Tax strategy
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Introduction from our CFO

Our approach to tax is a key part of our ESG (Environmental, Social and Governance) agenda – underpinning the trusted relationship with the countries and communities in which we operate.

I am passionate about our mission to unite science, technology and talent to get ahead of disease together – in the right way. As a global biopharmaceutical company we are in a unique position where we can improve the health of more than 2.5 billion people; generate growth for our shareholders and make GSK a place where people can thrive – all whilst having a positive ESG impact.

In addition to improving health outcomes through innovative medicines and vaccines, tax is another important aspect of the contribution we make to society. A transparent, sustainable tax system that enables companies and citizens to thrive is key to the relationship between business and society.

To this end it is important companies are appropriately transparent about how their tax affairs are managed – to provide clarity and understanding, and build trust with the communities that are critical to our mission.

In this document, you will find information on our tax profile and the principles and processes that guide our approach to tax, as well as additional detail around the tax information provided in our 2022 Annual Report. We have also sought to give an insight into the uncertainties and complexities of discovering and developing a new medicine or vaccine and the differing tax profiles this drives at each stage of the lifecycle.

Given the importance of the ESG agenda, companies are rightly being held to account on their actions. To this end, for the first time, we have sought to include some additional explanation on our approach to environmental taxes and how we look to use these to leverage positive change in the business.

We are committed to improving our tax reporting and welcome any feedback or discussion in this regard.

Julie Brown
Chief Financial Officer

Our Global Tax strategy has been prepared to meet the requirements of paragraph 16 of Schedule 19 to the UK Finance Act 2016 and sets out our approach to tax as well as an overview of our global tax profile. It applies to the UK and all other countries in which we operate. While the financial information within this report covers 2022, the strategy set out applies for the year ended 31 December 2023. This publication was approved by our Group Audit and Risk Committee on 9 October 2023 and by the Board on 11 October 2023.
Our tax principles

Our tax principles, underpinned by our culture, long-term priorities and code of conduct, enable a common understanding and consistent approach to tax.

Business makes a major contribution to the public purse through its tax contribution. This includes direct taxes (such as corporate income tax) and indirect taxes (such as VAT, environmental taxes and customs duties) as well as other taxes (such as employment taxes and property taxes). It is therefore important that companies explain their approach to tax. This helps inform dialogue about tax and tax policy.

We are supportive of efforts to ensure companies are appropriately transparent about how their tax affairs are managed. To this end we have published this tax strategy and regularly engage in discussions with stakeholders who are keen to understand our tax profile and our approach to tax.

As a global biopharmaceutical company, we have a substantial business and employment presence in many countries around the world and pay a significant amount of tax. This includes corporate income tax, other business taxes, and tax associated with our employees. We also collect a significant amount of tax on behalf of governments along our supply chain, such as income tax from payments to our employees and VAT.

Our tax principles enable a common understanding and consistent approach to taxation across GSK.

**Principle 1: We are transparent**
We are transparent with stakeholders and regularly provide communication regarding our approach to tax and taxes paid.

**Principle 2: We have a robust risk management and governance framework**
We have strong governance to adhere to our tax principles and manage tax risk in line with our tax risk management framework. Our approach to tax is overseen by our Board of Directors.

**Principle 3: We respect tax law and the underlying policy intent**
We comply with tax law in the countries in which we operate and are committed to operate in line with the tax policy intent as well as the letter of the law.

**Principle 4: We do not seek abusive tax results**
We act with integrity and do not engage in artificial tax arrangements or seek to avoid tax through the use of ‘tax havens’.

**Principle 5: We engage constructively with authorities**
We seek to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust. Where appropriate, we also provide constructive business input on tax policy matters aiming to support economic growth, job creation and the needs of our patients.

**Principle 6: We support the business**
We support the business with principled, timely and commercial tax advice, ensuring profits are recognised in line with economic activity and through the appropriate use of investment incentives where the intent is aligned with the business activity, which helps GSK be tax efficient and deliver on its purpose of discovering and developing needed medicines and vaccines.
Our tax risk management framework

We have strong governance to adhere to our tax principles and manage tax risk in line with our tax risk management framework.

Decisions, activities and operations undertaken across our business give rise to areas of uncertainty, some of which relate to tax (tax risk). Tax risks generally fall into one of three categories: operational related to tax processes and systems, technical judgement on the interpretation of tax law, and political and legislative changes on tax rules. Managing tax risk is about understanding where and why these uncertainties arise and deciding how these are addressed.

How do we manage tax risk?
Tax risk in all countries in which we operate is managed through robust internal policies, processes, training and compliance programmes. Our Board of Directors and the Audit and Risk Committee are responsible for approving our tax policies and risk management arrangements as part of our wider Internal Control Framework (ICF). The ICF is our comprehensive enterprise-wide risk management model and the means by which GSK ensures the reliability of financial reporting and compliance with laws and regulations. Our Board of Directors and the Audit and Risk Committee are responsible for the implementation of the ICF and are supported in this regard by the Risk Oversight Compliance Council and the Audit and Assurance function.

Who manages tax risk?
Our tax affairs are managed on a global basis by a team of tax professionals, led by the Global Head of Tax, who work closely with the business on a day-to-day basis to ensure that we remain accountable for our impact. GSK’s Global Tax team is part of our Global Finance function, with the Global Head of Tax reporting directly to the Chief Financial Officer.

The Global Tax team are suitably qualified for the roles they perform, with specific geographic, operational and technical responsibilities, including specialists in Corporate Income Tax, Transfer Pricing, Tax Reporting, Indirect Tax and Employment Tax. Training needs are supported in order that they are able to provide up to date technical advice in line with their responsibilities. Like all of our employees, the Global Tax team are required to adhere to our Code of Conduct.

How do we determine what level of tax risk is acceptable?
We are not prescriptive on the level of tax risk we are prepared to accept. However, we do not take speculative tax positions or those that bring material tax risk. Where there is material uncertainty on the tax treatment of a transaction, or where the necessary expertise is not available within the Global Tax team, external advice is sought before any position is taken. External advisers are required to adhere to our Code of Conduct.

What are the key tax risks faced by GSK?
The key tax risks faced by GSK, together with the measures in place to mitigate these risks, are set out in our tax risk management framework below.

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### Our tax risk management framework

**Governance**

Risk Management Control Boards (RMCBs) promote the "tone from the top", establish our risk management culture and oversee internal controls. The boards ultimately report to the Risk Oversight and Compliance Council, Audit and Risk Committee and the Board.

**Risk**

<table>
<thead>
<tr>
<th>Operational</th>
<th>Technical judgement</th>
<th>Political and legislative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance failure due to inadequate tax processes, personnel or systems.</td>
<td>Uncertainty in the interpretation or application of tax law.</td>
<td>Failure to identify, interpret or implement changes in tax legislation.</td>
</tr>
</tbody>
</table>

**Mitigating measures**

| In-house operational tax, compliance, reporting and technology specialists partner with leading accounting firms, leveraging their global expertise across a range of compliance activities and their scale to invest in leading tax compliance technologies, to deliver tax compliance and statutory filings across the globe. | In-house tax specialists, supported by external advisers, support the local implementation of our business strategy, engaging proactively with tax authorities where possible to resolve areas of uncertainty and to bring the Group’s tax returns up to date by closing open tax audits. | In-house tax specialists partner with local advisers to monitor emerging changes in the local and international tax environment, proactively engaging with policy setters to provide constructive business input on tax policy matters. |
Taxation across the biopharmaceutical lifecycle

Our biopharmaceutical business is built on new and innovative medicines and vaccines with a long development lead time and significant upfront investment

Our biopharmaceutical business is built on the discovery and development of new and innovative medicines and vaccines. We are focusing on uniting science, technology and talent to get ahead of disease and deliver transformational medicines and vaccines.

As an industry, developing new products can take up to 15 years and carries significant risk – less than 10% of drugs in clinical testing get approved. There are significant upfront costs, which vary depending on where an asset is in the R&D lifecycle. Given the inherently uncertain nature of drug discovery, there are no guarantees of a return. In 2022, GSK invested a total of £5.5 billion in biopharmaceutical research and development. Investment in R&D can result in intellectual property (IP), such as patents related to new medicines. The ownership of our IP reflects the countries which drive R&D activity and bear the upfront investment costs and associated risks. IP can enable us to generate a return on our upfront investment in discovering and developing new products, although this might be 10-15 years or more down the line.

This long lifecycle means that looking at a single year’s taxation in our industry is not necessarily reflective of our overall tax contribution. Our tax profile in any given country at any given time will be driven by factors such as the lifecycle stage and IP ownership. The tax profile of a particular country may therefore fluctuate year-on-year.

Here, we set out what the lifecycle means for the taxes paid – the tax profile – at different stages of discovering and developing a new medicine.

### Drug discovery and pre-clinical testing

The development cycle is challenging and highly uncertain. For every successful new treatment, scientists begin by testing on average 5,000 to 10,000 potential compounds. Only 5-20 candidates will make it into pre-clinical testing.

**Tax profile**

- A significant amount of employer taxes are paid in respect of employees involved in the drug discovery and development cycle, as well as associated support functions;
- Property taxes are paid on facilities where R&D and other activities are carried out;
- Indirect taxes, e.g. customs duties or VAT, can arise on the cross-border transfer of active pharmaceutical ingredients and other materials used;
- Corporate income taxes are low as no sales are made in these phases and significant upfront investment costs are incurred, which give rise to material economic losses during the drug discovery and development phase, despite certain countries providing incentives (such as R&D tax credits) to support investment in R&D;
- The company collects a significant amount of tax (e.g. VAT) on behalf of governments along the supply chain (including from employees).

### Clinical trials and testing

Of these potential compounds, approximately five to ten will proceed to clinical trials, with only one to two making it through to Phase III. From Phase III onwards, the cost of investment increases significantly due to the scale of the trials.
Taxation across the biopharmaceutical lifecycle continued

**Licensing approval**

Once a medicine or vaccine has been through Phase III trials, it faces rigorous reviews by regulators. Ahead of potential regulatory approval, investment in manufacturing begins, so that a medicine or vaccine can be delivered to patients once it is approved. Investment continues after a medicine is licensed as companies support pharmacovigilance and further R&D.

**Distribution of medicine to patients**

The pharmaceutical industry is highly regulated, which shapes how medicines are developed, tested, manufactured and sold. This may result in R&D continuing post-commercial launch (e.g. Phase IV trials). In many markets the pricing of medicines is frequently negotiated by governments and payors, with a limited exclusivity period. Once the medicine is off patent, it can be manufactured or further developed by others – usually meaning reduced profits over time for the originator company.

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**Tax profile**

- A significant amount of employer taxes continue to be paid in respect of employees including those involved in ongoing R&D and manufacturing activities as well as those supporting regulatory reviews;
- Property taxes are paid on facilities where R&D, manufacturing and other activities are carried out;
- Indirect taxes, e.g. customs duties, tariffs or VAT, can continue to arise on the cross-border transfer of active pharmaceutical ingredients and other materials used;
- Corporate income taxes remain low as no sales are made and ongoing investment costs are incurred;
- The company collects a significant amount of tax on behalf of governments along the supply chain (including income tax on payments to employees and VAT).

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**Tax profile**

- A significant amount of employer taxes continue to be paid in respect of employees involved in manufacturing, distribution and ongoing R&D activities;
- Property taxes are paid on facilities where manufacturing and other activities are carried out;
- Indirect taxes, e.g. customs duties, tariffs or VAT, can arise on the cross-border transfer of medicines and vaccines as well as active pharmaceutical ingredients and other materials used;
- Corporate income taxes are paid on profits generated on approved medicines, with profits recognised in countries in accordance with the activities undertaken and any arising IP. R&D incentives may be claimed if post-commercial launch R&D is being undertaken;
- The company collects a significant amount of tax on behalf of governments along the supply chain (including income tax on payments to employees and VAT).
Our approach to tax

We seek to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust.

How we work with tax authorities
We seek to maintain open and constructive relationships with tax authorities worldwide, meeting regularly to discuss our tax affairs and real time business updates wherever possible, to support their work and help manage tax risk in accordance with our framework. As an example, in the UK, GSK has an open and transparent relationship with HM Revenue & Customs (“HMRC”). We have regular meetings throughout the year to discuss business changes and where HMRC can ask us for any information.

We submit tax returns according to statutory time limits and engage proactively with tax authorities to seek to ensure our tax affairs are current, entering into continuous audit programmes and bilateral and multilateral advance pricing agreements (“APAs”) where appropriate. These arrangements provide long-term certainty for both tax authorities and GSK over the tax treatment of our business, based on full disclosure of all relevant facts.

The complexity of tax regulations means that we may occasionally disagree with tax authorities on the technical interpretation of a particular area of tax law. We seek to resolve any differences of interpretation with tax authorities in a cooperative manner. In exceptional cases, we may have to resolve disputes through formal proceedings – establishing clarity for all stakeholders in an open and transparent manner.

Inputting to tax policy discussions
We monitor government debate on tax policy in our key jurisdictions so that we can understand and share an informed point of view regarding any potential future changes in tax law, in support of a transparent and sustainable tax system. Where relevant, we provide pragmatic and constructive business input to tax policy makers either directly or through industry trade bodies, to help inform reforms that support economic growth and job creation.

Examples of this approach include our Head of Tax being co-chair of HMRC’s Business Tax Forum which aims to improve the operation of the UK tax system for both HMRC and large business alike; and our constructive input to the OECD’s two pillar approach to the tax challenges arising from digitalisation where we continue to provide business input to the OECD as part of the Business Advisory Group to the OECD.

It is essential that tax policy considers and appropriately incentivises the significant upfront investment required to develop innovative medicines, which are the result of R&D investment decisions made many years earlier. Certainty and stability of tax regimes is also fundamental when the risks and rewards of the business can sit decades apart.

We follow established procedures and channels for dealing with tax authorities, government officials and ministers. In line with the law, our Code of Conduct and our Values, we will not bribe or otherwise induce tax officials, governments or ministers, and all employees receive regular Anti-Bribery and Corruption training.

Transfer pricing
We are subject to taxation throughout our supply chain. The worldwide nature of our operations means that our cross-border supply routes, necessary to ensure supplies of medicines into numerous countries, can result in conflicting claims from tax authorities as to the profits to be taxed in individual countries. This can lead to double taxation (with the same profits taxed in more than one country).

To mitigate the risk of double taxation, profits are recognised in territories by reference to the activities performed there and the value they generate. To ensure the profits recognised in jurisdictions are aligned to the activity undertaken there, and in line with current OECD guidelines, we base our transfer pricing policy on the arm’s length principle and support our transfer prices with economic analysis and reports.

The ‘arm’s length’ principle
An underlying principle of transfer pricing is that two companies within the same group must act as if they were independent enterprises, with each appropriately rewarded for the functions they perform, assets they employ and risks they assume when entering into intra-group transactions. An appropriate reward is that which would be obtained in a transaction between unrelated parties. This is known as the ‘arm’s length’ principle.

External tax advisers
We partner with external advisers to deliver our global tax compliance and statutory filings. Partnering with external advisers provides GSK with access to technical expertise, the latest in compliance technology and global expertise across a range of compliance activities, ensuring that we have a sustainable platform to manage the increasing demands of digitally-driven tax compliance.

To supplement the subject matter expertise of our Global Tax team, we engage tax advisers to provide specialist input on areas of uncertainty, review the implications on our business of new tax legislation and provide support with significant transactions.

As an example, external advisers have been engaged to support us on our acquisitions of Sierra Oncology, Affinivax and Bellus Health to ensure any tax risks associated with the acquisitions were identified and appropriately managed. External advisers have also assisted us in entering into APAs in various countries. These arrangements provide long-term certainty over the tax treatment of GSK’s business, based on full disclosure of all relevant facts.
Our approach to tax continued

**Technology**
We embrace technology to deliver our tax compliance obligations in a robust and efficient way. A recent example of this has been the adoption of machine learning to review and categorise employee expenses for tax purposes in the UK. This work was supported by external advisers and discussed with HMRC.

**Environmental taxes**
Having a positive impact on the planet is one of our ESG focus areas – with our approach to environmental taxes and initiatives an important aspect in this area.

Our approach to environmental taxes is fully aligned to our tax principles and actively supporting the business in achieving its wider ESG goals whilst proactively engaging with the wider debate on the role and effectiveness of green taxes.

Examples of our engagement with the business on environmental taxes and initiatives include:

- With the introduction of Plastic Packaging Taxes (notably in the UK and Spain) we analysed the proposals and quantified the impacts and then engaged with the business to ensure the costs and impact are understood so as to enable appropriate decision making and behavioural changes, in line with the policy intent.
- Reviewing the EU’s Carbon Border Adjustment Mechanism and engaging with the business to ensure the impact of this new legislation is understood and to help facilitate positive behavioural change.
- Supporting the project to reduce greenhouse gas emissions from our metered dose inhalers (responsible for 45% of GSK’s carbon emissions) by 90%, to ensure understanding of the impact of green taxes and identify tax impacts as well as availability of incentives.

**Our approach to tax planning**
We do not engage in artificial tax arrangements – those without business or commercial substance. We do not seek to avoid tax by using ‘tax havens’ or transactions we would not fully disclose to a tax authority.

When considering how to structure an investment or transaction, this process will be driven by the wider business strategy, with the tax impact being one of many factors considered. Where a choice exists on how to structure an investment or transaction, and where this is in line with our business strategy and tax principles, we will choose the more tax efficient option.

We have a zero-tolerance approach to tax evasion and the facilitation of tax evasion.

**Our locations**
Our Annual Report provides a full list of all our subsidiaries, associates, joint ventures and joint arrangements – and the jurisdictions in which they are tax resident.

We have operations in 92 countries, delivering medicines and vaccines to patients and we are committed to delivering medicines and vaccines to patients across the globe. As a result we have long-standing operations in a limited number of countries that have a low headline rate of corporation tax or those which may be perceived to be ‘tax havens’.

Here, we give further information on these:

**Bermuda:**
- GSK has a long-established group insurance company in Bermuda, allowing GSK to aggregate operational risks and reinsure them within established Global and Bermudan insurance markets. This enables us to get better pricing and coverage than if every group company were to insure their own risks.
- GSK also acquired a Bermudan entity as part of the acquisition of the Tesaro Inc group of companies in 2019. Steps are being undertaken to wind-up this entity.

**Costa Rica:**
- GSK established a company in Costa Rica nearly a decade ago that is responsible for distribution in Costa Rica and is a shared services centre. We employ over 600 people in the country and pay tax on profits commensurate with local activities.

**Hungary:**
- GSK has been present in Hungary for over 25 years. We have a manufacturing site at Gödöllő involved in the production of our diphtheria and tetanus vaccines. We employ over 300 people in the country and pay tax on profits commensurate with local activities.

**Panama:**
- Our presence in Panama, which started almost 50 years ago, encompasses manufacturing, distribution and the provision of supply chain management services to the region. We employ over 300 people in the country and pay tax on profits commensurate with local activities.
Appendix: Explanation of the tax charge in our Annual Report

The GSK consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). This appendix includes the total results of GSK plc for 2022, including the results of our Consumer Healthcare business that was demerged in July 2022.

The tax charge reported in our 2022 Annual Report is set out below. This section provides further information on specific elements of the tax charge.

**Taxation charge based on profits for the year**

<table>
<thead>
<tr>
<th>For the year ended 31 Dec, 2022</th>
<th>£'m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK current year charge</td>
<td>200</td>
</tr>
<tr>
<td>Rest of World current year charge</td>
<td>1,351</td>
</tr>
<tr>
<td>Charge/(credit) in respect of prior periods</td>
<td>(60)</td>
</tr>
<tr>
<td>Current taxation</td>
<td>1,491</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>(784)</td>
</tr>
<tr>
<td></td>
<td>707</td>
</tr>
</tbody>
</table>

The tax charge in our Annual Report reflects the corporate income tax arising on our profits. As outlined earlier in this document, corporate income tax is one important element of our tax contribution alongside other forms of tax such as employer taxes and property taxes. These other forms of taxation are integrated elsewhere in our accounts and are in addition to the corporate income tax presented here. Our current year tax charge is the amount of tax we expect to pay on the profits arising in 2022.

The credit in respect of prior periods is an adjustment to the current year tax charge booked in earlier years. This compares the tax charge booked in the Annual Report for a particular year with the tax charge booked in the filed tax returns for that year. Differences can arise for a number of reasons, including the calculations in the tax returns being made on a different basis (e.g. due to differences between IFRS and local accounting standards) and the tax charge for a particular year being amended following the resolution of open issues with tax authorities.

Deferred tax arises where there is a mismatch between the time at which items are recognised in the accounting profit and the time at which they are reflected in a tax return. An example of this is pension contributions where, in general, tax relief arises at the time the contributions are paid rather than at the time they accrue in the accounts. Deferred tax is recognised on these items to ensure the total tax charge for the period accurately reflects all items in the accounting result, including those which will only impact the current tax charge in future years.

**Why does the amount of corporate income tax paid differ from the current tax charge in the accounts?**

Our current tax charge for 2022 was £1,491m and we made cash tax payments of £1,310 m during 2021. We expect these figures to be different due to a number of factors.

The main driver for the difference is the timing of when cash tax payments are made in respect of a financial year, with some being made in the year in question and some being made after the year end. As such, cash tax payments made in 2022 may relate in part to the 2021 current tax charge and in part to the 2022 current tax charge. Further payments in respect of the 2022 position may fall due in 2023.

Another factor is that tax returns may subsequently be amended where open issues are closed with tax authorities, leading to additional payments being made or refunds being received in later years.
Appendix: Explanation of the tax charge in our annual report continued

Reconciliation of adjusted and total tax charge

GSK’s total reported results represent the Group’s overall performance for the year. The disclosures in our Annual Report reconcile the total tax charge for the year of £707m to the tax charge computed by applying the UK statutory rate of taxation (19% for 2022) to the Group’s total profit before tax, setting out the main items which drive the difference.

Adjusted results are a non-IFRS measure that exclude the impact of one-off transactions, such as acquisitions and disposals, as well as items such as the amortisation or impairment of intangible assets and major restructuring costs. Further information on this is provided in our Annual Report.

Below we have provided additional reconciliations in respect of the tax charges on adjusted profit and adjusting items, to help explain our effective tax rate.

<table>
<thead>
<tr>
<th>For the year ended 31 Dec, 2022</th>
<th>Total £’m</th>
<th>Adjusting items £’m</th>
<th>Adjusted profit £’m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>5,628</td>
<td>(1,730)</td>
<td>7,358</td>
</tr>
<tr>
<td>UK statutory rate of taxation (19%)</td>
<td>1,069</td>
<td>(329)</td>
<td>1,398</td>
</tr>
<tr>
<td>Differences in overseas tax rates</td>
<td>318</td>
<td>(48)</td>
<td>373</td>
</tr>
<tr>
<td>Benefit of intellectual property incentives</td>
<td>(600)</td>
<td>39</td>
<td>(646)</td>
</tr>
<tr>
<td>R&amp;D credits</td>
<td>(119)</td>
<td>(19)</td>
<td>(100)</td>
</tr>
<tr>
<td>Permanent differences on disposals, acquisitions and transfers</td>
<td>275</td>
<td>(16)</td>
<td>291</td>
</tr>
<tr>
<td>Other permanent differences</td>
<td>82</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>Re-assessments of prior year current tax estimates</td>
<td>(60)</td>
<td>9</td>
<td>(69)</td>
</tr>
<tr>
<td>Re-assessments of prior year deferred tax estimates</td>
<td>(233)</td>
<td>(67)</td>
<td>(166)</td>
</tr>
<tr>
<td>Changes in tax rates</td>
<td>(25)</td>
<td>(41)</td>
<td>16</td>
</tr>
<tr>
<td>Tax charge / (credit)</td>
<td>707</td>
<td>(430)</td>
<td>1,137</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>12.6%</td>
<td>24.9%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

GSK’s effective tax rate (the tax charge for the year expressed as a percentage of the profit before tax) differs from the UK statutory tax rate (19% for 2022) principally as a result of:

- the jurisdictional split of profits and the applicable jurisdictional tax rates. This is influenced by product sales and the ownership of intellectual property, the profits on which may be eligible for innovation incentives such as the UK and Belgian patent box regimes;
- Innovation incentives providing tax relief related to GSK R&D expenditure, designed to stimulate employment and investment in R&D;
- permanent differences which arise where there are items recognised for accounting purposes but not for tax purposes and vice versa – an example of this is taxes on intra-group dividends;
- a reassessment of estimates of uncertain tax positions following settlement of a number of open issues with tax authorities; and
- the impact of deferred tax items which are taxable or deductible in future periods becoming subject to different tax rates.

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## Glossary

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advance Pricing Agreements (APA)</strong></td>
<td>An agreement between a taxpayer and tax authority(ies) determining the transfer pricing methodology for pricing the taxpayer’s international transactions for a certain period.</td>
</tr>
<tr>
<td><strong>Arm’s length principle</strong></td>
<td>The principle stating that the amount charged by one related party to another for a given product must be the same as if the parties were not related.</td>
</tr>
<tr>
<td><strong>Cash tax</strong></td>
<td>The amount of tax actually paid by an entity to meet tax obligations during a specific time period. This may include payments in respect of a liability from the previous financial year as well as payments on account in respect of the current year.</td>
</tr>
<tr>
<td><strong>Corporate income tax</strong></td>
<td>Tax levied by jurisdictions on the profits of a company which is tax resident there.</td>
</tr>
<tr>
<td><strong>Customs duty</strong></td>
<td>A tax levied on imports (and, sometimes, on exports) by the customs authorities of a country.</td>
</tr>
<tr>
<td><strong>Deferred tax</strong></td>
<td>An accounting adjustment required to the group tax charge when an item is included in the financial statements in one year but is taxed in another year – for example, some payments to the Group pension funds in accordance with IFRS.</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>The tax charge for the year shown as a percentage of the profit before tax.</td>
</tr>
<tr>
<td><strong>HMRC</strong></td>
<td>HM Revenue &amp; Customs, the UK’s tax, payments and customs authority.</td>
</tr>
<tr>
<td><strong>IFRS</strong></td>
<td>A common set of accounting standards set by the International Financial Reporting Standards Foundation.</td>
</tr>
<tr>
<td><strong>Indirect tax</strong></td>
<td>A tax levied on goods and services rather than on income or profits. Customs duty, excise, stamp duty and value added tax are examples of indirect tax.</td>
</tr>
<tr>
<td><strong>OECD</strong></td>
<td>The Organisation for Economic Co-operation and Development is an intergovernmental economic organisation founded in 1961 to promote economic growth, prosperity, and sustainable development. They encourage and coordinate international collaboration on tax matters to promote consistency and best practice.</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>A company’s profits after deducting all expenses from revenue (including operating expenses and interest) except for corporate income taxes.</td>
</tr>
<tr>
<td><strong>Transfer pricing</strong></td>
<td>Rules and methods for pricing transactions between enterprises under common ownership or control.</td>
</tr>
</tbody>
</table>