UK Tax Strategy

About Microchip

Microchip Technology Incorporated, a U.S. headquartered company, manufactures and sells specialized semiconductor products used by customers for a wide variety of embedded control applications. Microchip also licenses Flash-IP solutions that are incorporated in a broad range of products. Microchip Technology Incorporated is the ultimate parent of a global group of enterprises operating in over 65 countries across the world (collectively the “Microchip Group”).

Microchip operates 15 entities within the U.K. territory (the “U.K. Group”). These entities primarily undertake distribution, licensing, research and development, sales and marketing services and some manufacturing functions.

Scope

The tax strategy set out below applies to Microchip’s U.K. companies in accordance with paragraph 19 of Schedule 19 to the Finance Act 2016. A list of the entities to which this applies can be found in Schedule I. References to “Microchip” or “the U.K. Group” relate to these entities. The strategy has been published in accordance with paragraph 16(4) of the Schedule and relates to UK taxes in accordance with paragraph 15(1) of the Schedule.

The strategy applies from the date of publication until it is superseded.

Aim

The U.K. Group is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. The U.K. Group’s tax affairs are managed in a way which consider the wider Microchip Group’s principles and mission statement; maintaining high standards of corporate compliance and governance.

Risk Management

- The U.K. Group manages U.K. tax risk through internal controls consisting of IT systems, internal reviews, and the use of external advisors for both routine and ad-hoc assistance.
- The Group aims to minimize the level of risk associated with U.K. taxes as reflected by the internal controls and governance framework in place.
- Processes are in place to manage each area of U.K. tax, with responsibilities for day-to-day matters delegated to appropriate team members. Certain approvals and review processes are integrated into the controls framework to ensure risks are monitored and minimized where possible.
- IT systems and processes are utilised for the tax processes in the U.K., operating as a form of risk management, with training provided to staff and system updates carried out as needed.
- Staff with suitable experience and qualifications are involved in the management of U.K. taxation, reporting to senior management where required.
- To manage group-wide risks, external advisors are engaged to assist with UK tax matters on a routine and ad-hoc basis, which is predominantly overseen by the European Finance Director.

**Governance**

- Ultimate responsibility for the global tax strategy sits with the Global Vice President and CFO and Director of Tax, both based in the Microchip Group’s U.S. headquarters.
- Responsibility for U.K. tax matters sits with the VP of Europe Finance, the European Finance Director, and the International Tax Director who together oversee all U.K. tax matters. These individuals have an obligation to manage and monitor risk and to ensure the adequacy and appropriateness of governance procedures for the U.K. Group.
- Day-to-day management of U.K. tax affairs is overseen by the European Finance Director and European Tax Manager, with additional responsibilities delegated to other employees and accountants where appropriate.
- The U.S. tax team oversee the tax affairs of the U.K. as it impacts and interacts with the Microchip Group’s global tax policy and compliance.

**Tax Planning and Level of Risk**

The U.K. Group is committed to paying all lawfully levied taxes due in the U.K., ensuring compliance with any and all legal requirements. Where applicable, the U.K. Group will take the opportunity to utilise any available tax reliefs, exemptions and incentives available, in line with and in the spirit of all legislation.

Intra-group transactions are carried out on an arm’s length basis, in line with relevant guidance from the Organisation for Economic Co-operation and Development (OECD) and U.K. transfer pricing guidance and requirements.

The U.K. Group’s approach to tax planning is consistent with the objective of minimising tax risk. It will not be involved in any aggressive tax planning or structuring.

As such, the U.K. Group is not willing to accept a level of risk that could have a materially adverse impact on the U.K. or broader Microchip Group’s reputation or relationship with Her Majesty’s Revenue and Customs (“HMRC”); all decisions taken that impact tax planning or U.K. taxation are reviewed in the context of the Microchip Group’s commercial activities, and in compliance with the Microchip Group’s corporate mission statement, professional ethics and guiding values.

External advisors are involved in reviewing the tax implications of proposed strategic decisions further minimizing the tax risk profile of the U.K. Group.

**Relationship with Tax Authorities**

The U.K. Group’s approach to its relationship with HMRC is aligned with its guiding values including the following statement found within the global mission statement:

“Communication is vital – We encourage appropriate, honest, constructive and timely communication...to resolve issues, exchange information and share knowledge”

As such, the U.K. Group seeks an open relationship with HMRC with respect to its current, future and retrospective tax risks and interpretation of the law as it pertains to all relevant taxes.

Although the U.K. Group does not currently have a dedicated customer compliance manager (“CCM”) for U.K. taxes, it commits to making full and accurate disclosures in all tax returns and in any correspondence with HMRC. The U.K. Group aims to fully co-operate with HMRC in a timely and collaborative manner.

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

Date published: 20 March 2020
Schedule I. List of entities covered by this tax strategy

Microchip Limited
Microchip Touch Solutions Limited
Micrel Semiconductor (UK) Limited
Silicon Storage Technology Limited
Atmel U.K. Holdings Limited
Atmel Technologies U.K. Limited
Atmel North Tyneside Limited
QRG EBT Nominees Limited
Symmetricom Ltd
Microsemi Storage Solutions Europe Ltd
Microsemi Semiconductor Ltd
Microsemi Europe Ltd
Microsemi Solutions UK Ltd
Microchip Technology UK Holdings Ltd