

DEUTZ AG – UK Branch UK Tax Risk Strategy

1.0 Introduction

DEUTZ AG (“the Group”) is a German listed multinational group which produces diesel engines and has a taxable presence in the UK. With operations in a number of countries across the globe, DEUTZ AG generated global sales of \$1.8bn during the 2019 fiscal year.

The Group values honesty, integrity and adherence to the highest ethical standards. This applies to all aspects of its operations, including its UK taxation affairs. As part of this commitment, the Group has instituted a series of policies and procedures, including a Code of Conduct which applies to all officers and employees of the Group in all jurisdictions in which the Group operates, including the UK.

The Group expects its moral and ethical standards to be upheld by acting with honesty, integrity and the highest ethical standards in all dealings across all jurisdictions.

As part of the above, the Group is committed to:

- * Following all applicable laws and regulations relating to its UK tax activities
- * Adhering to their core value of ethics and integrity in relation to the UK Tax Authority. This includes maintaining an open, honest and collaborative relationship with the UK Tax Authority.
- * Using UK tax incentives and reliefs to minimise the tax cost of conducting business whilst ensuring that these reliefs are not used for purposes which are knowingly contradictory to the intent of the legislation.

2.0 Approach to Risk Management and Governance Arrangements

The Group aims to be fully compliant with tax rules in the UK. It carries out an assessment of the risks that may impact all aspects of its operations, including UK taxation risks.

It is the Group’s strategy to manage and minimise exposure to these UK tax risks through the use of internal controls. The Group’s attitude towards the level of control required over the processes designed to reduce taxation risks is driven by the likelihood of occurrence and scale of impact of each UK tax risk. These controls are subject to internal and external audit to verify their effectiveness.

Immediate responsibility for the Group’s UK tax affairs lies with the UK’s Branch Financial Controller who works in conjunction with the group’s external advisors to ensure that the group is compliant with all UK tax law. In addition, the Group’s head office finance team provide oversight and strategic direction where appropriate.

The Group also uses tax advisors as appropriate. For example, where there is uncertainty in how the relevant law should be applied, external professional tax advice is sought to support the Group’s decision making process.

3.0 Attitude towards Tax Planning

The Group applies its Code of Conduct to tax planning and only enters into transactions which have a sound legal and commercial basis. Transactions that could be seen to be contrived or without business purpose, or are for the main purpose of reducing UK corporate tax liabilities, are not entered into.

Tax is taken into consideration in the commercial decision making process to ensure that an appropriate level of internal or external expertise is available in order to clearly understand the tax implications of any decision taken.

The Group aims to act in a tax efficient manner, utilising UK tax reliefs available such as capital allowances and other tax loss reliefs. Reliefs are utilised to the fullest extent permitted by UK law and as would be deemed appropriate and reasonable by an informed third party. The Group will not pursue reliefs in an aggressive manner or in any situation where there is uncertainty as to the relevant entity’s entitlement to the relief.

4.0 Approach towards Dealings with HM Revenue & Customs

All interactions with HMRC by the Group’s UK employees are respectful, timely and co-operative. The

Group is dedicated to maintaining a strong relationship with HMRC and acts in a transparent and collaborative manner in all of its dealings with HMRC.

As noted above, in areas where the Group is unsure of the correct treatment under UK tax law, third party clarification is sought from external advisors. Where uncertainty remains, advance clearance may also be sought from HMRC in certain circumstances, if considered appropriate. For example, this may include a situation where there is uncertainty regarding the application of specific tax legislation to a transaction.

5.0 Acceptable Level of UK Taxation Risk

The Group adopts a conservative approach to UK tax risk. It seeks to comply fully with all relevant tax laws, together with regulatory and other obligations and to act in a way which adheres to the Group's code of conduct, as outlined above.

6.0 Approval of Tax Risk Strategy

Our strategy is compliant with the requirements of para 16(2) of Schedule 19, Finance Act 2016 and relates to our 31 December 2020 year end. This document has been approved by the UK Branch Financial Controller on 10th December 2020.