

Our approach to tax

We aim to comply fully 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 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 2020.

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. Until 31 May 2020 the Council of Lloyd's delegated responsibility for the management of the tax function to the Franchise Board, which in turn delegated this responsibility to the Chief Executive Officer and through him to the Chief Financial Officer (under Section 4 of the Lloyd's Governance Terms of Reference). From 1 June 2020 Lloyd's merged the Franchise Board into the Council of Lloyd's but this has had no direct impact on the management of the tax function. Day-to-day management of the tax function is the responsibility of 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 fully 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 accept 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 focus on the commercial rationale for what we are doing and observe both the letter and spirit of the law. 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 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 at all times.

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.