Approach to Taxation

December 2019
Introduction

AstraZeneca is a global, science-led biopharmaceutical business. We are one of only a handful of companies to span the entire life-cycle of a medicine from research and development to manufacturing and supply, and global commercialisation of primary care and specialty care medicines. AstraZeneca operates in over 100 countries and its innovative medicines are used by millions of patients worldwide.

Our business activities around the world incur a substantial amount and variety of business taxes. We pay corporate income taxes, customs duties, excise taxes, stamp duties, employment and many other business taxes in all jurisdictions where applicable. In addition, we collect and pay employee taxes and indirect taxes such as Value Added Tax (VAT). The taxes we pay and collect represent a significant contribution to the countries and societies in which we operate.

We operate policies and governance to ensure compliance with tax laws in the territories in which we do business. We are committed to transparent and constructive relationships with all relevant tax authorities. We support initiatives to increase public trust and transparency in national and international tax regimes, and we engage with our stakeholders to build understanding and clarity of business tax consequences wherever we operate.

AstraZeneca’s values, incorporated in our Code of Ethics are the foundations for our approach to taxation.

To fulfill the new requirements under UK law¹, and to support transparency of our approach to taxation, this document sets out:

• Our approach to governance, risk management and compliance
• Our approach to tax planning
• Our approach towards dealings with Tax Authorities
• The level of tax risk we are prepared to accept

¹Our Tax Policy complies with the UK legislative requirement under paragraph 16(2) Schedule 19 Finance (No.2) Bill 2016 in respect of financial year ended 31 December 2020.
Governance, risk management and compliance

Tax risk can arise from unclear laws and regulations as well as differences in interpretation. As is common for many multinationals, AstraZeneca’s most significant source of uncertainty arises where two or more governments adopt different interpretations in relation to pricing inter-company cross border transactions (i.e. the transfer pricing of goods and services between affiliated members of the AstraZeneca group of companies resulting in the same income being taxed in two or more territories).

Our approach is to manage tax risks and tax costs in a manner consistent with applicable regulatory requirements and with shareholders’ best long term interests, taking into account operational, economic and reputational factors.

We have established and maintain robust policies and compliance processes to ensure the integrity of our tax returns, and timely and accurate tax payments in all countries in which we operate. This includes ensuring that our tax professionals and staff have the necessary training to manage our tax position appropriately.

Our approach to taxation is reviewed periodically in light of changes to:

- The general business environment
- Our business operations
- Tax laws and regulations (national and international)
- Emerging business and tax risks

We maintain documented tax policies and procedures in relation to key tax processes (e.g. transfer pricing and export controls). These are reviewed annually.

Business tax processes are subject to the same level of robust internal controls, assurance processes, Code of Conduct and external audit as the rest of AstraZeneca’s business. Additional assurance is gained from Internal Audit Services’ reviews of tax risk management processes from time to time.

Performance is monitored via quarterly reporting to the Group CFO and Group Audit Committee.
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Tax planning

Substantive business transactions, for example acquisitions and divestments, intragroup trade and expansion in global markets, determine our approach to tax planning and consequent tax liabilities.

We access government sponsored tax incentives where appropriate and in line with substantive business activities (e.g. UK patent box and R&D tax credits).

We apply the OECD guidelines, UK and other national legislation to our inter-company transactions.

Approach in dealings with Tax Authorities

We seek to develop and maintain professional and transparent relationships with tax authorities. We ensure there is access to relevant information demonstrating the integrity of our tax processes, returns and payments.

We also engage with governments on proposed changes to tax legislation where appropriate, either directly or via representative bodies.

The level of tax risk we are prepared to accept

The company’s approach to tax risk is integrated within our broader business risk management and compliance framework. Our focus is on the discovery, development and commercialisation of prescription medicines to meet our commercial strategic objectives. We manage tax risks in the context of substantive business transactions.

AstraZeneca’s processes, policies and governance operate to ensure compliance with tax laws and regulations in the territories where we operate and are designed to identify and mitigate material tax risks.

In the event that applicable laws and regulations are subject to interpretation, we seek appropriate assurance regarding the position taken (e.g. in relation to transfer pricing matters through advance pricing agreements or intra-government mutual agreement procedures).

AstraZeneca requires all employees to comply with relevant and applicable laws and regulations and behave in accordance with the AstraZeneca Code of Ethics.

“We seek to develop and maintain professional and transparent relationships with tax authorities.”