

# Our approach to tax

**We aim to comply with 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 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 sources of income of the Corporation are subscriptions from the Members of Lloyd's and investment returns 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 2021.

This tax strategy does not apply to the underwriting Members of Lloyd's each of whom is a separate legal person (or partnership whose partners are legal persons) responsible for managing their 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. Day-to-day management of the tax function is the responsibility of the Head of Tax who reports to the Chief Tax Officer who reports to the Chief Financial Officer.

## **Governance of tax risk and risk appetite**

Tax forms part of the wider approach to identifying and reporting risks set by the Risk Committee and is subject to an internal control framework. The tax function led by the Chief Tax Officer is responsible for monitoring and documenting tax risks on an on-going basis and maintaining a risk register to manage tax risk.

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 Council of Lloyd's.

We aim to comply with tax rules in every country in which we operate to ensure we pay the right amount of tax at the right time.

Notwithstanding this, we recognise that tax law is complex and that we will not always get everything right or be in full agreement with HM Revenue and Customs' ("HMRC") or other tax authorities' 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 tax reliefs to which we are entitled to ensure we are providing a "value for money" service to the Members of Lloyd's. We implement tax efficient structures where there are choices but do not seek to obtain artificial or aggressive tax outcomes.

The in-house tax function contains appropriately qualified and experienced staff who are 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 new, 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 communicating regularly on a real-time basis. We are straightforward and transparent in our communications with HMRC and act with integrity.

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, its subsidiaries or the wider Lloyd's market and where we feel our view would be helpful to Government.