

Background

IBM creates value for clients by providing integrated solutions and products that leverage data, information technology, and deep expertise in industries and business processes, with trust and security and a broad ecosystem of partners and alliances. IBM solutions provide new capabilities for clients that transform their businesses and help them engage with their customers and employees in new ways.

At IBM, for over one hundred years, we have always taken the long view. That means grounding strategy and business decisions in core values that endure through decades of political, technological and societal change. IBM also has a strong tradition and commitment of exemplary corporate citizenship. We feel a deep sense of responsibility both inside and outside the company -- a focused determination to enhance the communities in which we do business.

IBM Tax Governance Policy - Guiding Principles

IBM's approach to tax governance is aligned with IBM's core values. The guiding principles with respect to its global tax obligations are:

- Compliance: Comply with all tax laws, regulations and reporting and disclosure requirements
- Collaboration: Maintain a relationship with the tax authorities based on collaboration and integrity
- Risk Management: Apply diligence and care in the management of all tax-related activities
- Governance: Maintain a governance framework consistent with IBM's broader corporate governance policies.

Compliance

All of IBM's revenue is subject to tax and substantially all of its revenue is reported in the same country where its clients are located. IBM files all tax returns and disclosures and timely remits taxes due as required by local laws and regulations.

Collaboration

IBM is subject to the continuous examination of its income tax returns by the U.S. Internal Revenue Service and almost all other tax authorities around the world. IBM's approach to audits is uniform: we engage in open and respectful dialogue with the tax authorities, respond to audit inquiries in a timely manner, and disclose all relevant facts.

We work closely with governments to provide business perspective and assist in addressing business or technical guidance questions pertaining to draft tax regulations and policies. IBM also participates in various business industry groups which advocate for predictable, stable, and transparent tax policies and tax administrative practices. Many of the industry groups provide technical input on tax policy and the impact of such regulatory approaches on the business community.

Regarding advocacy, whether through industry groups or alone as IBM, we do not espouse a partisan or political point of view. IBM is also committed to meaningful management, oversight, and accurate

reporting with respect to our engagement with government officials. [More information on IBM's public policy program can be found here.](#)

IBM often seeks advance rulings or advance pricing agreements with the relevant tax authorities, to provide upfront assurance to the business in support of the decision-making process. IBM discloses all material facts with respect to any ruling request.

Risk Management

The IBM Tax function supports the global business through prudent tax planning, to ensure that the Company is taxed consistent with its business operations and substance. Whether it involves financing daily operations, funding acquisitions, or restructuring the business, everything we do is designed to support these business needs. Investment decisions are based on market potential, skills, talent, and infrastructure. While tax factors such as incentives are considered in making a business decision, tax factors by themselves do not drive the business decisions.

The IBM Tax function is committed to the highest standards, and our tax professionals are experts in the relevant tax laws and regulations that apply to IBM around the world. IBM Tax provides regular training to its professionals on tax, finance and other areas.

IBM believes that it is important to pay the correct amount of tax at the right time, under all relevant laws and regulations. We defend ourselves against unprincipled or inaccurate tax assessments and challenge taxes that we do not believe we owe. We operate an effective tax control framework to identify key tax risks and to manage those risks through appropriately designed and operated controls, policies, and processes. Importantly, IBM's transfer pricing complies with country-specific transfer pricing rules and is in accordance with OECD Transfer Pricing Guidelines. IBM's transfer pricing policies have fundamentally remained consistent for decades and are applied globally and consistently across the globe.

Where the law is uncertain IBM seeks direct communication with the government (through a ruling process) or robust written tax advice from independent external tax advisors.

Governance

IBM management regularly apprises the Board of Directors on the company's financial metrics, including tax. IBM's approach to tax governance is inextricably linked to its robust corporate governance policies, which are designed to ensure compliance in all aspects of corporate activities. [Please click here for a description of IBM's corporate governance practices.](#)

IBM will continue to adhere to its tax governance policy in accordance with these guiding principles.