Alstom Transport UK Group Tax Strategy

How tax risks are managed

Within the Global Alstom Group, ultimate management and responsibility for tax falls within the finance function with the group policy for finance "*to be the guardians of the rules, enhancing internal control by ensuring proper compliance with internal and external regulations and promotion of clear and efficient processes and instructions, ensuring compliance with local regulations, notably for tax and statutory accounts purposes*"

At a UK country level, the Country Finance Director ("FD") is tasked with applying this group policy through local governance, policies and procedures.

The FD is a member of the senior management team and statutory Board of all active UK legal entities and therefore ensures that financial governance and significant tax risks and decisions are communicated and considered at a senior management and Board level.

The FD and senior management have assessed that due to the size of the UK business, to ensure a high level of tax risk management, a dedicated tax department is necessary to provide support and assurance on accuracy of tax returns.

The UK tax department is tasked with continuous review of the business processes impacting tax, and maintains a tax risk register which is presented to the FD on at least an annual basis. New or significant risks would be presented to the UK senior management team. Changes in the business are actively communicated to the tax department from the senior management team by the FD through a monthly update meeting. In addition, the tax department maintains regular communication with the business units and functions. Any new business activities are assessed for tax risk. Where material risks are identified these are communicated by the tax department to the FD and discussed. The UK senior management team are informed and matters discussed further where risks are considered significant or are unable to be resolved through the combined efforts of the FD and UK tax department.

Business units, through their Financial Controllers who report to the FD, are responsible for the implementation and maintenance of certain tax controls relevant to their business units. The UK tax department will perform periodic testing of these tax controls to identify weaknesses and address any issues where identified. In addition, third party advisors may be used to provide an additional level of checking and testing of tax controls at the business unit level.

The tax department also maintains its own controls which are reviewed annually and reported to the FD.

Key roles & responsibilities

FD/SAO ("Senior Accounting Officer") – responsible for the ultimate governance of the UK group's tax affairs. Reviews and signs off annual tax returns, having been presented with the basis for return preparation including review points from the UK tax department. Also meets with the UK tax department monthly for a business and SAO update to ensure good communication flow between the tax department and senior management team. Annual review of the SAO file presented by the Financial Reporting and Compliance Director.

Financial Reporting and Compliance Director– review of annual tax returns prior to FD/SAO review, and sign off of tax returns under powers authorised by the Board. Responsible for compilation of the SAO file and effective and regular review of tax controls.

UK Tax Director – review of tax returns prepared by businesses/third party advisor. Design, review and testing of the business units' and functions' tax controls, and responsible for providing guidance, advice and training as required to business units and senior management/Board through the FD.

Business unit financial controllers – set and maintain tax controls within their business units. Supported and guided by the Tax department.

Systems and controls to manage tax risk

The majority of financial information is provided through the UK group's financial management system. Functions/people involved in data input to the system (e.g. Accounts payable) are identified and provided with tax guidance and processes to ensure accuracy of reporting taxes. Functions preparing tax returns (e.g. finance) are provided with standard tax reporting tools, guidance and training and returns are reviewed by managers with sufficient tax knowledge and guidance on how to perform an effective review. For certain tax returns and business units, the reporting is prepared by the Tax department. The Tax department analytically review returns provided by business units prior to consolidation of final returns, which are then subsequently reviewed by either the Financial Reporting & Compliance Director or FD prior to submission to HMRC.

Within the UK tax department, no one individual can be involved in the preparation of the tax return and final submission without review and sign off by someone adequately qualified and more senior.

Levels of tax oversight of the Board

The Board, through the FD, satisfies itself that the UK Tax department is capable of effectively managing the UK tax affairs and monitoring and controlling tax risk. This is done through the SAO review and more regularly through the Financial Reporting & Compliance Director's active daily involvement with members of the tax department.

The Boardis kept up to date with significant or material tax risks and is made aware of tax impacts of business decisions through the FD, who ensures the proactive communication of information between the Board/senior management and the UK tax department, meeting periodically each month for a general business/tax update, whilst more urgent matters are highlighted and discussed immediately.

Through the FD's review of annual tax returns, areas of risk or judgement are identified and, where considered significant would be taken to the Board/senior management for discussion and agreement, before the tax return would be approved to be submitted.

Use of external tax advisors

External tax advice will be sought to the extent that the UK tax department does not have sufficient resource, knowledge or experience of the relevant tax matter or where it is desirable to get a third party perspective. All advice sought is in respect to maintaining tax compliance in line with paying the correct amount of tax at the correct time and does not involve tax deferral or avoidance planning.

The UK senior management/Board acknowledges a significant percentage of the UK Group's revenue is from direct or indirect government and public sector bodies and aggressive tax behaviours could significantly impact the Group's future performance and ability to win new work. As such, the UK senior management/Board are clear that the UK group does not follow any form of tax planning which would be considered aggressive or could result in the UK Group from being excluded from bidding for commercial projects. As a result, Alstom Transport UK Ltd since its incorporation in 2013, has never entered any tax arrangement or scheme or is currently considering any scheme requiring disclosure under the Disclosure of Tax Avoidance Schemes regime (DOTAS) or have been challenged under the General Anti Abuse Rule ("GAAR") or Targeted Anti Abuse Rules ("TAARS"). The UK tax department and third party advisors are clear in their understanding that such schemes would not be considered by senior management and the Board.

The UK Group does however recognise government fiscal policies delivered through the tax system to encourage behaviours such as investment in UK R&D and energy efficient assets and will seek to claim such reliefs on correctly calculated amounts where available.

It should be noted that the UK senior management/Board are not provided with any tax accounting or tax cash flow targets for the UK Group from the wider Global Group and, therefore, the UK tax department in turn are not set any targets or objectives to reduce or delay the levels of tax calculated.

Tax risks

The UK Group, aligned with the global Group's policy towards tax and backed up by the Internal Controls and testing, is to ensure full and accurate tax compliance. Ultimate responsibility for this in the UK, set by the global Group policy, rests with the FD. The Group does not formally set a level of acceptable tax risk and instead, through the engagement of the UK tax department, seeks to ensure full tax compliance in the UK.

In addition to the Group's policies, the UK senior management/Board insists on full and accurate tax compliance and the FD has been tasked with ensuring this is implemented. The FD in turn tasks the UK tax department to ensure full and accurate compliance, and supports this by providing regular and timely communication between the Tax department and UK senior management/Board.

Working with HMRC

The UK group aims to maintain an open and collaborative relationship with HMRC, values its current low risk rating and seeks to ensure that this continues through practices and behaviours that will not be contrary to what HMRC recognise as a low risk entity. Behaviours are aligned to those which HMRC would expect from a low risk tax payer. We recognise the inherent risks of operating within a large multinational Group, and ensure that these factors are considered and managed, as the UK Group seeks to maintain this low risk tax rating.

Physical meetings are held bi-annually with HMRC's Customer Relationship Manager (CRM). Board participation at these meetings is ensured through the attendance of the FD as well as attendance from the UK tax department. This meeting provides opportunity to give business updates, discuss recent filed tax returns as well as any upcoming changes in the business or events assessed as having a tax impact. In addition, communication is maintained throughout the year between the UK tax department and the CRM and specific HMRC Tax Inspectors as required. Where an uncertainty arises this is communicated to the CRM/Tax Inspector and the tax treatment is agreed prior to being reflected through the relevant tax return.

In addition, the UK Group is comfortable in providing HMRC with additional information and clarification in respect to filed tax returns under informal requests for information, thus avoiding formal enquiries where possible.

Should a situation arise where differing views could be taken on the tax treatment, following discussion with the FD (and where required, the senior management/Board), the CRM would be consulted through the UK tax department and where possible agreement reached on the interpretation of tax law.

The publication of this statement is regarded as satisfying Alstom's statutory obligation under Para 16(2), Schedule 19, Finance Act 2016 for the year ended 31 March 2019.