

■ Tokyo Electron Europe Limited UK tax strategy

This tax strategy covers all the UK Company of Tokyo Electron Europe Limited (“Tokyo Electron Europe”) and explains the company’s approach to tax. Its publication follows the requirements set out in UK Finance Act 2016 Schedule 19 and adds to them where appropriate. It applies to the financial years ending 31 March 2022 and onwards.

The strategy covers the following four areas:

1. the approach of the UK group to risk management and governance arrangements in relation to UK taxation
2. the attitude of the group towards tax planning (so far as affecting UK taxation)
3. the level of risk in relation to UK taxation that the group is prepared to accept
4. the approach of the group towards its dealings with HM Revenue and Customs (HMRC)

1. Approach of the UK group to risk management and governance

Tax governance within Tokyo Electron Europe works through a set of documented policies and procedures. These describe the overall strategy and operational aspects of tax and outline the guidelines within which this is to be managed. Adherence to these guidelines is essential.

Tax policies are set and tax risk is managed by Tokyo Electron Europe’s tax committee, which is chaired by the VP of Finance, Europe who is a member of Tokyo Electron Europe’s executive committee. Material changes to Tokyo Electron Europe’s operational aspects and to tax legislation influence revisions to overall policy. It is the responsibility of Tokyo Electron Europe tax committee to confirm to the board of directors that it has met policy standards. In addition, the board receives a regular report from the VP of Finance, Europe on risky tax positions and, through a process of debate and discussion, assesses the adequacy or otherwise of positions taken. This process is critical in the overall management of the tax affairs of Tokyo Electron Europe each year. This decision making and governance framework has been outlined to HMRC and through its robust operation, HMRC consider the overall risk rating for Tokyo Electron Europe to be low.

Tokyo Electron Europe monitor their Senior Accounting Officer (“SAO”) compliance requirements annually to ensure that their company’s systems are fit for the purpose for reporting taxes.

2. Attitude towards tax planning

Our UK tax policies are aligned to Tokyo Electron group’s business strategy and ethics.

Our commercial needs and business success is given highest priority and all tax planning is ancillary to and undertaken in this context. We seek to be efficient in our tax affairs and in this context we ensure that all tax planning is built on sound business activity.

We give due consideration to Tokyo Electron Europe’s reputation and the reputation of the overall Tokyo Electron group, our brand in the UK and overseas, corporate and social responsibilities when considering tax planning, as well as the impact of the responsibilities and accountabilities of officers and employees of Tokyo Electron Europe.

3. Level of risk the group is prepared to accept

Tax management can be complex and involve a number of areas of uncertainty on which we have to make judgements. We adopt a conservative policy in managing our tax risk. This may include areas such as the application of law and the assessment of liabilities that are likely to arise where matters are in dispute. Where considered appropriate we make a prudent assessment of the provision based on our policy.

We seek to manage areas of judgement by employing suitably qualified individuals in areas of strategic oversight and responsibility, with experience of managing complex matters, ensuring appropriate professional advice is obtained when relevant and having consistent policies (as enshrined in this tax strategy and its sister publication, the Tax Risk Management guidelines) monitored and implemented by Tokyo Electron Europe's tax committee and the audit committee.

These committees consider and discuss the judgements made and apply additional levels of assessment in the context of Tokyo Electron Europe's risk framework.

Tokyo Electron Europe should not enter into contrived or artificial arrangements for the purposes of avoiding tax, any transactions undertaken need to be in line with the wider commercial strategy and growth of the group and the tax implications arising should be reviewed taking into account our relationship with stakeholders and our reputation both within the semi-conductor industry and wider afield.

4. Approach of the group towards its dealings with tax authorities

Tokyo Electron Europe's relationship with HMRC and in particular their CRM is based on mutual trust, transparency and resolving issues in real time. This involves proactive engagement with the CRM on a regular basis for them to fully understand the business and to exchange views and insights.

Our approach in dealing with HMRC is to liaise closely with regard to those significant transactions that would have a material impact on the tax base of the company in the UK – this could be via discussions with our CRM or obtaining advance clearance from HMRC on areas of uncertainty around the application of the legislation.

As with any large group, from time-to-time differences of opinion may arise with regard to the application of the UK tax legislation – where this is the case, we will seek to discuss and resolve these in an open, honest and transparent manner with HMRC.