



# Barloworld

*Leading brands*

## Barloworld Holdings Limited

### UK Group Tax Strategy

#### 1. Objective

The purpose of the Strategy is to set a framework for the identification and management of the tax risks associated with all Barloworld Holdings Limited's ("the Group") activities, with the objective of minimising adverse tax consequences and utilising opportunities.

Our tax strategy is to manage all taxes so as to contribute equitable tax amounts to local governments and to comply with the applicable local tax laws and rules while aiming to maintain overall tax costs at a reasonable level to be cost competitive, recognising our responsibility towards shareholders.

The Group policies are set out in paragraph 3 of this document. The objectives of the Group policies are as follows:

- to provide the Barloworld Holdings Limited UK Finance Committee with assurance that tax risks are appropriately identified and managed and that any potential adverse tax consequences are minimized.
- to provide guidelines to the individual subsidiaries on the Group's tax risk philosophy
- UK policies and objectives are set within strategic guidance provided by Barloworld Limited (Barloworld Holdings Limited's parent company).

#### 2. Scope

- 2.1. The Strategy applies to all sources of tax risk and covers all significant types of taxation, including income tax, VAT, customs duties, payroll taxes and withholding taxes.
- 2.2. The Strategy covers the Group and includes all subsidiaries in which Barloworld Holdings Limited has a controlling interest (more than 50%) as well as joint ventures.

#### 3. Group Tax Policies

- 3.1. Our tax policies are aligned to our strategy and guide the choices made. These policies have been approved by Barloworld Holdings Limited's Finance Committee and are applied across the Group.

3.2. The tax policy focuses on the following key areas, which are discussed in detail below:

- Barloworld Holdings Limited – Board Responsibilities for Tax Risk Management
- Tax Compliance
- Relationship with Tax Authorities
- Transfer Pricing
- Training and Development
- Relationship with external tax advisors
- Group policies covering specific matters

#### **4. Principles underlying the Tax Policy**

The Group's tax policy rests on the following principles:

- 4.1 Observing all applicable laws, rules and regulations in meeting our tax compliance and reporting responsibilities everywhere we operate.
- 4.2 Applying diligent professional care and judgment to ensure all decisions are well-considered and documented.
- 4.3 Ensuring that tax strategy is aligned with business and commercial strategy and tax planning opportunities are evaluated within clear parameters, considering all legitimate interests, including public interests that converge in the business of the Group.
- 4.4 Avoiding tax risks and inefficiencies in the implementation of business decisions. Tax activities, tax compliance standards and behaviours, including tax positions taken, are globally consistent and standardized wherever possible.
- 4.5 Profits are allocated and taxed where the value is created and therefore the right amount of tax is paid in the right country taking into account the Group's corporate and social responsibilities and the value it places on earning community trust.
- 4.6 Using legitimate business tax structures and benefits available in each country taking into account the intention and policy behind the rules.
- 4.7 Being positive, pro-active and transparent in all dealings with tax authorities to minimize the extent of disputes, to achieve early agreement on disputed issues when they arise and achieve certainty, wherever possible.
- 4.8 Employing only skilled and experienced tax personnel and continuously developing tax staff to ensure that their development needs are met and that they remain motivated and challenged in their roles.

#### **5. Barloworld Holdings Limited – Board Responsibility for Tax Risk Management**

- 5.1 To evaluate and manage tax risk in a systematic way ensuring that the interests of all stakeholders are effectively considered.
- 5.2 Oversee overall tax strategy, involvement in tax risk assessment and review of systems and controls satisfying themselves that controls are sufficient.

- 5.3 Oversees the process from the perspective of strategic direction, ongoing improvement in methodology and process, and technical assistance.
- 5.4 Obtain specialist tax advice in relation to tax sensitive matters and transactions.
- 5.5 Subsidiaries are responsible for implementing the Group's tax risk management process in the operations. Divisions must appoint tax risk officers who act as an integral part of the Group's overall tax risk management framework and structure.

## **6. Tax Compliance**

- 6.1 Barloworld Holdings Limited aims to be fully compliant with all tax laws.
- 6.2 It is against policy to engage in tax evasion transactions or to assist or facilitate tax evasion by any of its employees, suppliers, customers or associates.
- 6.3 We aim to ensure that all tax filings and returns for all tax types are accurate, complete and timely, fully disclose all relevant information and are supported by the appropriate supporting documentation.
- 6.4 Each Operation will be responsible for the preparation and submission of all locally required returns. All returns prepared internally must be reviewed internally by a suitably qualified person not being the preparer of the return as well as externally by a suitably qualified Tax advisor.
- 6.5 Where external advisors are employed to prepare and submit the Income Tax Returns, these must be reviewed and signed off by the Finance Director before submission to the Tax Authority.
- 6.6 Each Operation must ensure that all Tax payments are correct and made on a timely basis to the Tax Authority as required by law.

## **7. Relationships with Tax Authorities**

- 7.1 The Group will maintain professional, courteous and open relationships with the Tax Authorities, governments and related third parties, in particular acting in a cooperative manner with a view to having this approach reciprocated.
- 7.2 The Finance Director is ultimately accountable for how relationships with tax authorities are managed and expect local Finance teams and country tax leads to adhere to the principles relating to managing relationships with tax authorities as set out above.
- 7.3 Local finance teams should develop good working relationships with tax authorities and respond in a friendly, timely and professional manner to their requests.
- 7.4 Credibility, honesty and integrity need to be maintained at all times. Dealings with tax authorities will be on the basis of full disclosure of all relevant information.
- 7.5 A high level of responsiveness to tax authorities must be maintained and enquiries dealt with in a timely and efficient manner.
- 7.6 If disputes arise, the Group will look to maintain a professional relationship, seeking to agree the facts and set out the technical position with the relevant tax authority as quickly and efficiently as possible. Where justified from a commercial and economical perspective, the Group will pursue tax litigation.

## **8. Transfer Pricing**

- 8.1 The core of all our transfer pricing is compliance both with OECD Transfer Pricing Guidelines for Multinational Enterprises and with local domestic tax legislation.
- 8.2 Compliance is supported through a global transfer pricing policy and framework, which apply across the business.
- 8.3 Our approach is to use the 'arm's-length' principle, which is endorsed by most countries. This assumes that prices are based on an equitable and willing arrangement between two independent parties. Transactions are priced within an appropriate arm's-length range, which meets the often stringent local compliance requirements in territories at both ends of each transaction.

## **9. Training and Development**

- 9.1 The Group will attract and retain adequately qualified and experienced tax professionals to handle its tax affairs.
- 9.2 It is recognised that tax is an area of continual legislative change. In this regard tax staff members are required to keep up to date with changes and continually monitor impact to the Group.
- 9.3 All tax professionals in the employment of the Group are required to maintain the appropriate level of professionalism through attending tax technical update seminars and industry tax meetings.

## **10. Relationships with external tax advisors**

- 10.1 External tax advisors may be appointed to provide advice and assistance with the tax compliance function. They may also provide ad hoc advice on transactional issues.
- 10.2 Where a tax position assumed relies substantially on interpretation involving subjective factors and the amounts involved are material, any internally prepared tax opinions must be vetted by external tax advisors.
- 10.3 The Group's approval framework for non-audit services must be adhered to at all times.

## **11. Group policies covering specific matters**

The following matters must be reported to the Barloworld Holdings Limited Finance Director:

- 11.1 A copy of the written tax due diligence report for major acquisitions.
- 11.2 Any actual or contemplated changes to the Group structure resulting from internal restructuring, acquisitions or any other factor (prior to implementation of the change).

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**Barloworld Holdings Limited**

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