

# **DATATEC GROUP**

## **UK TAXATION STRATEGY**

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## **INTRODUCTION**

Datatec is an international ICT solutions and services group operating in more than 50 countries across North America, Latin America, Europe, Africa, Middle East and Asia-Pacific. The Group's service offering spans the technology distribution, integration and consulting sectors of the ICT market. The ultimate parent company is Datatec Limited, a South African incorporated company listed on the Johannesburg Stock Exchange (JSE). The Group has a decentralised business model with two main Operating Divisions: Westcon International – technology distribution and Logicalis – integration & managed services. The specialist activities of Consultancy and Datatec Financial Services are included with the corporate head office functions in the 'Corporate, Consultancy & Financial Services' segment of the Group.

The Group has significant UK operations which are undertaken by subsidiary companies incorporated in the UK and certain UK permanent establishments of non UK subsidiaries. In accordance with paragraph 19 of Schedule 19 to the Finance Act 2016 the Group is required to publish its UK tax strategy applicable to these entities. The tax strategy has been published in accordance with paragraph 16(2) of the Schedule by Datatec Limited as head of the UK sub-group. This strategy applies from the date of publication until it is superseded. The reference to tax includes UK Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax and Stamp Duty Land Tax.

## **GOVERNANCE OF TAXATION MATTERS**

The Board of Directors of Datatec Limited have the ultimate responsibility for tax strategy for the Group. The executive management of tax matters is delegated to the Executive Committees of the respective Operating Divisions. The Group's Chief Financial Officer ('CFO') has oversight of Divisional policies and practices in relation to tax matters through his participation at the Divisional Board meetings and as Chairman of the Divisional Audit, Risk & Compliance Committee ('ARCC') meetings.

The Divisional ARCCs report up to the Group ARCC which comprises of independent non-executive directors. The functions of the Group ARCC include ensuring the Group has established appropriate financial reporting procedures and that those procedures are operating effectively. In addition, it includes reviewing management's assessment of the risks facing the businesses and review of the Group's risk management procedures. Divisional Risk Committees consider and monitor business risks on a regular basis and Risk Officers report to ARCCs and the CFO.

The Group International Tax Manager reports to the Group CFO and ensures that the Group's tax strategy is considered in all significant business decisions and transactions. He also regularly reports to the Group and Divisional ARCC on tax issues, risks and compliance across the Group.

## **RISK MANAGEMENT**

The Group mitigates tax risk within its operations by employing individuals with sufficient skill, knowledge and expertise to carry out those functions and processes which could impair the Group's ability to comply with its tax compliance obligations. Where the necessary expertise does not exist 'in-house' such processes are outsourced to third party service providers. Training is made available to all staff in order to improve skills and update knowledge.

The Group's risk management framework ensures that business risks are identified and mitigated. Risk Officers review strategic and emerging risks and maintain risk registers that are reviewed on a regular basis. They identify mitigating controls and establish associated monitoring and assurance activities for each high risk area. In addition the Group International Tax Manager specifically focuses on identifying tax risks and improvements in processes in order to mitigate tax compliance risks.

These measures seek to reduce the level of tax risk arising from the Group's operations by ensuring that reasonable care is taken in relation to processes that impact the Group's tax compliance obligations.

## **ATTITUDE TO TAX PLANNING AND LEVEL OF RISK**

The Datatec Group has a code of conduct that all Group employees must adhere to. One of the key principles is that the Group must be ethical, honest and socially responsible corporate citizens to all stakeholders. The Group aims to pay the correct amount of tax and in doing so will take advantage of all exemptions, reliefs and incentives available to it under the relevant local tax legislation.

The Group often seeks external tax advice. This might be to assess the different tax outcomes of varying business options or alternative transactions structures. Often it is to clarify the applicability of tax legislation or to assist in the calculation of a tax liability. The Group does not seek to undertake tax planning that is not aligned with the relevant commercial circumstances or the 'spirit' of tax legislation.

The level of risk which Datatec Group accepts in relation to UK taxation is consistent with its overall objective of the tax strategy in achieving certainty in its tax affairs. In relation to any specific issue or transaction Operating Division management and the Group International Tax Manager are ultimately responsible for identifying 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. In this respect Datatec Group perceives itself to have a low risk appetite.

## **WORKING WITH HMRC**

Datatec aims to be open and transparent regarding its dealings with HMRC. The Group International Tax Manager meets with HMRC's Customer Relationship Manager on an annual basis to discuss the Group's tax risk profile and tax compliance matters more generally. He also highlights current or recent business transactions or developments that may be of interest to HMRC and discusses any potentially contentious tax positions arising in order that HMRC has the opportunity to express a view or raise concerns at an early stage.

In addition HMRC specialists are invited to review specific Group practices and procedures in order to give HMRC a greater understanding of business operations. In this way HMRC can gain greater comfort over the effectiveness of the Group's tax compliance procedures.

The UK corporate tax returns are filed with full disclosure of material transactions or those tax positions taken where the correct tax treatment could be regarded as uncertain. Where errors in tax compliance are made the Group seeks to fully disclose these and rectify them at the earliest opportunity.