

UK Tax Strategy



This document sets out the strategic tax objectives of all UK companies for which Hapag-Lloyd AG has directly or indirectly the majority interest:

Hapag-Lloyd (UK) Limited
Hapag-Lloyd Ships Limited
Hapag-Lloyd Ships (no.2) Limited
Hapag-Lloyd Container Limited
Hapag-Lloyd Container (no.2) Limited
Hapag-Lloyd Container (no.3) Limited

This document details the UK tax strategy of all UK companies for which Hapag-Lloyd AG has directly or indirectly the majority interest and any UK permanent establishments of non-UK companies for which Hapag-Lloyd AG has directly or indirectly the majority interest, and it has been published to comply with the duty under paragraph 16(2) of Schedule 19 of the UK Finance Act 2016 in respect of the financial year ending 31 December 2017. This UK tax strategy has been reviewed and approved by the Central Tax Department and Business Administration Director of Hapag-Lloyd UK.

Hapag-Lloyd UK Ltd., Hapag-Lloyd Ships Ltd., Hapag-Lloyd Ships (no. 2) Ltd., Hapag-Lloyd Container Ltd., Hapag-Lloyd Container (no. 2) Ltd. and Hapag-Lloyd Container (no. 3) Ltd. (“the Hapag-Lloyd Group UK subsidiaries”) are members of the Hapag-Lloyd Group, a leading supplier in worldwide shipping for more than 150 years, currently operating in 126 countries with around 12,500 employees.

Our strategic tax objectives set out below apply to all UK taxation. They support our wider corporate values and articulate how our management of UK taxation is aligned with the Hapag-Lloyd Group Tax Guideline, Code of Ethics and wider Corporate Governance objectives.

We understand that tax risk management is an expression of good and responsible corporate management and, as such, is an integral part of Hapag-Lloyd’s management philosophy.

As we strive for long-term success-orientated corporate governance we operate an effective risk management and internal controls system, on the basis of the internationally acknowledged COSO framework, to ensure compliance with relevant legislation and regulations.

Our approach to tax risk management is aligned with our overall approach to risk management. The objective of risk management is to recognise and assess risks at an early stage and promptly minimise them by taking appropriate steps. Risk management is decentralised in accordance with the Hapag-Lloyd Group’s organisational structure. This approach enables us to effectively identify and mitigate tax risks whilst ensuring compliance with our UK tax filing obligations.

Within the context of the decentralised structure of risk management each area is required to appoint a Tax Compliance Officer who is responsible for continuously identifying, assessing, managing and monitoring tax risks, and for tax compliance. The Tax Compliance Officer for the Hapag-Lloyd Group UK subsidiaries is the Business Administration Director. The UK’s Tax Compliance Officer is required to maintain an up to date knowledge of changes in tax legislation, and an external tax consultant may be engaged to assist in this respect.

The UK’s Tax Compliance Officer is supported and overseen by the Regional Business Administration Director for Europe, who acts as the central point of contact for the Tax Compliance Officer, ensuring a regular and orderly flow of information and reports directly to the Central Tax Department. The Regional Business Administration Director for Europe is responsible for monitoring the implementation and adherence to the Hapag-Lloyd Group Tax Guideline.

The UK’s Tax Compliance Officer undertakes a tax risk assessment on a quarterly basis and reports this to the Regional Business Administration Director for Europe, who is responsible for consolidating tax risks reported across Europe and submitting a quarterly tax risk assessment report to the Central Tax Department. In addition, tax risks are identified and reported on an ongoing basis through frequent communication and exchange of ideas between the Regional Business Administration Director for Europe and the Central Tax Department. The Central Tax Department is responsible for monitoring tax compliance across the Hapag-Lloyd Group, and undertake an annual internal risk assessment for each Region and Area. They work together with the Regional Business Administration Director for Europe to implement an audit plan for tax health checks to be carried out in order to ensure tax compliance.

The Central Tax Department submits risk reports on a quarterly basis to the Central Risk Management unit. Unscheduled reports are also submitted if risks are newly identified or newly assessed. The Central Risk Management unit monitors the regular reporting by the Central Tax Department and summarises the significant risks for the Risk Committee on a quarterly basis, or indeed unscheduled if required. The Risk Committee in turn report to the Executive Board. This defined escalation and reporting structure ensures that tax information and tax risks are reported in a timely and appropriate manner, in line with wider business risk reporting. The Corporate Audit department are responsible for the oversight of the risk management process and conduct regular checks of the process.

Adherence to tax laws is mandatory

Non-compliance with tax-related regulations can result in significant economic disadvantages, can sustainably damage the image of the Hapag-Lloyd Group and can result in penalties and charges for late payment. It may also lead to criminal proceedings against a company or individuals. Our internal Tax Guideline defines roles and responsibilities for tax matters in order to safeguard domestic and international tax compliance.

Whilst rigid levels of acceptable tax risk are not currently defined, the Hapag-Lloyd Group UK subsidiaries are committed to adhere to all UK taxation related regulations for all business actions and decisions. We seek to manage our tax compliance risk through adherence to four objectives: registration as a tax payer in all countries where a company or an individual is subject to tax according to national law; timely filing of tax returns; reporting of complete and accurate information; and the payment of taxes in due time. In addition, external tax consultants are engaged to review the annual tax returns before their submission to HMRC in order to mitigate compliance risk.

Material tax related risks, which must be immediately reported to the Central Tax Department, are defined in the internal Tax Guideline and include local tax law amendments or changes to business models.

As a global company with a focus on profitable growth, we strive to create value for our shareholders whilst managing our social responsibility to our wider stakeholders

The Hapag-Lloyd Group Code of Ethics applies to all employees of the Hapag-Lloyd Group UK subsidiaries. With a longstanding tradition as a global company, the Hapag-Lloyd Group bears a social responsibility towards its customers, employees, investors and the general public. It is a matter of course for us that we respect and comply with applicable laws and regulations of each legal environment in which we operate, including UK taxation.

A major part of the corporate philosophy of Hapag-Lloyd is sustainable development. To achieve this, we seek to balance the creation of value for our shareholders with our wider stakeholder interests. We therefore actively seek to make use of government sponsored incentives and reliefs, and genuine commercial transactions may be undertaken in a way which minimises the tax burden, but which is in compliance with all applicable taxation legislation. We strive to demonstrate our integrity and ethical values through our day-day actions and decision making and do not engage in aggressive tax avoidance.

In order to proactively mitigate tax risks, where appropriate, we seek advice from external tax consultants to ensure compliance with our obligations and regulatory requirements. The selected external tax consultants must adhere to the principles and obligations established under the Tax Guideline, and must be a renowned or internationally acting consulting and/or law firm, in order to guarantee an adequate level of quality. To ensure consistency, the engagement of consultants must be agreed by the Regional Business Administration Director for Europe, or the Central Tax Department.

When a Hapag-Lloyd Group UK subsidiary carries out operations or cross border-transactions with other related companies of the Hapag-Lloyd Group, these operations must be made at arm's length. The Hapag-Lloyd Group has documented Transfer Pricing Policies and the Transfer Pricing position of the Group is coordinated by the Central Tax Department.

We strive for transparency, disclosing relevant information to the general public and other stakeholders, including HMRC, in a timely and consistent manner

The Hapag-Lloyd Group UK subsidiaries seek to maintain a good relationship with HMRC through fair, respectful and cooperative collaboration. Where required, current, future and past tax risks will be discussed with HMRC, and information provided proactively to build mutual trust and understanding and seek timely resolution of any queries. Should there be uncertainty over the interpretation of UK taxation legislation we may engage in a proactive dialogue with HMRC or external tax advisors, as required, in order to obtain certainty.