

# Kobelco Construction Machinery Europe (UK)

## Tax Strategy

### 1. Introduction

*The publication of this strategy statement is regarded as satisfying the statutory obligation under Para 16(2), Schedule 19, Finance Act 2016.*

#### 1.1 Background

Kobelco Construction Machinery Europe (UK) is the **UK branch** establishment of Kobelco Construction Machinery Europe B.V, a company resident in the Netherlands. Kobelco Construction Machinery Europe B.V. is in turn a 100% subsidiary of Kobelco Construction Machinery Co. Ltd, a company resident in Japan. Kobelco Construction Machinery Co. Ltd is a 100% subsidiary of Kobe Steel Limited, a listed entity resident in Japan.

Kobe Steel Limited. is one of Japan's leading steelmakers, as well as a major supplier of aluminum and copper products. Other business segments consist of wholesale power supply, machinery, construction machinery, real estate, and electronic materials and other businesses.

The Kobe Steel Group is comprised of numerous consolidated and equity-valued companies in Japan, the Americas, Asia and Europe.

Kobelco Construction Machinery Europe (UK), carries out marketing and distribution activities of crawler cranes and spare parts to end users in the construction industry in the UK, Europe and Africa. The business acquires the crawler cranes and spare parts from the parent company, Kobelco Construction Machinery Co. Ltd, in Japan, who develops, designs, and manufactures the cranes.

This document sets out the strategic tax objectives of the UK branch, Kobelco Construction Machinery Europe (UK) hereinafter referred to as “*the Company*”.

It is not designed to be an operational manual with detailed instructions of the underlying processes and controls. Further commentary around the systems and risk management framework of the Company is contained within the company’s compliance systems.

## 1.2 Approval

The Financial Controller is responsible for leading the Tax Strategy. The strategy is approved by the Board of Directors.

The document is periodically reviewed and any amendments are approved by the Board of Directors. It is effective for the year ended 31 December 2018.

## 1.3 Audience

This document is primarily of relevance to the Finance Team together with the Board of Directors who are responsible for tax across the organisation.

The policy is available to all employees and can be found on the company website.

## 1.4 Scope

The business operates mainly in the UK, and has occasional overseas activities including sales and maintenance contracts. The business pay's all the required taxes in any overseas jurisdictions it sells to.

The following taxes are in scope

- All direct taxes including Pay As you Earn (PAYE) and Corporation Tax (CT)
- All indirect taxes including VAT and Customs and Excise Duty

The strategy applies, in respect of all companies in the group, to:

- Tax compliance of all in scope taxes
- Tax financial reporting

## 2. Our Strategy

### 2.1 Summary

The company is committed to paying the right amount of tax required under the laws and regulations of UK tax legislation and practice. It takes a conservative approach to tax planning, and does not pursue aggressive tax planning arrangements. The Company engages the services third party professional advisors, regulated by the associated professional bodies to provide advice and guidance necessary to assess the tax risks and ensure its continued compliance with applicable laws, rules, regulations, and reporting and disclosure requirements.

### 2.2 Tax Objectives

#### **Approach to risk management and governance arrangements in relation to UK taxation**

The Company operates effective tax governance, understanding the tax risks in place and ensure that senior personnel with the appropriate skill and experience are involved in key tax decisions.

The Company uses third party professional advisors to provide advice and guidance necessary to assess tax risks and ensure its compliance to applicable laws, rules, regulations and reporting and disclosure requirements.

The Company is committed to ensuring that it pays an appropriate amount of tax in relation to its commercial activities. It does not engage in aggressive tax planning arrangements, and believes that it's conservative in its approach to tax planning, applying tax rules and regulation in a way that it considers is consistent with the spirit of the law, parliament's intention, and HMRC expectations.

As the Company does not engage in tax planning arrangements where there is considered to be a significant risk of challenge by HMRC, the Company does not maintain any form of risk register. Any matters where there is considered to be an unexpected, previously unidentified, or un-provided tax exposure are discussed between the Financial Controller and the Board of Directors as may be appropriate, and if necessary referred to Board meetings for discussion, and on to discussion with HMRC.

The Company has a capable finance team with decades of experience. All staff have clear roles and responsibilities to ensure compliance with tax and financial requirements. Staff are suitably skilled, and training is offered as considered relevant. In situations of uncertainty, matters will be referred to the Finance Controller and Directors who may seek advice from external professional advisors, or seek advice from HMRC directly, for assistance in interpretation of application of specific tax rules.

### **Attitude towards tax planning and level of risk it is prepared to accept**

The Company expects to maintain its low risk rating with HMRC.

The Company takes a conservative approach to tax planning and does not engage in aggressive tax planning arrangements. Where alternative routes exist to achieve the same commercial result the most tax efficient approach in compliance with all relevant laws shall be considered.

The Company seeks to be efficient in its tax affairs but ensure that any planning is based on sound commercial principles.

The Company will take advantage of the reliefs and incentives that exist but show respect for the intention of the law, as well as the letter, at all times.

The Company will use incentives and reliefs to minimise the tax costs of conducting its business activities but will only undertake arrangements which they reasonably believe do not contradict the spirit of the law. For example, the Company will not undertake transactions for tax which are inconsistent with the underlying economic consequences or undertake marketed avoidance. The company will not establish business in tax havens.

### **Approach to dealing with HMRC**

The Company will avoid unnecessary time consuming disputes wherever possible.

The Company is committed to working in a collaborative, transparent and proactive way with HMRC at all times. We adopt the principles of openness and transparency in our approach to dealing with HMRC and believe in engaging in full, open and early dialogue with HMRC to discuss the Company's tax affairs. The Company is committed to making fair, accurate and timely disclosure in correspondence and returns, and responding to queries raised by HMRC in a timely manner with the aim to resolve any issues in real-time where possible or to work together to resolve issues quickly and efficiently, with certainty wherever possible.

### 3. Governance

The Board of Directors acknowledges that it has responsibility for fully complying with the tax laws in all relevant jurisdictions.

The Board of Directors is responsible for establishing the overall governance and approving the tax strategy. However, management authority for the day to day operation of the business is delegated to the UK Financial Controller. Tax is considered as part of the overall governance framework.

To ensure that the Tax Strategy is delivered; diligent professional care and judgement is employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed.

#### 3.1 Structure and organisation

The organisation of the management of tax across the group can be described as follows:

##### **Finance Team**

The Finance team employs various risk management processes and systems to provide assurance that the requirements of the Company's tax strategy are met.

##### **Compliance Team**

The Financial Controller carries out regular checks to ensure that the Company correctly accounts for, records and treats for tax purposes, all activities of the company.

##### **Use of Professional advisors**

Matters where the Directors considers there is insufficient skill or experience internally are referred to external professional advisors who have suitable knowledge of the company, and hold suitable accounting and tax qualifications, as well as relevant experience.

The Board of Directors review the Company's tax strategy and risks, as well as internal controls and systems employed by the Company on an ongoing basis.