UK Tax Strategy 2018

This document sets out the UK tax strategy of Bank of Taiwan London Branch (the Branch). As Bank of Taiwan (the Bank) benefits from conducting business in the UK, the Bank ensures that it contributes to UK public finances through a responsible and compliant approach to tax.

1. Management and Governance of Tax Risks

Governance

The Branch Business Strategy is in accordance with Head Office requirements for all overseas branches of the Bank and is monitored and controlled by Head Office. The Strategy of the Branch includes absolute compliance with its tax obligations and responsibilities.

The Branch strategic plan, which includes adherence to the internal Tax Risk Management policy statement, is implemented by the London Branch General Manager. The Tax Risk Management policy is written in strict adherence to HMRC’s rules and regulations. The General Manager ensures compliance to HMRC requirements and Branch taxation policies in making business decisions. The Branch strategic plan, including tax strategy, is reviewed annually and submitted to Head Office for endorsement.

The Branch Compliance Officer is responsible for oversight of Branch compliance with the obligations and requirements of HMRC and for the maintenance of the Tax Risk Management Policy Statement. The Compliance Officer is the designated Branch Co-ordinator with HMRC.

The Branch complies with HMRC’s voluntary Code of Practice for banks, which requires participants to be transparent in their dealings with HMRC and to fulfil their tax obligations.

Tax risk management

The tax risks to the Branch are identified as follows:

- **Tax legislation and regulations**: The identification of and information on new tax requirements is key to managing the tax risks of the Branch. The Branch ensures that it is fully informed on new tax legislation and regulatory requirements as they arise, through information from trade bodies, consultants or directly from HMRC.

- **Reputational risk**: The Branch will not accept any risk of damage to its reputation, which ensures the corporate behaviour is fully focussed on compliance with all local laws and regulations. Non-compliance with tax regulations could seriously damage the reputation of the Bank and its relationships with counterparties, customers, regulatory authorities and the general public. The Branch always considers its social responsibility on compliance matters.
• **Compliance and reporting risks**: The risks associated with tax compliance failures and the submission of late or inaccurate returns could lead to investigation by HMRC and potential interest and penalty payments. Tax non-compliance by the Branch could also alert the FCA to potential conduct failings within the Branch and to question the fitness and propriety of senior managers.

The Branch always ensures that it submits returns timely and accurately and where appropriate engages with consultants to assist in the processes and to ensure that legislation has been applied and implemented correctly.

• **Transactional risk**: The Branch does not undertake any transaction with a purpose to create a tax benefit. The Branch transactions are simple in their form and do not involve structures in any way that could give a tax result which is contrary to the intentions of the UK Government. It is the policy of the Bank not to enter into Tax Avoidance Schemes or any transaction structure designed specifically to reduce tax liabilities.

The Criminal Finances Act 2017 introduced the obligation on the Branch to ensure that tax evasion is not facilitated through its operations.

The above risks are managed and mitigated through:

- a code of conduct which requires all employees to act with integrity, due skill, care and diligence; to be open and co-operative with regulators and authorities; observe proper standards of market conduct.

- Tax risks are included and discussed in Management Committee meetings
- Oversight of policies and strategy by Head Office.
- Following a review by HMRC of the processing of employee tax and VAT during 2018, the Branch has been able to improve its procedures to ensure ongoing tax compliance.
- The Branch is currently working on Making Tax Digital to ensure compliance with the requirement to submit VAT returns digitally with effect from April 2019.
- Due diligence processes in its payment processes to ensure that the Branch is not used as a vehicle for tax evasion.

2. **Tax Planning**

It is the policy of the Branch to comply fully with all tax obligations and requirements as set out by HMRC. The Branch does not to engage in tax planning of any kind which could be construed in any way of eroding the profitability of the Branch or which does not abide fully with the tax legislation of the UK.
The Branch does not provide any tax advice to any customer or employee of the Branch and will not promote arrangements to other parties where the tax result is contrary to the intentions of the UK government.

Staff remuneration is structured to ensure that proper amounts of tax and NI (National Insurance) are paid. It is the policy of the Branch, wherever possible to tax all remuneration including benefits-in-kind as PAYE (Pay As You Earn) in order that there are no additional tax liabilities at the end of the tax year. The Branch has however, entered into a PAYE Settlement Agreement with HMRC for items not processed as PAYE.

The Branch will not provide any tax advice to any employee. The role of the Branch is only to inform employees of their tax obligations.

The Branch does not seek tax advice from any source and its engagement with third parties is to identify and understand its tax obligations and to ensure that it complies with tax legislation.

3. **Tax Risk Appetite**

Tax Risk is a prime threat to the reputation of the Branch and therefore to the Bank. The Branch therefore has no acceptable tolerance of tax non-compliance and will ensure that its obligations are met in full.

Any failing in the tax obligations of London Branch would reflect on the Bank as a whole and would be unacceptable to the Board of Directors. Tax failings also reflect on the fitness and propriety of senior managers and is also therefore a conduct risk to the Branch and its management.

4. **Working with HMRC**

Communication with HMRC is primarily conducted through the HMRC nominated Customer Co-ordinator. The current contact person for HMRC at the Branch is the Branch Compliance Officer.

It is the policy of the Branch to maintain a transparent and constructive relationship with HMRC based upon mutual trust.

Where HMRC has nominated specific officers to be contacted on particular initiatives, the Branch will contact those officers directly instead of going through the HMRC customer co-ordinator.

When HMRC conducts a review of any of the tax topics related to the Branch, the Branch will be open, supportive and co-operative with HMRC and provide all information to assist HMRC with its review. All interactions with HMRC will be conducted in a professional manner, to bring reviews to an early conclusion and thereby provide certainty over the tax affairs of the Branch.

The Branch will disclose fully any significant areas of uncertainty in relation to its tax matters.

Normally the Branch will receive information on tax events and new legislation direct from professional firms assisting the Branch in meeting its tax obligations. The Branch will seek
clarification from those firms on the information provided. Where there is uncertainty or doubt on any matter, the Branch will contact HMRC directly in order to obtain certainty on the issue.