ABB Tax policy

ABB seeks to comply with all applicable laws and regulations in the countries where it operates. This is no different when it comes to taxation. ABB acts as a responsible global corporate tax citizen in compliance with applicable tax law and regulations.

ABB is committed to maintaining an open and honest dialogue with regulators. It is ABB’s policy to provide transparent and comprehensive information to tax administrations in order to facilitate their understanding of the tax-related decisions taken by ABB.

ABB actively engages in and supports the development of a rules-based international tax framework. ABB looks to tax policy makers to implement international tax reforms in a coherent, coordinated way so that there is a level playing field and the risk of paying tax twice on the same income is minimized. In particular, ABB supports the OECD international tax reform work on Base Erosion and Profit Shifting (BEPS).

The taxes ABB pays play a key role in the development of countries where it operates. ABB must balance its responsibilities as a compliant taxpayer in each and every country in which it operates with the need to support competitive business growth. Therefore, ABB may from time to time take business decisions, such as restructuring an operation, that may impact a particular country’s tax revenue.

ABB operates throughout the world. As a result, there are many transactions between ABB Group companies. In line with internationally recognized standards for cross border transactions, the pricing for these transactions must reflect an arm’s-length price. The pricing is driven by the activities undertaken and the value created. This approach is consistently taken in all countries where ABB operates.

The level of ABB’s Group effective tax rate as a percentage of pre-tax profits reflects the geographic spread of the results over the years and the application of tax regulations in countries where ABB operates. A specific target range for the Group effective tax rate is therefore difficult to determine and depends on the profitability of local operations and the development of local tax laws/regulations. Nevertheless, ABB anticipates that its sustainable mid-term effective group tax rate should be around 27 percent.

The Tax Function is organized as a global Center of Expertise, which allows ABB to invest in continuing professional development, apply standardized processes and a consistent tax policy. The Tax Function ensures that expertise and guidance is available for all major tax disciplines and jurisdictions. ABB’s tax team is part of the Finance function, which reports to the Group’s Chief Financial Officer and indirectly to Chief Executive Officer, the Board of Directors and Finance Audit and Compliance Committee.

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