

## **Silicon Laboratories Inc.'s UK Tax Strategy**

### **1. GROUP LEVEL CONTEXT**

Silicon Laboratories Inc. ("Silicon Labs" or "the Company"), with the support of its subsidiaries, is a leading provider of silicon, software and solutions for a smarter, more connected world. The Company acknowledges the key role of tax management in its business activities.

The Company applies the following guiding principles:

- Silicon Labs acts as a responsible global corporate tax citizen in its compliance with applicable tax laws and regulations;
- Silicon Labs mandates ethical and transparent business practices;
- Silicon Labs encourages an open and honest dialogue between tax policy makers and business;
- Silicon Labs employs a tax team with extensive knowledge of the international tax framework;
- Silicon Labs seeks to provide transparent and accessible information to tax administrations to facilitate their understanding of its tax strategy;
- Silicon Labs plans to implement country-by-country reporting once required and in accordance with OECD recommendations.

### **2. TAX STRATEGY**

This strategy is applicable to Silicon Labs and its wholly owned subsidiaries in the UK and applies for the fiscal year ended December 31, 2019. This is the first UK tax strategy published by Silicon Labs.

Silicon Labs considers that the publication of this statement complies with the duty set out in Schedule 19 UK Finance Act 2016. This document will be reviewed and refreshed annually.

### **3. SUMMARY**

Silicon Labs' objective is to be a responsible, low-risk taxpayer in all the jurisdictions in which it operates. In addition, Silicon Labs manages its tax affairs in a manner which seeks tax efficiency, out of its obligation to its shareholders to maximise value, but while ensuring transactions are executed with commercial substance.

#### **Objectives**

Silicon Labs' tax strategy aims to ensure the following objectives:

- Pay the right amount of tax at the right time;
- Act prudently and manage tax risk in line with the Company's strategic objectives;
- Comply with current tax legislation and case law in all operating jurisdictions;
- Ensure all relevant staff have sufficient knowledge of taxation to recognize tax issues and act appropriately;
- Develop systems to improve tax compliance efficiency;

- Develop a good working relationship with Her Majesty's Revenue & Customs (or "HMRC") and other overseas tax authorities and, where possible, work with tax authorities in real time to highlight and resolve issues which may significantly impact tax.

#### **4. HOW SILICON LABS MANAGES ITS TAX RISKS**

Silicon Labs seeks to identify those areas where it believes there may be tax risks and acts to manage those risks accordingly.

The Company's Senior Vice President and Chief Financial Officer (or "SVP & CFO"), supported by other members of the Company's leadership team, including the Vice President of Finance and Senior Director of Global Tax, approves and defines the Company's risk tolerance, including its risk tolerance with respect to UK taxation, as part of the Company's broader business risk framework. The SVP & CFO, with the support of this leadership team, reviews and approves all material tax positions and the implementation of all risk mitigation programs. Further, the Board of Directors (or "the Board"), of Silicon Laboratories UK Ltd. (or "SL UK") oversee the financial reporting and tax compliance in the United Kingdom and have reviewed and approved the publication of this UK Tax Strategy.

Silicon Labs maintains reasonable and practicable procedures, processes, systems and controls to ensure compliance with relevant legislation and case law in all jurisdictions. These procedures are tested and reviewed on a regular basis to ensure they are current, appropriate and consider recent changes in legislation and/or case law. These practices help to ensure the Company complies with its responsibilities under applicable provisions in the UK.

The Company engages external resources and employs appropriately qualified staff in areas of finance with responsibility for aspects of taxation such as payroll, accounts payable and receivable and the preparation of tax returns.

Silicon Labs develops systems to improve the efficiency of compliance with tax legislation and, in particular, the identification and classification of transactions impacting taxes, including VAT, corporate taxes, and employment taxes. Where systems are being replaced or upgraded, the Company considers whether there are any taxation issues which could be improved upon.

#### **5. SILICON LABS' ATTITUDE TO TAX PLANNING**

Silicon Labs does not engage in artificial transactions for the sole purpose of reducing taxes.

Provided the underlying commercial objectives support the position, Silicon Labs seeks to arrange tax affairs in the most tax efficient manner, within the legal framework of both statute and case law, to ensure that the Company pays the right amount of tax at the right time.

Silicon Labs does not seek to carry out tax planning which may negatively impact its reputation, brand, corporate or social responsibilities, or working relationship with HMRC or other overseas tax authorities, and seeks external advice as needed to support this objective.

If there is uncertainty over an interpretation of the law or regulations, Silicon Labs engages with HMRC and external tax advisors in a timely manner as relevant.

## **6. ACCEPTABLE LEVELS OF TAX RISK**

Silicon Labs recognizes that tax laws are complicated and may be subject to different interpretations. Therefore, tax positions may be reviewed or challenged by tax authorities from time to time. Silicon Labs seeks to mitigate this risk by considering appropriate professional advice, by employing suitably qualified tax staff and by fostering effective working relationships with the tax authorities.

Silicon Labs has no rigid level for acceptance of tax risk. When assessing a tax risk, the Company considers various factors including reputational, financial and operational risks, as well as the potential impact on Silicon Labs' relationship with any tax authorities. When appropriate, this assessment will be informed by discussions with tax advisors.

## **7. WORKING WITH HMRC**

Silicon Labs engages in an open and collaborative relationship with HMRC. The Company aims to maintain an effective working relationship with all tax authorities in jurisdictions in which it operates, and aims to be professional, courteous and transparent in its dealings with HMRC and other tax authorities.

Silicon Labs makes real time disclosures of relevant changes in its activities and other significant matters which may impact the Company's tax position and responds openly and honestly to enquiries from tax authorities.

*Published 20 December 2019*