payments. This was €1.6 billion lower than the figure for 2015-16 as there were fewer spectrum auctions in the year.

5 Governments use tax incentives to stimulate employment and investment

The private sector is the source of a large majority of all employment worldwide and – in many countries – a large majority of capital investment in infrastructure. Governments seeking to encourage job creation and attract capital investment often develop taxation strategies that are designed to stimulate investment by companies. Those strategies include tax allowances for capital expenditure, exemptions from certain taxes, and tax relief on the interest on debt raised to fund investment.

Many of these measures are debated in, and approved by, national parliaments as part of a government's overall fiscal stimulus programme. These are policy choices, not accidental loopholes. While they have the effect of reducing the tax liabilities due from companies that utilise them, the companies involved have chosen to direct their investments in support of a government's policy objectives. The outcome intended is a net public benefit, with the private sector providing investment where the state chooses not to do so and with a lower tax take as a deliberate and understood offset.

We invested €9.5 billion[5] in the networks and services relied on by our customers in 2016-17. This substantial amount (not least when set against a total profit of €2.8 billion) was reflected in the levels of our tax liabilities in each country in which we operate. We set out more detail on our views on this topic in 'multinationals, governments and tax' overleaf.

We pay all taxes that are due under the law in each country in which we have a taxable presence. In 2016-17, those direct taxes totalled €3.0 billion globally

Revenues and corporation tax: an illustrative example

This is an illustrative example of a company with an annual revenue of €1 million that has borrowed money to invest in new equipment or premises and has relatively high operating costs. It demonstrates how a company's corporation tax liability may only be a small proportion of its revenue.

Total revenue	**€1,000,000**
Operating costs (e.g. costs relating to providing services, maintaining equipment, plant and premises and purchasing raw materials)	(€650,000)
Administration costs (e.g. staff, property costs)	(€75,000)
Annual deduction for capital expenditure	(€150,000)
Interest (i.e. relief on debt interest costs arising from borrowings to fund expansion)	(€100,000)
Profit before tax	€25,000
Corporation tax at 20% of profits	**€5,000**

5 See reconciliation on page 77

Multinationals, governments and tax

Many governments purposefully shape their taxation policies in order to compete with other countries to attract international businesses and capital and stimulate economic activity, job creation and skills development.

Governments also use tax rules to incentivise (or disincentivise, in the case of health and the environment) a wide range of activities and behaviours across society as a whole. It is this competition between countries that can lead to complexity in the tax systems that apply to companies operating in, and across, multiple jurisdictions.

Double taxation

Governments enter into pan-regional and bilateral 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 Vodafone operate in an international taxation environment that in some respects is determined by governments working multilaterally although – more often – it is shaped by countries operating unilaterally.

This leads to challenges such as double taxation. Inter-governmental agreements have been created with the aim of ensuring multinational companies do not pay tax twice in two different countries in relation to the same economic activity. There is immense complexity within these arrangements that can lead to disagreements between governments on both policy and practical implementation matters, as well as between companies and governments. In international taxation disputes of this kind, there is often not a 'right' answer. There are, instead, different perspectives on the correct interpretation, with some disputes (and the associated litigation) running for a number of years.

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. 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.

The arrangements of concern to governments are explicitly prohibited under our Tax Principles. The majority of our businesses are licensed on a national basis and run by companies incorporated and taxed in the same jurisdiction as our customers. We will only adopt business structures that reflect genuine and substantive commercial and operational activities. This means that our corporate 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.

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

Determining the location for centralised operations

As an international business, Vodafone – in common with all multinational companies – can choose from a range of locations when setting up certain centralised global operations, such as procurement or customer or IT support.

We consider a wide range of factors beyond the local tax environment when determining the location for a business operation, including:

- the stability and predictability of the political, regulatory and social environment (including respect for the rule of law and compliance with international human rights conventions);
- the availability of relevant skills within the local labour force, together with labour costs and the overall cost of operations;
- the effectiveness of transport links;
- the quality and reliability of communication networks; and
- the range and cost of commercial real estate.

We focus on selecting locations that are most logical from an operational and strategic perspective. While we do take the local tax environment into account, we do not choose locations on the basis of tax arrangements that would lead to those activities being based in countries that may offer an attractive tax regime but would be impractical in other respects. Doing so would amount to artificiality and would be at odds with our Tax Principles.

Transfer pricing

Multinational companies often develop specialist global teams within dedicated legal entities in a small number of locations to service the needs of multiple business units across different countries. There are strong financial, operational and strategic reasons to take this approach. Centralising global expertise (particularly in locations with large talent pools in the relevant professional disciplines) brings significant economies of scale and can accelerate research and development (R&D) timescales. Replicating all such specialist activities at local level across every individual market would be highly inefficient at best, and in smaller markets would be challenging from a talent perspective.

Global centres of excellence enable a multinational company's worldwide subsidiaries to access world-class expertise quickly and efficiently, reducing overall costs for the company as a whole and greatly benefiting subsidiaries in smaller and less developed countries with few or no local alternatives. However, these global centres are not 'free' from an individual subsidiary's perspective. They cost money to run: there are premises, salaries, R&D and third-party costs to be paid for. OECD Transfer Pricing Guidelines recommend that these centres of excellence should be remunerated for the services they perform as if they were independent businesses. Multinational companies therefore establish internal charging mechanisms to ensure that the individual business units and local country subsidiaries that use these centralised 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 in order 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 prices for the provision of intra-company services in order to ensure that we follow best international practice. For example, the intellectual property (IP) associated with the Vodafone brand is held in the UK, and the team of brand and marketing professionals responsible for the strategic international development and deployment of the Vodafone brand is based in London. The IP transfer pricing arrangements in place ensure our subsidiaries pay an arm's-length, externally benchmarked and verified royalty fee to our UK-based Group entity for the use of the Vodafone brand.

In addition to the Brand team, Vodafone operates other global centres of excellence – with major hubs in nine countries, listed below – each of which fulfils a number of specialist roles supporting our operating companies.

We have established international IT and back office support hubs in countries including Egypt, Germany, Hungary, India, Ireland, Romania and the UK, and we provide insurance services from our regulated businesses in Malta. All of our Luxembourg subsidiaries also operate under the same rules and further details on these activities are set out later in this Report.

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.

Developing European tax regimes for the digital age

In September 2017, the European Commission announced that it was considering new tax rules targeting companies in the digital economy that have little or no physical presence for tax purposes in a country but generate profits, usually, through large numbers of online customers in that country.

The Commission published a report illustrating the difference between the taxes typically paid by an internet services business with a limited physical presence and the taxes paid by other companies, for example, those that have bricks-and-mortar retail operations in the jurisdiction in question. That report was followed by Commission proposals that would have the effect of assessing internet-based companies' tax liabilities based on their turnover in each jurisdiction rather than their profits.

The proposals won support from some EU member states. However, if enacted, they would represent a departure from the longstanding international taxation principle that taxes are due on profits rather than revenue (which, for reasons we explain earlier is an important distinction in terms of long-term corporate resilience). The Commission has also highlighted that in the longer term it may prefer to propose a revision of the rules on permanent establishments that define whether or not an entity has a presence within a jurisdiction for tax purposes.

The UK government issued a consultation in November 2017 which also sought to address the challenge of adapting tax rules to meet the needs of the global digital economy. In addition, the OECD is considering the implications of potential changes to tax rules to reflect digital economic activity amid concern that unilateral amendments to tax regimes by individual governments could increase the risk of double taxation for multinational companies and therefore act as a barrier to future investment, with a report due in spring 2018.

Another concept – also previously proposed by the European Commission – is the adoption of a Common Corporate Tax Base (CCTB) for multinational companies that would enable the harmonisation of tax rules across the European Union. The CCTB would then be followed by the creation of a Common Consolidated Corporate Tax Base (CCCTB) under which a multinational company domiciled within an EU member state would aggregate all of its profits generated within each EU member state and then divide the aggregated profit pool across each member state according to a predefined formula, based on local employment, assets and turnover. The member state would then tax its share of the aggregated profit pool in line with its own national corporate tax rate. The detail of these proposals continues to be discussed.

The adoption of CCTB and then CCCTB would essentially bring member states into a common EU-wide corporate taxation system. This would mean that individual governments would have very little scope to set policy objectives (such as increased employment or capital investment or the introduction of local incentives designed to reduce environmental harm) through local tax rules. Factors such as higher employment costs and valuation of assets may effectively weight the allocation of profits towards countries with that profile, rather than smaller and more dynamic economies. The proposal would require unanimous support from all member states prior to its introduction, in stages, from 2019. A number of member states have indicated that they do not support this proposal and are likely to block it, in which case the European Union could implement an 'enhanced cooperation' decision-making procedure requiring the agreement of fewer member states.

Vodafone's Tax Strategy, Code of Conduct and Tax Principles

Tax laws are often unclear and subject to a broad range of interpretations. When combined with the unavoidably complex financial affairs of large multinational companies, this can lead to uncertainty and, on occasion, unpredictable outcomes.

Vodafone operates within a clearly defined governance framework on tax that is designed to provide certainty for all stakeholders with an interest in our tax affairs. We have a long-established Tax Strategy that is supported by our Tax Risk Management Policy (first published in 2009) and our Tax Code of Conduct (first published in 2007). These are all underpinned by our Tax Principles that have governed our approach to tax for many years.

This governance framework on tax is overseen by the Group Executive Committee (Exco) and the Audit and Risk Committee of the Vodafone Group Plc Board, with key issues reviewed at least twice a year.

In 2016, the UK government introduced a requirement for large companies to publish their Tax Strategy by the end of their 2017-18 financial year. We have long met such a requirement and have also made additional voluntary disclosures – including this Report – for a number of years.

Vodafone's Tax Principles

We employ professionals who are responsible for our tax affairs in every country in which we operate. Our tax teams must follow a clearly defined set of principles and behaviours which are also aligned with the Vodafone Group Code of Conduct. These Principles state that:

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; and
- seek to protect shareholder value in line with our broader fiduciary duties.

We will not:

- seek to establish arrangements that are artificial in nature, are not linked to genuine business requirements and would not stand up to scrutiny by the relevant tax authorities;
- artificially transfer profits from one jurisdiction to another to minimise tax payments; or
- pay more tax than is properly due under a reasonable interpretation of the law and upon receipt of a lawful demand.

Key components of our Tax Strategy

The areas below form the foundation of our Tax Strategy:

Tax value	To manage efficiently the tax cost to the Group of doing business, including the Group's cash taxes and effective tax rate, within the ambit of all applicable laws
Risk and reputation	To control and manage tax risks and the Group's reputation through appropriate policies, communication and robust defence
Business partnering	To be recognised as a vital business partner by our stakeholders and to facilitate the growth and development of the Group's business activities in a tax-efficient manner
Influencing	To influence governments and tax authorities constructively and positively in the interests of all our stakeholders
People	To develop and enhance our people professionally and personally as part of a world-class international tax team
Compliance	To ensure the integrity of all reported tax numbers and timely compliance with all relevant statutory tax obligations
Customer experience	To act, where possible, in meeting the above objectives in a way that will enhance our customers' experience

Vodafone, Luxembourg and 'tax havens'

As we explain in Multinationals, governments and tax, many governments choose to develop tax regimes that offer multinational companies some form of competitive advantage in order to attract inward investment. As a consequence, variations have emerged between the tax regimes of different countries over the years. Some countries have found themselves dubbed 'tax havens', particularly where specific aspects of their national tax system offer significant advantages to businesses that choose to locate there.

Tax havens

There are a number of different definitions of the term 'tax haven'. At its simplest, the term is relative: if the tax regime in Country A has a significantly lower headline or effective tax rate (ETR) than Country B, then, through the eyes of the people of Country B, Country A could be considered to be a 'tax haven'.

Currently, most governments – including all European Union (EU) member states and international organisations such as the OECD – respect a government's sovereign right to determine tax matters. They also recognise that there is a clear distinction to be made between fair tax competition focused on the rates and scope of taxation as opposed to tax practices which discriminate in favour of specific companies or which cause harm to the wider economy.

A more nuanced definition of the term 'tax haven' focuses on national tax policies which have the effect of incentivising activities that are ring-fenced from the local economy, may be specific to individual companies rather than available to all market participants, and may be largely artificial in nature and designed purely to minimise tax.

The European Commission has recently published a 'blacklist' of non-cooperative jurisdictions (those areas widely understood as the most extreme form of 'tax haven'), as well as a 'greylist' of jurisdictions that have committed to address deficiencies (in terms of poor transparency or deviation from international best-practice standards) that would otherwise place them on the blacklist.

We do not operate in any of the countries on the Commission's blacklist. We do operate small enterprise sales functions in five of the countries on the greylist (Bahrain, Malaysia, South Korea, Switzerland and Taiwan), none of which have any significant impact on the Group's tax affairs. There are also Vodafone legal entities in six other countries on the Commission's greylist (Cayman Islands, Guernsey, Jersey, Mauritius, Morocco and the Seychelles), predominantly as the legacy of prior acquisitions – and which play no role in reducing the taxes payable by the Group. We also have Vodafone operating companies in three countries on the greylist (Albania, Turkey and Qatar).

We provide a full list of all legal entities we own and operate in each country, together with a narrative description and a summary of all key financial metrics in the Country contributions section of this Report. In none of these countries (or in any other location) do we enter into the kind of artificial arrangements that are of concern to the European Commission and many others.

> We do not enter into the kind of artificial arrangements that are of concern to the European Commission and others

Luxembourg

One country that has been the focus of public and political scrutiny in recent years is Luxembourg. Vodafone has a significant presence in the country, and our subsidiaries there play a central role in managing some of the most important aspects of Vodafone's global operations, including centralised procurement, financing and roaming.

Our subsidiaries in Luxembourg are not 'brass plate' companies. They are substantive entities that carry out extensive activities that are critical to our businesses worldwide. We employ more than 300 people in Luxembourg. Their responsibilities include:

- management of the financing of many of our international operating companies and joint ventures, providing internal loans on a commercial 'arm's-length' basis to reflect the costs of borrowing from an external bank, in line with international best practice;
- negotiation and implementation of international roaming agreements with over 700 partners that enable Vodafone customers to communicate when travelling across more than 200 countries;
- leadership, management and day to day operations of our global purchasing function – the Vodafone Procurement Company (VPC) – negotiating and administering more than €14 billion of global supplier contracts; and
- our start-up incubator hub, Tomorrow Street, created in partnership with the Luxembourg government, to lead on innovation.

In common with many other EU member states, Luxembourg's tax legislation is scrutinised and approved by the country's parliament. The tax principles its laws are based on are largely in line with those of many other member states, including a standard corporation tax rate that (at 26.0%) is higher than the corporate tax rate in a number of other EU member states.

Tax losses and Luxembourg

As is the case in many member states, Luxembourg tax law also includes features that are particular to that country and were designed to shape the local tax regime to incentivise inward investment. One of those features is particularly significant from Vodafone's perspective. Under long-established Luxembourg tax rules, a reduction in the book value of a company's investments (an impairment or writedown of goodwill) that has been verified by independent auditors and the local tax authorities is recognised as a tax loss that can be offset against future profits.

This would occur, for example, if a multinational group with a subsidiary in Luxembourg acquired another business but then saw the value of that acquisition reduced as a result of deteriorating market conditions or performance. The difference arising between the acquisition cost and the newly reduced value of the acquired business – and therefore the loss experienced by shareholders – is treated as a loss for tax purposes and can be offset against profits. While it may be a 'paper loss' up until the point where the company seeks to realise the asset, for the company's shareholders it is unquestionably a loss nevertheless.

Similar rules were in place in Germany when Vodafone acquired the Mannesmann conglomerate in 2000. That acquisition was followed by the dotcom crash, wiping tens of billions of euros off the value of the former Mannesmann business, resulting in significant losses for the Luxembourg subsidiary involved, and ultimately for all of Vodafone's shareholders. Under the standard Luxembourg tax code, we are able to offset those historical losses against profits realised within our Luxembourg subsidiaries.

There are two additional points of note:

- the Luxembourg government recently introduced changes to the tax regime that have placed a time limit on how long losses incurred after 1 January 2017 can be utilised, although this does not affect Vodafone's losses dating back to the Mannesmann acquisition; and
- under UK CFC rules, a proportion of profits from our Luxembourg subsidiary's global financing activities are also taxable in the UK.

LuxLeaks, Panama Papers and the Paradise Papers

In 2014, there was considerable public debate as a result of the publication by media outlets worldwide of the so-called 'LuxLeaks' confidential documents that allegedly set out details of the tax affairs of thousands of individuals and companies. Vodafone's tax affairs in Luxembourg conform to the rules set out in the standard Luxembourg tax code and we were therefore not a focus of the LuxLeaks disclosures. Similarly, the subsequent 'Panama Papers' leaks did not involve Vodafone, nor did the more recent 'Paradise Papers' disclosures. While we have a number of legal entities in the countries that were the focus of the Panama and Paradise Papers, these are predominantly a legacy of prior acquisitions and play no role in reducing the taxes payable by the Group or its subsidiaries.

European Commission illegal state aid investigations

In recent years, there have been a number of cases of alleged illegal state aid under which governments in a number of jurisdictions – including Ireland, Luxembourg and the Netherlands – have been accused by the European Commission of entering into special tax agreements with individual multinational companies. The Commission has alleged that the arrangements in place had the effect of reducing those companies' overall tax charges to below the levels possible under the standard tax regimes in those jurisdictions.

From 2014, the European Commission began a series of formal investigations into whether or not the tax rulings received by certain companies in Luxembourg, the Netherlands, Belgium and Ireland potentially infringed state aid rules by enabling, in effect, the shifting of profits from one jurisdiction to another. Those investigations were followed by a series of findings alleging state aid infringements in a number of instances, the most prominent of which focused on Apple and Ireland.

In October 2017, the Commission referred Ireland to the European Court of Justice after the Irish government did not recover from Apple what the Commission claims to be €13 billion of unlawful tax benefits. Separately, the Commission has also required the Luxembourg government to reclaim €250 million plus interest from Amazon for what the Commission believes to be improper tax benefits. The Commission's findings are contested by both the companies and countries involved.

We have received advance tax agreements from the Luxembourg authorities in order to confirm that the standard provisions of the Luxembourg tax regime apply to our facts and circumstances. Such agreements are a standard part of most countries' administrative tax practices, are open to any company, and do not in themselves constitute state aid if they merely give certainty to a company as to how the relevant laws are to be applied in practice, whether in relation to complex commercial transactions or to areas of uncertainty in domestic or international tax law. These agreements may be provided on an informal or formal basis.

In the Commission's view, the tax rulings provided in the cases under investigation went far beyond simple advance tax agreements, to the extent that the companies involved allegedly gained an advantage over their competitors. Vodafone has not entered into any special agreements with the Luxembourg tax authorities and none of our interactions amount to any form of bespoke arrangement with, or preferential treatment from, those authorities. We are therefore not the focus of any related European Commission investigation.

In October 2017, the European Commission announced it had commenced a formal state aid investigation into certain aspects of the UK's CFC rules. The investigation will focus on the 'Group Financing Exemption', which essentially subjects profits from overseas financing to UK tax at an effective rate of up to 4.75%. The investigation will consider whether this exemption, allowed under the UK tax rules, constitutes illegal state aid. At this stage, it is too early to judge the Commission's intentions.

As we were party to litigation in relation to our Luxembourg financing activities under the previous CFC rules and as an interested party who could potentially be impacted by any outcome of the investigation, we welcomed the opportunity to submit observations to the Commission. We shared our view on issues including European and UK law, comparable legal and factual situations, proportionality and appropriate reference points.

As explained earlier in the Report, we undertake no artificial tax avoidance activities in respect to our Luxembourg financing activities (or any other subsidiary or activity). Our Luxembourg entities are properly established and carry out genuine economic activities. We therefore do not believe that questions of artificiality arise in any analysis of our business.

Why does Vodafone pay little or no UK Corporation Tax?

As explained in Corporate responsibilities and obligations, all governments seek to adjust their tax regimes to stimulate investment and encourage job creation. The UK is no different in this regard.

Vodafone makes large investments in the UK. We spent over €1.4 billion in 2016-17 building and upgrading the networks and services relied upon by our 17.6 million customers. In addition, since 2000 we have paid the UK government more than €10 billion for our 3G and 4G radio spectrum licences. We raised the money for those licences from UK banks and capital markets; together with capital borrowed for other Group purposes, we pay more than €600 million a year in interest costs to UK banks and financial institutions.

We invested **€1.4 billion** in building and upgrading our UK network and services

The UK government allows companies to claim tax relief on the capital investments they make in their UK operations. These capital allowances are a standard feature of the tax regime in many countries as they provide an incentive for private capital to fund the development of infrastructure that would otherwise have to be built by the state with funding sourced through public borrowing.

The UK government also provides tax relief to all businesses to reflect the interest costs paid on the debt a business raises to fund investment. Debt interest relief has the important effect of stimulating investment by businesses in the UK; it also supports growth and job creation within the UK banks and financial institutions that provide the funding.

We have paid more than **€10 billion** to the UK government for spectrum licences since 2000

Capital allowances and debt interest relief are long-established cornerstones of UK government policy on corporate taxation. If a company chooses to invest – and borrow – heavily in the UK, those allowances and relief have the effect of reducing considerably its typical UK Corporation Tax payments. This consequence has been fully understood by successive UK governments over many years. It is also worth noting that these governments have reduced the UK Corporation Tax rate to 19% (one of the lowest rates in the EU) and it is due to fall further, to 17%, by 2020.

These are political choices, made by UK governments of varied political persuasions over generations. The intention is to support business growth, encourage skills creation and bring greater employment opportunities to millions of people. Governments work on the assumption that while Corporation Tax receipts will be lower as a result of the allowances and reliefs available, incentivising corporate investment will increase the total tax take over time as more people enter the workforce and productivity increases.

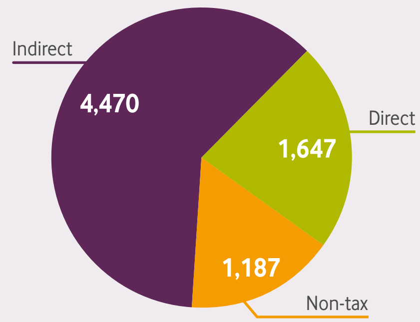
As we explained earlier, Corporation Tax is charged on profits, not revenues. For Vodafone, the UK remains an expensive and highly competitive country in which to do business; it is also one of our least-profitable markets anywhere in the world.

We paid **€194 million** in 2016-17 in direct tax contributions

Vodafone UK made an operating loss of €542 million in 2016-17. This loss arises before we deduct the interest costs on our UK debt (in excess of €600 million in 2016-17) and the full capital allowances from our UK capital investment programme (more than €1.4 billion spent in 2016-17). It is also worth reiterating that our overseas financing subsidiaries have no bearing on our UK Corporation Tax position; as we state in our Tax Principles, we do not artificially transfer profits to minimise tax payments to the UK Exchequer.

As explained earlier in this Report, UK Corporation Tax accounts for around 25% of the total taxes paid by UK businesses. In 2016-17, we paid the UK government €130 million, in cash, in direct taxes of all kinds. We also paid the UK government €64 million in cash for non tax items including spectrum and collected €860 million in indirect taxes on the government's behalf.

UK contributions by type over the last five years



The HMRC/Vodafone controlled foreign companies settlement

In 2010, Vodafone and HMRC concluded a long-running legal dispute focused on a specific point of UK and European tax legislation with a full and final settlement of €1.25 billion.

The background to this settlement is highly complex. It was focused on an area of law whose application was unclear and which successive UK governments agreed needed to be rewritten. It involved nine years of legal argument, three court cases and two independent appeals, followed by a detailed HMRC review and settlement in 2010. That settlement was then followed by a National Audit Office (NAO) inquiry in 2012, assisted by a former High Court judge, Sir Andrew Park. The NAO report concluded that the HMRC/Vodafone settlement was a good outcome for the UK taxpayer and that if Vodafone had chosen to continue litigation instead of settling with HMRC, "there was a substantial risk that the Department [HMRC] would have received nothing".

The dispute focused on the UK tax authorities' interpretation of Controlled Foreign Companies (CFC) legislation and began when Vodafone bought the Mannesmann conglomerate in Germany in 2000. The acquisition was largely for shares and involved no borrowings or loans from Vodafone's UK business. Importantly, there was no reduction in Vodafone's UK tax contributions as a consequence, and the dispute was not related in any way to the tax liabilities arising from our UK operations. We therefore questioned the UK tax authorities' application of the rules on both factual and legal grounds, in common with a number of other companies who had also challenged the UK's approach to CFC legislation.

Vodafone's subsidiary in Luxembourg is the main financing company for our many operations around the world (see our Luxembourg section). The UK tax authorities argued that, had those financing activities been established and undertaken in the UK, they would have attracted tax in the UK, and that therefore tax should be payable under UK CFC provisions. Vodafone argued that, as a matter of European law, we were freely entitled to establish activities wherever we chose, and that as a matter of fact, these were neither artificial arrangements nor did they have any impact on Vodafone's UK tax liabilities.

The underlying facts were scrutinised by the UK tax authorities and the points of law involved were examined in detail by the European Court of Justice, the UK High Court and the UK Court of Appeal, prior to the decision to reach a settlement. Subsequently, the UK Government sought to address a number of inconsistencies and flaws in UK CFC legislation, clarifying the UK's approach to this complex area of international taxation in new rules that took effect in January 2013.

For more information on the European Commission's investigation into certain aspects of the UK's CFC rules see here.

Political engagement and our contribution to the development of tax policy

When governments look to develop or change tax policy, they invariably seek input from a wide range of interested stakeholders, including business advocacy groups and a large number of individual companies. Vodafone regularly engages with governments – typically through public consultation processes or in our role as a member of an industry group – to provide our perspective on how best to balance the need for government revenues from taxation against the need to ensure sustainable investment.

We are active participants in the European Roundtable of Industrialists (ERT), the tax policy committee of the European Telecommunications Network Operators' Association (ETNO) and the GSMA, which represents the mobile industry when looking at emerging issues across the EU. We have shared our insights as a multinational operator with the European Commission Taxation and Customs Union Directorate-General (TAXUD). We are also active participants in the tax policy committees of Assotelecomunicazoni and the Confindustria Digitale in Italy.

In Germany, we contribute to the tax committees of telecommunications industry organisations that work on legal developments of tax policy and on tax administration, including the interpretation and application of tax law. In the UK, we are a leading industry representative in the government's business forum on Business Tax and Competitiveness that aims to establish a more competitive UK tax system. Vodafone is also a member of the Cellular Operators Association of India.

We are members of the South African Institute of Chartered Accountants (SAICA) tax committee which engages on a wide range of tax issues. We are active participants in various industry and economic forums in Tanzania and the Democratic Republic of Congo, with the support of the GSMA. We also frequently participate in tax policy discussions at specific tax conferences in Africa where both revenue authorities and corporates are represented.

We welcome engagement with civil society groups, non-governmental organisations (NGOs) and corporate tax activists, many of whose insights have shaped this Report over the years. In particular, we are grateful to Oxfam and Action Aid for their detailed feedback and observations.

During 2017, we contributed to work undertaken by the Global Reporting Initiative (GRI), CSR Europe and the Confederation of British Industry (CBI) on the development of responsible tax practices and frameworks. We also contributed to the creation of the B Team's Responsible Tax Principles as a founding member. These principles are designed to raise the bar in how businesses approach best practice for corporations. We have also provided background on our commitment to tax transparency in a series of lectures at universities and business schools across the UK and Europe.

Vodafone and the OECD BEPS project

The Organisation for Economic Cooperation and Development's (OECD) work on 'base erosion and profit-shifting' (BEPS)[6] was created in response to calls to ensure that multinationals are taxed "where their economic activities take place and value is created". It was also designed to address public concerns about the integrity of national and international taxation systems in an ever-more complex global economy.

'Base erosion' is the term used to describe the reduction in a country's overall tax revenues as a consequence of the movement of corporate activity and funds between different jurisdictions. 'Profit-shifting' is the term used to describe the artificial arrangements under which companies move profits from one jurisdiction to another jurisdiction in order to minimise tax payments – an activity explicitly prohibited under Vodafone's own Tax Principles.

The resulting OECD BEPS action plan was endorsed by G20 member states and a number of other developing countries in November 2015. Since then, the OECD has focused on creating a framework to ensure the implementation of the BEPS requirements – a particular challenge in the context of a rapidly expanding digital economy, as we explain earlier in the Report.

In October 2015, the OECD released its BEPS Action 13 report (*Transfer Pricing Documentation and Country-by-Country Reporting*) which provides a template for multinational enterprises to report a specific set of information annually and for each tax jurisdiction in which they do business, wherever the government has signed up to the OECD's multilateral agreement on exchange of information. This submission is known as a BEPS country by country (CbC) Report and includes the requirement to provide data on income, profit and taxes to tax authorities, on a country by country basis, to enable them to conduct high-level risk assessments, including transfer pricing activity, by the relevant authority.

The OECD recognises that during the initial period of reporting (first filings were due from December 2017 in the UK), full compliance may be challenging for both tax authorities and for multinational companies. It suggests that all parties take a pragmatic approach focused on best-effort endeavours to ensure CbC Report compliance, with gradual improvement over time.

We believe the new BEPS disclosure requirements will complement our existing and ongoing commitment to tax transparency and country-level public disclosure, as exemplified by this Report. Furthermore, as we explain earlier in this Report, we intend to publish our own OECD CbC Report (as supplied to HMRC in the UK), with accompanying explanations, in the next iteration of this Report in early 2019. Publication is not required under the rules (as BEPS CbC Reports are submitted in confidence to tax authorities); however, we believe that doing so in this manner would be in the public interest.

We welcome the BEPS programme and support increased transparency in this critically important area of public policy, as well as other measures being introduced by the OECD and European Commission to eliminate artificial profit shifting and unfair tax competition. We continue to engage constructively with the OECD, the Commission and governments both directly and through our membership of bodies such as the CBI and the 100 Group, on these and other related issues, in order to help to develop systems that support international trade, incentivise greater investment in infrastructure and services, foster economic growth, employment and prosperity and generate greater public trust in the international tax system.

6 http://www.oecd.org/ctp/beps-explanatory-statement-2015.pdf

Tax and emerging markets

African continent

Vodafone's businesses in Africa are a very significant source of government revenue, infrastructure investment, employment and skills development and are widely recognised as a positive force for good by governments and civil society as a whole.

Each of our businesses in this region, as in the rest of the world, is in effect a local business, operated by and for the people of the country in which it is located. Our focus is on building these businesses for the long term and investing profits back into the country in which they are earned. We are therefore a significant contributor to the development of these economies. As an important infrastructure investor, taxpayer, employer and purchaser of local goods and services, we make a major contribution to the delivery of governments' policy objectives across the continent.

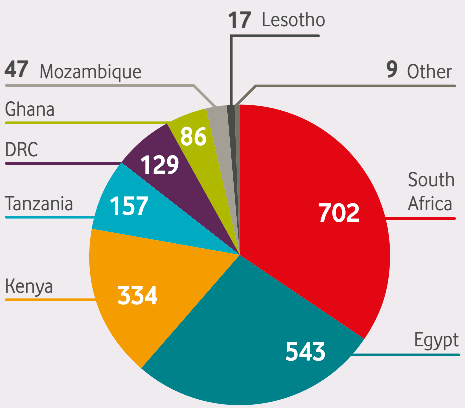
We take our responsibilities to contribute to emerging market economies seriously, and our principles, conduct and approach to tax is the same in those markets as in any other part of the world. Our commitment to transparency, openness and honesty forms a fundamental part of our Tax Principles globally and is particularly important in environments with a history of endemic corruption and where public institutions are less well developed than their OECD counterparts.

Our sub-Saharan subsidiary, Vodacom, was first awarded a licence in South Africa in 1994 and we have since expanded our presence across Africa through various acquisitions in the DRC, Lesotho, Mozambique and Tanzania.

We have been operating in Egypt since 1998 when we were awarded a licence. We expanded into Kenya (where we own an indirect interest in Safaricom) in 2000, and we acquired the business that is now Vodafone Ghana in 2008. We now have operating businesses in eight countries and a presence in another six markets[7] across the continent, employ more than 18,000 people (and provide indirect employment to many more) and have invested a total of €6.4 billion over the last five years.

The Vodacom Group, Safaricom and Vodacom Tanzania are all publicly listed companies with (in the case of all but Vodacom Tanzania, which listed in August 2017) relatively large retail (i.e. ordinary citizen) shareholding bases. The Vodacom Group and Safaricom are among some of the largest public companies on the continent and are viewed in their respective countries as a core part of national economic life. Additionally, the governments of Ghana and Kenya own shareholdings in Vodafone Ghana and Safaricom respectively, enabling the citizens of those countries to benefit indirectly through those holdings.

Total contributions in 2016-17: African region – €m



In 2016-17, our African businesses paid €1.1 billion to governments in taxes and other fees, accounting for 18% of the total direct tax and non-tax contributions we made to governments around the world. Our total contributions to governments across this continent in 2016-17 were over €1.9 billion and exceeded €8.5 billion in total over the last five years. The effective tax rate for Vodacom Group, which accounts for the large majority of Vodafone Group's revenue from our African businesses is 31.7%.

€1.1 billion paid to governments in taxes and other fees across our African footprint

M-Pesa: contributing to socio-economic development

As well as running communications networks across Africa, we created the M-Pesa mobile money service and launched it with our Kenyan associate, Safaricom, in 2007. M-Pesa is available in eight countries and now has more than 31 million active users who use it to send, receive and store money electronically. It enables people excluded from conventional banking to access a wide range of financial services – from basic purchases and sending money to people at home and abroad, to utility bill payments, receipt of salaries, payments of pensions or benefits and micro-finance loans and savings – simply, safely and securely, via their mobile phone. M-Pesa continues to evolve with new services introduced including M-Tiba, a mobile health wallet, which enables people to save money for medical treatment and benefit from health insurance, and which now has 900,000 customers.

M-Pesa has had a profoundly transformative effect on lives and livelihoods, providing people in some of the world's poorest communities with financial security and the ability to start and grow a business. Recent studies have shown that M-Pesa has lifted 2% of Kenyan households out of poverty[7], helping to contribute to the UN Sustainable Development Goals. Further details of M-Pesa can be found here.

[7] http://fsdkenya.org/publication/the-long-run-poverty-and-gender-impacts-of-mobile-money/

Vodacom Group

Vodafone's African subsidiary, the Vodacom Group, derives the large majority of its revenue from its biggest operating company, Vodacom South Africa (Pty) Limited. Vodacom was founded in 1994 and Vodafone acquired a majority interest in 2009.

Vodacom remains the largest mobile operator in the South African market, providing both mobile and enterprise services to its customers. In 2016-17, the company invested €544 million to expand and upgrade the networks and services relied upon by its 46.7 million customers.

€544 million invested in modernising networks and services in 2016-17

In 2016-17, Vodacom Group paid governments on the African continent €534 million in cash in direct taxes, raised another €427 million in cash on those governments' behalf in indirect taxes and paid governments €79 million in cash via non-taxation based revenue mechanisms such as spectrum auction receipts and spectrum fees.

€613 million paid in direct contributions to the government in 2016-17

Vodacom employs 7,587 people, supports wider employment across a network of thousands of suppliers and partner companies, and makes a vital contribution to the delivery of the South African government's information communications technology (ICT) policy objectives through its substantial capital investment programme. Further details about Vodacom's contribution can be found here.

Over the past two decades, Vodacom has made a significant contribution to the transformation of the ICT sector locally, by supporting new businesses across its supply and service value chains; promoting employment equity; and subsequently becoming one of the leading black-managed companies on the Johannesburg Securities Exchange. It has also driven social cohesion by investing a total of €70 million in local communities since 1999 through its corporate social responsibility initiatives across all five of its international markets.

Despite this and the contributions of other businesses to society, South Africa continues to face a number of significant challenges, in the areas of increasing unemployment – particularly among youth – extreme poverty, and a growing inequality still rooted along race and gender lines. Vodacom's response to these challenges has been to continue to expand its network as far as possible (despite challenges in regard to spectrum availability) in an effort to reach the most marginalised rural communities, while reducing the average price of connectivity to bring down the cost of communicating and so narrow the digital divide.

Vodacom continues to invest heavily in its network infrastructure in recognition of its responsibility as a significant contributor to GDP growth.

Vodacom has established a Transformation Committee to oversee all the company's transformation and empowerment initiatives to ensure they are aligned with the government's priorities. The Committee is focusing on areas including: employee equity; ownership; small and medium-sized enterprise development; and social corporate investment.

Vodacom has established a range of initiatives to promote gender diversity and youth empowerment in an effort to deliver on the principles of Broad-based Black Economic Empowerment (BBBEE) and employment equity. Vodacom's workforce has now reached 73% black representation and 47% female representation.

Vodacom invests heavily in its network infrastructure and is a significant contributor to GDP growth

Vodacom's flagship programmes such as the Youth Academy Programme, the Vodacom Innovator Trust, and the Youth Entrepreneur Programme, driven by the Vodacom Foundation, have made significant inroads in skills development and advancing entrepreneurship within the ICT sector, in an effort to help address rising unemployment.

Vodacom's significant investment in mobile networks means that connectivity is widely available, though due to high operating costs, affordability from the customer's perspective remains a significant barrier to even greater mobile adoption.

Government tax strategies with regard to the mobile sector are therefore an important policy issue. Too high a tax burden for operators risks restricting investment and reducing the beneficial socio-economic effects – including better access to healthcare, education and government services – derived from increased participation by the wider population in the digital economy. Equally, it is important for governments to ensure that the tax system yields the consistent and sustainable revenues required to fund civil infrastructure and public services. Vodacom therefore engages regularly with policymakers, tax authorities and other stakeholders to encourage the development of tax policies designed to stimulate digital inclusion and economic growth and fiscal stability, as well as generate the funds needed for public expenditure.

India

A co-creator of the telecom ecosystem in India, Vodafone telecommunications plays a significant role in India's socio-economic development as one of the largest foreign direct investors in India. In the decade since we acquired the business that is now Vodafone India, we have invested more than €18 billion in the country.

We are also one of the biggest taxpayers in India, and one of the largest payers of spectrum fees; since 2011 we have paid the Indian government more than €12 billion in direct taxes and in fees for spectrum rights. In 2016-17, our total direct and indirect contributions to Indian public finances exceeded €4.9 billion.

€12 billion in taxes and spectrum fees paid to the government since 2011, making Vodafone one of the largest taxpayers in India

Vodafone's pan-India network serves over 209 million customers, including 114 million from across rural India. We believe that mobile technology can help to address some of India's critical social and developmental challenges in both rural and urban communities. With our business and corporate responsibility initiatives, we are helping address some of India's most pressing challenges in the areas of education, health, equality and access. In addition, Vodafone M-Pesa is the largest banking correspondent in the country enabling the financial inclusion of over 10 million citizens.

Our global expertise, strong local presence and continued commitment has made us the ideal catalyst for the government's Digital India initiative which aims to drive India's progression towards becoming a digital economy, furthering socio-economic development.

In March 2017, Vodafone announced it had entered into an agreement with Idea Cellular to combine Vodafone India (excluding its 42% stake in Indus Towers) with Idea Cellular, owned by the Aditya Birla Group. The merger will create India's largest telecoms operator with the country's widest mobile network. The combined company will have the scale required to ensure sustainable consumer choice in a competitive market, as well as the capacity to expand new technologies – such as mobile money services – that have the potential to transform daily life for India's citizens.

Dispute over the 2007 acquisition

In 2007, Vodafone purchased an indirect stake in a company in India from Hutchison Telecommunications International Limited (HTIL). After the acquisition was completed, the Indian tax authorities raised a tax demand against Vodafone, even though the transaction took place outside India between two non-Indian entities and Vodafone was the buyer, not the seller.

The Indian tax authorities' actions led to a protracted legal dispute, culminating in a hearing before the Indian Supreme Court, which concluded unambiguously and unanimously, in January 2012, that no tax was due. Although the country's highest court had vindicated Vodafone's position, the Indian government subsequently changed the law to introduce retrospective taxation rules and invalidated the Supreme Court judgment in Vodafone's favour. Those rules, which were backdated with effect from 1962, were designed to require taxes to be paid retrospectively which, as the Supreme Court had concluded, could not be levied against Vodafone under any reasonable interpretation of the evidence or the law.

We continue to maintain that no tax is due on the 2007 acquisition and that any attempts to impose such a tax, under the retrospective tax rules, would be in breach of India's obligations under international law. We have had discussions with the Indian government since then; however, it does not accept that its conduct is in breach of international law, and we have been unable to agree on a way forward without arbitration.

On 17 April 2014, we filed a Notice of Arbitration under the Bilateral Investment Treaty between the Netherlands (where the Vodafone holding company that entered the relevant transaction is based) and India, in an effort to resolve the dispute. The Indian government and Vodafone have since both appointed arbitrators, and the President of the International Court of Justice in The Hague has appointed Sir Franklin Berman QC as the presiding arbitrator. The arbitration panel is due to meet in February 2019. The government of India has since formally challenged the jurisdiction of the Dutch Bilateral Investment Treaty.

Vodafone Group Plc commenced a separate claim under the UK Bilateral Investment Treaty (UK BIT) with India in January 2017. India has applied to the Indian courts to prevent Vodafone from progressing the UK BIT tribunal and an interim order was made to that effect. That interim order was, however, varied to permit the formation of the tribunal now consisting of Professor Campbell McLachlan (Presiding Arbitrator), Professor David Caron (appointed by Vodafone) and Professor Marcelo G Kohen (appointed by India). The Delhi High Court is currently hearing Vodafone Group Plc's application to dismiss the interim order preventing it from pursuing its UK BIT claim and the court is expected to rule on this in 2018.

Hutchison Group action

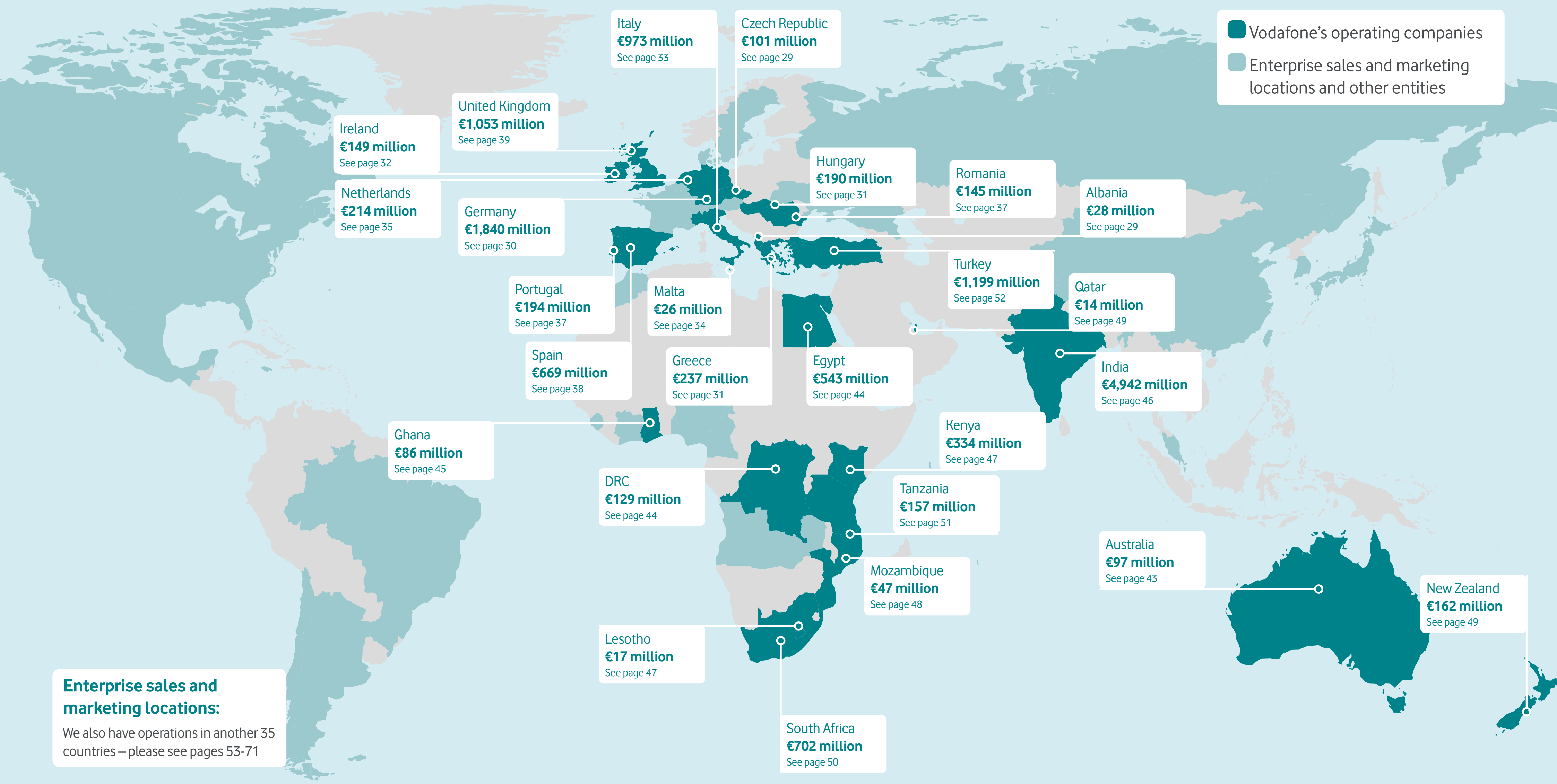
In November 2016, the Indian tax authorities commenced action against HTIL (part of the Hutchison Group) itself for the first time, issuing the company with a draft assessment order under which the authorities are seeking capital gains tax allegedly due in India on the 2007 transaction. The Hutchison Group disputes the validity of the assessment and any liability for taxes in India.

Our total contribution, country by country

vodafone

Country by country overview

Total contributions made to governments across our 26 country operations



Enterprise sales and marketing locations:

We also have operations in another 35 countries – please see pages 53-71

Introduction

In this section of the Report we provide an overview of our total contribution to public finances on a country by country cash paid basis, covering every jurisdiction in which there is a registered Vodafone entity. In the 2016-17 financial year, our local operating companies, holding companies, subsidiaries and other legal entities around the world paid nearly €3 billion in direct taxes to governments in our countries of operation plus more than €3.7 billion in other non-taxation based fees and levies. Our total direct cash contribution to public finances during the year was therefore more than €6.6 billion.

The Report also includes our revenue and profit before tax on a country by country basis: our cumulative revenue in 2016-17 was €57.1 billion and our total profit before tax was over €1.8 billion (see table on page 75). We also collect large amounts of tax on governments' behalf; our 2016-17 indirect tax contribution was €7.5 billion. Our total cumulative contribution to the public finances of our countries of operation was therefore more than €14.2 billion. We also invested more than €9.5 billion in the networks and services now relied upon by our customers.

The contributions we make to governments are reported on an annual actual cash paid basis 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. International accounting rules governing the reporting of a multinational company's profit and loss tax liabilities and charges are complex and reflect a wide range of factors such as deferred taxation, losses, group-level taxation and various provisions related to uncertain tax positions. The cash payments or reliefs arising from those factors may be several years in the future. As a result, there can be a variance between a multinational company's statutory reported numbers over a specific time period – particularly in territories with holding companies as well as a local operating company – and the actual cash paid numbers set out below[8]. For more detailed information about our financial performance, see our Annual Report 2017.

From December 2017, the country by country reporting requirements set out by the OECD require, on a confidential basis, large multinational companies to disclose data similar to that provided here to national tax authorities. We support the OECD's approach, as explained earlier in this Report, and, in addition to supplying that data in March 2018, as required, we have committed to publish that information, in early 2019, along with the explanations we believe are essential to understand that additional disclosure, even though there is no requirement to do so publicly.

For each country listed in this section of the Report, we provide a narrative summary of the activities undertaken in that jurisdiction, together with a full list of all registered Vodafone entities including legacy and dormant subsidiaries. This Report has been prepared using data presented in the Vodafone Group Plc Annual Report 2017. Vodafone Group now reports its financial performance in euros and this is therefore the currency used in this Report. In order to aid understanding, we have restated the prior year information in euros.

Data table definitions

The table of financial data for each country consists of the following columns:

Revenue

The revenue figure that we disclose for each country is equivalent to the amount that would be disclosed as 'turnover' in our Group accounts and is synonymous with turnover or sales, as those terms are commonly understood.

From December 2017, under new OECD rules, all large multinational companies are required to file a country by country report with local tax authorities. Those reports – which are confidential and provided to tax authorities only – must include details of revenues that the OECD breaks down[9] under two overlapping categories:

- **external**, which the OECD defines as "the sum of revenues ... generated from transactions with independent parties"; and
- **internal**, defined as "the sum of all revenues... generated from transactions with associated enterprises".

€14.2 billion contributed in cash to the public finances of our countries of operation

€3.0 billion paid in cash in direct taxes to governments across 26 countries

€3.7 billion paid to governments in other non-taxation based fees and levies, such as spectrum licenses

€9.5 billion invested in the networks and services relied upon by our customers

108,271 people employed in more than **26** countries worldwide

[8] For example, see http://www.cbi.org.uk/insight-and-analysis/tax-and-british-business/

[9] Page 35 of the OECD guidance on country by country reporting

External revenue includes what would typically be determined as *turnover*, in that it represents money received by the company from third parties i.e. from individuals and business customers, but also includes other sources of income from third parties, such as interest income.

Internal revenue includes intra-company money flows arising from transactions between various subsidiaries, holding companies and group entities that are subject to transfer pricing rules, requiring the attribution of revenues and profits on an 'arm's length' basis, based on independent comparable valuations. Examples of internal revenues include royalties, brand and intellectual property licence fees and interest payments (but exclude dividend receipts).

While the internal revenue metric provides a useful insight into the movement of money between corporate entities into – and within – a particular jurisdiction, it is impossible to avoid some form of double-counting. Money earned in one country from a third party (and reported in that country as external revenue) is then used to fund licence fees, royalties, procurement and other intra-company costs that are subject to transfer pricing or similar arrangements with a corporate entity in another country. That money will also then be reported as internal revenue in the recipient country. However, the internal revenue reported is not incremental; it is, in essence, the same money already accounted for in the first country's external revenue figure that is then reported for a second time as internal revenue in the second country. Internal revenue would also include the movement of money between subsidiaries within the same country. For this reason, we believe that the external revenue number is by far the most meaningful in terms of providing greater insight into the flow of money into a company – within the context of the total economic contribution that a company makes in each country in which it operates – and hence is why we have chosen to disclose this metric.

Profit before tax
This represents the total taxable revenue in each country minus allowable expenses. This provides the starting point for the corporate tax calculations in each country although – for a wide range of reasons – it may not necessarily reflect the agreed or final figure in the relevant tax return. The number excludes dividends as these relate to distributions of profits *after* tax between companies. It also excludes certain accounting adjustments that have no effect on the local taxable profit of the entities within each country.

Direct revenue contribution: taxation
This encompasses Vodafone's total direct tax contribution in each country, including corporation tax, business rates or equivalent, employers' national insurance contributions or equivalent, sector-specific taxes (such as 'special' taxes or 'telecoms' taxes), and other taxes, as illustrated in Appendix 3. We have separately disclosed the corporate tax payments made in each jurisdiction this year in advance of publishing our OECD CbC Report. These, together with the other direct taxes paid, reflect cumulatively, the tax contributions paid to governments by the relevant Vodafone entities in each country.

Direct revenue contribution: non-taxation mechanisms
This encompasses all other forms of revenue raised in addition to a country's direct taxation regime, including telecoms licence fees, radio spectrum management fees, proceeds from revenue-sharing agreements, usage fees and proceeds from radio spectrum auctions. Examples of these payment types are listed in Appendix 3.

Indirect revenue contribution
This encompasses taxes collected by companies on behalf of national governments, including Pay As You Earn (PAYE) income tax, employees' National Insurance contributions, withholding taxes, sales and consumption taxes and VAT. These indirect contributions to government revenue would not be collected (or generated to the same extent) if we did not employ people and offer services or products to our customers responsible for paying the tax in question, or procure goods and services from our suppliers on which such taxes are due.

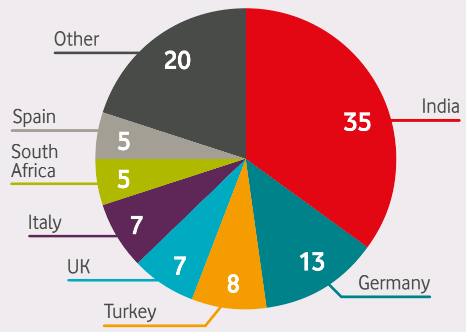
Capital investment
Our significant investments in building and maintaining the networks and services – relied upon by the 516 million mobile and 17 million broadband customers around the world – are often taken into account by local tax authorities when determining corporate tax liabilities.

Direct employment
Vodafone is an important source of employment and skills transfer worldwide. We provided incomes, benefits and the potential for a technology sector career path, as well as skills development for 108,271 people in more than 26 countries as of the end of March 2017. In addition, we have contractual relationships with many thousands of suppliers and partner companies around the world, each of which relies to a greater or lesser extent on revenues from Vodafone to pay their employees' wages.

We have no view on the merits of direct versus indirect taxation nor on the distinction between the revenues that flow to governments from taxation versus those obtained through other means such as spectrum fees. Governments – not companies – determine the rules.

It is worth noting that the figures will also vary widely from country to country and from year to year as a result of local differences between, and annual movements in, factors such as levels of profit and capital investment. There are also wide variations in local taxation regimes and other government revenue-raising mechanisms, many of which change from year to year. For example, non-taxation based revenues will typically be very high in a year in which a government benefits from the proceeds of a spectrum auction (as happened in India in 2015-16 and 2016-17), but much lower in a year where no such auction takes place. It is therefore not possible to draw any meaningful conclusions when seeking to compare the financial data for one country with that of another.

Total contributions to governments 2016-17 – %



Country by country narrative reporting

In this year's Report, as previously, we aim to provide an informative overview of our activities in each of the countries covered in the following pages. We include a summary setting out the context of our activities in each location together with the relevant financial data in order to offer an insight into the factors that determine Vodafone's overall tax and economic contribution in a local market.

That summary includes a list of Vodafone's legal entities present in the country plus a brief description of the purpose of those entities. The countries included here extend beyond those in which we have an operating licence as a mobile and/or fixed-line telecoms provider and include three further categories:

- countries in which we maintain an active corporate function servicing the Group as a whole but where we do not operate as a communications provider;
- countries in which we have a legal entity focused on marketing, sales and client support for large corporate and multinational customers but do not operate as a communications provider; and
- countries in which we have legacy legal entities that were inherited as part of an acquisition in the past and which do not play an active role in the Group's overall structure or are otherwise dormant.

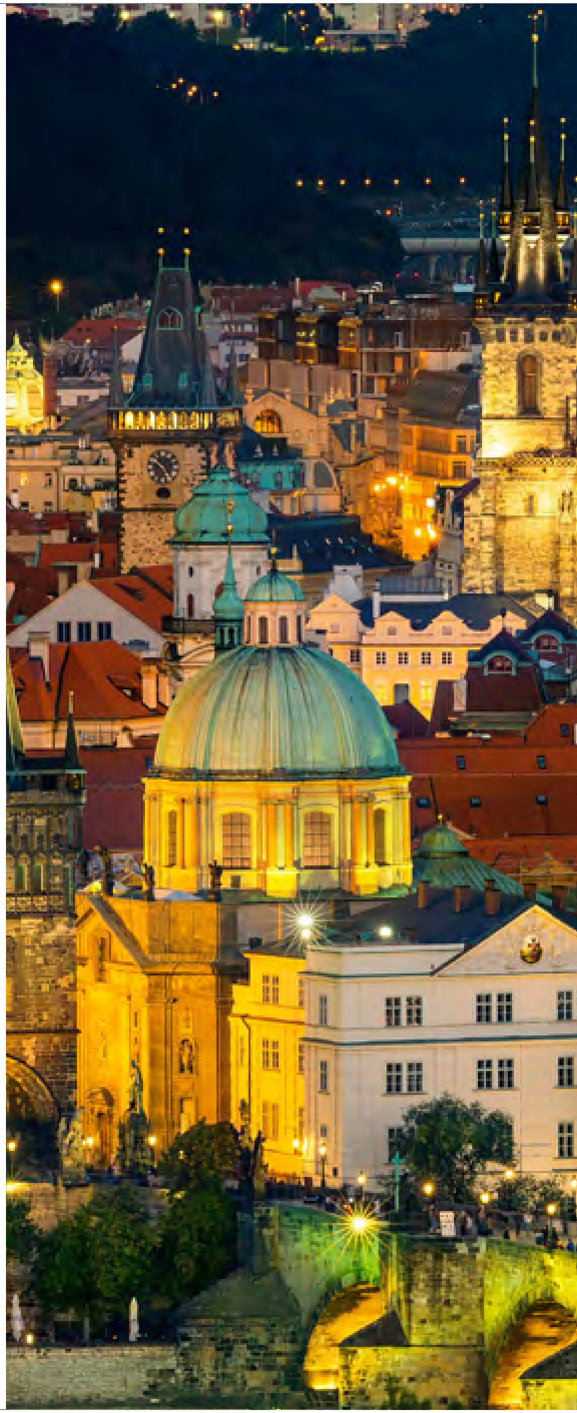
In a number of countries, we have holding companies that manage our subsidiary investments and joint ventures, whose main source of income is dividends from their respective subsidiaries and joint ventures. Those dividends are paid from the profits remaining after we've paid tax to the government of the country in which the subsidiary company is located.

We do not artificially transfer profits from one jurisdiction to another to minimise tax payments

Our holding companies are based in countries that provide a stable foundation for numerous multinational organisations to enable the efficient flow of funding between individual country businesses in a manner that is also transparent. As we explain in our Tax Principles, we do not enter into artificial arrangements (by which we mean arrangements that are not linked to genuine business requirements) that would not stand up to scrutiny by the relevant tax authorities, nor do we artificially transfer profits from one jurisdiction to another to minimise tax payments. Those Principles apply to all of our legal entities in all countries, including dormant entities in so-called 'tax haven' locations. As it takes time and money to liquidate those dormant entities, it is often simpler to retain them as inactive legacy entities with continued full disclosure to the relevant tax authorities.

We note that Partner Market agreements with third-party local telecommunications operators where we have no operational control over, or shareholding in, those third parties are not covered by this Report, even where the local operator is permitted to use the Vodafone brand, as we do not have a shareholding in, or control over, those third parties. As in previous years, the tables overleaf include the tax and economic contributions of our investments in associates and joint ventures. Associates are entities where we do not have control but we do have influence over them. Joint ventures are investments where we have control with one, or more, other parties jointly.

We believe it is important to include the contributions made by these entities as these investments are part of the Vodafone Group and are included within our consolidated accounts. They also represent important contributions to the countries in which they operate[10]. The OECD country by country reporting requirements will exclude these associates and joint ventures however, we will continue to include their contributions within this Report, and have marked the entities with an asterisk * in the relevant tables overleaf.



[10] For more information on our associates and joint ventures, please see note 12 on page 130 of the Annual Report.

Our contribution, country by country

Europe

Albania

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016-17	119	3	5	1	5	13	10	18	441
2015-16	115	7	6	n/a	n/a	8	7	25	425

We are a significant international investor in Albania where we operate mobile services with 2.0 million customers as of 31 March 2017. We also provide communications services to Albanian businesses. We entered the market in 2001 through the award of a mobile licence. In 2015, we established a financial services business to bring the M-Pesa mobile money service to Albanian society, which ceased operations in September 2017.

Non-tax contribution increased in 2017 due to the renewal of and payment for our 2G spectrum licence.

Number of legal entities: 2

Legal entities:
- Vodafone Albania M-Pesa SHPK
- Vodafone Albania SHA

Czech Republic

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	507	32	17	13	4	14	70	92	1,694
2015–16	499	26	17	n/a	n/a	23	64	101	1,735

We have one of the largest and most modern 4G networks in the Czech Republic where we operate mobile and fixed-line services with 3.6 million customers as of 31 March 2017. We offer 3G and 4G coverage to the Czech population and also provide communications services to Czech businesses. We entered the market in 2005 through the acquisition of Oskar Mobil.

Our 2016–17 non-tax contribution was lower than the prior year due to the absence of any payments for spectrum licences.

Number of legal entities: 3

Legal entities:
- Vodafone Czech Republic A.S.
- Oskar Mobil S.R.O.
- COOP Mobil S.R.O.*

Germany

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	10,619	(636)	350	262	89	219	1,271	1,925	15,714
2015–16	10,738	(474)	306	n/a	n/a	1,872	1,166	2,604	16,034

Vodafone Germany is one of the leading integrated communications companies in Germany, with 44.6 million SIM cards and 6.3 million fixed broadband customers. It offers mobile, fixed-line and TV services, as well as a comprehensive ICT portfolio for enterprise customers, including world-class secure cloud computing services hosted and operated within Germany. Vodafone's largest data centre is located in Germany and provides a range of IT services across the Group as a whole.

Vodafone entered the market in 1993 when it acquired a 17% equity interest in E-Plus. In 1999, we acquired a 35% stake in Mannesmann Mobilfunk as a result of our merger with AirTouch which also resulted in the disposal of our interest in E-Plus. In 2000, Vodafone completed its takeover of Mannesmann AG and took full control of what is now Vodafone Germany.

We have a number of holding companies in the country. These companies only own assets in Germany and do not affect our overall local tax position.

We incurred a loss in Germany during 2016–17 for many of the reasons discussed earlier in the Report: declining revenues have meant the profits earnt were not sufficient to cover the interest costs due on Germany's historic debt financing, including the debt which financed the purchase of spectrum licenses and the acquisition of Kabel Deutschland. The loss increased in 2016–17 primarily as a result of increased restructuring costs incurred in the year.

Our 2016–17 direct tax contributions were higher than in 2015–16, principally due to higher corporate tax payments. Non-tax contributions have declined year on year due to the absence of any payments for spectrum licences, while indirect tax contributions have increased due to increased revenue in our mobile business.

Number of legal entities: 26

Legal entities

- Bluefish Communications GmbH
- Kabel Deutschland Holding AG
- Kabel Deutschland Holding Erste Beteiligungs GmbH
- Kabel Deutschland Holding Zweite Beteiligungs GmbH
- Kabel Deutschland Neunte Beteiligungs GmbH
- Kabel Deutschland Siebte Beteiligungs GmbH
- Kabelcom Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung
- Kabelcom Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung
- Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung Beteiligungsgesellschaft
- Kabelfernsehen München Servicenter GmbH & Co. KG
- RadioOpt GmbH
- TKS Telepost Kabel-Service Kaiserslautern Beteiligungs GmbH
- TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG
- Urbana Teleunion Rostock GmbH & Co.KG
- Verwaltung 'Urbana Teleunion' Rostock GmbH
- Vodafone Erste Beteiligungs GmbH
- Vodafone Automotive Deutschland GmbH
- Vodafone Enterprise Germany GmbH
- Vodafone GmbH
- Vodafone Group Services GmbH
- Vodafone Institut für Gesellschaft und Kommunikation GmbH
- Vodafone Kabel Deutschland Field Services GmbH
- Vodafone Kabel Deutschland GmbH
- Vodafone Kabel Deutschland Kundenbetreuung GmbH
- Vodafone Stiftung Deutschland gemeinnützige GmbH
- Vodafone Vierte Verwaltungs AG

Greece

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	851	8	23	19	3	15	199	117	1,978
2015–16	849	23	21	n/a	n/a	8	199	127	2,118

We are a significant international investor in Greece where we operate mobile, fixed-line and TV services with 6.0 million customers as of 31 March 2017. We also provide communications services to Greek businesses. We entered the market in 1992 when Panafon SA was awarded a mobile licence. In 2014, we acquired the Hellas Online fixed-line and TV business. In 2016–17 our non-tax contributions were higher than 2015–16 due to a spectrum auction.

Number of legal entities: 5

Legal entities

- 360 Connect S.A.
- Vodafone Global Enterprise Telecommunications (Hellas) A.E.
- Victus Networks S.A.
- Vodafone Panafon Hellenic Telecommunications Company S.A.
- Zelitron S.A.

Hungary

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	468	17	29	20	9	21	140	62	3,660
2015–16	426	11	28	n/a	n/a	22	118	90	3,366

We are a significant international investor in Hungary where we operate mobile services with 2.9 million customers as of 31 March 2017. We also provide communications services to Hungarian businesses. We entered the market in 1999 through the award of a mobile licence to Vodafone Hungary. We also operate a large shared services centre in Hungary that provides specialist finance, supply chain, HR and enterprise support to companies across the Vodafone Group as a whole. Indirect tax contributions increased in 2016–17 due to a lower level of expenditure which, in turn, increased the amount of net VAT we collected.

Number of legal entities: 3

Legal entities

- Tesco MBL Telecommunications Company Limited
- Vodafone Magyarorszag Mobile Tavkozlesi Zartkoruen Mukodo Reszvenytarsasag
- Vodafone Shared Services Budapest Private Limited Company

Ireland

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	996	2	24	18	5	25	100	172	1,310
2015–16	1,020	(17)	26	n/a	n/a	21	112	229	1,272

We are one of the largest international investors in Ireland where we operate mobile and fixed-line services with 2.2 million customers as of 31 March 2017. We are also a significant provider of communications services to Irish corporate and public sector customers. We entered the market in 2001 through the acquisition of Eircell. We operate a data centre in Ireland that provides IT services to companies across the Group as a whole. Many of the legal entities in Ireland were inherited as a result of small local acquisitions to expand our Irish operations and most of these are now dormant. We liquidated 10 of these entities during 2016–17. Three of the companies listed below are resident for tax purposes in the UK and their contributions are included under the UK.

Number of legal entities: 13

Legal entities

- SIRO Limited*
- Cable & Wireless GN Limited
- Eudokia Limited
- Fonua Limited*
- Stentor Limited
- Vodafone Enterprise Global Limited
- Vodafone Global Network Limited
- Vodafone Group Services (Ireland) Limited
- Vodafone Ireland Distribution Limited
- Vodafone Ireland Limited
- Vodafone Ireland Marketing Limited
- Vodafone Ireland Property Holdings Limited
- Vodafone Ireland Retail Limited

Italy

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	6,249	686	187	101	87	38	748	881	7,339
2015–16	6,203	634	168	n/a	n/a	277	706	1,625	7,384

We are one of the largest international investors in Italy where we operate mobile and fixed-line services with 25.2 million customers as of 31 March 2017. We are also a significant provider of communications services to Italian corporate and public sector customers, from small and medium-sized enterprises and municipalities to national agencies, central government and multinational companies.

We entered the market in 1999 through the acquisition of our original stake in Omnitel as part of the merger with AirTouch. In 2014, we acquired one of the world's leading automotive Machine-to-Machine (M2M) companies, Cobra Group, now Vodafone Automotive, and located the headquarters of our global automotive Internet of Things (IoT) practice in the country. We also operate a data centre in Italy that provides a range of IT services to companies across the Vodafone Group as a whole.

Non-tax contributions in the period were lower than 2015–16 as there were no additional spectrum auctions in the year.

Number of legal entities: 9

Legal entities

- VND SpA*
- Vodafone Automotive Electronic Systems S.r.L.
- Vodafone Automotive Italia S.r.L
- Vodafone Automotive S.r.L
- Vodafone Enterprise Italy S.r.L.
- Vodafone Gestioni S.p.A.
- Vodafone Global Enterprise (Italy) S.r.L.
- Vodafone Italia S.p.A.
- Vodafone Servizi E Tecnologie S.r.L.

Malta

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	86	124	12	3	9	3	10	14	347
2015–16	93	157	6	n/a	n/a	3	12	17	343
	We are a significant international investor in Malta where we operate mobile and fixed-line services with around 300,000 customers as of 31 March 2017. We also provide communications services to Maltese businesses. We entered the market in 1990 through the award of a mobile licence. We base our global insurance operation in Malta where we provide services such as individual customer warranties for companies across the Vodafone Group as a whole. Direct tax contributions have risen due to an increase in the rate of tax levied on Insurance Premiums.								
Number of legal entities	3								
Legal entities	• Multi Risk Indemnity Company Limited • Multi Risk Limited • Vodafone Malta Limited								

Netherlands

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	1,867	(7)	2	17	(15)	<1	212	303	3,610
2015–16	1,890	(88)	45	n/a	n/a	-	242	342	3,598

In December 2016, we merged our business, Vodafone Netherlands, with Liberty Global's Dutch business, Ziggo, to create VodafoneZiggo, in which we have a 50% interest. VodafoneZiggo is a unified communications provider and operates mobile, fixed-line video and broadband services, and has 5.1 million customers as of 31 March 2017. The business is also a significant provider of communications services to Dutch corporate and public sector customers, from small and medium-sized enterprises and municipalities to national agencies, central government and multinational companies. We originally entered the market in 1995 through the award of a mobile licence to Vodafone Libertel BV.

The Netherlands is also Vodafone's main holding company location as the country offers:

- a stable economic and political environment;
- an extensive network of international bilateral treaties designed to protect companies investing overseas;
- a commitment to providing certainty in advance on tax matters; and
- a long-established principle of capital import neutrality under which the Netherlands authorities do not levy additional taxes on investments overseas by companies based in the Netherlands when specific conditions are met.

Our holding companies in the Netherlands own the majority of the Group's international assets, which makes it more straightforward for us to invest in expanding our businesses worldwide. This is particularly important for our emerging markets companies whose access to capital would be severely constrained if they were limited to local sources of financing only.

We incurred a loss in the Netherlands in 2016–17 as a tough trading environment over a number of years has meant the profits from our operating business are lower than the interest costs our holding companies incur on debt used to acquire new investments.

Netherlands (continued)

Number of legal entities	45
Legal entities	• Amsterdamse Beheer-en Consultingmaatschappij BV* • Cable & Wireless Aspac BV • Cable & Wireless Internet Service Provider BV • Cooperatie HBO Nederland Cooperatief UA* • Esprit Nederland BV* • European Networks BV • FinCo Partner 1 BV* • LGE Holdco V BV* • LGE Holdco VI BV* • LGE Holdco VII BV* • LGE Holdco VIII BV* • Liberty Global Content Netherlands BV* • mITE Systems B.V.* • Torenspits II BV* • UPC Nederland Holding I BV* • UPC Nederland Holding II BV* • UPC Nederland Holding III BV* • Vodafone Enterprise Netherlands BV • Vodafone Europe BV • Vodafone Financial Services BV* • Vodafone International Holdings BV • Vodafone Libertel BV* • Vodafone Nederland Holding I BV* • Vodafone Nederland Holding II BV* • Vodafone Nederland Holding III BV* • Vodafone Panafon International Holdings BV • VodafoneZiggo Group BV* • VodafoneZiggo Group Holding BV* • Wiericke BV* • XB Facilities BV* • XM Mobile BV • ZUM BV* • Zesko BV* • Ziggo BV* • Ziggo Bond Company BV* • Ziggo Deelnemingen BV* • Ziggo Holding BV* • Ziggo Netwerk BV* • Ziggo Netwerk II BV* • Ziggo Real Estate BV* • Ziggo Services BV* • Ziggo Services Employment BV* • Ziggo Services Netwerk 2 BV* • Ziggo Zakelijk Services BV* • Zoranet Connectivity Services BV*

Portugal

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	985	(37)	38	13	25	33	123	279	1,376
2015–16	977	31	36	n/a	n/a	31	107	351	1,483

We are one of the largest international investors in Portugal where we operate mobile, fixed-line and TV services with 2 million customers as of 31 March 2017; we also reach 2.7 million homes with our ultra-fast fibre-optic network and provide communications services to Portuguese businesses. We entered the market in 1999 following the merger with the AirTouch group under which we acquired Telecel. Indirect tax contributions have increased year on year due to a lower level of expenditure, which, in turn, increased the amount of net VAT we collected.

Number of legal entities 4

Legal entities

- Celfocus – Solucoes Informaticas Para Telecomunicacoes SA*
- Oni Way – Infocomunicacoes SA
- Sport TV Portugal SA*
- Vodafone Portugal Comunicacoes Pessoais SA

Romania

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	774	39	26	20	6	24	95	146	4,197
2015–16	762	53	32	n/a	n/a	24	97	132	3,993

We are a significant international investor in Romania where we operate mobile services with 8.8 million customers as of 31 March 2017. We also provide communications services to Romanian businesses. We entered the market in 2005 through the acquisition of Mobifon. In 2014, we established a financial services business to bring the M-Pesa mobile money service to Romanian society, which ceased operations in December 2017. We also operate a large technology shared services centre in Romania that provides specialist back-office and technology support to companies across the Vodafone Group as a whole.

Number of legal entities 4

Legal entities

- Vodafone Romania M – Payments SRL
- Vodafone Romania SA
- Vodafone Romania Technologies SRL
- Vodafone Shared Services Romania SRL

Spain

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	4,983	(74)	164	164	<1	112	393	748	5,188
2015–16	5,024	(366)	190	n/a	n/a	83	334	1,177	6,006

We are one of the largest international investors in Spain where we operate mobile, fixed-line and TV services with 17.6 million customers as of 31 March 2017. We are also a significant provider of communications services to Spanish corporate and public sector customers, from small and medium-sized enterprises and municipalities, to national agencies, central government and multinational companies. We entered the market in 2000 when Vodafone Group acquired a stake in Airtel Movil, which was awarded its first mobile licence in 1995. In 2014, we acquired the ONO Group, which offers cable TV and fixed-line services.

We incurred a loss in Spain during 2016–17 for many of the reasons discussed earlier in the Report. Previously, declining revenues have meant the profits earnt have not been sufficient to cover the interest costs on Spain's historic debt financing, including debt which financed spectrum licenses and the acquisition of the Ono Group.

Direct tax contributions are lower in 2016–17 than the prior year due to the absence of a payment in relation to a transfer tax on spectrum, while non-tax contributions have increased due to a change in the timing of license fee payments. Indirect tax contributions increased in the year due to higher service revenues.

Number of legal entities: 8

Legal entities

- Grupo Corporativo ONO, S.A.U.
- Vodafone Automotive España S.L
- Vodafone Enabler España, S.L.
- Vodafone Enterprise Spain S.L.U.
- Vodafone España S.A.U.
- Vodafone Holdings Europe S.L.U.
- Vodafone ONO, S.A.U.
- Vodafone Services S.L.U.

United Kingdom

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	7,536	(504)	130	220	(89)	64	860	1,491	17,951
2015–16	9,176	(663)	351	n/a	n/a	47	985	1,690	17,965

Vodafone was founded in the UK more than 30 years ago and remains the domicile of the Group. However, as Vodafone has expanded internationally, the UK now accounts for less than 1% of the Group's total adjusted operating profit as of 31 March 2017. More than 95% of our customers and around 85% of our employees are outside the UK and less than one-quarter of our top 195 global senior leaders are nationals from our country of domicile.

We are one of the largest private infrastructure investors in the UK where we operate mobile and fixed-line services with 18.1 million customers as of 31 March 2017. We are also a significant provider of communications services to UK corporate and public sector customers, from small and medium-sized enterprises and local government departments, to central government and some of the world's largest multinational companies.

In addition to the Vodafone UK local operating business, the Group's core global functions are located in the UK. These include the corporate headquarters which provides professional support services to companies across the Group as a whole. For example, the Vodafone brand (and associated intellectual property assets) and global brand management team are located within the UK. This means that under transfer pricing arrangements (explained earlier in this Report), which have been agreed with tax authorities around the world, all of the Group's operating businesses pay royalty fees into the UK for the use of the Vodafone brand and to fund the activities of the team which oversees it. Similarly, the global function which supports the Group's affiliate Partner Market network is also based in the UK. We also have a number of UK holding companies (which ultimately own the entire Group) as well as companies that manage the external treasury activities of the Group as a whole.

There was a year-on-year reduction in our UK direct tax contributions following the final payment, in 2015–16, of the amounts due under the settlement agreed with HMRC in 2010. Separately, following the simplification of the Group's structure after the disposal of our interest in Verizon Wireless, we received a repayment of tax credits in accordance with long-established international conventions for the avoidance of double taxation and under real-time tax compliance arrangements. Indirect tax contributions are lower in 2016–17 than the prior year due to lower revenues in the UK.

Our overall UK profit and tax liabilities are determined by the factors explained earlier in the Report including:

- substantial levels of capital investment (more than €1.4 billion in 2016–17);
- significant debts associated with UK spectrum costs and the funding of the expansion of the Group; and
- low profitability of the UK mobile market compared with other countries;

All these factors combined have the effect of suppressing the total profit before tax in the UK, which fell to a loss of €504 million in 2016–17.

Our long history in the UK means that we have a significant number of legal entities linked to past mergers and acquisitions or discontinued lines of business which play no active role in the Group today. Almost 65% of all Vodafone legal entities in the UK are dormant but remain registered for the reasons we explained earlier in the Report.

Number of legal entities 199

Legal entities

- AAA (Euro) Limited
- AAA (MCR) Limited
- AAA (UK) Limited
- Acorn Communications Limited
- Apollo Submarine Cable System Limited
- Aspective Limited
- Astec Communications Limited
- Bluefish Communications Limited
- Business Serve Limited
- C.S.P. Solutions Limited
- Cable and Wireless (India) Limited
- Cable & Wireless Access Limited

United Kingdom (continued)

Legal entities		
	• Cable & Wireless A-Services Limited • Cable & Wireless Aspac Holdings Limited • Cable & Wireless Capital Limited • Cable & Wireless CIS Services Limited • Cable & Wireless Communications Data Network Services Limited • Cable & Wireless Communications Starclass Limited • Cable & Wireless Europe Holdings Limited • Cable & Wireless Global Business Services Limited • Cable & Wireless Global Holding Limited • Cable & Wireless Global Telecommunication Services Limited • Cable & Wireless Holdco Limited • Cable and Wireless Nominee Limited • Cable & Wireless Trade Mark Management Limited* • Vodafone Enterprise UK Limited • Cable & Wireless UK Holdings Limited • Cable & Wireless UK Services Limited • Cable & Wireless Waterside Holdings Limited • Cable & Wireless Worldwide Pension Trustee Limited • Cable & Wireless Worldwide Services Limited • Cable & Wireless Worldwide Voice Messaging Limited • Cellops Limited • Cellular Operations Limited • Central Communications Group Limited • Central Telecom (Northern) Limited • Chelys Limited • City Cable (Holdings) Limited • Cornerstone Telecommunications Infrastructure Limited • CT Networks Limited • CWW Operations Limited • Dataroam Limited • Digital Island (UK) Limited • Digital Mobile Spectrum Limited* • Emtel Europe Limited • Energis (Ireland) Limited • Energis Communications Limited • Energis Holdings Limited • Energis Local Access Limited • Energis Management Limited • Energis Squared Limited • Erudite Systems Limited	• Eurocall Holdings Limited • Flexphone Limited • FM Associates (UK) Limited • Gateway Communications Africa (UK) Limited • General Mobile Corporation Limited • Generation Telecom Limited • Global Cellular Rental Limited • How2 Telecom Limited • Intercell Communications Limited • Internet Network Services Limited • Invitation Digital Limited • Isis Telecommunications Management Limited • Jaguar Communications Limited • Legend Communications plc • London Hydraulic Power Company • Metroholdings Limited • ML Integration Group Limited • ML Integration Limited • ML Integration Services Limited • Mobile Phone Centre Limited • Mobiles 4 Business.com Limited • Nat Comm Air Limited • Navtrak Limited • Netforce Group Public Limited Company • Oxygen Solutions Limited • P.C.P. (North West) Limited • Peoples Phone Limited • Pinnacle Cellular Group Limited • Pinnacle Cellular Limited • Project Telecom Holdings Limited • PT Network Services Limited • PTI Telecom Limited • Quickcomm UK Limited • Rian Mobile Limited • Singlepoint (4U) Limited • Singlepoint Payment Services Limited • Stentor Communications Limited • T.W. Telecom Limited • T3 Telecommunications Limited • Talkland Airtime Services Limited

United Kingdom (continued)

Legal entities

- Talkland Communications Limited
- Talkland International Limited
- Talkland Midlands Limited
- Talkmobile Limited
- Telecommunications Europe Limited
- Ternhill Communications Limited
- The Eastern Leasing Company Limited
- The Old Telecom Sales Co. Limited
- Thus Group Holdings Limited
- Thus Group Limited
- Thus Limited
- Thus Profit Sharing Trustees Limited
- Townley Communications Limited
- Uniqueair Limited
- Vizzavi Limited
- Voda Limited
- Vodacall Limited
- Vodacom Business Africa Group Services Limited
- Vodacom UK Limited
- Vodafone (New Zealand) Hedging Limited
- Vodafone (NI) Limited
- Vodafone (Scotland) Limited
- Vodafone 2
- Vodafone 4 UK
- Vodafone 5 Limited
- Vodafone 5 UK
- Vodafone 6 UK
- Vodafone Americas 4 Limited
- Vodafone Automotive UK Limited
- Vodafone Benelux Limited
- Vodafone Business Services Limited
- Vodafone Business Solutions Limited
- Vodafone Cellular Limited
- Vodafone Central Limited
- Vodafone Central Services Limited
- Vodafone Connect 2 Limited
- Vodafone Connect Limited
- Vodafone Consolidated Holdings Limited
- Vodafone Corporate Limited
- Vodafone Corporate Secretaries Limited
- Vodafone DC Pension Trustee Company Limited
- Vodafone Distribution Holdings Limited
- Vodafone Enterprise Corporate Secretaries Limited
- Vodafone Enterprise Equipment Limited
- Vodafone Enterprise Europe (UK) Limited
- Vodafone Euro Hedging Two
- Vodafone Euro Hedging Limited
- Vodafone Europe UK
- Vodafone European Investments
- Vodafone European Portal Limited
- Vodafone Finance Limited
- Vodafone Finance Luxembourg Limited
- Vodafone Finance Sweden
- Vodafone Finance UK Limited
- Vodafone Financial Operations
- Vodafone Global Content Services Limited
- Vodafone Global Enterprise Limited
- Vodafone Group (Directors) Trustee Limited
- Vodafone Group Pension Trustee Limited
- Vodafone Group Plc
- Vodafone Group Services Limited
- Vodafone Group Services No.2 Limited
- Vodafone Group Share Trustee Limited
- Vodafone Hire Limited
- Vodafone Holdings Luxembourg Limited
- Vodafone Intermediate Enterprises Limited
- Vodafone International Holdings Limited
- Vodafone International Operations Limited
- Vodafone Investment UK
- Vodafone Investments Australia Limited
- Vodafone Investments Limited
- Vodafone IP Licensing Limited
- Vodafone Leasing Limited
- Vodafone Limited
- Vodafone M.C. Mobile Services Limited
- Vodafone Marketing UK
- Vodafone Mobile Commerce Limited
- Vodafone Mobile Communications Limited

United Kingdom (continued)

Legal entities

- Vodafone Mobile Enterprises Limited
- Vodafone Mobile Network Limited
- Vodafone Multimedia Limited
- Vodafone Nominees Limited
- Vodafone Oceania Limited
- Vodafone Old Show Ground Site Management Limited
- Vodafone Overseas Finance Limited
- Vodafone Overseas Holdings Limited
- Vodafone Panafon UK
- Vodafone Partner Services Limited
- Vodafone Property Investments Limited
- Vodafone Retail (Holdings) Limited
- Vodafone Retail Limited
- Vodafone Sales & Services Limited
- Vodafone Satellite Services Limited
- Vodafone Specialist Communications Limited
- Vodafone UK Content Services Limited
- Vodafone UK Investments Limited
- Vodafone UK Limited
- Vodafone Ventures Limited
- Vodafone Worldwide Holdings Limited
- Vodafone Yen Finance Limited
- Vodaphone Limited
- Vodata Limited
- Woodend Cellular Limited
- Woodend Communications Limited
- Woodend Group Limited
- Woodend Holdings Limited
- Your Communications Group Limited

Africa, Middle-East and Asia-Pacific

Australia

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Split between: Corporate tax				
2016–17	1,152	(59)	17	14	3	24	56	306	1,448
2015–16	1,184	(147)	18	n/a	n/a	22	52	161	1,593

We operate telecommunications services in Australia under a 50-50 joint venture with Hutchison Telecommunications (Australia) Limited with 5.2 million customers as of 31 March 2017, including supporting a number of enterprise customers in Australia. We first entered the market in 1992 through the award of a mobile licence to Vodafone Pty Limited and established the joint venture with Hutchison in 2009.

Our joint venture incurred a loss in 2016–17 as the business continues to recover following the difficulties it faced in previous years.

Vodafone Hutchison Australia published a tax transparency report in November 2017 in response to the introduction of a voluntary tax transparency code by the Australian Tax Office (ATO), which seeks to encourage greater transparency to aid public understanding around corporates and tax. The report is available on the Vodafone Hutchison Australia and the Board of Taxation's websites.

Number of legal entities: 16

Legal entities

- Bluefish Australia Pty Limited
- H3GA Properties (No 3) Pty Limited*
- Mobileworld Communications Pty Limited*
- Mobileworld Operating Pty Limited*
- PPL Pty Limited
- Quickcomm (Pty) Limited
- Talkland Australia Pty Limited
- VAPL No. 2 Pty Limited
- Vodafone Australia Pty Limited*
- Vodafone Enterprise Australia Pty Limited
- Vodafone Foundation Australia Pty Limited
- Vodafone Hutchison Australia Pty Limited*
- Vodafone Hutchison Finance Pty Limited*
- Vodafone Hutchison Receivables Pty Limited*
- Vodafone Network Pty Limited*
- Vodafone Pty Limited*

Democratic Republic of Congo

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	368	(47)	44	42	2	30	55	72	615
2015–16	389	(11)	47	n/a	n/a	52	48	86	634

Vodacom is the second largest mobile operator in the Democratic Republic of Congo (DRC). Over the last three years, we have invested more than €275 million in developing the networks and services relied on by our 10.4 million customers as of 31 March 2017; this in turn has contributed positively to local economic development and job creation.

Vodacom Congo (RDC) SA is a subsidiary of the South Africa-based Vodacom Group Limited, which owns 51% of the company. Congo Wireless Network owns the remaining interest. Vodacom entered the DRC in 2002 through the award of a mobile licence. Vodacom Congo also operates mobile financial services through Vodacash SA (also known as M-Pesa in other markets), providing mobile money transfer, savings and credit services to people unable to access traditional banking systems.

Non-tax contributions were higher in the previous year due to the renewal of, and payment, for our 2G licence in December 2015.

Number of legal entities: 2

Legal entities:
- Vodacom Congo (RDC) SA
- Vodacash SA

Egypt

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	1,334	268	139	30	110	191	213	208	8,381
2015–16	1,642	400	164	n/a	n/a	91	226	408	8,373

We are a significant international investor in Egypt where we operate mobile services with 40 million customers as of 31 March 2017. We also provide communications services to Egyptian businesses. We own 54.9% of Vodafone Egypt (the remaining stake is owned by Telecom Egypt), and entered the market in 1998 through the award of a mobile licence. We also operate a large technology shared services centre in Egypt which provides IT and customer support to companies across Vodafone Group as a whole.

Year on year contributions have been impacted by the devaluation of the Egyptian Pound in November 2016. Direct tax contributions are also lower due to a cut in the corporation tax rate to 22.5%. Indirect contributions increased due to a rise in the rate of VAT. Non-tax contributions have increased in the year on account of the acquisition of a 4G spectrum license.

Number of legal entities: 7

Legal entities:
- Misrfone Trading Company LLC
- Sarmady Communications
- Starnet
- Vodafone Data S.A.E.
- Vodafone Egypt Telecommunications S.A.E.
- Vodafone International Services LLC
- Wateaneya Telecommunications S.A.E.*

Ghana

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	284	(242)	12	6	6	11	63	43	1,111
2015–16	265	(90)	5	n/a	n/a	10	58	46	1,149

We are a significant international investor in Ghana where we operate mobile and fixed-line services with 8.6 million customers as of 31 March 2017. We also provide communications services to Ghanaian businesses. We own 70% of Vodafone Ghana (the remaining 30% is owned by the Ghanaian government) and entered the market in 2008 through the acquisition of Ghana Telecom. Vodafone Ghana also provides mobile financial services through M-Pesa, enabling people unable to access traditional banking systems to benefit from money transfer, savings and credit services.

Our business in Ghana operates in a market where the profits we can generate by providing services to customers as described above don't yet cover the cost of funding the businesses investment needed to build and run the required network and operations. Our direct and indirect tax contributions have increased in the year as a result of higher revenues generated by an increase in the number of customers.

Number of legal entities: 4

Legal entities:

- Ghana Telecommunications Company Limited
- National Communications Backbone Company Limited
- Vodacom Business (Ghana) Limited
- Vodafone Ghana Mobile Financial Services Limited

India

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	6,847	(338)	585	245	340	2,560	1,796	1,313	23,836
2015–16	7,143	(308)	569	n/a	n/a	1,479	1,558	1,292	22,483

We are one of the largest international investors in India where we operate mobile and fixed-line services with 209.1 million customers as of 31 March 2017. We are also a significant provider of communications services to Indian corporate and public sector customers, from small and medium-sized enterprises and municipalities, to national agencies, central government and multinational companies.

We entered the market in 2007 through the acquisition of assets owned by Hutchison. Local rules limiting the extent to which non-Indian shareholders could own assets in certain sectors led to unavoidably complex ownership arrangements until 2013 when we were permitted to acquire the remaining interests held by minority investors and were then able to begin to rationalise our overall corporate structure in India – a process which continues.

The tax treatment of the 2007 acquisition is the focus of an ongoing dispute with the Indian government which is explained here.

We operate large technology shared service centres in India which provide specialist back-office and technology support to companies across the Group as a whole. In 2012, we established a financial services business to bring the M-Pesa mobile money service to India. We also own 42% of Indus Towers, one of the world's largest mobile transmission tower companies, which provides the passive infrastructure for the network for Vodafone India and two of its competitors.

Our business in India operates in a challenging environment and we again incurred a loss in 2016–17 as the costs of spectrum, investment in our networks and the interest costs incurred with local Indian banks exceeded the profit we make from providing our services to customers. Our results in India have also been impacted by the introduction of free services by a new entrant in the market. In March 2017 we announced an agreement to combine our Indian business with Idea Cellular. The transaction is currently subject to regulatory approvals.

Our 2016–17 non-tax contribution was higher than in the prior year as a consequence of the timing of payments in respect of the spectrum auction held in 2015–16.

Number of legal entities: 28

Legal entities

- AG Mercantile Company Private Limited
- Cable & Wireless Global (India) Private Limited
- Cable & Wireless Networks India Private Limited
- Connect (India) Mobile Technologies Private Limited
- Firefly Networks Limited*
- Indus Towers Limited*
- Jaykay Finholding (India) Private Limited
- Mobile Commerce Solutions Limited
- MV Healthcare Services Private Limited
- Nadal Trading Company Private Limited
- ND Callus Info Services Private Limited
- Omega Telecom Holdings Private Limited
- Plustech Mercantile Company Private Limited
- Scorpio Beverages Private Limited
- SMMS Investment Private Limited
- Telecom Investments India Private Limited
- UMT Investments Limited
- Usha Martin Telematics Limited
- Vodafone Business Services Private Limited
- Vodafone Global Services Private Limited
- Vodafone India Limited
- Vodafone India Digital Limited
- Vodafone India Services Private Limited
- Vodafone India Ventures Limited
- Vodafone Mobile Services Limited
- Vodafone Mpesa Limited
- Vodafone Towers Limited
- Vodafone Technology Solutions Limited

Kenya

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	810	293	207	89	118	19	108	126	1,729
2015–16	676	224	97	n/a	n/a	14	142	116	1,703

We are one of the largest international investors in Kenya, where our associate Safaricom, (27.6% owned by Vodafone), operates mobile services with 28.1million customers as of 31 March 2017. Safaricom also provides communications services to Kenyan corporate and public sector customers. Vodafone entered the Kenyan market in 2000 through the acquisition of our stake in Safaricom. Our investment is owned and managed by our Kenyan holding company. Other legal entities include the company responsible for the M-Pesa mobile money service. M-Pesa was originally launched in Kenya, is now a mainstay of the country's financial system and is used by millions of Kenyans every day.

In September 2017, we transferred our Safaricom shareholding of 35% to the Vodacom Group in exchange for shares to allow us to streamline and simplify the management of our sub-Saharan African businesses. This reduced the Group's effective holding in Safaricom to 27.6%.

Direct tax contributions were higher in 2016–17 than in the previous year on account of an increase in the number of customers and the timing of our tax payments. Indirect tax contributions have decreased over the prior year largely due to the impact of reduced investment in our M-Pesa business.

Number of legal entities: 4

Legal entities

- M-Pesa Holding Co. Limited
- Safaricom Limited*
- Vodacom Business (Kenya) Limited
- Vodafone Kenya Limited*

Lesotho

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	68	28	10	2	8	3	4	13	208
2015–16	68	26	7	n/a	n/a	2	3	14	188

Vodacom is the largest mobile operator in Lesotho. Over the last three years, Vodacom Lesotho has invested more than €40 million to improve and modernise the network and services relied on by 1.5 million customers as of 31 March 2017.

Vodacom Lesotho (Pty) Limited 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 in Vodacom Lesotho is owned by Sekhametsi Enterprises (Pty) Limited. Vodacom entered Lesotho in 1996 through the award of a mobile licence. Vodacom Lesotho also provides mobile financial services through M-Pesa, enabling people unable to access traditional banking systems to benefit from money transfer, savings and credit services.

Number of legal entities: 1

Legal entities

- Vodacom Lesotho (Pty) Limited

Mozambique

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	190	14	20	6	14	5	22	26	479
2015–16	251	19	5	n/a	n/a	11	16	67	437

Vodacom is the second largest mobile operator in Mozambique. Over the last three years, Vodacom has invested more than €205 million to improve and modernise the networks and services relied on by its 5.1 million customers as of 31 March 2017.

Vodacom Mozambique – VM SA – is a subsidiary of the South Africa-based Vodacom Group Limited, which owns 85% of the company. The remaining interests are owned by Interlec Holdings Limited (6.5%), Whatana Investments Limited (6.5%) and various other minority shareholders. Vodacom entered Mozambique in 2003 through the award of a mobile licence. Vodafone M-Pesa S.A. provides mobile financial services – including mobile money transfer and savings and credit services – to people unable to access traditional banking systems.

Direct tax contributions were higher in the 2016–17 year than the prior year due to the use of outstanding tax losses in previous year. Indirect tax contributions are higher in 2016–17 due to a larger amount of employment taxes collected following bonus payments and a higher rate of tax.

Number of legal entities	2
Legal entities	• VM SA • Vodafone M-Pesa SA

New Zealand

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	1,311	47	40	21	19	1	120	144	2,965
2015–16	1,229	(5)	75	n/a	n/a	1	102	147	2,883

We are a significant international investor in New Zealand where we operate mobile, fixed-line and TV services with 2.9 million customers as of 31 March 2017. We are also a significant provider of communications services to New Zealand corporate and public sector customers. We entered the market in 1998 through the acquisition of BellSouth's New Zealand operations and in 2012 we acquired the TelstraClear fixed-line and TV business.

The 2015–16 direct tax contributions have been restated to include telecommunications levies which were previously classified as non-tax items. Indirect tax contributions have increased year on year following the acquisition of NextGen Services Ltd, while direct tax contributions have declined as withholding tax paid on the refinancing of a loan in 2016 was not applicable in 2017.

Number of legal entities: 6

Legal entities

- Centurion GSM Limited*
- TNAS Limited
- TSM NZ Limited*
- Vodafone Mobile NZ Limited
- Vodafone New Zealand Limited
- Vodafone Next Generation Services Limited

Qatar

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	510	(67)	-	-	-	12	2	66	490
2015–16	528	(117)	<1	n/a	n/a	6	5	100	541

We own 23% of Vodafone Qatar; the Qatar Foundation owns 27% and the remaining shares are publicly held with a listing on the Qatar Exchange. Vodafone Qatar operates mobile and fixed-line services with 1.5 million customers as of 31 March 2017. We entered the market in 2009 through the award of a mobile licence.

We incurred a loss in Qatar during 2016–17 as the profits we earn from providing the services mentioned above to our customers do not yet cover the depreciation cost of our licences and our network. Direct non-tax contributions are higher in 2016–17, on account of the acquisition of additional spectrum.

On 26 February 2018 we announced the Qatar Foundation's intention to acquire our stake in Vodafone Qatar.

Number of legal entities: 2

Legal entities

- Vodafone and Qatar Foundation L.L.C
- Vodafone Qatar Q.S.C.

South Africa

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	4,187	1,077	387	28	359	25	290	544	5,253
2015–16	4,154	1,074	348	n/a	n/a	24	251	590	5,231

Vodafone owns 65% of the Vodacom Group; the remaining 35% is publicly owned through a listing on the Johannesburg Stock Exchange. Vodacom is one of Africa's largest public companies and owns our operating businesses in the DRC, Lesotho, Mozambique, South Africa and Tanzania, and as of September 2017, 35% of Safaricom.

The large majority of Vodacom's revenues are derived from its biggest operating company, Vodacom South Africa (Pty) Limited, which was founded in 1994. In the South African market, Vodacom is the largest mobile operator and provides mobile and fixed-line services to over 46.7 million customers as of 31 March 2017. Vodafone acquired a majority interest in Vodacom Group in 2009.

Over the last three years, Vodacom has invested more than €1.7 billion to improve and modernise its network over the same period, in turn contributing positively towards economic development and job creation.

Vodacom's tax contributions in 2016–17 are higher than those in 2015–16, due to an increase in revenue.

Vodacom Group owns several holding companies in South Africa – its country of domicile – as well as an insurance business which provides services to companies across the Vodacom Group. There are a number of dormant companies with no active role in either Vodafone Group or Vodacom Group.

Number of legal entities: 30

Legal entities

- Cable and Wireless Worldwide South Africa (Pty) Limited
- Centriq Insurance Company (Pty) Limited
- G Mobile Holdings Limited
- GS Telecom (Pty) Limited
- Jupicol (Pty) Limited
- Mezzanine Ware (Pty) Limited (RF)
- Motifpros 1 (Pty) Limited
- Number Portability Company (Pty) Limited*
- Scarlet Ibis Investments 23 (Pty) Limited
- Storage Technology Services (Pty) Limited
- Vodacom (Pty) Limited
- Vodacom Business Africa Group (Pty) Limited
- Vodacom Financial Services (Pty) Limited
- Vodacom Group Limited
- Vodacom Insurance Administration Company (Pty) Limited
- Vodacom Insurance Company (RF) Limited
- Vodacom International Holdings (Pty) Limited
- Vodacom Life Assurance Company (RF) Limited
- Vodacom Payment Services (Pty) Limited
- Vodacom Properties No.1 (Pty) Limited
- Vodacom Properties No.2 (Pty) Limited
- Vodafone Holdings (SA) (Pty) Limited
- Vodafone Investments (SA) (Pty) Limited
- Vouchercloud SA (Pty) Limited
- Waterberg Lodge (Pty) Limited
- Wheatfields Investments 276 (Pty) Limited
- Wheatfields Investments No 261 (Pty) Limited
- X-Link Communications (Pty) Limited
- Yebu Yethu Employee Participation Fund
- Yebu Yethu Limited

Tanzania

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	386	29	92	70	23	14	51	62	556
2015–16	393	26	81	n/a	n/a	14	49	92	541

Vodacom is the largest mobile operator in Tanzania with 12.7 million customers as of 31 March 2017. Over the last three years, we have invested around €250 million to modernise the networks and services relied on by our customers.

Vodacom Tanzania is a subsidiary of the South Africa-based Vodacom Group Limited, which owns 61.7% of the company, 25% is listed on the Dar Es Salaam Stock Exchange (DSE) following an IPO in August 2017 and the remaining interest in Vodacom Tanzania is owned by Mirambo Limited. Vodacom entered the market in 2000 through the award of a mobile licence and also provides mobile financial services through M-Pesa, offering mobile money transfer, savings and credit services to people unable to access traditional banking systems.

Number of legal entities: 6

Legal entities:

- Gateway Communications Tanzania Limited
- M-Pesa Limited
- Mirambo Limited
- Shared Networks Tanzania Limited
- Vodacom Tanzania Limited Zanzibar
- Vodacom Tanzania Plc

Turkey

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	3,053	(59)	450	388	61	234	515	336	3,410
2015–16	3,021	(53)	412	n/a	n/a	1,174	579	482	3,397

We are a significant international investor in Turkey where we operate mobile and fixed-line services with 23.3 million customers as of 31 March 2017. We are also a significant supplier of communications services to Turkish corporate and public sector customers. We entered the market in 2005 following our acquisition of the assets of Telsim. We have a holding company that owns our Turkish operating business. We also operate a technology R&D centre that provides specialist expertise to companies across the Group as a whole.

We incurred a loss in Turkey during 2016–17 as the profits we earn from providing the services mentioned above to our customers do not cover the depreciation and investment costs of our licences and our network and the interest costs of the financing of the purchase of those licences and network.

Our 2016–17 non tax contributions were substantially lower than the previous year as they do not include the payments made to acquire a spectrum licence which also impacted the indirect tax contributions in that year. Our 2016–17 direct taxes are higher than the prior year due to the impact of increased revenue.

Number of legal entities: 8

Legal entities

- Vodafone Bilgi Ve Iletisim Hizmetleri A.S.
- Vodafone Dagitim Hizmetleri A.S.
- Vodafone Elektronik Para Ve Ödeme Hizmetleri A.Ş.
- Vodafone Holding A.S.
- Vodafone Net İletişim Hizmetleri A.Ş.
- Vodafone Teknoloji Hizmetleri A.S.
- Vodafone Telekomunikasyon A.S.
- Vodafone Mobile Operations Limited

Enterprise sales and marketing locations

Angola

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	4	1	<1	<1	-	-	<1	<1	9
2015–16	4	<1	<1	n/a	n/a	-	<1	<1	7
	Vodacom Business Limitada is an enterprise-focused ICT subsidiary of the Vodacom Group through Vodacom Business Africa Group (Pty) Limited (VBA). VBA provides a range of communications services – from mobile and fixed-line connections through to Machine-to-Machine and cloud computing services – to Vodafone's and Vodacom's large corporate and multinational customers with a presence across Africa.								
Number of legal entities	1								
Legal entities	• Vodacom Business Limitada								

Argentina

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	-	-	-	-	<1	-	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• CWGNL S.A								

Austria

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	<1	<1	<1	<1	-	<1	-	-	-
2015–16	<1	<1	<1	n/a	n/a	-	-	<1	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Enterprise Austria GmbH								

Bahrain

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	<1	<1	-	-	-	-	-	-	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Enterprise Bahrain W.L.L.								

Belgium

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	1	2	1	1	<1	<1	<1	1	17
2015–16	1	(2)	1	n/a	n/a	-	<1	<1	17
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We also have a legal entity which acts as our representative office in engaging with Brussels-based European institutions.								
Number of legal entities	3								
Legal entities	• Ipergy Communications NV • Vodafone Belgium SA/NV • Vodafone Enterprise Belgium SA/NV								

Brazil

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	12	(3)	<1	<1	-	-	<1	-	4
2015–16	<1	(1)	<1	n/a	n/a	-	<1	-	3
	Our local legal entities provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We also have a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive) in Italy, in 2014.								
Number of legal entities	3								
Legal entities	• Cobra de Brasil Servicos de Telematica Limitada • Vodafone Empresa Brasil Telecomunicações Limitada • Vodafone Servicos Empresariais Brasil Limitada								

Cameroon

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	7	1	<1	<1	<1	-	<1	<1	27
2015–16	7	2	<1	n/a	n/a	<1	<1	1	29
	Vodacom Business Cameroon SA is an enterprise-focused ICT subsidiary of the Vodacom Group through Vodacom Business Africa Group (Pty) Limited (VBA). VBA provides a range of communications services – from mobile and fixed-line connections through to Machine-to-Machine and cloud computing services – to Vodafone's and Vodacom's large corporate and multinational customers with a presence across Africa.								
Number of legal entities	1								
Legal entities	• Vodacom Business Cameroon S.A.								

Canada

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	<1	<1	<1	<1	<1	-	4
2015–16	-	<1	<1	n/a	n/a	-	-	-	3
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Canada Incorporated								

Chile

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	-	-	-	-	-	<1	-	1
	Our local legal entity has been set up to provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Enterprise Chile S.A.								

China

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	6	<1	<1	<1	<1	<1	2	-	23
2015–16	8	<1	<1	n/a	n/a	-	1	-	24
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We also operate a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive) in Italy, in 2014.								
Number of legal entities	3								
Legal entities	• Vodafone Automotive Technologies (Beijing) Co, Limited • Vodafone China Limited • Vodafone Enterprise Technical Services (Shanghai) Co. Limited								

Côte d'Ivoire

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	3	1	<1	<1	<1	<1	<1	-	7
2015–16	2	<1	-	n/a	n/a	-	-	<1	9
	Vodacom Business Cote d'Ivoire s.a.r.l. is an enterprise-focused ICT subsidiary of the Vodacom Group through Vodacom Business Africa Group (Pty) Limited (VBA). VBA provides a range of communications services – from mobile and fixed-line connections through to Machine-to-Machine and cloud computing services – to Vodafone's and Vodacom's large corporate and multinational customers with a presence across Africa.								
Number of legal entities	1								
Legal entities	• Vodacom Business Cote d'Ivoire s.a.r.l.								

Denmark

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	<1	<1	<1	-	<1	-	-
2015–16	-	<1	<1	n/a	n/a	-	<1	<1	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Enterprise Denmark A/S								

France

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m) Total paid	Split between: Direct taxes	Corporate tax	Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
2016–17	14	<1	2	1	1	<1	<1	9	42
2015–16	24	10	2	n/a	n/a	-	<1	9	69
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We operate a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive) in Italy, in 2014.								
Number of legal entities	3								
Legal entities	• Vodafone Automotive France S.A.S • Vodafone Automotive Telematics Development S.A.S • Vodafone Enterprise France S.A.S								

Hong Kong

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m) Total paid	Split between: Direct taxes	Corporate tax	Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
2016–17	60	(14)	1	1	-	<1	-	-	84
2015–16	63	(9)	<1	n/a	n/a	<1	-	-	78
	Our local legal entities provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in Hong Kong.								
Number of legal entities	4								
Legal entities	• Vodafone Enterprise Hong Kong Limited • Vodafone Enterprise Global Network HK Limited • Vodafone Global Enterprise (Hong Kong) Limited • Vodafone China Limited (Hong Kong)								

Japan

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	6	2	1	<1	<1	-	1	-	18
2015–16	4	2	<1	n/a	n/a	-	1	-	21
	Our local legal entities provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We also operate a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive) in Italy, in 2014.								
Number of legal entities	2								
Legal entities	• Vodafone Automotive Japan K.K. • Vodafone Global Enterprise (Japan) K.K.								

Malaysia

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	1	1	<1	-	<1	-	<1	-	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Global Enterprise (Malaysia) Sdn Bhd								

Mexico

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	1	<1	-	<1	-	<1	-	2
2015–16	-	<1	-	n/a	n/a	-	-	-	3
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Global Enterprise Mexico S.de R.L. de C.V.								

Nigeria

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	35	(17)	2	2	1	2	3	2	188
2015–16	44	(4)	6	n/a	n/a	1	5	6	196
	Vodacom Business Africa (Nigeria) Limited is an enterprise-focused ICT subsidiary of the Vodacom Group through Vodacom Business Africa Group (Pty) Limited (VBA). VBA provides a range of communications services – from mobile and fixed-line connections through to Machine-to-Machine and cloud computing services – to Vodafone's and Vodacom's large corporate and multinational customers with a presence across Africa.								
Number of legal entities	3								
Legal entities	• C & W Worldwide Nigeria Limited • Spar Aerospace (Nigeria) Limited • Vodacom Business Africa (Nigeria) Limited								

Russia

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	1	<1	<1	<1	<1	<1	-	-	4
2015–16	1	<1	<1	n/a	n/a	<1	<1	<1	8
	Our local legal entities provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We also operate a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive) in Italy, in 2014.								
Number of legal entities	3								
Legal entities	• Autoconnex Limited* • Cable & Wireless CIS Svyaz LLC • Vodafone Global Enterprise Russia LLC								

Sierra Leone

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	<1	<1	-	-	-	-	-	-	-
2015–16	<1	<1	-	n/a	n/a	-	-	<1	3
	VBA International (SL) Limited is an enterprise-focused ICT subsidiary of the Vodacom Group through Vodacom Business Africa Group (Pty) Limited (VBA). VBA provides a range of communications services – from mobile and fixed-line connections through to Machine-to-Machine and cloud computing services – to Vodafone's and Vodacom's large corporate and multinational customers with a presence across Africa.								
Number of legal entities	1								
Legal entities	• VBA International (SL) Limited								

Singapore

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	72	(3)	2	1	1	<1	1	9	208
2015–16	64	3	2	n/a	n/a	<1	<1	8	238
	Our local legal entities provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in Singapore.								
Number of legal entities	4								
Legal entities	• Bluefish Apac Communications Pte Limited • Vodafone Enterprise Global Network Pte Limited • Vodafone Enterprise Regional Business Singapore Pte Limited • Vodafone Enterprise Singapore Pte Limited								

South Korea

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	12	(1)	<1	<1	<1	-	<1	-	12
2015–16	17	<1	<1	n/a	n/a	<1	<1	-	14
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in South Korea. We also operate a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive), in Italy, in 2014.								
Number of legal entities	2								
Legal entities	• Vodafone Automotive Korea Limited • Vodafone Enterprise South Korea Limited								

Sweden

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	<1	1	<1	<1	<1	<1	<1	-	3
2015–16	<1	<1	<1	n/a	n/a	-	<1	<1	2
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Enterprise Sweden AB								

Switzerland

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	31	(3)	1	<1	1	<1	1	-	7
2015–16	41	<1	1	n/a	n/a	<1	1	<1	20
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We also operate a company supporting our automotive IoT business which was acquired under the transaction with Cobra Group (now Vodafone Automotive), in Italy, in 2014.								
Number of legal entities	2								
Legal entities	• Vodafone Automotive Telematics S.A.					• Vodafone Enterprise Switzerland AG			

Taiwan

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	<1	<1	<1	<1	-	-	-
2015–16	-	-	<1	n/a	n/a	<1	-	-	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• Vodafone Global Enterprise Taiwan Limited								

Ukraine

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	<1	1	<1	<1	-	-	-	-	-
2015–16	<1	(1)	<1	n/a	n/a	-	-	<1	-
	Our local legal entity provides marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country.								
Number of legal entities	1								
Legal entities	• LLC Vodafone Enterprise Ukraine								

USA

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	59	(37)	(63)	5	(68)	1	25	20	445
2015–16	59	(17)	(33)	n/a	n/a	1	24	16	579

Our local legal entities provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. We decided to remove US Mobility from our product portfolio following a close look at the US market and the needs of our enterprise customers.

Our 2016–17 and 2015–16 direct tax contributions include refunds of US state taxes. We had paid these amounts in earlier years as part of the Verizon Wireless disposal, some of which were due back to us upon the finalisation of the state tax liability for that year.

Number of legal entities: 4

Legal entities:

- Bluefish Communications Inc.
- Cable & Wireless a-Services, Inc.
- Cable & Wireless America Systems Inc.
- Vodafone US Inc.

Zambia

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	11	(3)	<1	<1	<1	<1	1	1	182
2015–16	12	(2)	<1	n/a	n/a	-	-	3	180

AfriConnect (Zambia) Limited is an enterprise-focused ICT subsidiary of the Vodacom Group through Vodacom Business Africa Group (Pty) Limited (VBA). VBA provides a range of communications services – from mobile and fixed-line connections through to Machine-to-Machine and cloud computing services – to Vodafone's and Vodacom's large corporate and multinational customers with a presence across Africa.

Number of legal entities: 1

Legal entities:

- AfriConnect (Zambia) Limited

Other non-operating assets

Cayman Islands

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	-	-	-	-	-	-	-
2015–16	-	<1	<1	n/a	n/a	-	-	-	-

Our legal entity in the Cayman Islands is a legacy of the transaction with Hutchison in 2007 which led to what is now Vodafone India, as explained in the India section of this Report. Hutchison owned the assets in India indirectly via a Cayman Islands holding company. In its 2012 ruling, the Indian Supreme Court examined the Cayman Islands entity established by Hutchison (and subsequently acquired by Vodafone) and concluded that it had not been established to avoid tax.

Under Vodafone's ownership, the Cayman Islands holding company has no income and plays no role in reducing the taxes payable by our Indian operations or by the Group.

Number of legal entities: 1

Legal entities:
- CGP Investments (Holdings) Limited

Guernsey

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	-	-	-	-	-	-	-
2015–16	-	<1	-	n/a	n/a	-	-	-	-

Our legal entities in Guernsey are a consequence of prior acquisitions. These holding companies play no role in reducing the taxes payable by the Group.

Number of legal entities: 5

Legal entities:
- FB Holdings Limited
- Le Bunt Holdings Limited
- Silver Stream Investments Limited
- VBA Holdings Limited
- VBA International Limited

Jersey

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	<1	-	-	-	-	-	-	-
2015–16	-	<1	-	n/a	n/a	-	-	-	-
	We have a number of legal entities in Jersey. Eight of these holding companies are subject to tax in the UK. Their overall tax contributions are therefore included within the numbers disclosed for the UK. We also have one legacy holding company in Jersey which receives a limited amount of dividend income (which is paid from post-tax profits) and which plays no role in the financing of the Group.								
Number of legal entities	9								
Legal entities	• Aztec Limited • Globe Limited • Plex Limited • Vodafone Jersey Dollar Holdings Limited • Vodafone Jersey Finance • Vizzavi Finance Limited • Vodafone Holdings (Jersey) Limited • Vodafone International 2 Limited • Vodafone Jersey Yen Holdings Unlimited								

Luxembourg

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	187	1,450	8	4	5	-	15	17	325
2015–16	223	1,883	9	n/a	n/a	<1	15	48	317

Our legal entities in Luxembourg conduct financing, procurement and roaming activities on behalf of the Group as a whole. Our local legal entities also provide marketing, sales and client support for Vodafone's large corporate and multinational customers with an operating presence in the country. During the year, we also launched Tomorrow Street, a start-up incubator hub created in partnership with the Luxembourg government. Further details of our Luxembourg subsidiaries are set out earlier in the Report.

As explained earlier in the Report, Luxembourg provides a large proportion of the Group's funding to many of our businesses worldwide. Under transfer pricing rules, all such arrangements must operate under commercial 'arm's length' principles, which are externally benchmarked and verified. In simple terms, the interest and fees associated with this funding activity must be comparable to those levied by an external financial institution. In addition, Luxembourg hosts our global procurement and roaming subsidiaries which serve Vodafone businesses worldwide as strategic centres of excellence and which also operate as profit centres in their own right, charging third parties (such as Partner Markets operators) fees on a commercial basis for a variety of services, including the provision of specialist roaming management and procurement services to third parties.

Number of legal entities: 12

Legal entities

- Tomorrow Street GP S.a.r.l.
- Vodafone Enterprise Luxembourg S.A.
- Vodafone International 1 S.a.r.l.
- Vodafone International M S.a.r.l.
- Vodafone Investments Luxembourg S.a.r.l.
- Vodafone Luxembourg 5 S.a.r.l.
- Vodafone Luxembourg S.a.r.l.
- Vodafone Asset Management Services S.a.r.l.
- Vodafone Payment Solutions S.a.r.l.
- Vodafone Procurement Company S.a.r.l.
- Vodafone Roaming Services S.a.r.l.
- Vodafone Enterprise Global Businesses S.a.r.l.

Mauritius

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	(110)	1	<1	1	-	<1	<1	10
2015–16	36	(39)	1	n/a	n/a	-	<1	-	5
	Our legal entities in Mauritius are a legacy of prior acquisitions, predominantly the acquisition of the Hutchison assets in 2007 which led to what is now Vodafone India (as explained above in the Cayman Islands section). Mauritius is a common base for multinational investment into India and Africa and a number of assets acquired by Vodafone and Vodacom in the past have involved assuming ownership of Mauritius-based companies. These entities play no role in reducing the taxes payable by our African or Indian operations (or the operations of the Group) and many of these are now dormant. Vodacom's Mauritius-based companies also provide HR and wholesaling services to other members of the Vodacom Group.								
Number of legal entities	16								
Legal entities	• Al-Amin Investments Limited • Array Holdings Limited • Asian Telecommunications Investments (Mauritius) Limited • CCII (Mauritius) Inc. • CGP India Investments Limited • Euro Pacific Securities Limited • Mobile Wallet VM1 • Mobile Wallet VM2 • Mobilvest • Prime Metals Limited • Trans Crystal Limited • VBA (Mauritius) Limited • Vodacom International Limited • Vodafone Mauritius Limited • Vodafone Telecommunications (India) Limited • Vodafone Tele-Services (India) Holdings Limited								

Morocco

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	-	-	-	-	-	-	-	-
2015–16	-	-	-	n/a	n/a	-	-	-	-
	We have one legacy legal entity in Morocco. This is now dormant.								
Number of legal entities	1								
Legal entities	• Vodafone Maroc S.a.r.l.								

Seychelles

	Revenue (€m)	Profit before tax (€m)	Direct revenue contribution: Tax (€m)			Direct revenue contribution: Non-tax (€m)	Indirect revenue contribution (€m)	Capital investment (€m)	Direct employment
			Total paid	Split between: Direct taxes	Corporate tax				
2016–17	-	-	-	-	-	-	-	-	-
2015–16	-	-	-	n/a	n/a	-	-	-	-
	We acquired two legal entities in the Seychelles when Vodacom Group increased its stake in Vodacom Tanzania in 2014. These entities have no income and play no part in the financing of either Vodacom Group or Vodafone Group.								
Number of legal entities	2								
Legal entities	• Cavalry Holdings Limited					• East Africa Investments (Mauritius) Limited			

Appendices

Appendix 1: Our country by country contributions

The table below sets out the data for five of the most relevant indicators of Vodafone's total overall contribution to the public finances and wider economies of the countries within which we operate. It also includes revenue and profit before tax (PBT) figures for each of our businesses. All the contributions and capital investment data presented is for the 2016-17 financial year on an actual cash paid basis and is drawn from our audited accounts.

The source data is predominantly drawn from information included within the publicly available Vodafone Group Annual Report, the public accounts of the Group's listed operating company subsidiaries and the accounts of various non-listed Group operating company subsidiaries. This Report has been prepared using data presented in the Vodafone Group Plc Annual Report for 2017. Vodafone Group now reports its financial performance in euros which is the currency in this version of the Report and we have restated the 2015-16 data in order for comparison purposes.

Vodafone Group public accounts are certified by the Group's external auditors and the public accounts of the Group's listed operating company subsidiaries are certified by those companies' external auditors. Additional data is subject to assurance in line with the approach taken for other metrics disclosed in the 2016-17 Vodafone Group Sustainable Business Report. The assurance for this Report was conducted by BDO.

	Revenue		PBT (ex dividends)		Direct revenue contributions: Total	Split between: Direct taxes	Split between: Corporate tax	Direct revenue contributions: Total	Direct revenue contribution: Non-tax		Indirect revenue contribution		Capital investment		Direct employment	
	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m			FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17	FY15–16
Europe																
Albania	**119**	115	**3**	7	**5**	1	5	6	**13**	8	**10**	7	**18**	25	**441**	425
Czech Republic	**507**	499	**32**	26	**17**	13	4	17	**14**	23	**70**	64	**92**	101	**1,694**	1,735
Germany	**10,619**	10,738	**(636)**	(474)	**350**	262	89	306	**219**	1,872	**1,271**	1,166	**1,925**	2,604	**15,714**	16,034
Greece	**851**	849	**8**	23	**23**	19	3	21	**15**	8	**199**	199	**117**	127	**1,978**	2,118
Hungary	**468**	426	**17**	11	**29**	20	9	28	**21**	22	**140**	118	**62**	90	**3,660**	3,366
Ireland	**996**	1,020	**2**	(17)	**24**	18	5	26	**25**	21	**100**	112	**172**	229	**1,310**	1,272
Italy	**6,249**	6,203	**686**	634	**187**	101	87	168	**38**	277	**748**	706	**881**	1,625	**7,339**	7,384
Malta	**86**	93	**124**	157	**12**	3	9	6	**3**	3	**10**	12	**14**	17	**347**	343
Netherlands	**1,867**	1,890	**(7)**	(88)	**2**	17	(15)	45	**<1**	-	**212**	242	**303**	342	**3,601**	3,598
Portugal	**985**	977	**(37)**	31	**38**	13	25	36	**33**	31	**123**	107	**279**	351	**1,376**	1,483
Romania	**774**	762	**39**	53	**26**	20	6	32	**24**	24	**95**	97	**146**	132	**4,197**	3,993
Spain	**4,983**	5,024	**(74)**	(366)	**164**	164	<1	190	**112**	83	**393**	334	**748**	1,177	**5,188**	6,006
United Kingdom	**7,536**	9,176	**(504)**	(663)	**130**	220	(89)	351	**64**	47	**860**	985	**1,491**	1,690	**17,951**	17,965
TOTAL	**36,039**	**37,774**	**348**	**(667)**	**1,007**	**871**	**136**	**1,232**	**581**	**2,417**	**4,231**	**4,149**	**6,248**	**8,509**	**64,796**	**65,722**

	Revenue		PBT (ex dividends)		Direct revenue contributions:				Direct revenue contribution: Non-tax		Indirect revenue contribution		Capital investment		Direct employment	
					Total	Split between: Direct taxes	Split between: Corporate tax	Total								
	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m			FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17	FY15–16
AMAP Region																
Australia	**1,152**	1,184	**(59)**	(147)	**17**	14	3	18	**24**	22	**56**	52	**306**	161	**1,448**	1,593
Democratic Republic of Congo	**368**	389	**(47)**	(11)	**44**	42	2	47	**30**	52	**55**	48	**72**	86	**615**	634
Egypt	**1,334**	1,642	**268**	400	**139**	30	110	164	**191**	91	**213**	226	**208**	408	**8,381**	8,373
Ghana	**284**	265	**(242)**	(90)	**11**	6	6	5	**11**	10	**63**	58	**43**	46	**1,111**	1,149
India	**6,847**	7,143	**(338)**	(308)	**585**	245	340	569	**2,560**	1,479	**1,796**	1,558	**1,313**	1,292	**23,836**	22,483
Kenya	**810**	676	**293**	224	**207**	89	118	97	**19**	14	**108**	142	**126**	116	**1,729**	1,703
Lesotho	**68**	68	**28**	26	**10**	2	8	7	**3**	2	**4**	3	**13**	14	**208**	188
Mozambique	**190**	251	**14**	19	**20**	6	14	5	**5**	11	**22**	16	**26**	67	**479**	437
New Zealand	**1,311**	1,229	**47**	(5)	**40**	21	19	75	**1**	1	**120**	102	**144**	147	**2,965**	2,883
Qatar	**510**	528	**(67)**	(117)	**-**	-	-	<1	**12**	6	**2**	5	**66**	100	**490**	541
South Africa	**4,187**	4,154	**1,077**	1,074	**387**	28	359	348	**25**	24	**290**	251	**544**	590	**5,253**	5,231
Tanzania	**386**	393	**29**	26	**92**	70	23	81	**14**	14	**51**	49	**62**	92	**556**	541
Turkey	**3,053**	3,021	**(59)**	(53)	**450**	388	61	412	**234**	1,174	**515**	579	**336**	482	**3,410**	3,397
TOTAL	**20,500**	**20,944**	**943**	**1,038**	**2,004**	**940**	**1,064**	**1,827**	**3,129**	**2,898**	**3,296**	**3,088**	**3,260**	**3,600**	**50,481**	**49,152**
Enterprise sales and marketing locations																
Angola	**4**	4	**1**	<1	**<1**	<1	-	<1	**-**	-	**<1**	<1	**<1**	<1	**9**	7
Argentina	**-**	n/a	**<1**	n/a	**-**	-	-	n/a	**-**	n/a	**<1**	n/a	**-**	n/a	**-**	n/a
Austria	**<1**	<1	**<1**	<1	**<1**	<1	-	<1	**<1**	-	**-**	-	**-**	<1	**-**	-
Bahrain	**<1**	n/a	**<1**	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a
Belgium	**1**	1	**2**	(2)	**1**	1	<1	1	**<1**	-	**<1**	<1	**1**	<1	**17**	17
Brazil	**12**	<1	**(3)**	(1)	**<1**	<1	-	<1	**-**	-	**<1**	<1	**-**	-	**4**	3
Cameroon	**7**	7	**1**	2	**<1**	<1	<1	<1	**-**	<1	**<1**	<1	**<1**	1	**27**	29
Canada	**-**	-	**<1**	<1	**<1**	<1	<1	<1	**-**	-	**<1**	-	**-**	-	**4**	3
Chile	**-**	n/a	**-**	n/a	**-**	-	-	n/a	**-**	n/a	**<1**	n/a	**-**	n/a	**1**	n/a
China	**6**	8	**<1**	<1	**<1**	<1	<1	<1	**<1**	-	**2**	1	**-**	-	**23**	24
Côte d'Ivoire	**3**	2	**1**	<1	**<1**	<1	<1	-	**<1**	-	**<1**	-	**-**	<1	**7**	9
Denmark	**-**	-	**<1**	<1	**<1**	<1	<1	<1	**-**	-	**<1**	<1	**-**	<1	**-**	-

	Revenue		PBT (ex dividends)		Direct revenue contributions:				Direct revenue contribution: Non-tax		Indirect revenue contribution		Capital investment		Direct employment	
					Total	Split between: Direct taxes	Split between: Corporate tax	Total								
	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m			FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17 €m	FY15–16 €m	FY16–17	FY15–16
France	14	24	<1	10	2	1	1	2	<1	-	<1	<1	9	9	42	69
Hong Kong	60	63	(14)	(9)	1	1	-	<1	<1	<1	-	-	-	-	84	78
Japan	6	4	2	2	1	<1	<1	<1	-	-	1	1	-	-	18	21
Malaysia	1	n/a	1	n/a	<1	-	<1	n/a	-	n/a	<1	n/a	-	n/a	-	n/a
Mexico	-	-	1	<1	<1	-	<1	-	-	-	<1	-	-	-	2	3
Nigeria	35	44	(17)	(4)	2	2	1	6	2	1	3	5	2	6	188	196
Russian Federation	1	1	<1	<1	<1	<1	<1	<1	<1	<1	-	<1	-	<1	4	8
Sierra Leone	<1	<1	<1	<1	-	-	-	-	-	-	-	-	-	<1	-	3
Singapore	72	64	(3)	3	2	1	1	2	<1	<1	1	<1	9	8	208	238
South Korea	12	17	(1)	<1	<1	<1	<1	<1	-	<1	<1	<1	-	-	12	14
Sweden	<1	<1	1	<1	<1	<1	<1	<1	<1	-	<1	<1	-	<1	3	2
Switzerland	31	41	(3)	<1	1	<1	1	1	<1	<1	1	1	-	<1	7	20
Taiwan	-	-	<1	-	<1	<1	<1	<1	<1	<1	-	-	-	-	-	-
Ukraine	<1	<1	1	(1)	<1	<1	-	<1	-	-	-	-	-	<1	-	-
United States of America	59	59	(37)	(17)	(63)	5	(68)	(33)	1	1	25	24	20	16	445	579
Zambia	11	12	(3)	(2)	<1	<1	<1	<1	<1	-	1	-	1	3	182	180
TOTAL	333	355	(70)	(19)	(52)	11	(64)	(21)	4	2	34	33	43	44	1,287	1,503
Non-operating companies																
Cayman Islands	-	-	<1	<1	-	-	-	<1	-	-	-	-	-	-	-	-
Guernsey	-	-	<1	<1	-	-	-	-	-	-	-	-	-	-	-	-
Jersey	-	-	<1	<1	-	-	-	-	-	-	-	-	-	-	-	-
Luxembourg	187	223	1,450	1,883	8	4	5	9	-	<1	15	15	17	48	325	317
Mauritius	-	36	(110)	(39)	1	<1	1	1	-	-	<1	<1	<1	-	10	5
Morocco	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seychelles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	187	259	1,340	1,844	9	4	6	9	-	<1	15	16	17	48	335	322
GLOBAL TOTAL	57,059	59,332	1,866	2,196	2,968	1,826	1,142	3,047	3,714	5,317	7,576	7,286	9,568	12,201	116,899	116,699

Notes to table on pages 73–75:

The table on the above pages includes all contributions from countries where the Group has a legal entity presence and does not include branches or permanent establishments.

'Global enterprise' includes all jurisdictions in which we have separate legal entities supporting our Vodafone Global Enterprise (VGE) sales, marketing and client support activities except where the contributions from VGE are in countries shown in the Europe or AMAP regions, in which case the VGE element is included within those lines.

We also have VGE entities in Bulgaria, Finland and Norway where the entities were set up after 31 March 2017.

We have restated the 2015-2016 German direct tax contribution data to include environmental levies, previously excluded from this number; the 2015-16 New Zealand tax contributions to reclassify a telecommunications levy from non-tax contributions to direct tax contributions; the 2015–16 direct tax contributions in the Netherlands to exclude social security contributions incorrectly included last year; and corrected the Russian 2015–16 employee numbers to reflect the correct number.

The global total direct employment number includes employees in our non-controlled entities who are excluded from the numbers in the Annual Report.

A reconciliation between our Annual Report revenue and profit before tax figures and the data in the table above can be found overleaf.

The figures included in the data table are rounded to the nearest million and totals may not add to the individual data points disclosed due to rounding.

Appendix 2: Key Vodafone Group financials and statistics

Key Group financials

	2016–17	2015–16
Revenue (€m)	47,631	49,810
Adjusted operating profit (€m)	3,970	3,829
Free cash flow (€m)	4,056	1,271
Employees	108,271	107,667
Market capitalisation (as at 31 March) (€m)	65,200	58,400
Group mobile customers (million)	516.0	462.3

For more detailed information about our latest financial performance in 2016-17, see our Annual Report 2017.

Reconciliation of revenues and profit before tax (as reported in this report) to the Vodafone Group 2017 results

	Revenues (€m)	Profit before tax (€m)	Capital expenditure (€m)	Corporate tax (€m)
Figures as per Annual Report 2017 pages 35, 37 and 43*	**47,631**	**3,108**	**7,675**	**761**
Include results from Vodafone India	5,853	(564)	1,139	127
Include revenue from associates and joint ventures not included in revenue in our accounts	3,454	-	-	-
Add intra-company items eliminated from the Group results	121	12	53	-
Exclude Group items which don't impact local taxable profits	-	(394)	-	-
Include PBT of associates and joint ventures	-	342	-	-
Include corporate taxes paid by associates and joint ventures not included in our accounts	-	-	-	257
Include capital expenditure from associates and joint ventures not included in our accounts	-	-	703	-
Include items affecting local taxable profits but adjusted out of Group results	-	(639)	-	-
Rounding	-	1	(2)	(3)
Figures as per Tax Report 2017 data (and country by country tables)	57,059	1,866	9,568	1,142

Please note, that while we are able to reconcile the revenue and profit before tax figures as reported in the Vodafone Group Annual Report 2017 to those reported here, it is not possible to do this for the contributions made to governments as these are disclosed on a cash paid basis for the reasons we have set out earlier in the Report.

* As reported in the Vodafone Group Annual Report for the year ended 31 March 2017, published in June 2017.

Appendix 3: Types of taxation

The list below provides an overview of the types of taxation paid by Vodafone operating companies around the world every year:

Direct taxation

Advertisement tax
Airtime excise tax
Betting duty
Business profits tax
Business rates
Capital gains tax
City services levy
Cleaning tax
Climate change levy
Co-generation levy
Commission levy
Communications services tax
Company car tax
Concession levy
Construction tax
Consumption tax
Corporation tax
Donations tax
Economic activity tax
Education tax
Educational infrastructure tax
Electricity tax
Employers' national insurance contributions
Employers' Provident fund contribution
Employers' tax on pension plans
Environment tax
Environmental product fee
Equipment approvals duty
Expatriate tax
Extra grid levy
Fixed asset tax
Fringe benefit tax
Fuel duty
Game tax
Garbage tax
Homologation tax
Import duty
Innovation contribution
Insurance premium tax
Interconnect tax
International inbound call termination surtax
Irrecoverable value added tax and goods and services tax
Judicial tax
Levy contributions
Local business tax
Measuring equipment tax
Minimum alternative tax
Mobile telecoms services value added tax
Mortgage tax
Municipal business tax
Municipal and city rates
Municipal sewage levy
Municipal tax on immovable property
Municipal water tax
Municipal waste tax
National fiscal stabilisation levy
National health insurance levy
Net wealth tax
Numbering tax
Occupation of public space tax
Parking tax
PAYE settlements
Railway development levy
Real estate/property/landlord tax
Real estate transfer tax
Registration tax
Rehabilitation contribution
Renewable energy duty
Shop opening authorisation tax
Social security tax
Special communications tax
Special consumption tax
Stamp duty land tax
Tax on public domain/fixed lines
Tax on non-biodegradable SIM cards
Tax on prize programmes
Technology tax
Telecommunications development levy
Telecommunications levy
Telecommunications regulation levy
Transfer tax
Turnover tax
Universal service tax
Vocational training contribution
Withholding tax
Workers' compensation insurance levy

Non-taxation based fees

Annual government fee
Antitrust authority contributions
Carrier fees
Chamber of commerce fees
Cost contribution fund payments
Frequency fees
Identity management fee
International Mobile Equipment Identity (IMEI) number registration fees
Licence renewal fees
National Copyright Collecting fees
Network usage fees
Non-IMEI number registration fees
Proceeds from revenue sharing agreements
Radio link fees
Spectrum auction receipts
Spectrum management fees
Telecoms authority contributions
Telecoms licence fees
Usage fees
Universal communications service access fund
Universal social charge
Wireless connection fees
Wireless usage fees

Appendix 4: List of stakeholders

We welcome engagement with civil society groups, NGOs, and corporate tax activists, industry bodies, professional finance and accounting communities, policymakers and tax authorities many of whose insights have shaped this Report over the years. Below is an illustrative list of the organisations we have engaged with in relation to taxation over the last year:

- Action Aid
- Africa Tax Administration Forum
- Assotelecomunicazoni
- Bundesverband Informationswirtschaft, Telekommunikation und Neue Medien e.V. (BITKOM)
- Bundesverband der Deutschen Industrie e.V. (BDI)
- Business Forum on Tax and Competitiveness (UK)
- CSR Europe
- Cellular Operators Association of India
- Confederation of British Industry
- Confindustria Digitale
- Corporate Taxpayers Group (New Zealand)
- ERT
- ETNO
- European Commission Taxation and Customs Union Directorate-General (TAXUD)
- GSMA
- Global Reporting Initiative (GRI)
- Organisation for Economic Co-operation and Development
- Oxfam
- South African Institute of Chartered Accountants (SAICA)
- Spanish Tax Agency Large Companies Forum
- TAMNOA (Tanzania)
- Task Force for Tax Reforms (Tanzania)
- The 100 Group
- The B Team

Appendix 5: Glossary of key terms

Advance tax agreements
These can arise when there are complex transactions, unclear tax regulations or substantial values involved, and tax authorities seek to provide companies of all sizes with both formal and informal rulings and clearances in order to reduce uncertainty.

Arms-length principle
This is the principle of pricing of a transaction between related parties as if the parties were acting as independent entities.

Artificial arrangements
These are where transactions, activities or arrangements are undertaken without any significant commercial purpose. See our Tax Strategy for our perspective on artificial arrangements.

Base Erosion
This is the term used to describe the reduction in a country's overall tax revenues as a consequence of the fluid movement of corporate activity and funds between different jurisdictions.

BEPS
This is the OECD's project designed to address artificial base erosion and profit shifting (BEPS). The initiative intends to ensure that multinationals are taxed 'where their economic activities take place and value is created'.

Deferred taxation
This is an accounting concept whereby the future tax consequences of past transactions are reflected in the accounts of a company. A deferred tax liability would mean that more tax will be due in the future as a result of past transactions, whereas a deferred tax asset means there will be less tax due in the future.

Depreciation
This is the amount included on the profit and loss account of a company each year to reflect the reduction in value of capital expenditure e.g. network equipment.

Diverted profits tax
A tax introduced by the UK from April 2015 to tax circumstances where multinationals either contrive arrangements so as not meet the definition of a taxable presence in the UK, or which artificially divert UK profits to an entity in a lower tax jurisdiction for purely tax reasons.

Double taxation
This is the taxation of the same income twice by two or more different tax jurisdictions.

Effective tax rate
This is the ratio of tax expense included in the financial statements compared to the profits shown in the same financial statements.

Enhanced cooperation
This is a procedure where a minimum of nine EU member states are allowed to establish advanced integration or cooperation in an area within EU structures but without the other members being involved.

Exchange of information
This refers to the exchange between tax authorities of information relating to tax payers in each jurisdiction. The type of information exchanged could relate to bank accounts held by tax payers or to sharing of country by country reports prepared under the BEPS initiative.

Holding company
This is a type of company whose principle purpose is to hold and manage investments in other companies or joint ventures.

Permanent establishment
This describes the activities that take place in a country that require the filing of a tax return and possibly the payment of taxes in that country. This is another name for a taxable presence.

Profit before tax
This represents the profits we earn after the deduction of all costs. This number forms the basis on which we pay corporation tax. More information can be found here.

Profit shifting
This is the term used to describe the artificial arrangements under which companies move profits from one jurisdiction to another jurisdiction in order to minimise tax payments.

Revenue
This represents the total income earned by a company and includes the amounts earned from selling services to customers or other Group companies, income received for royalties for use of brands, and interest income.

State aid
This generally arises in the EU a member state, through a government body, has granted some form of advantage to an individual or company.

Taxable presence
See 'permanent establishment'.

Tax haven
There are a number of different definitions of the term 'tax haven'. At its simplest, the term is relative: if the tax regime in Country A has a lower headline or effective tax rate than Country B, then through the eyes of the people of Country B, Country A could be considered to be a 'tax haven'. A more nuanced definition of the term 'tax haven' focuses on national tax policies which have the effect of incentivising activities that are ring-fenced from the local economy, may be specific to individual companies rather than available to all market participants, and may be largely artificial in nature and designed purely to minimise tax.

Transfer pricing
This refers to the setting of the price for goods and services sold between related entities within a Group. Transfer pricing should be based on the arms-length principle. It is used to ensure that profits are allocated to the countries where the relevant economic activity takes place.

Appendix 6: Assurance statement

BDO LLP Assurance Statement
Tax and our total contribution to public finances

Independent Assurance Statement to Vodafone Management

The online 'Tax and our total contribution to public finances' document for 2016-17 (the 'Report') has been prepared by the management of Vodafone who are responsible for the collection and presentation of the information within it.

The management of Vodafone are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with Vodafone management's instructions, is to carry out a limited assurance review of the data included in the 'Our contribution, country by country' section of the Report and to ensure that the statements made in the remainder of the Report are not inconsistent with that data and our discussions with Vodafone. Our work involved a review of data relating to:

- revenue;
- profit before tax;
- direct revenue contribution: taxation;
- direct revenue contribution: other non-tax;
- indirect revenue contribution;
- capital investment; and
- direct employment.

Our responsibility in performing our assurance activities is to the management of Vodafone Group only and in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

Our assurance engagement has been planned and performed in accordance with the revised version of the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information – 'ISAE3000 Revised'.

Specifically, the subject matter in the Report has been evaluated against the following criteria:

- coverage of the most material issues;
- consistency of the statements made with underlying information that we reviewed and points raised through discussions with Vodafone teams;
- completeness of the data in terms of coverage of material reporting entities; and
- accuracy of group level data collation and presentation.

Summary of work performed:

1. The procedures we performed were based on our professional judgement and included the steps outlined below:
   - interviewed identified members of Vodafone Group Tax with responsibility for managing, collating and reviewing the data for the Report to:
     - review the relevant documentation and guidance provided to local teams;
     - examine the processes and controls at Group level in managing, collating and reviewing the data for the Report; and
     - review the underlying processes and documentation supporting the qualitative statements in the Report.
2. Interviewed a sample of six Vodafone local country tax teams to review:
   - adherence to and understanding of the guidance provided by Vodafone Group Tax;
   - the processes for ensuring that all local country taxes are included within the reporting to Vodafone Group Tax; and
   - the extent to which Vodafone Group Tax has reviewed the data provided to them by the local country team.
3. Reviewed the basis upon which the identified data reported by the six Vodafone local country tax teams sampled (ensuring coverage of Operating companies, Enterprise sales and marketing locations and Non-Operating companies) has been captured, reviewed and consolidated to assess whether the data has been collected, consolidated and reported accurately.
4. Sought explanations for material differences between the quantitative data presented in the previous tax section in the 2015-16 Report and this Report.
5. Reviewed and challenged supporting evidence from Vodafone Group Tax in relation to selected qualitative tax statements made within the Report.
6. Reviewed the Report for consistency between sections.
7. Compared the data in the Report to the relevant disclosures in the Vodafone Group Consolidated Financial Statements for the year ended 31 March 2017.
8. Consider, review and challenge as appropriate any significant changes in the 2016-17 report from the content of the previous year's document.

Limitations of our review

We conducted our work to express a limited assurance conclusion. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement (such as the statutory audit of financial statements) and we do not therefore express a reasonable assurance opinion.

Our review of tax and non-tax contribution data was limited to the subject matter identified above from the six jurisdictions sampled.

As part of our work, we placed reliance on Vodafone's controls at local country and Group level for managing and reporting the tax and non-tax contribution information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls in place at Group level for the collation of capital investment data and direct employment data where this information has been extracted from the Group's financial management and related systems.

Our conclusions

Based on our review of the collection, consolidation and presentation of revenue; profit before tax; direct revenue contribution: taxation; direct revenue contribution: other non-tax; indirect revenue contribution; direct employment data; and capital investment data:

1. Nothing has come to our attention that causes us to believe that the data included within the scope of our review has not been materially collated and presented properly at Group level; and
2. Nothing has come to our attention that causes us to believe that the statements made within the scope of our review are inconsistent with the tax data included in the Report or our discussions with Vodafone teams.

Observations from our work

Our observations and areas for improvement will be raised in a report to Vodafone management as appropriate. Any such observations do not affect our conclusions on the Report set out above.

Vodafone has demonstrated a positive intention to engage its stakeholders and the public in relation to the tax and economic contribution that the business makes.

This is the sixth time that Vodafone has sought to report a detailed level of tax data in the absence of any formal requirement.

We make the following comments in relation to how the data required for the Report has been gathered, reviewed and consolidated:

- There is a formal and documented methodology in place that sets out the process for data collection.
- Local teams were provided with sufficient time and improved guidance to enable effective collation of country data.
- The local reporting template is intuitive to use and has sufficient granularity of captions to support quality and consistency over the data collection process.
- The Group consolidation template provides a clear audit trail to the local reporting templates.

Our independence

BDO LLP provide independent assurance services in relation to the 'Tax and our total contribution to public finances' document for 2016-17 (the 'Report').

We have implemented measures to ensure that we are in compliance with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1.

Our assurance team

Our assurance team has been drawn from our tax network, which undertakes engagements similar to this with a number of significant UK and international businesses. Our assurance team has provided no other services relating to the collection and consolidation of the data and the statements made in the Report.

BDO LLP

March 2018