

# MTR Corporation - UK Tax Strategy

## About us

Our business was originally established in 1975 as the Mass Transit Railway (MTR) Corporation with a mission to construct and operate, under prudent commercial principles, an urban metro system to help meet Hong Kong's public transport requirements. Our business has since grown and developed significantly and today we are a leading international railway operator with operations in the UK, Sweden, Hong Kong, Mainland China and Australia.

MTR Corporation Limited, the ultimate holding company of our group, is listed on the Stock Exchange of Hong Kong with approximately 75% of its issued share capital owned by the Government of the Hong Kong Special Administrative Region.

Our success has been built on the creation of a clear vision and a set of values that guide us and our employees in the way we conduct ourselves and our business. We operate on the basis that we must meet the needs of the present, whilst not compromising the ability of future generations to meet their own needs. Delivering on this long-term commitment requires us to strike a balance between:

- meeting our stakeholders' interests;
- enabling future growth by effectively managing human, financial and natural resources; and
- enhancing our value by contributing positively to the communities we serve.

Our rail and property services are closely linked to the lives of the people and communities we serve.

Underpinning all of the above is our sustainable financial model which allows us to provide reasonable returns to investors, while operating and achieving our goals in a responsible and sustainable manner.

## Overall approach to managing our tax affairs

Our approach to tax is entirely aligned with the way that we do business. We want to enable future growth and meet our stakeholders' interests, but do so in a responsible and sustainable manner.

This means being efficient, so that business and tax outcomes are aligned and doing this in a way that supports the communities we serve. We want to pay our fair share of tax and correctly account for our tax obligations in all of the jurisdictions in which we operate. We are committed to living up to a high standard of business ethics and integrity. To foster an ethical culture in the workplace, all our staff are required to follow a Code of Conduct in their daily duty.

## Risk management and governance arrangements in relation to UK taxation

Our tax risk management and governance is embedded at an operational level in the way we do business. It is supported by advice, input and compliance delivery support from third party tax advisors as well as tax advisory support where we are undertaking business transactions (either in the UK or overseas) which might have some associated tax risks.

Our Chief Executive Officer in the UK oversees the management of our UK operations. He reports to the Executive Committee and the Board in Hong Kong. The oversight and management of our UK tax affairs and tax governance is delegated operationally to our Chief Financial Officer and his senior finance leads, this includes the Finance Director of Elizabeth line and his finance team for matters relating specifically to that business. They are supported by both our Hong Kong Finance Team and Hong Kong Internal Audit function.

We have developed an Enterprise Risk Management (ERM) Framework which is used to capture, assess and monitor ongoing risks of all types (including tax) to our business.

## **Attitude towards tax planning or structuring**

We seek to be fully compliant with tax legislation and pay the right amount of tax in the countries in which we operate.

Any tax planning or tax structuring is aligned with both our commercial objectives and the ethical standards that we have set ourselves. We engage third party tax advisers to provide us with technical advice and support, particularly where there is complexity or uncertainty around tax legislation. Our aim is to properly comply with our tax obligations and have greater certainty over tax outcomes as far as is possible.

We will not enter into arrangements which have no commercial substance, or where the main, or one of the main purposes is to achieve a tax advantage. We will also not undertake any transactions which would be subject to the Disclosure of Tax Avoidance Schemes regime, or which we believe HMRC might consider falls within the General Anti Avoidance Rule.

Typically our focus is on utilising legitimate tax reliefs or tax incentives in the way that government intended.

## **Attitude to tax risk (so far as affecting UK taxation)**

Judgements are often required in interpreting the differing tax rules which apply in all of the countries in which we operate. Whilst our aim is to understand all of our tax obligations and be in a position of full compliance, we do recognise that, given the scale and complexity of our international business, that we cannot entirely eliminate tax risk from what we do.

For this reason, we will continue to take advice and seek support from third party tax advisors, and actively manage any tax risks that we identify. Our approach to tax governance underpins this.

## **Approach to working with HMRC**

We seek to comply with our tax filing, tax reporting and tax payment obligations globally, and this approach means that we seek to foster a good working relationship with HMRC. When we engage with HMRC, we do so pro-actively to build an open and honest relationship which is based on mutual respect.

*Our tax strategy defines our approach to managing our tax affairs. It has been approved by our UK Board of Directors overseeing UK operations, is compliant with the requirements of para 19 (2) of Schedule 19, Finance Act 2016 and relates to our year ended 31 December 2022.*

*It is published by MTR Corporation UK Limited and covers all of the operations of MTR within the UK.*