

UK Tax Strategy 2017

This documents 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 line with Head Office requirements for the overseas branches 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 is implemented by the London Branch General Manager including adherence to the internal Tax Risk Management Policy Statement. The General Manager ensures adherence to HMRC requirements and Branch taxation policies in making business decisions. The Branch strategic plan including tax strategy is reviewed annually.

The Branch Compliance Officer is responsible for oversight of compliance of the Branch with the obligations and requirements of HMRC and for the maintenance of the Tax Risk Management Policy Statement and is the 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 has a zero tolerance towards Reputational Risk, which focusses its corporate behaviour to comply 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 will always consider its social responsibility on compliance matters.

- Compliance and reporting risks: These are the risks associated with compliance failures and the submission of late or inaccurate returns, which may result in interest and penalty payments and in turn incur additional scrutiny by the tax authorities and regulators. 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 Parliament. 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 above risks are managed 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 by Head Office and Auditors.

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 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 of the Branch and will not promote arrangements to other parties where the tax result is contrary to the intentions of Parliament.

Staff remuneration will be structured to ensure that proper amounts of tax and NI (National Insurance) are paid. It is the policy of the Branch to tax all remuneration including benefits-in-kind as PAYE (Pay As You Earn; UK tax reporting system) in order that there are no additional tax liabilities at the end of the tax year.

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.

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.