

# ***China Telecom (Europe) Limited – Tax Strategy***

This document sets out the strategic tax objectives for the UK operations of China Telecom (Europe) Limited ('CTE'). This tax strategy satisfies Schedule 19 of UK Finance Act 2016, in respect of our financial year ending 31 December 2017. It has been approved by the UK Board of China Telecom (Europe) Limited and will be updated annually.

## **Company overview**

CTE is a wholly owned subsidiary undertaking of China Telecommunications Corporation ("CTC"), one of the three leading telecom operators in China. CTC provides customers with integrated information service solutions, covering broadband internet access, mobile communications, information technology applications and fixed-line telephone services.

CTE was incorporated in 2006, with a mission to deliver high-quality data and voice solutions and services between Europe and China to businesses and carriers. CTE is committed to providing a full suite of telecommunications services with unparalleled service and support.

## **The approach of the group to risk management and governance arrangements in relation to UK taxation**

CTE's policy is to comply with all applicable laws, rules, regulations and reporting requirements relevant to the company. Tax compliance is key to the company and we manage tax in line with our governance framework and risk management procedures which reflect the regulatory, legal and commercial environment in which CTE operates. We aim to comply with the spirit as well as the letter of the law and seek to pay the right amount of tax, at the right time and in the right place.

Accountability for the UK tax strategy rests with the CTE Board along with the overall stewardship of our UK risk management systems and internal control environment. Responsibility for the implementation of the tax strategy has been delegated to the Finance Director, who is supported on a day to day basis by the Finance Department. The Finance Department consists of qualified and experienced employees who receive regular training to keep up to date with changes in tax legislation and practice in order to maintain CTE's compliance with its tax obligations.

The Managing Director maintains oversight of UK tax compliance and signs off material tax filings. The Board is notified of any significant tax issues requiring its oversight or input as

necessary. The UK Finance Department regularly reports to the Group's Head Office Tax Function which maintains oversight and provides tax technical support when required.

CTE views comprehensive risk management as a key task within CTE's daily operations. Tax risk is managed within CTE's wider risk management framework to ensure tax is subject to the same process of risk identification, risk assessment, key risk analysis, risk reaction and risk management assessment. Where there is uncertainty in how relevant tax law should be applied, external advice may be sought to support CTE's decision making process, including where necessary, support with our tax compliance filing obligations with HMRC.

### **The attitude of the UK Group towards tax planning (so far as affecting UK taxation)**

CTE has a robust approach to managing risk which is underpinned by our Code of Conduct ("Staff Handbook"). The Staff Handbook outlines the policies and rules of the Company which employees are expected to observe and comply with. CTE values its reputation for integrity and all employees are expected to demonstrate the highest legal moral and ethical standards in conducting Company business.

CTE has a low tax risk appetite and our operations are based on prudent commercial and business principles. Our approach to tax and tax planning is aligned to our strategic and corporate objectives. The group is committed to conducting its affairs in full compliance with applicable laws and regulations as outlined in our Corporate Code of Ethics. All decisions are taken after careful consideration of all the issues and potential impacts, including financial, operational and reputational risks.

Tax is recognised as a business expense which should be managed like any other. We may therefore seek to make use of government sponsored incentives and reliefs to reduce our tax cost while ensuring that those reliefs are not used for purposes which are knowingly contradictory to the intent of the legislation.

To the extent that CTE may undertake any tax planning, it would be with the purpose to support the commercial needs of the business and with a clear understanding of the tax consequences of any decisions made. This helps to ensure that CTE's commercial affairs are carried out in a tax efficient manner, whilst remaining compliant with all relevant laws. Consideration is also given to ensuring that any decision is aligned with the business strategy and falls within the risk appetite as defined by the Board

Where tax law is unclear or subject to interpretation, we may engage with external tax advisors to ensure we remain compliant in all our operations.

### **The level of risk in relation to UK taxation that CTE is prepared to accept**

Internal governance is not prescriptive on the levels of acceptable risk, but CTE has a low appetite for tax risk. As with other risk, tax is managed within the overall risk framework and risk appetite as determined by the Board.

Our internal control system provides a documented approach to managing risk in relation to the taxation of our own affairs. This system is structured to deliver a level of governance and oversight which is consistent with our risk appetite.

### **The approach of the UK Group towards its dealings with HMRC**

We engage with HMRC openly and transparently to build a relationship based on mutual respect and integrity. We respond clearly and promptly to queries raised, providing appropriate disclosure of corporate information where applicable. As an organisation we strive to ensure we adhere to our compliance obligations and in a spirit of co-operative compliance.

Where areas of uncertainty arise or tax law is subject to interpretation, which can arise due to ambiguity in the legislation or case law developments, we may engage with external tax advisors and as appropriate with HMRC, to discuss material tax issues in advance to ensure we remain fully compliant in all operations.