Tax policy and principle

Regarding SCG’s business philosophy to operate business with ethics and responsibility to our stakeholders, SCG has set up tax policy under our positive intention to engage its stakeholders and the public in relation to the tax and economic contribution that the business makes. From our tax policy, SCG would conduct its business openly, transparently, accountably and provide fair treatment to all stakeholders. Moreover, we would not operate businesses in the offshore jurisdictions or using “aggressive” tax planning methods.

We are committed to acting with the integrity in all tax matters. We always seek to operate under a policy of full transparency with the tax authorities in all countries in which we operate.

However, tax law is subject to a board range of interpretations. The assessment and management of tax uncertainty is therefore a significant challenge for SCG, and the key issues are subject to review by tax function and tax consulting firm.

We will only enter into commercial transactions where the associated approach to taxation is justifiable under any reasonable interpretation of the underlying facts, as well as compliant in law and regulation. Our professional tax teams are required to operate according to a clearly defined set of behaviors which aligned with SCG’s business philosophy.

Our decision to set up businesses in different countries is influenced by a wide range of primary factors beyond the local tax environment including:

- The market demand
- The availability of relevant skills within the local labor force
- Labor cost and the cost of operation
- The stability of the political, regulatory and social environment

SCG conducts business transparently under the arm’s length principle to all inter-company transactions so that profits are allocated to countries where the business transactions take place; for example, SCG does not divert profits to minimize tax payment across countries and only adopt business structures that reflect genuine and substantive operational transactions without any transfer pricing regime.

To ensure tax policy compliance, SCG provides a training course to its accounting staff regarding corporate governance on accounting and tax management. In order to align with the financial statement submission which has been quarterly reviewed by external auditor, SCG monitors tax paid by country against revenue from sales and reports to CFO quarterly.