

Tax Strategy of The Bank of East Asia, Limited UK Branch

Scope

This strategy (the “Tax Strategy”) applies to The Bank of East Asia, Limited in the UK (“BEAUK”), which is the UK branch of The Bank of East Asia, Limited incorporated in Hong Kong. The Tax Strategy is being published in accordance with paragraph 19(4) of Schedule 19 of the 2016 Finance Act (‘the Schedule’).

This Tax Strategy applies from the date of its publication until it is superseded and will be reviewed annually. 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, Pay As You Earn (“PAYE”), National Insurance Contribution (“NIC”), Value Added Tax (“VAT”), Insurance Premium Tax, Annual Tax on Enveloped Dwellings, Stamp Duty Land Tax and Stamp Duty Reserve Tax.

Governance in relation to UK taxation

BEAUK has a Tax Governance Policy and has procedures and processes in place to ensure its tax policy is effectively implemented, and taken into account in business decision-making. The Executive Committee has ultimate responsibility for BEAUK’s tax affairs and responsibility for day to day tax matters are fully and clearly assigned to relevant departments and individuals depending on the specific type of tax, including the review of new products. The Financial Control Department (“FCD”) manages the tax matters relating to Corporation Tax, VAT and any tax implication of new products. Human Resources Department manages the tax affairs relating to employees PAYE.

Exercise of judgement and decision-making in relation to tax matters will be made by staff with appropriate seniority and experience who are equipped with the appropriate knowledge, skills and capabilities to manage BEAUK’s tax affairs. Updates for changes in tax legislation or processes are made as and when required. External professional advice will be obtained in the case of complex, high profile, uncertain or judgemental significance from suitably qualified and reputable external tax advisors.

The Management has established and will maintain processes to ensure that significant tax risks are identified, evaluated and managed, and are accounted for appropriately.

Risk Management

The Tax Governance Policy was approved by BEAUK’s Executive Committee and will be reviewed on an annual basis, whereby:

- BEAUK should fully comply with all relevant tax laws, regulations and disclosure requirements;
- BEAUK seeks to maintain a low-risk tax profile and open relationship with HM Revenue & Customs (“HMRC”);
- BEAUK will not knowingly be involved in tax related transactions or arrangements that would be difficult to defend or may cause serious reputational damage if reported publicly. The products and services offered to customers are consistent with these objectives;

- BEAUK has governance processes to ensure its tax policy is effectively implemented, and taken into account in business decision-making, including reviewing new products. There are processes in place to ensure material tax issues and risks are identified, recorded and escalated to the Executive Committee;
- As part of the new product approval process, the FCD investigates the tax implication of any new product and advises the New Product Evaluation Working Group of potential risks which are recorded and evaluated; and
- The Financial Controller as a member of the Executive Committee updates the Executive Committee on any tax developments relating to BEAUK. The Executive Committee meeting is held weekly.

Attitude towards tax planning

BEAUK would only engage in tax planning arrangements for itself which meet the following criteria:

- BEAUK has a genuine commercial purpose for entering into the arrangement;
- BEAUK is willing to fully disclose all material facts to the tax authorities;
- BEAUK will consider the impact on its relationship with the tax authorities and other stakeholders;
- BEAUK will not undertake tax planning that aims to achieve a tax result that is contrary to the clear intentions of Parliament and do not enter into arrangements that would lead to a failure under Part 1 of HMRC's Code of Practice on Taxation for Banks, which has been adopted. BEAUK does not engage in tax planning other than that which supports genuine commercial activity or where the arrangements could adversely impact BEAUK's reputation, corporate responsibilities and working relationships with HMRC;
- BEAUK will not promote arrangements to other parties (including customers) unless BEAUK reasonably believes that the tax result of those arrangements for the other parties is not contrary to the intentions of Parliament;
- BEAUK will only implement remuneration packages for employees, including senior executives, which are structured so that BEAUK reasonably believes that the proper amounts of tax and NIC are paid on the rewards of employment;
- BEAUK will seek external professional advice where appropriate; and
- BEAUK has adopted appropriate governance to identify transactions which may involve tax planning risk, and to control whether and how such transactions are entered into.

Relationship with HMRC

BEAUK has a transparent and constructive relationship with the HMRC that is based on mutual trust and co-operation. BEAUK further undertakes to:

- disclose fully the significant uncertainties in relation to tax matters;

- focus on significant issues;
- seek to resolve issues before the tax return is filed;
- engage in a co-operative, supportive and professional manner in all interactions;
and
- work collaboratively to achieve early resolution and hence certainty.

We believe that the relationship with the HMRC already operates on the basis detailed above with real time engagement on material issues and we will look to continue to conduct the relationship on this basis.

Authorised and regulated by the Hong Kong Monetary Authority. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Covered by the Financial Services Compensation Scheme and the Financial Ombudsman Service. Financial Services Register number: 204628.