Arçelik  Global Tax Strategy
INTRODUCTION

Arçelik Anonim Şirketi (“Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of production, sales and marketing, customer services, after sales, exportation and importation of consumer durable goods and consumer electronics. The Group offers products and services with its more than 20 different production facilities and 30 sales and marketing companies serving products and services in 145 countries globally.

Global Tax Strategy of Arcelik Group sets out our approach to the management of the Group’s tax affairs in the context of the Group’s wider strategy and presents corporate principles which to secure the future with the consciousness of Corporate Responsibility. The Group has adopted the vision of “Respects the Globe, Respected Globally” and in line with international business standards, our main principles are accountability, responsibility, fairness and transparency. Our principles underlie our approach to taxation which provides guidance to all officers and employees within the Group to comply with all applicable laws, rules and regulations and to act in a socially responsible manner by complying with the highest ethical standards.


As a Group operating in more than 30 countries, we actively monitor new tax legislations and any changes in existing rules to ensure compliance with tax regulations in accordance with our main Corporate Governance principles. The Group is committed to complete accurate tax filings on a timely manner in accordance with the legal requirements in the jurisdictions that we operate. In structuring our business operations, we consider the tax requirements with a perspective to generate sustainable value to our Group and stakeholders.

All entities operating within the Group, as responsible taxpayers, are obliged to pay taxes locally where our actual economic and business activities take place and in accordance with the way we operate business. The Group undertakes tax affairs on a basis which generates sustainable value and considers the long-term interests of all stakeholders, including customers, employees, business partners, investors and government institutions. Tax organizations with adequate personnel resources, training and systems and creating tax awareness across Group companies’ business units are developed and improved by the Group constantly.
2. Relationship with Tax Authorities

The Group establishes and maintains transparent and collaborative relationships with tax authorities. All interactions with Tax Authorities and Government Institutions are conducted in an open, collaborative and professional manner. In communication with the tax authorities, The Group aims;

▪ Developing and fostering good working relationships with tax authorities, government bodies and other related third parties, based upon mutual trust and respect that will ensure constructive dialogue
▪ Playing an active role in discussing future tax legislation to better understand and minimize any negative impacts of such legislation on Group
▪ Proactively managing interactions with tax authorities to minimize the risk of challenges, disputes, or damages
▪ Responding within designated timeframe to all requests received from tax authorities and communicating with related parties for any uncertainty arising from the interpretation of tax legislation

We accept that taxes that we pay and collect for governments are a fundamental element of our corporate social responsibility. All business units of the Group companies must act in line with the internal group standards and to take business decisions compliant with all applicable rules and regulations.

3. Transparency and Uncertain Tax Positions

The Group interprets the relevant laws in a reasonable way and ensures transactions are structured consistently. Main principle in communication with our stakeholders is to be open and transparent about decision-making and governance of tax matters. Transparency principle of the Group also includes developing and maintaining an open and honest relationship with tax authorities. Disclosing major changes in tax applications that will have a material effect on financials is our priority.

Arcelik Group seeks to avoid uncertainty and unexpected results in our tax position. If there is uncertainty in tax rules and practices at any country where we have operations, the Group actively engages with government authorities to clarify the applicable tax treatment and requests a regulatory guidance. Given the scale of our business, uncertainties will inevitably arise, we proactively identify, evaluate and monitor such risk and external advice may be sought to support the Group’s decision-making process. Whenever we have a strong business rationale and trust our transaction is in line with applicable regulations, we will take all actions available to defend ourselves. We prefer to resolve disputes without recourse to courts if possible.
4. Tax Avoidance

The Group aims to align its tax position with the objectives of business units and with overall business strategy to provide sustainable outcomes. For this purpose, our Group does not engage in any operations or implement structures with the intent to inappropriately reduce taxes, such as contrived or abnormal tax structures. The Group does not have operations in low-tax rate jurisdictions, and so called “taxhavens” will not be used for tax reduction purposes.

Arcelik Group has a subsidiary in British Virgin Islands (BVI), which may be considered as low-tax rate jurisdiction. However, this entity was established in BVI as a member of Dawlance Group (Pakistan) which was acquired in 2016 by Arcelik Group. Pan Asia Private Equity Limited is an inactive company and never used for tax avoidance or harmful tax strategies.

5. Tax Planning

The Group has clearly defined lines of responsibility for its tax affairs. The Group’s tax planning aims to support the commercial needs of the business by ensuring that its affairs are carried out in the most tax efficient manner while remaining compliant with all relevant laws. The tax function is therefore involved in commercial decision-making processes and provides appropriate input into business proposals to ensure a clear understanding of the tax consequences of any decisions made.

6. Tax Governance and Risk Management

Arcelik Senior Management has a fiduciary duty vis-à-vis our shareholders to manage our total tax costs of doing business, in compliance with regulations and corporate governance principles, taking into account potential impact on stakeholders. Consistency and transparency of applications across the Group are essential. All tax function members should act proactively to ensure and continually improve our tax risk decision making process.

Managing the Group’s tax affairs is a complex process across many functional areas of the business and as such there will inevitably be risks of error or omission within those processes which may result in the incorrect application of tax rules or calculation of tax returns. Arcelik Group minimizes its exposure to tax risk by being compliant with all tax rules and regulations globally. Where risks are identified, the Group consults to external advisors related to the interpretation of tax laws, rules or regulations. In relation to any specific issue or transaction, the Board that supported by the global finance and tax teams, is ultimately responsible for identifying the risks, which need to be addressed and for determining what actions should be taken to manage those risks regard to the materiality of the amounts.
7. Transfer Pricing

A growing number of countries have rules and regulations regarding with Transfer Pricing Principles of OECD and tax authorities have intensified their focus on this issue. Arçelik Group monitors all rules and regulations applied in the countries where Group entities operate, prepares and submits all the necessary filings in accordance to the OECD Guidelines and BEPS actions plans initiated by OECD in 2015. Group’s transfer pricing policy conforms with international practices which is in accordance with the arm’s-length principle and is supported by economic analysis and documentation according to the nature of the transactions. Necessary benchmark analysis is included in local transfer pricing documentations in accordance with related country’s regulation to determine the range of prices and profit level. The Group aims to pay an appropriate tax based on economic and value contribution, according to where value is created based functions, assets and risks are taken. In intercompany transactions, the prices properly reflect where value is created.

8. Tax Incentives

Arçelik Group aims to utilize available incentives, reliefs and exemptions aligned with commercial and economic activities. The Group makes investments in assets or engages in transactions which cover tax incentives, or other tax benefits are authorized by laws/regulations of a jurisdiction. Especially in Group companies which have production facilities and engage in R&D activities, particularly in Turkey, we can benefit from significant tax incentives. The advantage of tax incentives included in deferred tax assets and we can observe its positive effect as a low effective tax-rate on our financials. We proactively research and monitor all tax incentives in the countries that we operate, and benefits created from these incentives invested in our new product development, employment growth, creating value for the society and raising awareness of environmental protection.