

# ARNOLD GROUP TAX STRATEGY

For the year ended December 31, 2018

## Introduction and overview

This document sets out the tax strategy of Arnold Magnetic Technologies UK Limited and its subsidiaries ("the Group").

We regard our tax strategy to be compliant with Schedule 19 Finance Act 2016 in terms of content and meeting our responsibility to publish our strategy.

As a Group our internal policy has always been to have a tax strategy that is both open and compliant. As a large group, we recognise the importance to be transparent regarding all taxes we pay.

Our tax contribution goes significantly beyond the corporate tax paid by the Group on its profits. We pay a significant amount of payroll taxes, in addition to operating as a collector of taxes through the PAYE and VAT systems and our tax strategy is consistent across all taxes which affect our Group.

Our business has a strong focus on corporate responsibility, and we see responsible administration and payment of taxation as a responsibility of our business.

Our overall tax strategy is based on the following premises:

- Always meet all legal requirements by complying with all tax legislation.
- Compile all appropriate tax returns and make all tax payments in a timely manner.
- Take a proactive approach by consider the tax impact in major or complex business decisions, for example acquisitions or significant investments in capital.
- Comply with appropriate tax risk processes, and ensure there is oversight by the Board of Directors into this compliance.

## Risk management and governance arrangements

We want our tax affairs to be transparent and compliant with tax legislation, and recognise that managing tax compliance is increasingly complex. Our internal structure is set up to ensure:

- The Board of Directors understand the importance of tax compliance, and how it is achieved.
- There is a dialogue between the Board of Directors and those individuals tasked with the operation of our finance function, regarding the way our business manages its tax risk.
- The business portrays a positive view towards tax compliance and the importance of meeting our obligations.

Keeping up to date with tax obligations is seen as a continual process. We regularly have dialogue with external professional tax advisers and seek to ensure that our staff attend relevant tax training and read and understand relevant tax publications which set out changes which could impact our business.

## Tax planning

Tax planning is never undertaken as an isolated exercise. The group only undertakes tax planning that is aligned with our commercial activities which benefit the overall Group. We would not undertake tax planning that was not in line with the intention of Parliament.

Where any ad hoc commercial projects are undertaken professional advice is sought. This is considered on a case by case basis, with the amount and level of such advice being driven by our assessment of the risk presented by each opportunity.

As a Group our policy is not to undertake aggressive tax planning, the sole purpose for which would be obtaining a tax advantage. We have a responsibility to minimise our tax risk and our exposure to negative publicity through non-compliance.

## Attitude towards risk

The Board of Directors sees compliance with tax legislation as key to managing our tax risk. The Group takes reasonable steps through its internal processes and by using external advisers to establish and maintain tax accounting arrangements that enable the tax liabilities of companies within the Group to be calculated accurately in all material respects. The Group follows HMRC guidance in this respect to ensure its obligations are met.

Tax legislation is often complex and subject to interpretation. Consequently, if uncertainty arises in relation to a complex tax position the Group seeks to minimize the level of risk caused by the uncertainty as to the interpretation by seeking expert and independent advice.

We understand the importance of tax in the wider context of business decisions and have processes in place to ensure tax is considered as part of our decision-making process.

We have relationships with professional advisers that allow us to seek expert advice on specialist areas of tax. Our approach is to ensure we are compliant and understand our responsibilities with regards to tax, rather than looking for ways to aggressively avoid the payment of tax.

The Board of Directors is conscious of the hugely negative publicity attracted by a bad attitude towards tax, and sees strong internal processes and a good relationship with our professional advisors as the best way to manage this reputational risk.

## Approach towards dealing with HMRC

The Group has limited interaction with HMRC given it does not have a Customer Relationship Manager. However, the Group would always work on the basis of having an open, cooperative and professional working relationship with HMRC. Should any tax issues arise then the Group would work proactively with HMRC to seek to resolve all issues by agreement where possible.

The Group is committed to make fair, accurate and timely disclosure in respect of returns and any other correspondence, and respond to HMRC queries and information in a timely and professional manner.