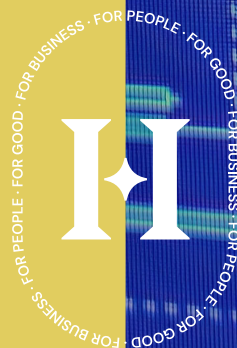


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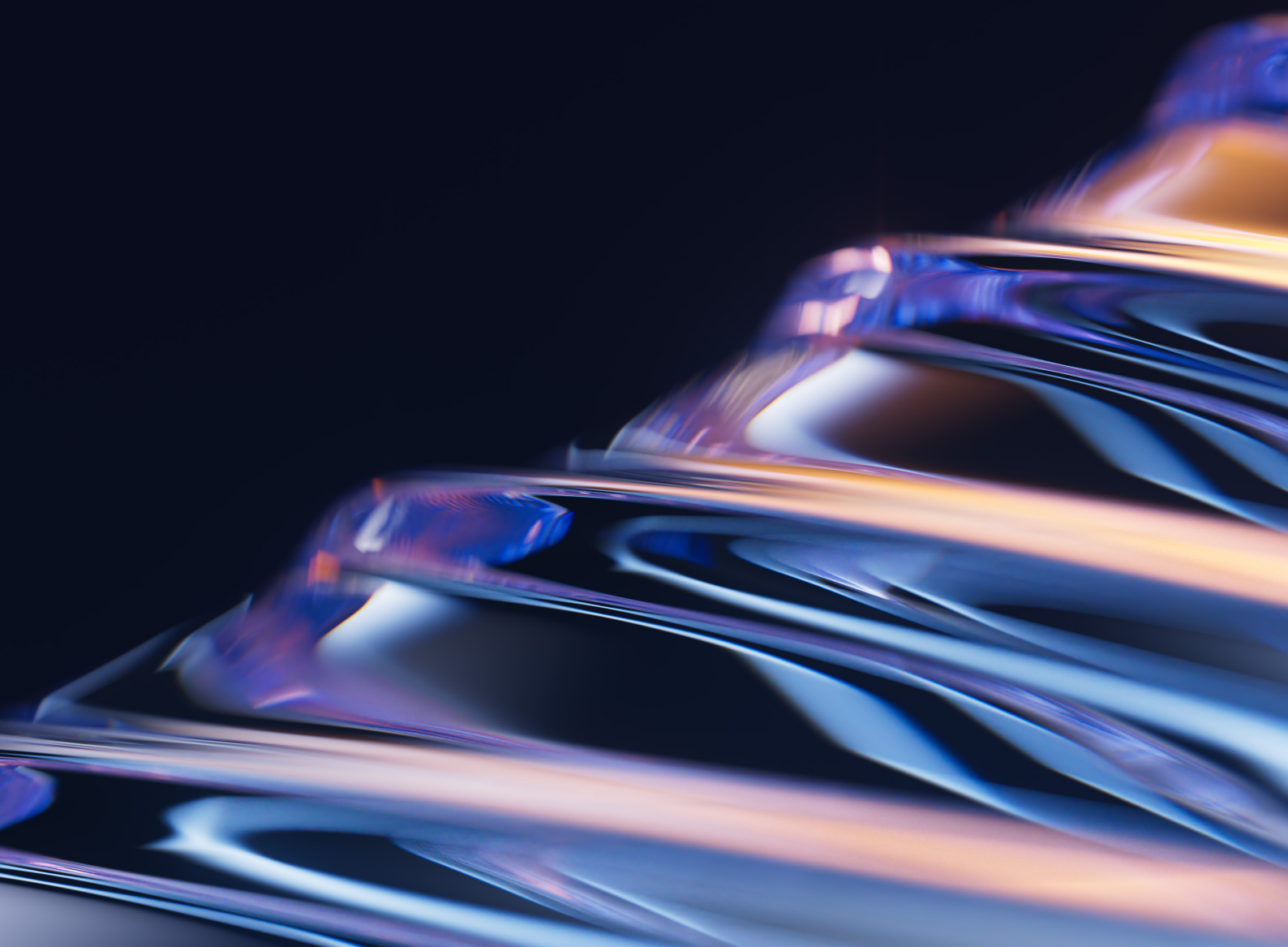
Equity Capital Markets

HaysMac⁺



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Welcome note



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I'm delighted to introduce this edition of Tax Navigator, focusing on the **international tax challenges faced by listed businesses**.

As demonstrated by the excellent feature articles in this newsletter, the HaysMac team has an abundance of experience working across a wide range of tax issues in this space. This edition includes articles on: international tax compliance, transfer pricing and strategic tax planning.

In many ways, our world is getting smaller. This opens up new business opportunities but also exposes us to more risk. Much has been said elsewhere about the geopolitical realm and the instability that comes with it. But tax reform too has, in many places around the globe, moved beyond a public 'conversation' towards being a full-on argument. And one that remains unsettled. On a global scale, this can present significant challenges that businesses must navigate.

As a Director of MSI Global Alliance, I see firsthand the complications that arise with growing a large business across international jurisdictions. My hope for businesses in this space is to be able to see tax as a strategic conversation and embed those considerations at the highest level of the decision-making process. In this edition of Tax Navigator, we hope to equip you with the understanding to enrich your conversations about tax as an opportunity for your business, not just a headache.

Global tax complexities are exacerbated by having to communicate with numerous advisors in different countries. That is a stress that MSI Global Alliance member firms, including HaysMac, can alleviate. The unified approach of its members across the globe has supported many businesses to flourish; it streamlines how they receive advice and as such improves the efficiency with which they can action that advice.

I hope you find this newsletter an interesting read. For those of you who wish to learn more about HaysMac's international tax capabilities, visit our website, or reach out to me on the details linked above.

Why the best growth businesses are rebranding tax as a strategic function

For years, tax occupied a relatively predictable place within most organisations. It sat alongside finance, focused largely on compliance, reporting and managing obligations to tax authorities. It was important, certainly, **but rarely viewed as a driver of strategy.**

That perception is changing.

Across international businesses, listed groups and companies operating in emerging capital markets, tax is increasingly becoming a boardroom issue. Global expansion, investor scrutiny, supply chain disruption, changing regulation and increased reporting requirements have transformed tax from a technical discipline into a business-critical function. This shift is forcing many finance leaders to ask an important question: does the organisation have sufficient tax leadership to support its ambitions?

The challenge is that many businesses find themselves caught between two realities. On one hand, their tax affairs are becoming more complex. On the other, they are often not large enough to justify employing a full-time Head of Tax with expertise across corporate taxation, VAT, employment taxes and international matters.

As a result, a new model is beginning to emerge.

Increasingly, businesses are adopting what might be described as an outsourced tax leadership approach. Rather than engaging advisers only when problems arise, they are seeking ongoing strategic input from senior tax professionals who can help them navigate growth, governance and international expansion. The MyTaxPartner model reflects this evolution in thinking, positioning tax advice as an embedded strategic resource rather than a reactive service.

This trend is particularly visible in businesses backed by private equity, venture capital and institutional investors. As organisations mature, investors expect greater transparency around risk management and governance. Tax can have a significant influence on both.

A funding round, business acquisition or international restructuring frequently creates questions that extend far beyond compliance. Transfer pricing arrangements, indirect tax obligations, employment structures, share incentives and global reporting requirements all become relevant. What might previously have been seen as discrete technical issues increasingly form part of a broader conversation about enterprise risk and value creation.

International growth is another catalyst.

Many UK-headquartered companies now generate revenues across multiple jurisdictions at an earlier stage in their development than ever before. Digital businesses can establish international customer bases rapidly, while more traditional businesses often pursue overseas expansion as a core growth strategy.

The tax implications can be considerable. VAT registrations, indirect tax reporting, transfer pricing documentation, customs obligations and local employment tax requirements often emerge simultaneously. Finance teams that were designed to support a domestic operation can quickly find themselves managing a multinational tax agenda.

What is striking is that the businesses navigating this complexity most successfully are often not those with the largest tax departments. Instead, they are the organisations that have established a process for discussing tax strategically and regularly.

The traditional model of seeking advice only when a transaction occurs can create blind spots. By contrast, organisations that maintain an ongoing tax agenda are often better positioned to identify risks early, respond to regulatory change and identify opportunities that might otherwise be missed.

This reflects a broader shift in how tax is perceived. Increasingly, tax is being viewed less as a cost centre and more as a source of insight.

Tax can influence decisions on business structure, international expansion, employee incentives, acquisitions and future exit planning. It can affect cash flow, investor returns and operational efficiency. In some cases, it can create opportunities through incentives, reliefs and more effective structuring. Viewed through this lens, tax becomes another strategic tool available to management teams rather than simply an obligation to manage.

The importance of governance has reinforced this trend.

Boards and investors are increasingly interested in how businesses identify and manage tax risk. The question is no longer simply whether returns have been filed correctly. Stakeholders also want assurance that the organisation understands its tax exposures, has appropriate controls and is prepared for regulatory scrutiny.

This is particularly relevant for businesses contemplating a future IPO, acquisition or capital raise. Potential investors and buyers routinely examine governance frameworks, including tax governance, as part of diligence processes. Weaknesses identified at that stage can be costly and distracting. Evidence from real-world strategic tax reviews often shows that issues are easier and cheaper to address when identified years before a transaction rather than months before one.

Perhaps the most interesting aspect of this evolution is cultural rather than technical.

For many years, tax advisers were brought in to answer questions. Increasingly, they are being asked to help frame them.

The most effective relationships are often those where tax specialists understand not only the organisation's tax affairs, but also its commercial objectives, sector dynamics and growth ambitions. By aligning tax advice with business strategy, organisations gain access to a perspective that extends beyond legislation and compliance.

As economic conditions remain uncertain and global operations become more interconnected, this approach is likely to become more common. The companies that thrive will not necessarily be those paying the least tax or employing the largest tax teams. They are more likely to be those that recognise tax as a strategic function and ensure it receives the attention that modern business complexity demands.

In that respect, the growth of outsourced tax leadership models such as MyTaxPartner may reflect something larger than a new service offering. It may signal a broader recognition that, for ambitious businesses operating in increasingly complex markets, tax is no longer simply about staying compliant. It is about staying competitive.



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VAT: The tax nobody worries about. Until something changes.

VAT is often viewed as a routine compliance obligation. Returns are filed, invoices are processed, controls operate in the background and the tax rarely reaches board agenda.

In many businesses, VAT works precisely because nothing changes. The challenge is that businesses rarely stand still.

For companies operating in listed markets, growth and transformation are often central to the investment story. International expansion, acquisitions, disposals, new revenue streams, property transactions, technology investments and business restructuring are all hallmarks of an ambitious organisation. Yet, these are also the moments where VAT can move from being a compliance issue to becoming a commercial consideration.

In our experience, VAT is only usually simple until the business does something interesting.

Growth creates complexity

A company may have operated successfully in one jurisdiction for years with a well-established VAT position. However, the decision to enter a new market can immediately introduce questions around registration obligations, invoicing requirements, reporting obligations, permanent establishment risk and input VAT recovery.

What begins as a commercial growth initiative can quickly become a multi-jurisdictional tax challenge.

As businesses increasingly expand internationally, VAT is no longer simply about filing domestic returns. Tax authorities are introducing digital reporting requirements, mandatory e-invoicing and enhanced data scrutiny, creating a significantly more complex compliance environment. This trend is particularly relevant for businesses with international operations or ambitions to enter new markets.

The commercial consequences can be substantial. Unexpected VAT registrations, irrecoverable VAT costs, delayed customer invoicing or disruption to supply chains can all affect profitability and operational efficiency.

Acquisitions can change the VAT landscape overnight

M&A activity presents another common trigger.

During a transaction, management teams are understandably focused on valuation, integration, financing and operational synergies. VAT can sometimes be viewed as a secondary consideration. However, acquisitions frequently introduce historic VAT risk, differing VAT methodologies and unexpected exposures. The target may have adopted positions that are technically incorrect or lack sufficient supporting evidence.

Equally important is understanding how the transaction itself should be treated for VAT purposes. The distinction between a transfer of a business and the purchase of individual assets can have significant VAT implications. Property transactions in particular often require detailed analysis of VAT elections, historic recovery positions and the application of specialist rules. A property acquisition can result in different VAT outcomes depending on the structure of the transaction and the future use of the asset.

Failure to address these issues early can affect pricing, deal economics and shareholder value.

Property transactions remain a hidden risk area

Property continues to be one of the most technically challenging areas of VAT.

Whether a business is acquiring office space, disposing of assets, restructuring its property portfolio or entering into lease arrangements, VAT considerations can influence transaction costs and cash flow. What appears to be a straightforward property deal can involve a complex interaction of exemption rules, options to tax, partial exemption and transfer of going concern provisions.

The VAT position should therefore form part of the transaction planning process rather than becoming a post-completion exercise.

New products and new revenue streams

Innovation creates opportunities, but it can also challenge established VAT assumptions. A new subscription model, digital offering, bundled service or international customer proposition may not fit neatly within existing VAT treatments.

Questions quickly arise:

- ✦ What is the supply?
- ✦ Where is the supply made?
- ✦ Which entity is making the supply?
- ✦ What VAT rate applies?
- ✦ Can associated VAT costs be recovered?

These issues are particularly relevant where businesses diversify revenue streams in response to market expectations or investor demands for growth. A seemingly minor product change can trigger fundamentally different VAT outcomes.

Why boards should care

For listed businesses, VAT is no longer just a finance function responsibility.

The tax can influence earnings, deal structures, integration plans, cash flow forecasts and regulatory compliance. In an environment where boards are expected to demonstrate strong governance and robust controls, VAT increasingly forms part of the broader risk discussion.

The reality is simple. VAT rarely causes problems when a business is doing exactly what it did yesterday. However, listed businesses are valued on their ability to evolve, acquire, innovate and grow. That is precisely when VAT starts to matter.

The most successful businesses recognise this early, bringing VAT into strategic conversations before change occurs, rather than discovering its impact after the fact. After all, VAT is only straightforward until the business does something interesting.



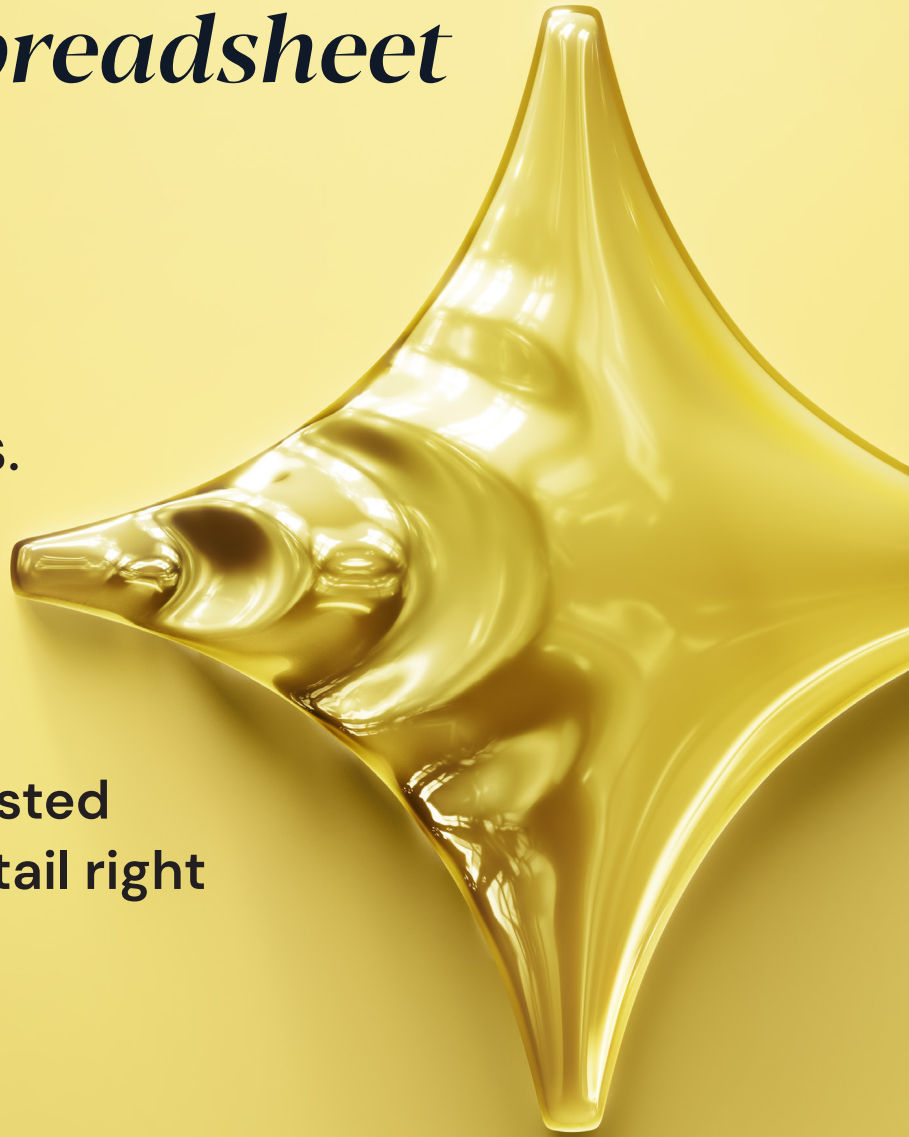
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Beyond compliance: Why transfer pricing matters for listed companies

When transfer pricing enters the conversation, many business leaders immediately think about compliance. Yet for listed businesses, **transfer pricing is increasingly a matter of corporate governance, risk management and investor confidence.**

Investors, boards, regulators and audit committees are paying closer attention to how businesses manage tax risk. Transfer pricing often sits at the heart of that conversation because it affects where value is created, where profits are reported, how tax risks are managed and whether a company's financial results can be trusted.

As businesses expand internationally, develop new operating models and navigate an increasingly complex business environment, transfer pricing can provide an important lens through which governance, risk management and strategic decision-making are assessed.

For companies operating in public markets, or preparing to enter them, the challenge is no longer simply demonstrating compliance. It's demonstrating that tax governance keeps pace with growth, complexity and investor expectations.

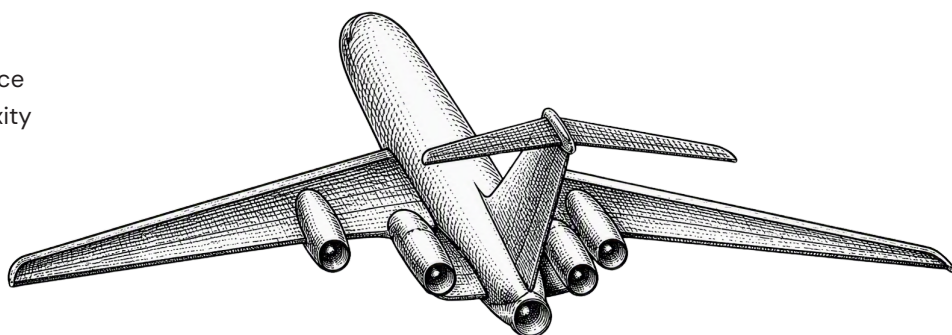
Why CFOs should care

1. Investors don't like surprises

Transfer pricing audits or cross-border disputes can create uncertainty. The financial or tax cost is often only part of the story. Investors are generally concerned about unexpected transfer pricing exposures, the strength of governance frameworks and the effectiveness of internal controls surrounding cross-border arrangements. These issues can raise questions about risk management, operational discipline and management oversight, potentially affecting market confidence far more than the immediate tax cost.

A robust transfer pricing framework helps demonstrate that the business understands and manages these risks proactively. It can also provide investors with confidence that profits are reported in a way that reflects the commercial reality of the business.

In an environment where investors increasingly assess governance alongside financial performance, transfer pricing can provide an important indicator of how effectively a business manages risk and oversight across its complex international operations.



2. Supports better decision-making

That confidence doesn't come from transfer pricing documentation alone. It comes from ensuring transfer pricing is considered as part of wider business decision-making.

Decisions around expansion into new markets, ownership of intellectual property, centralised service functions, changing supply chains or introducing intercompany financing arrangements can all have transfer pricing implications.

Getting these arrangements right can give businesses better visibility into how value is created across the group, who is responsible for key strategic decisions and risks and how cross-border arrangements are governed. It also helps ensure that growth initiatives, operating models and financing arrangements are supported by a framework that can withstand investor, regulatory and audit scrutiny.

3. Reputation matters more than ever

Transfer pricing is no longer viewed solely through a tax lens. It has become a broader stakeholder issue.

Listed businesses increasingly face scrutiny from investors, regulators, rating agencies and the wider public. In public markets, governance concerns can quickly become credibility concerns, particularly where stakeholders perceive a disconnect between value creation, profit allocation and tax outcomes.

Where there is a disconnect, questions can quickly arise about governance, transparency and risk management. Businesses that consider transfer pricing early are better positioned to respond to investor queries, withstand tax authority scrutiny and avoid unwelcome surprises during transactions, due diligence exercises and other critical moments in the corporate lifecycle.

What good looks like

Good transfer pricing governance doesn't need to be overly complex. The strongest frameworks are often built on consistency, transparency and early engagement with commercial decision-making. In practice, this means transfer pricing policies reflect commercial reality, key intercompany arrangements are properly documented, and tax is involved early when significant business decisions are being made.

The most effective frameworks also evolve alongside the business, ensuring transfer pricing remains aligned with changing operations, growth plans and stakeholder expectations.

Importantly, transfer pricing is most effective when it is embedded within wider governance processes, rather than treated as a standalone tax exercise.

The key takeaway

From my in-house experience, I can say that the most effective tax teams don't act as business blockers; they act as business enablers. Their role isn't to stop commercial opportunities from happening, but instead to help the business achieve its objectives in a way that's commercially sensible and tax robust.

For listed businesses, transfer pricing should be viewed as a strategic governance tool, not simply a compliance obligation. When embedded within governance frameworks and commercial decision-making, it can strengthen investor confidence, support growth ambitions and demonstrate that the business is operating in a transparent, resilient and well-controlled manner.

Building confidence through good tax governance

Whether you're preparing for an IPO, navigating the demands of public markets or undertaking a significant transaction, transfer pricing should form part of the wider governance framework.

HaysMac's transfer pricing specialists work closely with our Equity Capital Markets team to help businesses navigate complex cross-border arrangements, prepare for heightened scrutiny and build governance frameworks that inspire confidence among investors, regulators and other stakeholders.

To discuss your transfer pricing framework, tax governance strategy or upcoming transaction plans, please get in touch with our transfer pricing specialists.



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