

## **UK Tax Strategy**

### **Background on our approach to tax**

Cipla Group is committed to comply with its Code of Conduct<sup>1</sup> and strive to comply with statutory obligations and tax laws in various countries it operates including the UK. Cipla Group has its presence in UK through two UK registered companies namely Cipla (EU) Limited and Cipla UK Limited (under liquidation as on date of this publication).

The UK Tax Strategy applies to the above companies and the same is published to meet our obligation under paragraph 19 of Schedule 19 of the Finance Act 2016.

Country-by-Country reporting regulations is applicable to the group. Cipla Limited, Indian headquartered parent company is obliged to file the country-by-country report within applicable due date and supports the OECD's work on Base Erosion and Profit Shifting ('BEPS') Project. All Group companies including UK companies being member of international group, are also committed to compliance with UK and international standards in respect of transfer pricing and in alignment to the BEPS Project.

Cipla Group is committed to highest standards of corporate governance and understands our responsibility to pay appropriate taxes in countries we operate including UK and are transparent about how our tax affairs are managed.

The Board of Directors ('the Board') of the respective group companies ensures that tax strategy is one of the factor considered while taking any significant investment and business decisions. Our approach to tax risk management principles are set out below:

- Meet all the statutory obligations relating to filing of tax returns and timely tax payments.
- Assessing the implications of the transfer pricing and other tax regulations in respect of major or complex business decisions in ensure both compliance and alignment of business objectives.
- Seek to utilize available tax incentives and reliefs and organizes tax affairs in ways that enable the company to be eligible for such government's policies
- Creating an awareness of tax risk at appropriate levels within the organization.
- Adopt the principles of collaborative compliance in our engagement with Her Majesty's Revenue and Customs ('HMRC').

### **Tax governance framework and risk management**

We are responsible for determining the tax objectives and ensuring that all applicable regulations as well as internal guidance and governance procedures relating to taxation are observed.

We adhere to the internal control framework with a component of tax risk assessment and controls and the same is reviewed by internal and external audit firms.

For material transactions, where there is uncertainty on the treatment of tax and interpretation of legislation, advice from external consultants is sought before any position is taken.

Internal control procedures and processes are subject to self-assessment reviews and audits. We outsource various tax compliance activities to professional firms. Professional advice is sought from external consultants where appropriate. Further, all the employees and external advisors are required to adhere to our Code of Conduct.

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<sup>1</sup> The Code of Conduct is approved by the Board of directors of Cipla Limited on 7 February 2018.

Tax legislations are complex and often tax risks arise due to differences in the interpretation of tax laws thereby adding further uncertainty.

Tax affairs are managed by a team of appropriately qualified and trained finance and tax professionals with the right level of expertise who work closely with the business to provide advice and guidance and support from Global tax team to ensure compliance with tax laws and practice. Tax risk is also managed through continuous robust internal policies, training, compliance programmes to ensure alignment across our business and meet our tax obligations.

### **Tax planning**

We are committed to maximizing value on a sustainable basis for our shareholders and for any commercial transactions - wider business purpose, commercial rationale is the core for entering the arrangement. We do not engage in artificial tax planning i.e. without business or commercial substance.

Where uncertainty exists in a transaction, professional advice is sought on a transactional basis from external consultants.

We seek to utilize available tax reliefs, incentives and exemptions where we reasonably believe we meet the conditions for which the legislation is intended to provide a legitimate relief. At all times, we seek to be fully compliant with the applicable tax regulatory and other laws and in a way which upholds our reputation as a responsible corporate citizen.

### **Attitude towards risk**

We have a low tax risk appetite and are focused on compliance. We submit tax returns according to statutory time limits and engage with tax authorities regularly to obtain certainty on our business operations. In exceptional cases, where matters cannot be settled by agreement with tax authorities, we may have to resolve disputes through formal appeals or other proceedings.

We monitor taxation policies in our key jurisdictions to deal proactively with any potential future changes in tax law.

We as a group and the board are fully conscious of the tax litigations and advocate prudent tax compliance to better manage the tax risks. Advice is sought from external advisors where uncertainty exists to review tax legislation and the implications of our business to support the decisions taken by the Board.

### **Relationship with HMRC**

We seek to maintain open and co-operative relationships with HMRC by providing appropriate responses to requests made and engage in full, open and dialogue with tax authorities.

We employ the services of professional tax advisors to act as our agents, and in a number of cases they liaise with HMRC on our behalf to get the most of our relationship, thereby reducing tax risk. When submitting tax computations and returns, we disclose wherever possible all relevant facts.

Also, we aim to obtain advance agreements or clearances where possible and litigation would only be considered as a last resort.

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