

LB \equiv BW

Breaking new ground

LBBW UK Tax Strategy



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Scope

Landesbank Baden-Württemberg (LBBW) is a public sector bank incorporated in Germany which operates in the UK through its UK branch and UK incorporated subsidiary, Landesbank Baden-Württemberg Capital Markets Plc (LBBWCM).

This tax strategy applies to:

- All business activities of LBBW London Branch and LBBWCM (collectively »the Bank«).
- Transactions undertaken by non-UK offices of LBBW where there is a resulting UK tax impact for the London Branch or LBBWCM.
- Transactions undertaken by non-UK offices of LBBW with third parties where there is some involvement of the London Branch or LBBWCM.

The Bank offers a range of financial products, including interest rate trading, foreign exchange trading, money-market products and fixed income products.

Approach

The Bank is committed to fully complying with all obligations in respect of Corporation Tax, VAT, PAYE and payroll taxes, all withholding taxes and transactional taxes. Further, the Bank is committed to full compliance with all UK statutory provisions and full disclosure to the tax authorities.

Governance in respect of UK taxation

Responsibility for LBBW's tax strategy and supporting governance framework ultimately sits with the board of directors in the German Head Office. Management of these is delegated to other departments within the Head Office such as Tax, Audit and Risk Management departments.

In the UK, responsibility for tax risk management together with tax compliance rests with the London Branch Manager. On a day to day basis the Head of London Finance and Tax is responsible for tax (excluding payroll) and reports to the London Branch Manager. Payroll taxes are the responsibility of the London Personnel department, which reports directly to the German Head Office.

Any transactions of the Bank with complex or uncertain tax implications are brought to the attention of the Head Office Tax department.

Risk management and level of acceptable tax risk

LBBW has a formal risk management strategy, policy and risk management procedures in place and all such policies are reviewed annually.

It is recognised that the Bank is exposed to a variety of tax risks, which potentially include risk in respect of corporate tax, VAT, transfer pricing and transaction taxes. LBBW categorises tax risks under the following headings »tax compliance and reporting risks«, »transactional risks« and »reputational risks«.

Tax risk across the LBBW business is managed in a similar way to any other area of operational risk through risk management procedures that have been put in place. In the UK, the Bank adheres to risk management processes and an associated governance structure to ensure that there is an effective process to identify and manage tax risk.

The Bank has a conservative approach to managing tax risk and seeks the advice of professional tax advisors where there is particular uncertainty or complexity in the application of tax law. Further, internal and external auditors and external tax advisors are engaged to review the Bank's compliancy in respect of adherence to internal rules and guidelines as well as the application of tax legislation, as required by the Bank's internal procedures.

Transfer Pricing

LBBW's transfer pricing arrangements are based on the application of the arm's length principle. It is LBBW's intention to attribute profit to centres to reflect the creation of value within the normal course of business.

Attitude towards tax planning

The Bank is committed to observing all applicable tax laws and only participates in transactions that are structured in a way that reflects the underlying economic factors. LBBW, operating through its London Branch and LBBWCM, only engages in transactions with genuine commercial reason which LBBW believes to be within the spirit of the law.

Remuneration packages for employees, including senior executives, are structured such that tax and national insurance contributions are appropriately paid on the rewards of employment.

Transparency and relationship with HMRC

The Bank seeks to have a transparent and constructive relationship with HMRC through regular communication and meetings.

In the UK, LBBW London Branch, has signed and complies with the Government's Code of Practice on Taxation for Banks. This commits the Bank to obeying the spirit and letter of the law and to maintaining an open dialogue with HMRC. Any information requests from HMRC are dealt with in a timely manner and the Bank aims to resolve any inquiries as soon as possible.

In this respect, the Bank demands integrity, openness, and competence from its staff and external advisors in all dealings with tax authorities.

This tax strategy is published to meet the requirements of Schedule 19, the Finance Act 2016, for the year ended 31 December 2018.



Rainer Neske

Chairman of the Board of
Managing Directors

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