

VTech Tax Strategy

Scope

This strategy applies to VTech Electronics Europe Plc, VTech Communications Limited and Leap Frog Toys (UK) Limited (collectively referred as 'VTech') in accordance with paragraph 19 of Schedule 19 to the Finance Act 2016. In this strategy, references to 'VTech' or 'the Group' are to all these entities. The strategy has been published in accordance with paragraph 19(4) of the Schedule.

This strategy applies from the date of publication until it is superseded. References to 'UK Taxation' are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to 'tax', 'taxes' or 'taxation' are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the Group has legal responsibilities.

Aim

VTech is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. The Group's tax affairs are managed in a way which takes into account the Group's wider corporate reputation in line with VTech's overall high standards of governance.

Governance in relation to UK taxation

- Ultimate responsibility for VTech's tax strategy and compliance rests with the Boards of VTech Electronics Europe Plc, VTech Communications Limited, and Leap Frog Toys (UK) Limited;
- The Internal Audit team monitor the integrity of VTech's financial reporting system, internal controls and risk management framework;
- The decisions of the Boards are communicated to the senior executives who have executive responsibility for tax matters;
- Day-to-day management of the tax affairs of each VTech company are delegated to the Financial Controller, who reports to the Boards;
- The Finance teams are staffed with appropriately trained individuals;
- The Boards ensure that the VTech tax strategy is one of the factors considered in all investments and significant business decisions taken.

Risk Management

- VTech operates a system of tax risk assessment and controls as a component of the overall internal control framework applicable to the Group's financial reporting systems;
- VTech seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations;
- Key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required;
- Appropriate training is carried out for staff who manage or process matters which have tax implications;
- Advice is sought from external advisers where appropriate.

Attitude towards tax planning and level of risk

VTech manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax.

When entering into commercial transactions, VTech seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. VTech does not undertake tax planning unrelated to such commercial transactions.

The level of risk which VTech accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the Group's tax affairs. At all times VTech seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the UK management team and then the Boards are ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

Relationship with HM Revenue and Customs ("HMRC")

VTech seeks to have a transparent and constructive relationship with HMRC.

When submitting tax computations and returns to HMRC, VTech discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

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