

# **POLICY ON TAXATION**

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## **1. Preamble/ Introduction**

The tax policy was published looking at international precedence which outlines Bank's commitment to act responsibly in terms of its tax affairs and the Bank's tax risk appetite statement. The same is published on the Bank's website.

## **2. Objective**

This policy addresses the management of tax risks arising for the Bank and its branches. Axis Bank commits to act responsibly in relation to its tax affairs, to fulfil its compliance and disclosure obligations and to operate in accordance with all relevant laws and regulations. This includes disclosures related to tax payments made in each country in which Axis Bank operates (known as Country-by-Country Reporting). Axis Bank is also guided by relevant international standards like the OECD guidelines. Under our tax risk management strategy, we manage our tax affairs in alignment with our commercial strategy, having regard to building long term shareholder value and to maintaining our reputation as a responsible taxpayer with tax authorities and regulators.

## **3. Applicability**

The policy document is applicable to Finance & Accounts departments of the Bank.

## **4. Communication of the Policy**

This policy will be available on Bank's website ([axisbank.com/docs/default-source/quarterly-reports/tax-policy-of-the-bank.pdf](https://axisbank.com/docs/default-source/quarterly-reports/tax-policy-of-the-bank.pdf)).

## **5. Details of the Policy**

### **Tax Risk/Tax Cost:**

Axis Bank believes it has an obligation to pay taxes legally due in any country, in accordance with the rules set out by the relevant Governments/revenue authorities. However, while complying with applicable tax law, there can be genuine interpretation differences in the application of certain provisions between the Bank and Revenue authorities. This situation may result in disputes leading to tax risk and tax litigation. Tax cost includes tax, interest, compounding fees or penalties levied by the relevant taxing authority. Axis Bank endeavours to limit tax risks to ensure that there is no loss (financial/reputational) or impediment to conduct of its business affairs.

### **Tax Risk Appetite Statement:**

Axis Bank contributes to the development of a sustainable tax policy and legislation, typically through direct engagement with tax authorities, public consultation processes via various representative groups and in our role as a member of the industry group of Indian Bank Association. In keeping with our avowed roles and responsibilities Axis Bank has developed its own Tax Risk Appetite Statement. Tax Risk Appetite is the tax risk that Axis Bank is prepared to accept while pursuing its business strategy, recognizing a range of possible outcomes as business plans are implemented. Broadly this would define the boundaries within which Axis Bank would operate while administering its fiscal matters. Functioning within the tenets of the Tax Risk Appetite Statement would enable the Bank to effectively mitigate financial and/or reputational tax risks.

Axis Bank has appetite:

1. To manage its corporate income tax, indirect tax, operational tax liabilities through planning or actions which are fully compliant with Tax principles.
2. To manage all dealings with tax authorities and related stakeholders with integrity and in an open and transparent manner within the boundaries of the Bank's code of conduct.
3. To manage litigation policy in a manner which is transparent, cost effective and leads to early resolution.

Axis Bank has no appetite:

1. To knowingly develop financial products or services for clients or participate in such products or services which may be considered unacceptable or inappropriate by relevant tax authorities owing to the fact they are not in line with the spirit of the tax laws in the operating jurisdictions.
2. To interpret tax laws in a way that we believe is contrary to their intention or aggressively structure own transactions in a manner which goes against the spirit of the fiscal laws in the operating jurisdiction.
3. To accept gross failures in compliance of statutory tax obligations e.g., filing tax returns and paying taxes in respective jurisdictions.

In order for Axis bank to adhere to its tax risk appetite, it will endeavour to manage its affairs in all jurisdictions it operates in, keeping the following broad principles in mind:

#### **Tax Positions:**

The Bank's tax function works with the business as an equal partner in providing clear, timely and relevant business focussed advice across all aspects of taxation. The tax team evaluates multiple alternatives and, in doing so, considers extant market practices, jurisdictional precedents settled at highest levels, spirit of the relevant tax law and adopts approaches that provide fair and competitive commercial outcomes for the Bank. Axis Bank follows "the more likely than not" principle for making decision on tax matters. Thus, while concluding on a tax treatment Axis Bank will not undertake the same unless it is at least more likely than not that our proposed treatment would stand up to scrutiny by tax authorities. While we aim for certainty on the tax positions which we adopt, wherein a tax law is unclear or multiple interpretations are possible, the Bank may seek an expert opinion prior to determining its position on the said matter. Where an expert opinion is sought and received by the Bank, the tax team evaluates the same holistically and decides on the final position to be taken on the matter.

#### **Tax Related Compliances:**

The Bank will endeavour to undertake all statutory tax compliances in all jurisdictions it operates within prescribed timelines. While undertaking such compliances, due diligence shall be done internally, and a valid maker-checker procedure will be adhered to. While undertaking such statutory compliances, the Bank shall always follow the fiscal laws in spirit, as assessed by the management team. The Bank shall ensure all such taxes are correctly accounted for and that all tax returns are completed accurately and within regulatory timelines. It shall also maintain mandated records, extend full co-operation to agencies appointed to audit compliances.

#### **Transfer Pricing:**

The Bank will endeavour to follow the basic tenets of transfer pricing which ensures that each country where value is created gets its appropriate share of taxes. Further, the Bank will transact at arm's length with its related entities/branches in various jurisdictions reflecting the economic substance of the transaction in accordance with international standards and local Government law. In case it is convinced that such arm's length pricing is improbable, it shall seek expert advice on the same in such jurisdiction and be guided by such expert opinion. The Bank shall always keep ready transfer pricing related documents/reports which are mandated by fiscal laws of the concerned jurisdiction and shall produce the same as and when assessments happen. The Bank does not artificially divert profit to low tax jurisdictions.

**Customers:**

Axis Bank generally does not comment/clarify on personal tax matters of any stakeholder. Any information provided is of a general nature and is not to be construed as tax advice. It is the duty of the stakeholder to consult his own tax advisor before taking a decision on any such information.

**Corporate Social Responsibility:**

Paying our share of taxes in the countries where we operate is part of our Corporate Social Responsibility and is in line with the expectations of our stakeholders. Axis Bank may make legitimate use of tax incentives and exemptions offered by Governments. We generally do not participate in amnesty schemes given our tax compliance principles and relationships with tax authorities. If we were to participate in such schemes by exception, we will make adequate disclosure of the same.

**Relationship with Governments and Tax Authorities:**

The Bank respects the right of Governments to determine sovereign tax structures, laws, rates of taxes and collection mechanisms. Axis Bank's policy is to be transparent and proactive in all interactions with tax authorities fostering a mutually respected relationship. The Bank participates in formal consultation process with tax authorities directly or via various industry bodies in relation to various amendments carried out in tax laws from time to time. The Bank also participates in discussions and development of fiscal proposals with jurisdictional Governments from time to time.

**Tax Code of Conduct:**

This code of conduct applies to all tax professionals working in the Bank and its branches. It endeavours to guide the role of the tax professionals within the group, their key responsibilities including professional conduct and approach to working relationships with external parties.

Tax professionals will aim to:

- ✓ Effectively manage risk in line with the various components enumerated in the Tax policy.
- ✓ Observe all applicable laws, rules, regulations and disclosure requirements.
- ✓ Be compliant with all Anti-bribery legislation.
- ✓ Develop and foster good working relationships with tax authorities, government bodies and other related stakeholders. This includes responding in a professional, courteous and timely manner

**Assurance:**

Any queries in relation to implementation of the Tax policy should be addressed to respective tax team line managers. In the event of non-addressal of such queries within a reasonable timeline, the matter shall be brought to the attention of Tax Head of the Bank or the Chief Financial Officer.

The Tax policy will be updated, once a year if required, to take care of evolving situations and scenarios.

#### **6. Review of the Policy**

The Policy will be effective from the date of the approval of the Board / Committee and would be aligned to the amendments in accordance with regulations, circulars, notifications, etc. as may be issued by regulatory authorities from time to time. In case of any inconsistency of the provisions of this Policy with any regulatory amendments, circulars, clarifications issued by relevant authorities, then such amendments, circulars, clarifications shall prevail upon the provisions of this policy.

This policy shall be reviewed by the Board/Audit Committee on annual basis subject to any regulatory/statutory amendment requiring an earlier review.