

Marcegaglia UK Limited's tax strategy

Introduction

Finance Act 2016, which received Royal Assent on 15 September 2016, introduced legislation which requires groups of a certain size to publish their tax strategy, or parts of their strategy, which are relevant to UK taxation. This document sets out Marcegaglia UK Limited's ('Marcegaglia UK') approach to UK taxation in accordance with the requirements of Paragraph 16(2), Schedule 19, Finance Act 2016. The published tax strategy must cover the following areas (all in relation to UK taxation):

- Approach to risk management and governance arrangements
- Attitude towards tax planning
- Level of risk tolerated
- Approach toward dealing with HM Revenue and Customs (HMRC)

The purpose of this document is to set out Marcegaglia UK's policy and approach to UK taxation. This document has been approved by the Board of Marcegaglia UK and is effective for the year ended 31 December 2018, and will remain in effect until any amendments are approved by the Board.

Marcegaglia UK Limited

Marcegaglia UK is a UK trading subsidiary of the wider Marcegaglia global group ('Group') which is headquartered in Italy. Marcegaglia UK, established in 1996, is a manufacturer of electro-welded carbon steel tubes for a wide range of applications. Employing around 140 workers, the production facilities (based in Dudley and Rotherham) have a yearly total output capacity of 100,000 tonnes of finished products, making Marcegaglia UK the largest precision tube manufacturer in the UK.

The Group's business activities are subject to various taxes, including corporate tax, employment tax (payable in the capacity of the employer) and property taxes. Employees' taxes, deductible from employee's earnings, and indirect taxes such as VAT are also collected and paid. These taxes contribute to the societies where we operate.

As a Group we are committed to creating long-term shareholder value through the responsible, sustainable and efficient delivery of our key business objectives. We therefore adopt an approach to tax that supports this strategy and balances the interests of our key stakeholders - employees, suppliers, customers and the wider community. We aim to pursue a tax strategy that is aligned with the Group's overall business strategy.

Approach to risk management and governance arrangements

The management committee that run Marcegaglia UK, consisting of the General Manager, Financial Controller and Production Manager, are ultimately responsible for the management of Marcegaglia UK's tax affairs. The day to day responsibility for tax governance and strategy lies with the UK Financial Controller under the oversight of the UK General Manager. The Financial Controller is supported by the local UK finance team in carrying out his responsibilities.

The Group's board has no direct active involvement in the UK tax affairs of Marcegaglia UK. Occasionally, requests for information or guidance are sent out by the Board, but in practice there is very little intervention from the parent company. The UK company is therefore deemed to be effectively autonomous with respect to UK taxation and is essentially treated as a standalone entity within the Group.

Tax risks are managed by various accounting procedures and controls, including segregation of duties within the team and strict authorisation procedures with different access levels applying to different systems. These controls ensure tax risks are appropriately identified and managed. The existing technical expertise and ongoing professional development of staff within the local finance team is also key in managing risks. The finance team is supported by external advisers when there is a perceived need for specialist guidance in respect of potentially complex or uncertain tax matters.

In the event that a tax risk is identified, it would first be addressed in the UK directly, often in liaison with external advisers. If a risk was identified that could not be resolved by the UK team, it would then be escalated to the Group for consideration. The Directors of the parent company, Marcegaglia Carbon Steels Spa, would ultimately have the final decision in any matter that had tax implications for the Group as a whole, but in any event would ensure that their decision did not result in any breach of local regulations or legislation.

Attitude to tax planning

Marcegaglia UK has a low appetite for risk in respect of taxation and seeks to minimise the risk of uncertainty or of disputes. Marcegaglia UK aim to comply with all relevant national laws, regulations and reporting requirements in the UK. The company will seek to use tax incentives and reliefs where appropriate, however, it is not Group policy to enter into any aggressive or abusive tax planning. Guidance is sought from external tax advisers regarding those acceptable tax savings and benefits that are available to the company.

Level of tax risk tolerated

There are no prescribed levels of tolerable risk or specific Group tax strategies in place. Tax risks may occasionally arise in the UK company including inherent risk due to its international operations, however, based on the relatively small and straightforward nature of the UK operations compared to the wider Group, these are infrequent and unlikely to be material. The organisation applies reasonable care to all processes which could materially affect its compliance with its tax obligations.

Stakeholders expect the activities of the company to be carried out in accordance with national laws, including tax law, and do not exert any influence over the tax risks of the business.

Approach toward dealing with HMRC

Based on the small size of the UK operations, Marcegaglia UK has limited interaction with HMRC, however, we are committed to fostering a constructive and transparent relationship with the UK tax authorities. We seek to communicate openly and honestly to resolve any queries arising. In the occasional instance where minor issues do arise, we work constructively and proactively with HMRC with a view to achieving an early resolution. Marcegaglia UK's aim at all times is to act in accordance with all relevant laws and disclosure requirements as prescribed by UK tax law.