

## **Motorola Solutions UK TAX STRATEGY REPORT**

**As required under Part 2 of Schedule 19 Finance Act 2016**

### **Scope**

This report covers all companies which have formed part of the Motorola Solutions group registered in the UK ("the UK Group"). It does not cover the strategies of newly-acquired UK companies for the period before they became part of the UK Group, nor does it cover the strategies of disposed UK companies for the period after they left the UK Group.

### **Governance and management of tax risk**

As part of a global business, headed by Motorola Solutions Inc. in the USA, the UK group follows global tax policies and codes of conduct as set by the ultimate parent company. However, in case of any potential conflict between group tax requirements and UK tax statutory requirements, the UK group ensures that UK statutory responsibility is taken into account appropriately, so that the UK group continues to meet its legal obligations.

Ultimate responsibility for the UK Group's tax strategy and compliance is held by the Board of Directors of the UK Group companies.

The Senior Accounting Officer, one of the UK Group directors, is appointed to be responsible for day-to-day management of UK Group tax matters and to ensure that we have sufficient processes and controls to ensure the UK Group complies with tax law in the UK and pays the correct amount of tax when due, having claimed reliefs and incentives where available in line with the tax legislation.

The UK Group has exposure to tax risks primarily in the areas of Value Added Tax, Corporation Tax and, in respect of employees, Income Tax and National Insurance.

These risks are mitigated by providing training to staff responsible for primary entry of accounting information into our ledgers and to staff responsible for invoicing customers, so that they are fully aware of appropriate tax rules. The UK Group also ensures that the IT systems which automate parts of the financial systems are appropriately designed, reviewed and monitored to ensure that they continue to produce documents and record financial data accurately and consistently.

The detailed accounting information required for the UK Group's tax reporting is collated and reconciled by appropriately trained professionals in a financial shared service centre, while the tax returns themselves are prepared and reviewed within the UK Group by suitably professionally-qualified and experienced personnel.

In addition, for more complex returns, the draft returns are reviewed by external advisers who identify possible issues for further work or clarification.

All returns are subjected to review by appropriately qualified and experienced personnel prior to submission, with the most critical or material returns ultimately reviewed and approved by the Senior Accounting Officer on behalf of the board of directors.

As the UK Group is part of a global business the UK Group considers carefully intra-group pricing for goods and services transferred between business, both within the UK and with group companies outside the UK. A team of transfer pricing specialists within the Motorola Solutions group prepares bench-marking studies and transfer pricing reports which are reviewed by senior management to ensure that our pricing structure conforms with OECD and similar guidelines, are on arms-length and do not unreasonably move profits or losses between countries.

In addition, given the customer base of the UK Group, the UK tax strategy is aligned to the tax related criteria of the public procurement rules – specifically that it can self certify that:

- Its tax affairs have not given rise to a criminal conviction for tax related offences which is unspent, or to a penalty for civil fraud or evasion; and/or
- none of its tax returns submitted on or after 1 October 2012 have been found to be incorrect as a result of:
  - HMRC successfully challenging it under the General Anti-Abuse Rule (GAAR) or the “Halifax” principle; or
  - The failure of an avoidance scheme which the supplier was involved in and which was, or should have been, notified under the Disclosure of Tax Avoidance Scheme (DOTAS).

### **Tax planning**

Planning across the business is led, first and foremost, by commercial drivers to increase value for the shareholders on a sustainable basis. Decision-making with regard to the structuring of business contracts is driven by consideration of operational profitability and cash flows. The tax consequences of those contracts are then considered as a secondary issue. The UK Group has a policy of not structuring business contracts primarily around tax planning opportunities.

Generally the UK Group consults for tax advice, either from external advisers or from within the Motorola Solutions group, as appropriate. Examples of scenarios where external advisors would be consulted include:

- advice on large and/or complex new UK business contracts,
- where the US-based parent company may be considering an acquisition or disposal of a UK based business, or
- a global business acquisition/divestment or reorganisation which impacts the UK business.

The UK Group does not participate in artificial tax arrangements designed to reduce the tax burden while having no commercial or operational benefit.

The UK Group considers new or imminent changes in tax law that may impact future accounting periods with a view to ensuring that the UK business can take the necessary actions necessary in order to minimise the effect of any new restrictions, or maximise the benefit from new reliefs, where appropriate.

### **Tax risk**

Given the scale of operations of the business, tax risks will arise from time to time. The UK Group seeks to identify and evaluate tax risk in line with the global business’s assessment of risk.

The UK Group seeks to minimise tax-risk, so that the UK Group does not incur penalties or receive adverse publicity relating to its tax affairs that may be harmful to its reputation and possibly jeopardise future business. The Board is aware of the detrimental effects that disclosure of poor tax practices can have on a business, and the issue of proper tax filings and payments is considered at the appropriate management level.

### **Working with HMRC**

The UK Group actively seeks a close working relationship with HMRC’s Customer Relationship Manager (CRM) and strives to ensure the CRM is aware of the UK Group’s current and forthcoming business activities, including the impact of possible future acquisitions or divestments of UK businesses. Where there are significant changes to the business, we aim to ensure the CRM is informed, especially where we might make operational decisions regarding those changes, which may have a material impact on our tax reporting.