# UK TAX STRATEGY

**<u>Introduction</u>**

The Tax Strategy set out in this document is adopted by all UK companies in the Volvo Group.

A fundamental objective of the Tax Strategy is to ensure compliance with tax laws and regulations while at the same time ensuring tax efficiency through tax-conscious management of business operations.

**<u>Code of conduct</u>**

The UK tax strategy is determined in accordance with the Volvo code of conduct which states that the Volvo Group shall comply with the tax laws and regulations of each country in which it operates. Where tax laws do not give clear guidance, then prudence and transparency shall be the guiding principles.

**<u>Tax compliance</u>**

All the entities in scope conform to the Senior Accounting Officer regulations. These regulations are designed to ensure that each relevant company has appropriate tax accounting arrangements to allow for the tax liabilities of the company to be calculated accurately in all material respects. The tax accounting arrangements are the framework of responsibilities, policies, appropriate people and procedures in place for managing the tax compliance risk and the systems and processes which put this framework into practice. The Senior Accounting Officer must provide a certificate to HMRC each year certifying that the company had appropriate tax accounting arrangements throughout the relevant financial year or else provide a qualified certificate if the company did not have appropriate tax accounting arrangements in place. In order to discharge this responsibility the Senior Accounting Officer must understand the key tax compliance risks in the business and ensure that controls are in place to mitigate these risks. The following steps have been taken and continue to be taken in relation to these risks:

- Assessment of taxes in scope
- Risk analyses
- Systems and control mapping
- Monitoring and walkthrough of systems and controls
- Determination of roles and responsibilities including competence assessment
- Assessment of outsourced services

**<u>Tax efficiency</u>**

Management has an obligation towards shareholders to optimise the financial performance of the company. A careful management of the company's tax position lies within this obligation.

Tax efficiency shall be achieved by ensuring that financial and operational decisions are made in a tax-conscious manner while remaining compliant with all relevant laws. Key objectives in this respect are:

- Monitor activities to minimise non tax deductible expenditure
- Ensure we only pay tax once on profits generated and are not subject to double taxation
- Utilise legitimate tax incentives (such as Enhanced Capital Allowances for energy efficient equipment)
- Ensure utilisation of net operating losses in line with current legislation
- Closely manage tax risks and exposures
- Maintain a lean and cost-efficient legal structure
- Adopt lean processes with regard to tax-related administrative requirements
- Ensure an appropriate capitalisation structure complying with relevant financial covenant requirements

## Tax planning

The Volvo Group is not engaged in any aggressive tax planning activities and does not operate through structures in tax havens.

External tax advice is sought on technical issues to support certainty with regard to tax compliance and tax efficiency.

## Working with HMRC

Volvo and HMRC have established an open and constructive dialogue under which both parties seek to reach certainty on the tax treatment of transactions as quickly as possible. Volvo keeps HMRC informed of business activities, results and key developments.

HMRC prepares a periodic Business Risk Review which is shared with the business. This is used to facilitate discussion regarding risk areas and opportunities for process improvement.

## International aspects

The Volvo UK companies have significant cross border transactions with other Volvo group companies. These transactions are subject to formal arm's length transfer pricing agreements which are carefully documented and periodically reviewed in accordance with OECD guidelines.

**Tax Governance and risk management**

Processes are in place to identify, assess and quantify tax risks on a quarterly basis.

A Tax Governance committee has been established comprising senior executives from the business, accounting, HR and tax functions. This committee meets each quarter to review business developments, consider changes in tax legislation, assess tax risks and decide on actions that may be required to mitigate risk and ensure tax compliance.

Details of tax compliance activities and the tax consequences of any acquisitions, divestments, restructurings or changes in operational set-up are reported to the board to ensure proper scrutiny.

**Approval and publication**

This communication is approved by the boards of all companies in scope and is compliant with the UK tax strategy publication requirement set out in Part 2 of Schedule 19 FA2016.