

**Santander UK Group Holdings plc**

**Taxation Strategy 2017**

**About this report**

The Taxation Strategy Report sets out the policy and approach of Santander UK Group Holdings plc and its subsidiaries to conducting its tax affairs and dealing with tax risk.

By order of the Board.

**Nathan Bostock**

Chief Executive Officer

27 February 2018

## TAXATION STRATEGY 2017

### Introduction

This document sets out the policy and approach of Santander UK Group Holdings plc and its subsidiaries to conducting its tax affairs and dealing with tax risk. This document has been approved by the Board of Directors.

We comply with all our tax obligations, making appropriate returns and payments in a timely and responsible manner.

### Level of Tax Risk

We have a low risk tax strategy which is consistent with our adherence to Her Majesty's Revenue and Customs (HMRC) Code of Practice on Taxation for Banks (the Code) and supported by our Tax Management Policy (the Policy).

### Tax Risk Management

We define tax risk as the risk of non-compliance with domestic and international tax regulations due to either incorrect interpretation of legislation, regulations or guidance, or inaccurate or late reporting, which could lead to financial penalties, additional tax charges or reputational damage.

Tax risk is mitigated by:

- Ensuring that our internal governance in relation to all tax matters is appropriate and relevant;
- Ensuring that we comply with all applicable tax laws and regulations; and
- Embodying the tax planning strategy envisaged by the Code, noting that a failure by us to fulfil our obligations under the Code is likely to lead to significant reputational damage.

We operate a Policy which supports our low risk tax strategy, ensures compliance with the Code, mitigates any reputational risk by delivering accurate and timely tax information, and achieves compliance with our Senior Accounting Officer obligations as required by Schedule 46 of Finance Act 2009. The Policy is reviewed at least annually and is approved by the Executive Committee.

The Policy is embedded within the business operations and the Tax Department reviews, prior to contracting/inception, all potentially contentious or complex transactions for compliance with the Policy. This review is completed at an appropriate level to provide the relevant tax expertise and challenge and is documented.

Where the outcome of the review undertaken by the Tax Department does not result in a conclusive tax treatment, written advice evidencing the facts, risks and conclusions will be sought from external advisors. Advice will also be sought from external advisors on all material transactions. We will consult with HMRC where the tax treatment of a transaction may be contrary to the intentions of Parliament.

We deal with other Banco Santander Group companies in the ordinary course of business. We do this where we have a particular commercial advantage or expertise, where they can offer us commercial opportunities or where we support the activities of, or with, larger multinational corporate clients and financial institutions which may deal with other Banco Santander companies. In undertaking these transactions we respect the regulations on transfer pricing.

Santander does not engage in tax evasion and does not provide services with the aim of facilitating tax evasion by customers.

## **Tax Planning**

We have adopted the Code and we have embedded the tax planning strategy envisaged by the Code.

We consider it important for us to maintain a competitive position and to continue to be innovative in both our funding and the products and services we provide to our customers.

To facilitate this, we may enter into tax planning whilst adhering to the following general principles:

- Any tax planning must support genuine commercial activity;
- The tax results it produces should be consistent with the underlying economics of the arrangements; or if not the tax results it produces are not contrary to the intentions of Parliament;
- Rejection of any transactions or business activities that are clearly artificial or which serve no economic purpose other than tax avoidance;
- Rejection of any tax planning that we consider to be aggressive;
- Rejection of the use of structures or special purpose vehicles via tax havens or jurisdictions that do not cooperate with the tax authorities, which are designed with the purpose of preventing the tax authorities from knowing the party ultimately responsible for the respective activities;
- All relevant transactions should be supported by a tax opinion from an appropriate external adviser and this opinion should provide a high level of comfort on all material tax points; and
- Any tax planning should be compliant with the Code.

## **Governance**

The Board delegates responsibility for our business activities and managing risk on a day-to-day basis to the Chief Executive Officer (CEO). The CEO is responsible for ensuring that we have a suitable system of controls to manage risk.

The Director of Financial Accounting & Control (The Director) reports to the CEO and is head of the Financial Accounting & Control Division. The Director has ultimate responsibility for the tax strategy, policies and management of tax risk, with day-to-day responsibility for the operation of these functions resting with the Director of External Reporting, the Head of Taxation and the Tax Department.

The Director receives regular updates on tax matters and reports our tax position regularly to the Board Audit Committee.

## **Relationship with Tax Authorities**

We maintain an open, professional and transparent relationship with the tax authorities in all territories where we have a presence. Our main tax authority is HMRC, with whom we engage in a co-operative, supportive and professional manner in all interactions.

We are open in our discussions with tax authorities and, in particular, aim to establish a clear “no surprises” relationship with both our Customer Compliance Manager (CCM) at HMRC and HMRC more generally. We maintain regular dialogue with our CCM, in which we discuss current, past and future taxation matters and business transactions. We will also consult with HMRC where the tax treatment of a transaction may be contrary to the intentions of Parliament.

We support global and domestic initiatives to modernise the international tax system and to improve tax transparency.

## **Finance Act 2016**

This document is considered to comply with the requirements of Schedule 19 of Finance Act 2016.

### **Contacts**

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