

# UK TAX STRATEGY

## Introduction: Toyota

Toyota is a diversified automotive business and manufactures a diverse line-up of vehicles all over the globe. As an innovative leader, Toyota is well-known for its management philosophy and the world's first mass-market hybrids. Ever since its founding, Toyota has sought to contribute to a more prosperous society through the manufacture of automobiles, operating its business with a focus on vehicle production and sales.

## Toyota UK companies

This tax strategy applies to the UK companies listed under point 5 (“Toyota”) below which are part of the wider corporate group wholly owned by the Japanese ultimate parent company, Toyota Motor Corporation. These UK Companies are involved in automotive vehicle and parts production and sales operations as well as consumer financing operations in the UK region. This tax strategy complies with the statutory obligations of section 161 and paragraph 19(2) of Schedule 19 of Finance Act 2016 which requires large groups to publish their UK tax strategy, and will be annually reviewed for necessary adjustments.

## General Principles

Toyota takes initiatives to contribute to harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region, based on our Guiding Principles. We comply with local, national and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity. In order to contribute to sustainable development, we believe that management interacting with its stakeholders as described below is of considerable importance, and we will endeavour to build and maintain sound relationships with our stakeholders through open and fair communication. We expect our business partners to support this initiative and act in accordance with it.

## UK Tax Strategy

The following principles guide Toyota’s approach to tax as a responsible business in the UK:

### 1. Approach to risk management and governance arrangements

Toyota is committed to tax compliance and is focused on complete, timely, and accurate tax filings in accordance with the legal requirements of the applicable tax laws and regulations in the United Kingdom.

Across our businesses, Toyota ensures oversight and governance of tax matters through internal review and approval procedures by the UK CFO’s and Senior Accounting Officer (SAO), members of the Regional Tax Function and Executive Boards where appropriate, consistent with our risk management framework.

Furthermore, Toyota may seek external advice to ensure compliance with legal requirements, particularly when it comes to complex areas of taxation.

## **2. Approach to Tax Planning**

Toyota will endeavour to align its tax position with the objectives and undertakings of its business units and with its overall business strategy so as to manage its tax position to provide sustainable outcomes within the parameters of its strategic and commercial objectives. For these reasons, Toyota will not engage in “artificial” transactions merely to generate tax benefits.

Toyota complies with the international guidelines established by the Organisation for Economic Co-operation and Development (OECD) and the laws and regulations in all countries in which Toyota runs businesses.

Toyota’s transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we conduct business.

Toyota adheres to International Agreements and the relevant guidance issued by the OECD for international tax matters.

Toyota will not seek special tax treatment that is not specifically authorised by the UK or which would result in a selective advantage placing us in a more favourable financial position than other similarly-situated taxpayers.

## **3. Level of risk in relation to UK taxation**

Since its foundation, Toyota has continuously strived to contribute to the sustainable development of society through the manufacture and provision of innovative and quality products and services that lead the times. Motor vehicles greatly expand the freedom of mobility, but impact society and the environment in various ways.

Always bearing this in mind, we listen carefully to our customers and the local community as we pursue a business that works towards harmony with people, society, and the global environment, as well as the realisation of a sustainable society through monozukuri (manufacturing).

Toyota aims to become a company that is admired and trusted by society through ensuring that all employees recognise and act on our Corporate Social Responsibility (CSR) Policy. We also share this policy with our consolidated subsidiaries, make a point of putting it into practice together, and expect our business partners to embrace its spirit and act in accordance with it as well.

In this respect, taxes paid by Toyota in the regions we are conducting our business are considered as a contribution to the sustainable development of society in which we operate our business.

However, the complexity of the tax laws and regulations that relate to our business mean that - occasionally – there may be a difference with tax authorities on the technical interpretation of a particular area of tax law.

Most of the time, these differences in interpretation can be resolved through discussion with Her Majesty's Revenue & Customs (HMRC). Toyota's view is that a trusted trader relationship with HMRC, as per point 4 below, is an effective way to reduce tax risk.

Sometimes however, it could be necessary for these differences in interpretation to proceed to national or supranational resolution procedures to clarify the interpretation of the law.

#### **4. Relationships with Tax Authorities**

Toyota will seek to develop and maintain an open, constructive, and cooperative relationship with HMRC, based on integrity and mutual trust and respect.

We shall respond to queries from tax authorities within agreed timescales and aim to discuss with them before filing tax returns new material activities, risks, events and interpretations of the law where this is unclear.

Where there is a difference of opinion between HMRC and Toyota on a particular tax matter, Toyota seeks to work collaboratively with HMRC in order to resolve disputes and to achieve early agreement.

#### **5. Coverage**

References to 'Toyota' above mean all UK companies listed below.

Toyota Motor Manufacturing (UK) Limited

Toyota (GB) PLC

Toyota Financial Services (UK) PLC

Toyota Logistics Services (GB) Limited

Toyota Motor Europe UK branch

Toyota Connected Europe Limited

Kinto UK Limited

Kinto Join Limited