

Swatch Group Tax Strategy in the UK

Swatch Group is a multinational group operating in about 40 countries through its own subsidiaries.

The publication of this UK Tax Strategy document complies with the duties specified in Section 161, paragraph 19 (1), paragraph 19 (2) and paragraph 22 (1) of Schedule 19 - Finance Act 2016, as well as the relevant HMRC Guidance.

This strategy paper covers the application of UK legislation to the operations of the relevant UK subsidiaries of The Swatch Group Ltd for the financial year ending 31 December 2024 (The Swatch Group UK Ltd, Harry Winston UK Ltd).

Overview

Swatch Group acts as a responsible tax and customs duties payer. We consider effective and efficient tax and customs compliance to be a key objective and allocate significant resources to ensure that tax and customs affairs of the Group are well governed, transparent and sustainable.

Swatch Group follows the OECD Guidelines for Multinational Enterprises which state that “tax compliance includes such measures as providing to the relevant authorities timely information that is relevant or required by law for purposes of the correct determination of taxes to be assessed in connection with their operations and conforming transfer pricing practices to the arm’s length principle.”

The Group’s tax strategy ensures that the entire organization is committed to compliance with tax and customs laws and regulations in the countries in which it operates, in line with the following strategic priorities:

- Compliance with tax and customs laws, filings, reporting and payment requirements, including correct accounting of taxes and customs duties;
- Application of governance, diligence and care in relation to tax and customs processes, and ongoing enhancement of those procedures;
- Management of tax and customs costs and control associated risks by seeking advice from the global tax team and external advisors on areas of particular complexity or uncertainty;
- Provision of transparent and timely information to relevant authorities; and
- Maintaining and training an accountable team of qualified tax and customs experts around the globe.

Risk management

To ensure compliance and minimize related risks, the Group has robust tax and customs related processes and controls in place including a tax compliance software. Tax affairs are highly complex across many functional and technical areas in each country, and therefore Swatch Group consolidated subsidiaries, with the advice of tax experts, monitor, adjust and continuously improve their tax and customs compliance processes so as to avoid any potential errors or omissions.

The management of tax risks includes more specifically:

- a) Use of tax risk and process software, embedded in daily operations to manage tax risks and support tax compliance;
- b) Continuous monitoring and analysis of domestic and international tax legislation, case law, guidance, and practice as relevant and applicable;
- c) Effective implementation of the Senior Accounting Officer (SAO) procedures;
- d) Regular training of the employees to ensure that the tax and compliance activities continue to be conducted accurately with the appropriate level of expertise and oversight.

The Swatch Group consolidated affiliates have clearly defined lines of responsibilities for their tax affairs, which ensure the reporting of tax risks and escalation of tax issues to the appropriate level. The Swatch Group consolidated affiliates have a low tolerance towards tax risks and proactively engage with tax experts to achieve certainty on their tax position.

Tax planning

Tax planning aims to support the commercial needs of the business by ensuring that the affairs for each entity are carried out and are fully compliant with the applicable laws and regulations. The tax function is therefore involved in commercial decision-making processes, and provides appropriate input to business affairs to ensure a clear understanding of tax consequences of any decisions made. The Group does not engage in aggressive tax planning or artificial structuring that has no business purpose or economic substance.

Relationship with tax authorities

We are committed to having a transparent relationship with the relevant authorities, encouraging open dialogue on a timely basis and aim to respond to all queries and information requests from the authorities in a timely manner. If an error is discovered, the group will make full voluntary disclosure of the relevant facts to the tax authority in order to correct the situation on a timely manner and adopt actions to prevent reoccurrence where applicable.

The Group may request advance agreement from relevant tax and customs administrations in respect of specific transactions where there is material uncertainty and/or where the transaction is material. During tax audits, the group aims to reach an agreement whenever possible and intends to treat litigation as a last resort.