

# HSBC's approach to tax

## Introduction

The UK Tax Strategy for HSBC Holdings plc and subsidiaries, as required under paragraph 16(2) of Schedule 19 FA2016, is set out below for the year ended 31 December 2023. Ultimate responsibility for this Tax Strategy rests with the Board of HSBC Holdings plc.

## Approach to Tax Risk Management

HSBC seeks to apply the spirit and the letter of the law in all territories where we operate. We have adopted the UK Code of Practice for the Taxation of Banks. Tax risk is managed in accordance with HSBC's Risk Management Framework ("RMF").

Tax follows the RMF regarding its policies, taxonomy, approach to conduct and risk appetite and has defined the following five key risks:

- **Tax compliance** – Failure to comply with tax compliance obligations with regards to the filing of returns, the provision of information, the withholding, charging or payment of tax or meeting the tax rules that give tax-favoured status to products.
- **Transfer Pricing** – Failure to meet Transfer Pricing obligations
- **HSBC Tax Avoidance** – HSBC gaining a tax advantage that is not compliant with the spirit, as well as the letter, of the tax law.
- **Customer Tax Reporting** – Failure to meet the requirements of customer tax reporting (cross border and domestic)
- **Customer Tax avoidance** – A customer gaining a tax advantage that is not compliant with the spirit, as well as the letter, of the tax law.

Tax Evasion risk has primary ownership outside the Tax Function (Risk & Compliance) but active engagement and support is still provided by the Tax team.

HSBC manages the five key tax risks by:

- identifying risks and then setting risk appetite, policy and guidelines for managing those tax risks;
- ensuring that the right controls are in place to mitigate risk;
- providing support and guidance to staff to ensure understanding and active management of policies;
- Aggregating and analysing appropriate data, reporting information to allow decision making and feeding into

governance forums alongside timely and appropriate escalations to ensure effective oversight; and

- employing an experienced, professionally qualified in-house tax team. Our in-house team is supported by advice from external advisers whenever in-house expertise is not available or needs to be supplemented.

Global Internal Audit is responsible for providing independent assurance that we are managing tax risk effectively.

## Risk appetite in relation to taxation

HSBC has no appetite for knowingly breaching tax laws or acting outside of the spirit of those laws. Any tax planning used must be supported by genuine commercial activity and there is no appetite for using aggressive tax structures. HSBC looks to minimise the number of Group Companies operating in any territories considered to be tax havens. Where these companies do exist we must have clear business rationale for why they are based in this location and appropriate transparency over their activities. HSBC has no appetite for assisting customers in inappropriately avoiding tax.

## Tax Planning

HSBC will use tax incentives or opportunities for obtaining tax efficiencies where these:

- are aligned with the intended policy objectives of the relevant government; and
- are aligned with business or operational objectives.

We do not undertake transactions whose sole purpose is to abuse the tax system or otherwise employ tax avoidance strategies, for example by artificially diverting profits to low tax jurisdictions.

## Approach to Dealings with Tax Authorities

We seek to maintain an open and transparent relationship with HMRC and other tax authorities by:

- keeping them informed of business activities and key developments as they arise and proactively disclosing issues where relevant;
- responding to their questions and enquiries in a timely manner;
- engaging on consultations relating to emerging legislation either directly or via industry bodies; and
- where possible meeting with them regularly to maintain our relationship