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Tax strategy principles in the Volkswagen Group

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Preface

As an internationally active company, the Volkswagen Group is exposed to an changing environment. Standardized principles and guidelines must therefore be implemented throughout the Group, which form the basis for the daily work of the Group tax department and the local tax functions domestically in Germany and abroad.

The organizational principles relating to the exercise of tax matters for the Volkswagen Group have been established in the Group Tax Policy. This also includes standardized requirements for the implementation of a Group-wide tax compliance management system, which must be fulfilled by the Group companies and serve to monitor compliance with tax regulations.

Due to legal requirements, Volkswagen AG prepares a country-by-country report based on the consolidated financial statements audited by independent auditors. This contains a large number of tax information for all Group companies and their permanent establishments. The tax information also contains information on tax expenses/tax revenues and income tax payments in each country. Volkswagen AG submits the country-by-country report to the Federal Central Tax Office in Germany which forwards the report to the tax authorities of foreign countries upon request.

We see it as the task of all persons responsible for tax matters in the Volkswagen Group to maintain a professional relationship with the tax authorities worldwide, to fully comply with all tax obligations and to take into account the legitimate interests of all stakeholders.

Group Taxes and Customs
Volkswagen Aktiengesellschaft

Tax strategy principles

In addition to the principles set out in the Volkswagen Group Code of Conduct, the following tax strategy principles are defined for the Volkswagen Group:

- Highest priority is given to the correct fulfilment of tax obligations and the minimisation of tax risks. Tax risks must be reported to management, and proactively controlled and monitored.
- All relevant tax laws, rules and regulations must be observed, and obligations for reporting and disclosure must be met. All taxes and duties must be reported and paid on time.
- As part of this, the tax liability must be appropriately organised and fiscal planning and structuring must take place responsibly and in accordance with the law. Transactions that may have significant tax-related effects must be safeguarded to the extent possible by means of binding information (rulings). Fiscal positions can be supported by corresponding legal assessments.
- Transactions must be structured in a transparent way so that the actual content of the transaction is not obscured.
- Inappropriate legal arrangements that lead to tax benefits that are not intended by law must be avoided. In particular, an aggressive tax strategy may not be used, nor may arrangements that are purely motivated by tax issues and without economic justification. Even if activities are carried out by way of exception in low-tax jurisdictions, these activities must serve an economic purpose and must not be carried out with the aim of avoiding tax or utilising tax havens.
- Transactions between Group companies must take place according to the arm's length principle and must be documented. If IP, assets or functions are transferred, this transfer must always be paid for according to the generally applicable transfer price principles.

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