

Sony Group UK Tax Strategy, 31 March 2019

Sony is a multinational company headquartered in Tokyo, Japan with operations in over 70 countries, which has diverse business domains, including electronics, entertainment and financial service businesses, and operates them with a common set of values under the “SONY” brand.

Sony has a long history in the UK, having opened the first office in 1968. Today, the company employs over 4,000 people in the UK across several operations, and as part of the Sony Corporation is a leading manufacturer of audio, video, imaging, game, communications, key device and information technology products for the consumer and professional markets.

Sony’s global policy about taxation is to comply with all applicable tax laws and regulations of each country and region where Sony conducts business as well as the common rules and guidance regarding international taxation. Sony’s subsidiaries in the UK (the “UK Subsidiaries”) also share and adopt the policy in relation to the UK taxation.

The UK Subsidiaries regard publication of this document as complying with their duty to publish a group tax strategy under Part 2 of Schedule 19 FA 2016.

Approach of the group to risk management and governance arrangements in relation to UK taxation

Based on the global policy, each UK Subsidiary has the responsibility to know and comply with tax laws and regulations applicable to its businesses, with support from the group’s Global Tax Office (“GTO”) which is in charge of Sony’s overall tax position. The head of GTO in Europe is based in London and reports directly to the global head of GTO, who in turn reports directly to Sony Corporation’s CFO, based in Japan.

GTO has implemented a series of processes and controls to identify, manage and report tax risk appropriately. These include: regular updates with divisional Finance teams for each UK business; documented review processes; regular training for staff involved in tax return preparation and review; regular updates with our Customer Compliance Manager (“CCM”) and specialist teams within HMRC; and regular updates with the global head of GTO.

Transactional taxes such as VAT, Customs Duty, employment taxes and others are the ultimate responsibility of the relevant divisional Finance Director for each UK business. GTO has strong links with these divisional Finance Directors to ensure that in the event of material risks being identified or errors made, GTO provides support including where necessary liaising with HMRC.

Due to the diverse nature of the group’s operations in the UK, there are several Senior Accounting Officers (“SAO”s) with accountability for individual UK Subsidiaries. It is the responsibility of each SAO to design, implement, maintain, and test appropriate accounting arrangements (processes and controls) to ensure that each UK Subsidiary can calculate the relevant tax liabilities accurately in all material respects. GTO works closely with the relevant SAO to ensure they are kept apprised of their high level compliance obligations and to provide guidance on the establishment and operation of appropriate processes and controls.

Sony has been designated “low risk” by HMRC since the introduction of the Large Business Risk Review Framework. Although Sony’s business operation and group structure are complex and Sony’s businesses have significant international transactions, HMRC have recognised that Sony’s

control environment and approach to taxation tend to significantly reduce their risk. The “low risk” status is important to the group and we work hard to maintain it.

Attitude of the group towards tax planning (so far as affecting UK taxation)

Sony operates its diverse businesses within a complex global environment, in which tax is an important factor. With the global policy stated above, Sony believes in taking a principled and responsible approach to managing its tax affairs, in line with commercial objectives.

The UK offers various tax incentives (such as enhanced deductions, credits and exemptions) for certain types of income and expense to meet local policy objectives such as encouraging inward investment. Sony believes it has a duty to its shareholders to take advantage of such incentives where they are generally available to all taxpayers who meet the relevant criteria and the requirements to claim the incentive do not conflict with broader commercial objectives.

The level of risk in relation to UK taxation that the group is prepared to accept

Sony has been judged to be “Low Risk” by HMRC and works hard to maintain this status. However, UK tax law is not always clear and unambiguous, and differences in interpretation can arise. The UK Subsidiaries and GTO employ diligent professional care and judgement in assessing tax risk, and may take advice from third party specialists and HMRC to support the decision making process.

The approach of the group towards its dealings with HMRC

Sony maintains an open and professional relationship with HMRC. Regular interaction between GTO, the UK Subsidiaries and HMRC (both with the CCM and individual technical specialists) is designed to ensure clear communication and prompt attention to issues as they arise. This openness is recognised in Sony’s Low Risk status.