

MMC Hardmetal UK Ltd UK Tax Strategy

Scope

This strategy applies to MMC Hardmetal UK Ltd (“MHUK”), a limited company registered in England and Wales. MHUK is a subsidiary undertaking of MMC Hardmetal Europe (Holdings) GmbH (“MHE”) which itself is a fully owned subsidiary of Mitsubishi Materials Corporation, a company incorporated in Japan. This strategy has been published in accordance with paragraph 19 of Schedule 19 to the Finance Act 2016. The strategy is being published by MHUK in accordance with paragraph 16(2) of the Schedule.

This strategy applies from the date of publication until it is superseded. References to ‘UK Taxation’ are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which MHUK has legal responsibilities.

Aim

As a member of the MHE Group, we engage in the industrial cutting tools business in the United Kingdom and Ireland. MHUK is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. MHUK’s tax affairs are managed in a way which takes into account the group’s wider corporate reputation in line with MHUK’s overall high standards of governance.

Governance in relation to UK taxation

- The local accounting and tax division of MHUK is responsible for formulating tax strategies in conjunction with the group. The division communicates with MHE in relation to the development of these strategies. MHUK obtains advice and technical support from reputable accounting firms and others as required in relation to those tax strategies. In formulating the strategy MHUK fully considers the company’s tax and economic risks. Ultimate responsibility for MHUK’s tax strategy and compliance rests with the Board of MHUK.
- Day-to-day operations are executed by the staff in charge of accounting and tax affairs at MHUK’s Finance Team and are supervised by the Director and Vice President of MHUK.

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- The staff in charge of accounting and tax affairs have the skills and experience required to perform their tasks properly. Where necessary MHUK staff will engage with and obtain advice from reputable tax advisers.
- The Director of MHUK makes the ultimate decisions on important tax issues and these decisions are reported to MHE.
- The Director of MHUK ensure that MHUK's tax strategy is one of the factors considered in all investments and significant business decisions taken.
- The Finance team at MHUK reports to the Vice President on MHUK's tax affairs and risks during the year. The Vice President reports to the Director on MHUK's important tax affairs and risks on a timely basis.

Risk Management

- MHUK has internal financial procedures which set out the established procedures for all processes such as ordering stock, taking on new customers, posting and paying invoices, ordering fixed assets and authorising employee expense claims. These procedures were prepared by the Finance team and have been adopted by all staff at MHUK. The company has sufficiently robust control processes in place to accurately record transactions. As part of the annual external audit process, internal controls are tested in line with International Standards on Auditing.
- MHUK seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.
- Processes relating to different taxes are dealt with by the finance teams, who carry out a review of activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required.

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- Appropriate training is carried out for staff who manage or process matters which have tax implications. Staff will attend external technical events as necessary.
- Advice is sought from external advisers where appropriate on tax planning or tax compliance matters. Any complex VAT or customs duty issues are dealt with by local specialist VAT consultants as and when necessary.
- The company out-sources the preparation and filing of the company's annual corporation tax returns to a reputable firm of chartered accountants. This ensures that the company is kept up to date as far as possible with emerging tax issues and tax legislation changes. That firm will deal with any questions or enquiries received from HMRC although the frequency of this is very low.

Attitude towards tax planning and level of risk

MHUK manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax at the right time.

When entering into commercial transactions, MHUK seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, UK tax legislation and where appropriate overseas tax legislation. MHUK does not undertake tax planning which has little or no commercial substance or which is artificial in any way.

The level of risk which MHUK accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the group's tax affairs. Tax risks associated with commercial transactions will be identified by the Finance team in conjunction with the Vice President and external advisers and are assessed on a case-by-case basis.

At all times MHUK seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the UK Director of MHUK is ultimately responsible for identifying the commercial and economic risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

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Relationship with HMRC

MHUK seeks to have a transparent relationship with HMRC ensuring that relevant information in respect of developments in MHUK's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes are made available as and when required.

For corporation tax matters, local reputable tax advisers help to maintain the company's good working relationship with HMRC.

MHUK files tax returns and pays taxes in a timely fashion and provides information appropriately to HMRC either at its request or under the Self-Assessment regime. The company has what it considers to be a good relationship with HMRC measured by the very low frequency of questions, enquiries or HMRC visits. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified. If any issues or errors are pointed out by HMRC, the company will investigate their causes and take steps immediately.

If our views are different from those of HMRC, we will explain our views and the basis for them in good faith to find solutions. When submitting tax computations and returns to HMRC, MHUK discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

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