

## **Epson (UK) Ltd Tax Strategy**

Seiko Epson Corporation (SEC) the ultimate holding company in Japan sets out the foundation and guidelines of the Group's Global Social Responsibility guidelines which is cascaded to all its subsidiaries and affiliates. As part of its Social Responsibility it also sets out its Corporate Governance Philosophy, principles of Corporate Governance, Organizational Governance which includes Code of Conduct and emphasizes on a strong internal control system which consists of:

- Group Governance
- Compliance and risk management
- Internal Audits
- Internal Control over Financial Reporting

SEC's philosophy, global social responsibility principles and tax strategy guidelines are available to the public in their website: <http://global.epson.com/SR/>

### **Tax Compliance**

Epson UK Ltd seeks to fulfil its corporate social responsibility by paying appropriate taxes in compliance with the tax laws in the countries and region where it operates. In accordance with the basic policy on taxes, we are taking the following action as listed below to maintain and improve our tax compliance.

### **Tax Governance**

- The Finance Manager and the Executive Director (who is also the group's SAO) of Epson Europe BV (EEB) has overall responsibility for the company's tax affairs. Together they are responsible for all taxes which impact the business including all taxes arising in respect of transactions.
- Guidelines have been established by SEC to all its global subsidiaries and affiliates and available in its global website.
- Employees are trained in the tax-related regulations and business process standards that Epson has established to ensure that it properly fulfils its tax obligations. Epson Europe BV conducts J-SOX and periodic internal tax audits (SAO) and reports the findings to top management and the Audit Committee. The findings are also shared with Seiko Epson Corporation (SEC).

### **Monitoring Tax Affairs**

- Epson UK Ltd appropriately responds in a timely manner to changes in local tax systems and taxation trends through regular reporting to Epson Europe BV who is in charge of tax affairs of its subsidiaries in the region and who also reports directly to SEC.
- Epson UK Ltd enlist the support of tax accounting firms and other external experts for advice on taxes and or tax support in the UK working in collaboration with Epson Europe BV.

## **Tax Planning**

- The Epson group strive to effectively use preferential taxation systems where possible in our normal business activities to ensure a suitable tax burden but this is carried out within the spirit of the law and do not avoid taxes.

## **Dealing with Uncertainty and Tax Risks**

- Tax risk uncertainty is expected to increase as countries around the globe strengthen their tax reporting obligations, tax audits and tax enforcement. Epson controls tax risks by identifying situations that could potentially pose serious tax risks.
- Epson UK Ltd considers tax risk to be an important risk and regularly reports such risks to the Board of Directors and its Head Office in the Netherlands, Epson Europe BV (EEB).

## **Transfer Pricing Taxation**

- Epson as a group complies with local tax laws and OECD guidelines to control transfer pricing tax risks. Transfer Pricing guidelines have been established by SEC for its group of companies to help ensure appropriate transfer pricing transactions. In line with these transfer pricing guidelines the SEC controls the profitability range of its global subsidiaries to ensure that transactions adhere to OECD arm's length principle on transfer pricing matters.
- EEB use an advance pricing arrangement (APA) for transactions with its subsidiaries in its territory.

## **Relationship with Tax Authorities**

- Epson UK Ltd strives to work in good faith and will act in an open, honest and transparent manner with tax authorities and to maintain and improve good tax corporate governance.
- All dealings with tax authorities and other relevant bodies will be conducted in a collaborative, courteous and timely manner with the aim to strive for early agreement on disputed matters and to achieve certainty wherever possible.
- Epson UK will comply with all relevant legal disclosures and approval requirements and all information will be clearly presented to HMRC as appropriate.