Tax Policy Template – [Company name]

Introduction

[**Company name**] strives towards responsible business conduct that respects people, society and the environment. We recognise that our success is built within the societies we are a part of, and that taxes are one of the main channels for contributing to these societies. We believe that in the long run, paying our fair share of taxes will lead to increased profitability for our company and society as a whole.

We will conduct due diligence to avoid causing harm related to our tax practices. A responsible approach to tax is a prerequisite for responsible business conduct (see OECDs Guidelines for Multinational Enterprises on Responsible Business Conduct), and fundamental to the achievement of the UN Sustainable Development Goals. This policy outlines our approach to tax governance, compliance, and responsible tax conduct.

1. Governance and compliance

- [**The company**] is in full compliance with all applicable tax laws and regulations in all jurisdictions where we operate, respecting both the letter and the spirit of the law. [1]
- The principles of our tax policy shall be reflected in internal operational guidelines, with internal controls and governance to ensure responsible tax management.
- The responsibility to identify, prevent, mitigate, and account for adverse impacts related to taxation, such as tax evasion or aggressive tax avoidance, is integrated in our due diligence approach.
- The responsibility for our tax policy and its oversight rests with the [**Board of Directors**], ensuring that risks are managed effectively and decisions align with our overall commitment to responsible business conduct.

2. Transparency

- [**The company**] provides accurate, timely and accessible tax-related information [2] to stakeholders, including regulatory bodies, and expect our suppliers and supply chain to adhere to the same standard.
- We do not use artificial structures designed to obscure financial transparency. Our financial statements and tax reporting reflect the reality of our business operations and tax obligations.

3. Relationship with tax authorities

- [**The company**] follows established procedures and channels for any dealing with tax authorities, maintaining an open and cooperative relationship and responding promptly and transparently to inquiries.
- Potential tax disputes will be managed in a fair and constructive manner, with a commitment to mutual trust and resolution in good faith.

4. Responsible tax practices [3]

- [**The company**] does not engage in tax avoidance schemes or any practice that seeks to exploit legal loopholes or is against the legislature's intent.
- We do not use tax havens or allocate profits to jurisdictions with low or no taxation that do not align with the substance and nature of our economic activities.
- Our tax arrangements are consistent with the spirit and purpose of tax laws and regulations, ensuring a fair contribution to public finances.
- We expect our suppliers and partners to comply with the intention of the tax policy and conduct due diligence for responsible business conduct to avoid causing harm related to their tax practices. At the request of [**company's name**], first tier suppliers should be able to document how they, and potential subcontractors, work to comply with the spirit of this tax policy.

5. Responsible tax planning

- [**The company**] uses only legal and acceptable tools and methods to optimise taxes paid, and does not pursue aggressive tax planning that undermines the integrity of tax systems.
- Any tax advice or planning initiated by external advisors shall be in line with the overall [**The company name**] tax policy.
- Any tax reliefs or incentives claimed will be in line with legislative intent and related to legitimate business purposes.

This policy was approved by [**The Board of Directors**] on [Date].

The policy will be reviewed annually (or upon significant changes in the business or legislation) to ensure it remains relevant and up to date.

Explanatory notes

[1] According to the OECD Guidelines for Responsible Business Conduct:
"complying with the spirit of the law means discerning and following the intention of the legislature. An enterprise complies with the spirit of the tax laws and regulations if it takes reasonable steps to determine the intention of the legislature and interprets those tax rules consistent with that intention in light of the statutory language and relevant, contemporaneous legislative history." (OECD Guidelines 2023, chapter XI on Taxation, p. 51-53.)

[2] Tax-related information in this context can refer to financial statements and tax reporting, the company's approach to tax and taxes paid, as well as ownership and corporate structure. Depending on the jurisdiction, this information might not be publically available. Best practice is for the company to publish on a voluntary basis:

- An overview of the group structure and a list of all entities, with ownership information including all beneficial owners, segment and geographical location
- Annual information on taxes paid at a country level, total tax contribution and effective tax rate together with information on economic activity. For guidance on how to produce such reports of the highest quality, follow the Global Reporting Initiative's tax standard, GRI 207: Tax 2019, Disclosure 207-4 Country-by-country reporting.

[3] The following example aims at giving direction to tax practice, including planning, to ensure alignment with the purpose of tax legislation and public financing needs. Defining what is "legal and acceptable" requires for companies to determine the intention and generally understood interpretation of the tax rules, and apply this understanding consistently in practice.

In essence, transactions or other operations with tax consequences should be structured in a way which reflects genuine business activities and underlying economic consequences. Tax schemes or practices that produce tax results beyond what can be reasonably interpreted as the purpose of the tax legislation and regulation, should not be pursued.

Artificial example: "Construction AS"
"Construction AS" owns a debt-free office building. In an internal restructuring, it sells the building to a newly created subsidiary, "Property AS". The subsidiary does not pay cash, but funds the purchase entirely through an internal loan from the parent company. "Construction AS" can continue using the building, now paying rent to the new subsidiary. At the same time, "Property AS" now pays interest expenses to the parent, for which it claims tax deductions.

Relation with legislative intent: The rationale behind interest deductions is to recognize the cost of external financing. In this case, the internal loan creates no real change to the economic position of the group, but has consequences for the group's tax position. While this is legally valid, the transaction lacks business purpose beyond achieving a tax deduction.