CommBank
UK Tax Strategy.
For the financial year ended 30 June 2020
The Commonwealth Bank of Australia (“the Group”) commitment is to comply with all prevailing tax laws in all jurisdictions that we operate and to maintain transparent and collaborative relationships with all tax authorities.

The Group annually publishes its approach to managing its tax affairs together with its annual financial tax information to meet the requirements of the Australian Tax Transparency Code¹.

1. Overview of the Group’s banking business in the UK

The Group’s banking business operates in the UK through the CBA UK branch and CBA subsidiaries, serving as: (i) an origination and client servicing hub for the European client base; (ii) a global markets regional centre and (iii) a point for the Group’s Treasury function to access the Sterling Monetary Framework as implemented by the Bank of England. The Group’s Treasury operations also include a New Zealand incorporated Group subsidiary (ASB Finance Limited) which has a UK branch, ASB Finance Limited –London Branch (“ASBFL-UK”) that sources international wholesale funding for the New Zealand banking business.

A UK management team has oversight of the business. There is regular, open dialogue with UK regulators, the Prudential Regulatory Authority (“PRA”) and the Financial Conduct Authority (“FCA”). The Bank’s home regulator is the Australian Prudential Regulatory Authority (“APRA”).

Responsibility for oversight of the UK Institutional Banking and Markets (“IB&M”) business sits with the Managing Director Europe supported by a functional hierarchy that reflects the organisations’ global structure. The London Branch Management Committee together with the Risk Governance subcommittee manages governance. Responsibility for the production and integrity of the financial information and regulatory reporting for the UK IB&M business rests with the Chief Financial Officer, UK, who holds the role of Senior Accounting Officer and is the Senior Manager responsible for tax under the UK Regulator’s Senior Manager Regime.

A Branch Manager based in London, who reports to the Board of ASB Finance Limited, manages ASBFL-UK day to day. Responsibility for production and integrity of financial information for ASBFL-UK rests with the General Manager Financial Information and Control, ASB Bank.

The Group’s UK operations are subject to Schedule 19 of the Finance Act 2016, which requires disclosures about various aspects of the Group’s UK tax strategy. This document is considered to meet these requirements and covers the year ending 30 June 2020 for the entities listed at Appendix 1.

2. The Group’s Approach to Tax Risk Management

Group Tax Risk Appetite

The Group takes a conservative approach to managing its tax affairs and commits to:

- Comply with all prevailing tax laws, including appropriately considering and applying available reliefs, concessions, incentives or exemptions;
- Only enter into transactions or arrangements that have a clear commercial or business purpose; and
- Not enter, facilitate or promote any arrangements for the purpose of avoiding, evading or exploiting tax.

As tax laws can be complex and open to interpretation, the Group acknowledges that tax authorities may interpret tax laws differently to the Group.

¹ The Tax Transparency Code is a set of principles and minimum standards developed by the Australian Board of Taxation to guide medium and large businesses on public disclosure of tax information. The Group’s response is published here: https://www.commbank.com.au/content/dam/commbank/assets/about/opportunity-initiatives/commbank-tax-transparency-code.pdf
Relationship with tax authorities
The Group aims to maintain transparent and collaborative relationships with all tax regulators, which includes:

- Providing any information required on a timely basis;
- Engaging proactively on significant tax issues; and
- Where disputes arise, working openly and constructively to resolve the issues.

Arm’s Length Pricing
The Group ensures that international related party and intra-group transactions are in compliance with the Organisation for Economic Co-operation and Development (“OECD”) guidelines and arm’s length principles. The Group does not artificially divert profits to low tax jurisdictions or tax havens. The Group does not participate in arrangements where transfer pricing outcomes are not consistent with value creation. Transfer pricing outcomes of the Group are consistent with the functional activities undertaken, risks assumed and assets utilised in each jurisdiction. The Group maintains contemporaneous documentation supporting the pricing of international related party dealings, which are conducted in accordance with the arm’s length principle.

Combatting Tax Evasion
The Group supports regulator initiatives aimed at supporting the integrity of the tax system. The Group is committed to complying with all measures such as the Foreign Account Tax Compliance Act (“FATCA”) and the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“CRS”), and is committed to ‘doing what is right’.

Tax Governance Framework
The Group manages its tax risk through its Group Tax Policy, the Group Operational Risk Management Framework and Group Tax Procedures. In addition, the Group:

- Maintains a qualified and well-resourced central Group Taxation team to manage and oversee the tax control framework and the day to day tax affairs of the Group
- Requires specified products, transactions and events to be signed-off by the Group Taxation team;
- Where appropriate, obtain external tax advice for material and/or complex transactions;
- Ensure that appropriate transactions (such as where there is uncertainty) are disclosed to the relevant revenue authorities; and
- Regularly reports significant tax issues to the Group’s Chief Financial Officer, the Chief Executive Officer and to the Board Audit Committee, a sub-committee of the Board.

3. Application of the Group’s Approach to Tax in the UK
The above key tax governance principles underpin the Group’s approach to UK tax risk management and governance.

Day-to-day UK tax compliance and reporting for the IB&M business is performed by the UK Finance Department under direction of the CFO, UK, with the exception of employment taxes which are the responsibility of the Head of Human Resources Europe. The ASB Tax team under direction of the General Manager Taxation of ASB Bank manage day to day UK tax compliance and reporting for ASBFL-UK.

Group Taxation provides oversight on compliance and reporting and is engaged by the UK business to provide advice on taxation matters and support business units in identifying, assessing, monitoring and managing tax risks. Group Taxation participates in new product approval processes, material transactions, and matters involving significant complexity or interpretative uncertainty.

Qualified external tax professionals are engaged to provide advice on complex matters and to provide tax compliance oversight and assistance.
4. **Level of risk acceptable in relation to UK taxation**

The Group's Risk Appetite framework sets a low tolerance to operational, regulatory compliance and reputational risk. The Group's approach to tax planning and tax compliance as regards UK taxation is consistent with this risk tolerance and the tax affairs will be managed consistently with this conservative tax risk appetite.

5. **The Group's attitude to tax planning as applicable to the UK**

As outlined in our response to the Tax Transparency Code, the Group, which includes the UK operations, will only enter into transactions that have a clear business rationale, before taking into account any tax consequences.

CBA is a signatory to the UK Code of Practice on Taxation for Banks and agrees not to undertake tax planning that aims to achieve a tax result that is contrary to the intentions of Parliament.

6. **Working with HMRC**

The Group is committed to complying with all global statutory tax obligations and providing full disclosure to revenue authorities in all jurisdictions in which it operates.

The Group is committed to maintaining a transparent and collaborative relationship with HM Revenue & Customs (“HMRC”), based on openness and trust consistent with the Group policy of seeking enhanced relationships with tax authorities.

The UK operations actively work at maintaining an open, transparent and constructive relationship with HMRC. Regular communication and annual review meetings with HMRC ensure that issues are raised in a timely manner, resolved quickly and uncertainty is removed. Full disclosure is provided to the HMRC, including those matters where the tax treatment may be uncertain. Where interpretation of UK tax law differs from that held by HMRC or is uncertain, the UK operations will engage with HMRC in a constructive and efficient manner with a view to achieving a resolution.
Appendix 1
The companies covered by the CBA UK Tax Strategy Statement are:

- Commonwealth Bank of Australia, London Branch
- CBA Europe Limited
- CBA Services International Limited
- ASB Finance Limited, London Branch