

Bank of China UK Group Tax Strategy

This Tax Strategy applies to the financial year ending 31 December 2022.

Scope

This strategy (the “Tax Strategy”) document applies to the following entities which shall collectively be referred to as the Bank of China Limited group in the UK (“BOC UK Group”):

- Bank of China (UK) Limited
- Bank of China Limited, London Branch
- China Bridge Group (UK) Limited

The Tax Strategy is being published in accordance with paragraph 19(4) of Schedule 19 to the 2016 Finance Act (“the Schedule”).

References to ‘UK Taxation’ are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, Annual Tax on Enveloped Dwellings, and Stamp Duty Land Tax. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the BOC UK Group has legal responsibilities.

Purpose

The purpose of this Tax Strategy is to give an overview of tax management within BOC UK Group. BOC UK Group is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. BOC UK Group’s tax affairs are managed in a way which allows for the identification, understanding and mitigation of tax risks and costs in order to preserve its reputation.

Governance in relation to UK taxation

Ultimate responsibility for BOC UK Group’s Tax Strategy and compliance rests with the Board of each UK incorporated company (itemised above). However, in relation to Bank of China Limited, London Branch, this responsibility rests with the Executive Management Committee. Executive management of BOC UK Group’s tax strategy and compliance is delegated by the respective Boards to the Chief Financial Officer or equivalent position of each company (for Bank of China Limited, London Branch delegated by the Executive Management Committee).

BOC UK Group’s finance team manages BOC UK Group’s tax affairs on a day-to-day basis. It is staffed with appropriately qualified individuals who are overseen by the Chief Financial Officer or equivalent personnel. On an individual company level basis, the Chief Financial Officer, or equivalent personnel, report tax affairs and risks during the year to the respective Boards, and for Bank of China Limited, London Branch, to the Executive Management Committee.

Risk management

The respective Boards/Executive Management Committee of the BOC UK Group consider tax risk as one of the factors in all investments and significant business decisions taken.

BOC UK Group actively seeks to identify, monitor and manage tax risks through a system of tax risk assessment and controls as part of the overall control framework. BOC UK Group has a prudent risk appetite and seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations. Process owners review activities and processes to identify risks (including tax risks) and mitigating controls, and monitor them for business and/or law changes that impact the processes. Changes to processes and/or controls are made when required.

As required, appropriate training is carried out for non-finance staff who manage, process or have involvement with matters which have tax implications, for example the Human Resources Department and the front office teams.

Advice is sought from external advisers where appropriate. Examples of circumstances necessitating this would include the following:

- Where new tax legislation has been or is expected to be released;
- Where there is doubt over the interpretation or application of the legislation;
- Where the legislation is highly complex in nature; and
- Where the potential tax impact of a transaction is material.

Attitude towards tax planning and level of risk

BOC UK Group has a prudent risk appetite and low risk tolerance. The ongoing tax risk approach is based on principles of reasonable care and materiality.

BOC UK Group manages risks to ensure compliance with legal requirements to effect payment of the appropriate amount of tax in a timely manner. BOC UK Group follows the spirit as well as the letter of the law. The entities within BOC UK Group are signatories to the Code of Practice on Taxation for Banks and they ensure compliance with their obligations thereunder.

Any tax planning that may be implemented by any member of the BOC UK Group will be based on commercial drivers and rationale. The reduction of UK tax as the sole objective for either BOC UK Group or its clients or counterparties is not sufficient for a transaction to be treated as having genuine commercial purposes. BOC UK Group does not countenance tax evasion, either on its own account or in respect to its employees, customers or counterparties.

When entering into commercial transactions, BOC UK Group seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. BOC UK Group does not undertake tax planning unrelated to such commercial transactions.

Relationship with HMRC

BOC UK Group strives for transparency in internal and external tax reporting and communication. BOC UK Group maintains an open and constructive dialogue with HMRC and does not enter into tax planning transactions which could adversely impact its reputation with HMRC or the wider public.

BOC UK Group makes HMRC aware of changes in the business and seeks to discuss with HMRC any tax issues on a real-time basis. When submitting tax computations and returns to HMRC, BOC UK Group discloses all relevant facts and identifies any transactions or issues where it considers there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.