

Our approach to corporate taxation



We are committed to fully comply with all taxation laws in jurisdictions where we operate, and to account for and pay all taxes that are properly due.

Our Tax Strategy, applicable to all our Group companies, is published in our Annual Report and Form 20F. The Tax Strategy is reviewed and approved by the Group Finance and Transformation Director. The operation of the strategy is managed by the Group Finance and Transformation Director and Group Head of Tax with the Group's tax position reported to the Audit Committee on a regular basis. Compliance with the Tax Strategy is monitored through End Market Tax Committees.

Corporate tax risk and governance

Corporate taxation may have a significant impact on our businesses, through

- tax law changes, whether on a prospective or retroactive basis,
- differences in interpretation of tax laws, potentially resulting in disputed taxes and exposure to penalties, or
- operational matters, dependent on tax processes, personnel and systems.

We manage tax risks as part of our control framework. Tax matters are regularly discussed with the Audit Committee by the Group Head of Tax and our internal tax function provides dedicated advice and guidance, sharing best practices. External advice is sought where significant uncertainty exists. Our Tax Management Guidelines set out our:

- standards of professional conduct for our tax professionals,
- approach to tax compliance and audit,
- approach to and requirements for group tax reporting,
- requirements for End Market Tax Committees and management of tax risks, and
- approach to Transfer Pricing in relation to intra-group transactions.

We are subject to the Sarbanes-Oxley Act of 2002 (SOx), including with respect to our corporate tax reporting processes and controls. The operation of these controls is subject to regular reviews, and internal and external audits.

Working with tax authorities

BAT seeks to maintain open and transparent relationships with tax authorities worldwide, following established procedures and channels for engagement. We endeavour to engage proactively with tax authorities, such as entering into advance pricing agreements where relevant and feasible, based on full disclosure of all the relevant facts and circumstances.

Tax planning

We do not enter into abusive tax schemes or seek to avoid tax using transactions we would not fully disclose to a tax authority.

When considering how to structure an investment or transaction, this process will be driven by the wider business strategy, with the tax impact being one of many factors considered.

Transactions between our subsidiaries are conducted on arm's-length terms in accordance with appropriate transfer pricing rules and OECD principles, properly reflecting where value is created and supported by economic analysis and reports.

Group locations

We sell combustible and new category products in over 170 markets, some of which levy lower tax rates than other jurisdictions in which we operate. Although there is no single agreed list of "tax havens", the EU has defined a "blacklist" of non-cooperative jurisdictions for tax purposes. Of the countries included in this list as of 14 February 2023, BAT maintains trading entities in Costa Rica, Fiji, Panama, Russia, Samoa, and Trinidad and Tobago. These businesses trade in their local and neighbouring markets, employ around 3,500 people in aggregate and pay tax on their profits commensurate with the activities performed and substance in a particular market. Transactions between these entities and other entities in the Group are conducted on arm's-length terms as described above. The Group has announced our intention to transfer our businesses in Russia and Belarus while remaining compliant with all local and international regulations.

Our [Annual Report and Form 20F](#) provides a full list of subsidiary undertakings, associates and joint ventures and joint operations as defined by IFRS and shows the country of incorporation.