

Tax Strategy

Year ending 31 December 2023

Introduction

The Society's commitment is to be a responsible taxpayer paying the right amount of tax at the right time and maintaining an open and constructive working relationship with the tax authorities.

As set out in the Group Responsible Business Report, the Society understands the corporate responsibility it holds towards its members, its people and wider society. The Society's approach to its tax affairs is driven by this understanding and is consistent with its commitment to building a better, more sustainable society for all.

Tax planning

The Group recognises that it has an obligation to pay tax in each jurisdiction in which it operates and that it should ensure that it pays the right amount of tax at the right time in each of those jurisdictions.

Tax planning supports the commercial imperatives of the Group and will not be undertaken solely for any tax savings arising. Claims for tax incentives will not be made nor planning undertaken where the result obtained is not clearly intended by Parliament. Independent advice will be sought where there is any doubt regarding the intentions of Parliament and the results of any proposed planning.

Governance

The tax strategy is a Board owned policy and is the responsibility of the Group Chief Financial Officer. Day-to-day compliance is delegated to the Director of Group Finance. The strategy is reviewed and approved annually by the Board (last approved September 2023) and a twice yearly tax update is provided to the Board Audit Committee.

The Society has signed up to the Code of Practice on Taxation for Banks ('the Code') and our strategy is aligned with the requirements of the Code. The Group is regarded as a low-risk business by HMRC and this status is valued by the Board and its maintenance is a key objective for the Group Tax teams.

Tax risk management

The activities of the Group are largely UK based and the Group tax teams are responsible for managing tax on its UK operations. Where the Group operates in overseas jurisdictions, currently Guernsey and New Zealand, this is purely for commercial reasons and not tax driven. Appropriately qualified local specialists assist Group companies in non-UK jurisdictions.

The tax risks impacting the Group can be considered under three headings:

Reputational

That the Society does not meet the expectations of its members and people in respect of its tax responsibilities

Compliance

That tax returns, payments and information exchanges are not made accurately and on time.

Transactional

That the tax implications of new products or asset/business acquisitions and sales are not properly considered and understood.

Tax risks are closely monitored with regular reviews of tax risks conducted by the Director of Group Finance in conjunction with the Operational Risk team; tax processes are also subject to periodic scrutiny by the Society's Internal Audit team. Tax risks are included within the Group's risk monitoring framework and are reported to the Board Risk Committee, as appropriate, under that framework.

The main tax risk mitigants are the employment of appropriately qualified staff within the Group Tax teams and the close involvement of the teams in the commercial decisions of the Group.

Tax risk appetite

The Group's appetite for tax risk is very low. Specifically, the Group has zero appetite for undertaking transactions solely for the tax benefits arising and which have no commercial purpose. Similarly, zero appetite is accepted for any consideration of tax evasion or assisting the facilitation thereof, as well as for routine filing and payment obligation risks. Where differences of opinion with HMRC arise in respect of a specific issue the Group will assess the commercial and reputational impacts associated with pursuing its interpretation and, if appropriate, will present its position based on a policy of full disclosure with HMRC.

Relationship with tax authorities

The Group will maintain an open and constructive relationship with the tax authorities in line with its obligations under the Code and consistent with its low risk status. Uncertainties will be discussed with HMRC in real time wherever possible to allow tax returns to be filed on time and with certainty and to assist with capital planning.

This statement complies with the Group's obligation under section 16(2) of schedule 19 Finance Act 2016

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