

# Our approach to tax

**We aim to comply fully with UK tax rules to ensure we pay the right amount of tax at the right time. We consider tax risks and opportunities as part of running our business, however, we take a prudent approach and do not enter into transactions designed to obtain artificial or aggressive tax outcomes.**

**This UK tax strategy applies to the Society of Lloyd's, sometimes known as the Corporation of Lloyd's (the "Corporation"), and its subsidiaries.**

## Corporation overview

The Corporation was incorporated in the UK by the Lloyd's Act 1871. The activities of the Corporation are governed by statute and managed by the Council of Lloyd's in accordance with the Lloyd's Act 1982.

The Corporation's principal activities are

- to facilitate the carrying on of insurance business by the Members of Lloyd's;
- the advancement and protection of the interests of the Members of Lloyd's; and
- the provision of market infrastructure, including maintenance of the Central Fund (where assets are held primarily for the protection of policyholders).

The main source of income of the Corporation is subscriptions from the Members of Lloyd's and investment return on assets held in the Central Fund.

## Scope

This tax strategy applies to the Corporation and its subsidiary undertakings in relation to the management of the UK taxes stipulated in Paragraph 15(1) of Schedule 19 to Finance Act 2016. The Corporation regards publication of this document as complying with its duty under Paragraph 16(2) of Schedule 19 to Finance Act 2016 for the financial year ending 31 December 2019.

This tax strategy does not apply to the underwriting Members of Lloyd's each of whom is a separate legal entity responsible for managing its own UK tax affairs.

## Key roles and responsibilities

The Council of Lloyd's is the governing body of the Corporation and has ultimate responsibility for the overall management of the business. The Council of Lloyd's has delegated responsibility for the management of the tax function to the Franchise Board, which in turn has delegated this responsibility to the Chief Financial Officer (under Section 4 of the Lloyd's Governance Terms of Reference).

Day-to-day management of the tax function is the responsibility of the Head of Tax who reports to the Chief Financial Officer.

### **Governance of tax risk**

Tax forms part of the wider approach to identifying and reporting risks set by the Risk Committee and is subject to internal audit review. The tax function, led by the Head of Tax is responsible for monitoring and documenting tax risks on an on-going basis.

Tax risks with either a reputational or significant financial impact are reported to the Chief Financial Officer and through the risk management function to the Risk Committee. If required, tax risks can be further escalated to the Franchise Board and / or Council of Lloyd's.

### **Risk appetite**

There is no bright-line test for the level of tax risk the Corporation and its subsidiaries are willing to accept. We aim to comply fully with UK tax rules to ensure we pay the right amount of tax at the right time.

Notwithstanding this, we accept that UK tax law is complex and that we will not always get everything right or be in full agreement with HM Revenue and Customs' ("HMRC") interpretation of the law.

### **Approach to tax planning**

We consider the tax impact of business decisions as part of running our business. We aim to claim any and all UK tax reliefs to which we are entitled to ensure we are providing a "value for money" service to the Members of Lloyd's. We are risk averse in our choices; we focus always on the commercial rationale for what we are doing and that drives our behaviour. We seek tax efficient structures where there are choices but do not seek to obtain an artificial or aggressive tax outcome.

The in-house tax function contains tax-trained and non tax-trained staff who are all required to undertake continuous professional development to ensure they maintain the relevant knowledge and skills required for their role.

External tax advice is usually obtained for complex tax matters, where the law is unclear or where there is significant tax at stake to augment the knowledge, skills and experience of the in-house tax function.

### **Approach to dealing with HMRC**

We aim to have an open and collaborative working relationship with HMRC. We are straightforward and transparent in our communications with HMRC and act with integrity at all times. HMRC rated the Corporation 'low risk' in their 2016 Business Risk Review.

We aim to

- proactively manage tax issues by engaging with HMRC upfront where there is significant uncertainty in the interpretation of UK tax law;
- respond to queries from HMRC promptly and constructively;
- make full and unprompted disclosure to HMRC if we discover inadvertent errors in historic tax returns; and
- contribute to consultations in relation to developments in UK tax law that may affect the Corporation and its subsidiaries and where we feel our view would be helpful to Government.