Melrose Industries Plc

Group Tax Policy

Schedule 19 of Finance Bill 2016 introduced a requirement for large groups to publish details of their tax strategy online. The strategy must be refreshed and republished no less than 9 and no more than 15 months from the previous strategy publication. Accordingly, Melrose makes disclosure below as at 31 December 2017 in accordance with the requirements.

Melrose is committed to paying all taxes that are due and to complying with all applicable laws and engaging with all applicable tax authorities.

Attitude toward tax planning and risk

The group does not engage in aggressive tax planning. The ‘buy, improve, sell’ business strategy negates the net benefit to our shareholders of any such planning, as its effectiveness would probably be unresolved at the time the relevant business is sold.

The group does seek to maintain tax efficiency by, for example, matching profits and losses in the same tax group(s) and ensuring that we only pay tax once on profits. The group looks to benefit from tax credits and exemptions where intended by the law.

On occasion, the businesses acquired by Melrose may have adopted a more aggressive tax policy prior to Melrose ownership. Should this be the case, we look to work with the relevant tax authorities to resolve outstanding risks and enquiries and bring attitudes and structures into line with Melrose policy. Resolving open items and enquiries and exiting inherited tax planning structures carefully can sometimes take months or even years.

External advice is generally sought to ensure compliance with difficult or uncertain aspects of tax law and to ensure no future embarrassment as a result of accidentally triggering more tax than is due. Advice would also be sought should a tax authority enquire into an aspect of the group’s tax returns. The group does not use marketed tax avoidance schemes. The current group does not have any profit arising to, nor IP located in, tax havens.

Approach to risk management and tax governance arrangements

Although we generally adopt a low appetite for tax risk, the group’s tax policy does not prescribe an ‘acceptable level’ as this will necessarily depend upon the specific facts of any given situation or risk. The Board requires that the Group Head of Tax updates the Executive Directors on a real-time basis of any change in the group’s tax risk profile and expects that a tax update is provided to the Full Board in advance of each Full Board meeting.

The Board has approved the Tax Policy.

The Group Audit Committee periodically reviews the group’s tax affairs and risks.

The Group Head of Tax is responsible for ensuring that appropriate policies, procedures and systems are in place to support this policy and that the global tax team has the required skill to implement this approach and enable to group to pay the correct amount of tax.

Approach toward its dealings with HMRC

Melrose enjoys and encourages an open and co-operative relationship with HMRC. The group is expected to notify in advance to HMRC any areas of tax risk including any positions taken which the group believes HMRC may disagree with. HMRC will, in turn, focus (mostly) on the areas identified and minimise the management time spent answering routine enquiries.

The group wishes to maintain this relationship and expects to be able to do so. The complexity of businesses acquired in the future could raise the overall tax risk of the enlarged group but should not alter the transparency with HMRC.

The Group's UK approach is replicated where possible around the world, though many tax authorities do not adopt HMRC's 'Customer Relationship Manager' model so it is not always possible to discuss complicated items prior to filing the relevant tax return(s).