

# STATEMENT OF TAX PRINCIPLES

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## Background and Context

The National Australia Bank Limited (**NAB**) group of companies (**NAB Group**) has a formal Tax Policy setting out its approach to managing tax risk and compliance with its tax obligations. This Statement of Tax Principles provides an overview of NAB's Tax Policy.

NAB is a major Australian multinational company which, together with its subsidiary companies and foreign branches, makes a significant contribution to the Australian economy and business landscape, and to the offshore economies in which it conducts financial services activities. The corporate behaviour of the NAB Group impacts many stakeholders including customers, shareholders, employees and governments. As a corporate leader, NAB commits to strong corporate values and behaviours, including in its approach to taxation.

NAB's Tax Policy is fully endorsed by the NAB Board, which has ultimate responsibility and accountability for tax risk governance.

NAB's Tax Policy applies to all functions of the global NAB Group, NAB Group employees, contractors and agents.

For the purpose of the Tax Policy, tax risk is defined as an unexpected adverse financial or reputational consequence to the NAB Group from:

- Taking a position in relation to taxation law that is subsequently disputed by revenue authorities;
- Not attending to tax compliance and payment obligations on time and in a complete manner;
- Inadequate reporting of tax expense and liabilities on the financial accounts; or
- Inappropriately influencing the tax affairs of customers and other third party.

## Policy Principles

NAB's approach to tax risk management is founded on the following key principles:

- **Maintenance of a robust tax control framework;**
- **Full Compliance with tax laws;**
- **Acceptable Tax Planning;**
- **Use of Arm's Length tax transfer pricing principles;**
- **Constructive working relationship with tax Authorities; and**
- **Tax Transparency consistent with stakeholder expectations.**

The above key principles are explained in more detail below.

### Robust Tax control framework

The NAB Board is ultimately responsible and accountable for determining the Tax Policy of the NAB Group and its tax risk governance. The NAB Tax Policy is reviewed on a regular basis and approved by the NAB Board biennially.

The Tax Policy provides that the NAB Group must maintain a robust tax control framework which will be subject to regular testing and assurance.

The NAB Board has delegated responsibility for day-to-day approval and management of the NAB Group's tax affairs to the Chief Tax Officer (**CTO**) within the parameters of the Tax Policy. This delegation rests solely in the CTO (or the CTO nominated delegates), and no other NAB function has the authority to approve or manage NAB's tax risk in any way. The CTO is responsible for reporting all material tax issues and risks to the Executive team and to the NAB Board via the NAB Board Audit Committee (**BAC**).

Tax risk is managed in the context of the Group's framework on risk management accountabilities. NAB Group exercises strong governance over its tax affairs. NAB Group maintains and enforces strict protocols to control the type of transactions that the NAB Group enters into and the tax risks associated with these transactions.

NAB Group subscribed to the United Kingdom Code of Practice for Banks (**the Code**) which was introduced on 9 December 2009 as NAB conducts operations in the United Kingdom. The object of the Code is to ensure that banking groups operating in the United Kingdom comply with the spirit, as well as the letter, of the law when it comes to tax matters.

## **Tax Compliance**

NAB Group seeks to be fully and properly compliant with its tax obligations in each of the jurisdictions in which it operates by providing tax authorities with information that is complete, accurate and reliable in all material respects and is provided on time as set out in legislation or as agreed with tax authorities. NAB Group will not adopt a tax position which is clearly contrary to tax laws or administrative practices of the relevant jurisdictions.

NAB Group recognises that there may be areas of differing legal interpretation between ourselves and tax authorities, and where this occurs, NAB Group endeavours to engage proactively with relevant stakeholders in resolving these matters.

NAB Group continues to monitor the potential impact of new legislations, judicial pronouncements and administrative practices in assessing the impact on operations and transactions.

## **Tax Planning**

As part of the prudent management and organisation of its affairs, NAB Group will only enter into transactions that are in accordance with, and in line with the spirit of the applicable tax legislations and regulations.

NAB Group ensures that it is being taxed in all jurisdictions where it engages in economic and business activities according to the true legal nature and economic substance of the transactions or business activities undertaken.

NAB Group will not:

- transfer value to operations in low tax jurisdictions solely to obtain a tax benefit or without genuine economic substance;
- participate in, or promote, complex arrangements that could be considered aggressive or viewed as contrive or serve no other genuine economic or business purposes;
- utilise structures, situated in tax havens or jurisdictions that are uncooperative with tax authorities, that are designed solely to obtain a tax benefit or avoid disclosure of activities; or
- provide tax advice or planning to customers in the marketing and sale of financial products and services. Information relating to taxation will only be provided for general information purposes and should not be considered as tax advice. NAB Group will ensure that correspondence and presentations concerning products and services will include the necessary disclaimers if appropriate.

NAB Group has developed policies and procedures to detect and report on financial crimes, including tax evasion. There are strict internal policies in place to prevent the committing or facilitating and abetting of tax evasion or other forms of financial crimes.

## **Tax Transfer Pricing**

NAB Group will not use transfer pricing as an inappropriate tax planning tool.

NAB Group's guiding principle in all intra group transactions is that the dealings must be in accordance with the arm's length standard for transfer pricing. NAB Group will not participate in arrangements where transfer pricing outcomes are not consistent with value creation.

NAB Group seeks to comply with the domestic transfer pricing rules which apply in each of the regions in which it operates. These rules, while predominantly based on Organisation for Economic Co-operation and Development (**OECD**) Guidelines, do differ by country, which can result in different requirements for different regions. To address this matter, the following principles will apply for transfer pricing:

- OECD guidelines will form the basis of NAB Group's approach to transfer pricing.
- NAB Group will apply the arm's length standard for its transfer pricing arrangements.

Transfer pricing outcomes must be consistent with the functional activities undertaken, risks assumed and assets utilised in each tax jurisdiction.

Transfer pricing arrangements and approaches are adopted consistently across NAB Group.

## **Relationship with Tax Authorities**

NAB Group seeks and maintains a constructive working relationships with tax authorities. NAB Group proactively works with tax authorities in each of the jurisdictions in which it operates to establish an open working relationship based on transparency, mutual trust, mutual respect and constructive co-operation.

The NAB Group will:

- Be fully transparent in disclosing and discussing significant uncertainties in relation to tax matter;
- Discuss and resolve material tax issues before returns are filed, wherever practicable;
- Engage in a co-operative, supportive and professional manner; and
- Work collaboratively to achieve early resolution of issues.

NAB Group will participate and contribute to the design and development of new legislations, regulations and practices applicable to the NAB Group to ensure the relevant legislations and regulations operate as intended and can be complied with efficiently.

NAB Group reports customer information to the relevant tax authorities in accordance with local reporting regimes, the Common Reporting Standard (CRS) and FATCA in all jurisdictions in which it operates.

## **Tax Transparency**

NAB Group will annually publish a tax transparency report. This report will meet stakeholder expectations around the transparency of NAB's tax affairs including the provision of information about NAB's approach to tax risk and the disclosure of taxes paid by NAB.

To this end, the NAB Group has signed up to the Australian Voluntary Tax Transparency Code and has released an annual report under this Code since the year ended 30 September 2016.