

# Tax Strategy



## **Introduction**

Essar Oil (UK) Limited is publishing this tax strategy document in compliance with its duty under Schedule 19 of the Finance Act 2016. This document, approved by Essar Oil (UK) Limited's Board of Directors, sets out the company's approach to managing its tax affairs and dealing with tax risks for its financial year ending 31 March 2018. This document will be reviewed annually, updated as appropriate and approved by the Board.

This strategy document is made publically available to all of Essar Oil (UK) Limited's stakeholders and other interested parties through publication via the company's official website. It will be reviewed annually by the Essar Oil (UK) Limited Tax Team with any subsequent amendments being approved by the company's Board of Directors.

The Tax Team works closely with the business to ensure that:

- a) The tax strategy is followed by the business with clear lines of responsibility and accountability.
- b) The tax strategy is aligned to Essar Oil (UK) Limited's overall approach to corporate governance and risk management.
- c) Essar Oil (UK) Limited pays the right amount of tax at the right time in line with tax laws and regulations.
- d) Essar Oil (UK) Limited has a professional and constructive relationship with HM Revenue & Customs (HMRC) based on collaboration, transparency and mutual trust.

## **Essar Oil (UK) Limited Tax Policy**

The company is committed to conduct its tax affairs in line with the following principles:

### **1) Compliance with tax laws**

Essar Oil (UK) Limited observes, complies and acts in accordance with all applicable tax laws, including relevant international standards such as the OECD guidelines, regulations, reporting and disclosure requirements for all transactions which it undertakes.



## **2) Tax governance and risk management**

The management of Essar Oil (UK) Limited's tax affairs are complicated due to the highly taxed and heavily regulated nature of hydrocarbon oil products, the size (in revenue terms) of the organisation and its many functional areas of the business, all of which create potential tax risks which could lead to the incorrect application of the tax rules or calculation of tax.

Responsibility and accountability for the company's tax affairs ultimately rest with the Chief Financial Officer, who acts as the company's Senior Accounting Officer, although the day to day tax matters are delegated to the Tax Manager under the company's formal Delegation of Authorities manual.

Essar Oil (UK) Limited deploys a range of risk management processes and controls to manage and mitigate its tax risks in a timely, diligent and professional manner as follows:

- The company's formal Delegation of Authorities manual defines the employees which have responsibility and accountability for making business decisions to ensure that such decisions are taken at an appropriate level.
- Wide ranging work instructions setting out the policies, processes and controls which must be followed for transactions have been implemented by the company.
- The tax strategy and tax status of the company is reviewed and reported on a monthly basis as part of the Essar Oil (UK) Limited Finance Team's monthly functional review, chaired by the Chief Executive Officer. Any tax strategy and policy issues are assessed on a case by case basis by the Chief Financial Officer in conjunction with the Chief Executive Officer with assistance from the Tax Manager and Head of Finance.
- All key business decisions and/or business transactions (including potential transactions) are reviewed by the Head of Finance and/or Tax Manager to identify and assess any potential tax risks and how to manage those tax risks, including seeking external professional advice where necessary.
- Essar Oil (UK) Limited engages tax advisory firms with the necessary skills and experience to partner with the business to provide advice, guidance and training on a case to case basis, to ensure that the company's interpretation of the related legislation is appropriate, meets its tax obligations and to provide assurance to HMRC that the company has the capacity to fulfil its obligations.
- Related party transactions must be carried out in line with the arm's length principle. Any related party transactions must also be approved as being acceptable and on arm's length terms by the Essar Oil (UK) Limited Head of Assurance and Internal Audit.
- A Tax Compliance Register is maintained by the company's Internal Audit Department which summarises all tax reporting and payment requirements by deadline and requires confirmation from the Tax Team that all necessary filings and payments have been made on time.



### **3) Incentives and reliefs**

Essar Oil (UK) Limited seeks to pay the correct amount of tax that reflects the commercial transactions of the business. The company's commercial transactions are carried out in the most tax efficient manner possible whilst remaining compliant at all times with all applicable tax laws. This includes seeking to use tax incentives and tax reliefs to minimise the tax costs of conducting its business.

The Tax Team is involved in commercial decision making processes and provides input to ensure that the tax consequences are fully understood and reported accordingly.

The company seeks certainty on the tax positions but tax law can, at times, be subject to interpretation. On occasions, advice is sought from accounting firms and law firms, as appropriate, in the following cases:

- To verify that the company has interpreted tax law and its spirit correctly, particularly in any cases where the guidance is unclear.
- The company does not consider that it has the necessary expert knowledge to assess the tax consequences of a particular transaction so external advice is required to support the decision making process.
- There is another corporate need for seeking a third party opinion e.g. a contractual requirement or part of banking covenant requirement or the tax risk is assessed as being significant to the business so additional external advice is required to provide assurance.

### **4) Relationship with the Tax Authorities**

An important part of the company's tax strategy and policies is the maintenance and development of a strong, proactive working relationship with HM Revenue & Customs. In particular, the company takes into account the draft Framework for Co-Operative Compliance in the UK and is committed to:

- Maintaining its approval of having Authorised Economic Operator status and rating as 'low risk' by HMRC.
- Make fair, accurate and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion.
- Seek to resolve issues with HMRC in a timely manner and where disagreements arise, work with HMRC to resolve issues by agreement where possible.
- Be open and transparent about decision making, governance and tax planning.
- Interpret the relevant laws in a reasonable way and ensure transactions are structured consistently.
- Ensure that all interactions with HMRC are conducted in an open, transparent, collaborative and professional manner.



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