

# CommBank UK Tax Strategy.

For the financial year ended, 30 June 2019



The Commonwealth Bank of Australia (“CBA” or “Group”) is committed to complying with all prevailing tax laws in every jurisdiction of operation and to maintain transparent and collaborative relationships with all tax authorities.

The Group annually publishes its overall approach to tax risk management together with its annual financial tax information to meet the requirements of the Australian Tax Transparency Code<sup>1</sup>.

## 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 Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”). The Bank’s home regulator is the Australian Prudential Regulation Authority (“APRA”).

Responsibility for oversight of the Institutional Banking and Markets (“IB&M”) business sits with the Managing Director Europe who is supported by a functional hierarchy that reflects the organisations’ global structure. Governance is managed by the Management Committee together with an active Risk Governance subcommittee. Responsibility for the production and integrity of the financial information and regulatory reporting for the 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.

ASBFL-UK is managed day to day by a Branch Manager based in London, who reports to the Board of ASB Finance Limited. Responsibility for production and integrity of financial information for ASBFL-UK rests with the GM 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 which is set out below. This document is considered to meet these requirements and covers the year ending 30 June 2019 for the entities listed at Appendix 1.

First State Investments (“FSI”), an investment management business part of the CBA Group, has separately published its own UK Tax Strategy.

## 2. The Group’s Approach to Tax Risk Management

### Tax Risk Appetite

The Group takes a conservative approach to managing its tax affairs. This includes complying with all tax laws in the jurisdictions in which the Group operates, and includes ensuring that all tax lodgements, payments, reporting, disclosures and other obligations are adhered to.

Further, the Group applies the following principles in its assessment of tax outcomes:

- Only enter into transactions that have a clear business rationale, before taking into account any tax consequences;

<sup>1</sup>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/about-us/opportunity-initiatives/policies-and-practices.html>



- Not participate in or promote aggressive tax planning or tax avoidance arrangements (either for the Group's own tax affairs or for its customers);
- Pay the appropriate amount of tax in accordance with the prevailing tax laws; and
- Claim any deductions, credits, offsets or concessions that are legitimately available.

As tax laws can be very complex and open to interpretation, the Group acknowledges at times tax regulators may interpret tax laws differently to the Group.

#### 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's strategy for managing tax risk forms a part of the Group's risk and compliance framework. The strategy includes:

- Maintaining 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;
- Requiring specified products, transactions and events to be signed-off by the Group Taxation team;
- Where appropriate, obtaining external tax advice for material and/or complex transactions;
- Ensuring that appropriate transactions (such as where there is uncertainty) are disclosed to the relevant revenue authorities; and
- Regular reporting of 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 four 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 with oversight and approval provided by Group Taxation, with the exception of employment taxes which are the responsibility of the Head of Human Resources Europe.

Day-to-day UK tax compliance and reporting for ASBFL-UK is managed by the ASB Tax team under direction of the General Manager Taxation of ASB Bank.

Group Taxation is engaged by the UK business to provide clear, relevant and practical advice on taxation matters and support business units in identifying, assessing, monitoring and managing tax risks. Group Taxation participates in new product and activity approval processes and in material transactions, 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 will only enter into transactions with clear business value, 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 constructive relationship with HM Revenue & Customs (HMRC), based on cooperative, supportive and professional interaction 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 and seek to raise queries in real time. Regular communication and annual review meetings with HMRC ensures issues are resolved quickly and uncertainty is removed. Full disclosure is made in submitted computations, including those matters where the tax treatment may be uncertain. If an interpretation of UK tax law differs from that held by HMRC or is uncertain, the UK operations will engage in constructive dialogue with HMRC with a view to achieving 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