



GSK Public policy positions

Our approach to tax

Businesses are increasingly being challenged to ensure they contribute through the tax system to the societies in which they operate, and to provide information on their tax management principles and policies. We understand our responsibility to pay an appropriate amount of tax. We fully support efforts to ensure companies are appropriately transparent about how their tax affairs are managed.

We have a substantial business and employment presence in many countries around the globe and we pay a significant amount of tax, including corporation and other business taxes, as well as tax associated with our employees.

At the same time we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate. As part of this approach, we look to align our investment strategies to those countries where we already have substantial economic activity, and where government policies promote tax regimes which are attractive to business investment, such as the UK Patent Box.

We pay a considerable amount of tax in the UK because a significant proportion of our global corporate functions, R&D and manufacturing activities are located there. This includes corporation tax on profits generated, as well as indirect tax and employment taxes, although the precise amounts fluctuate from year to year. Further details about our corporate tax charges for each year are set out in that year's Annual Report.

Governance

We have robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations. Our Audit and Risk Committee, and the Board, are responsible for approving our tax policies and risk management.

Relationship with tax authorities

We seek to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy. Where appropriate this means the group has entered into arrangements such as Continuous Audit Programmes and Advance Pricing Agreements. These agreements provide long-term certainty for both tax authorities and for GSK over the tax treatment of GSK's business.

Transparency

We support the implementation of the OECD's recommendations on country-by-country reporting ("CBCR") as being key to the success of the Base Erosion and Profit Shifting (BEPS) project, and aligned with our core values of transparency and integrity. As part of this implementation, we support the exchange of CBCR data between tax authorities. This data, validated against existing information held on taxpayers, will support their ability to ensure multinational groups pay the right amount of tax.

We are aware of the ongoing debate around public disclosure of CBCR data and continue to monitor developments in this area.

International tax framework

GSK supports the OECD's work on BEPS, and has been active in providing relevant business input to assist in successful delivery of the aims of the project. This requires the considered and co-ordinated implementation of a complete package of recommendations, which unites effectively the outputs of the different action items. We are encouraging continued international co-operation during the implementation phase, to secure the stable fiscal environment necessary for long term investment decisions.

We will review the project outcomes closely, to ensure that our business model remains aligned with any developments.



Transfer pricing¹

In line with current OECD guidelines we base our transfer pricing policy on the arm's length principle and support our transfer prices with economic analysis and reports. The worldwide nature of our operations means that our intellectual property, R&D and manufacturing operations are centred in a number of key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end-markets, can be complex.

Tax Havens

We do not engage in artificial tax arrangements – those without business or commercial substance – and our policy is to use locations only where we have substantial business presence. We have a substantial local business presence in the vast majority of the territories where we operate whether through business offices, sales force, manufacturing, R&D facilities or local distribution of our products, all of which contribute to economic development and create shared value for the region and our business.

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¹ An underlying principle of transfer pricing is that even though two companies are within the same group, they have to act as if they were independent enterprises. This means that companies must be appropriately rewarded for the functions they perform, the assets they employ, and the risks they assume, when entering into intra-group transactions, to ensure profits generated are taxed in the countries where the value arises. An appropriate reward is considered to be the reward which would be obtained from a third party. This is known as the 'arm's length' principle.