

## **YORKSHIRE BUILDING SOCIETY GROUP ('GROUP') - TAX STRATEGY**

### **1. Policy**

The Board's strategy on managing tax is to have within the Group:

- well defined roles and responsibilities ('management');
- up-to-date and well informed understanding of latest tax legislation and practice ('knowledge');
- robust tax processes ('processes'); and
- adequate control and reporting mechanisms ('control').

### **2. Management**

The Group's approach to tax strategy and risk is ultimately a decision for the Board, generally via delegated authority to the Chief Finance Officer. The day-to-day development and application of strategic and operational tax matters is implemented by the Director of Finance and the Group Tax Manager with the support of the Group Tax team and managers within the business.

Broadly, all departments across the Group consult with Group Tax in relation to matters affecting taxation in reaching business decisions or in implementing changes to products, services and processes.

Group Tax keeps the Board informed of significant developments regarding tax legislation and proactively explores with the wider business those tax developments with the potential to have an impact on the business or its operations. Group Tax supplies appropriate technical advice and guidance to the business, procuring and managing external professional tax advice where appropriate.

### **3. Knowledge**

The Group seeks to maintain a clear and properly informed understanding of its tax obligations by:

- employing sufficient tax specialists (capacity and capability) within its Group Tax team commensurate with the complexity of its activities;
- providing adequate training and other facilities for colleagues to maintain up-to-date knowledge of tax;
- maintaining contact with external professional advisers and obtaining external advice or opinions where appropriate;
- facilitating regular meetings and communication between relevant areas of the business.

### **4. Tax processes**

#### **4.1 Tax compliance**

In order to meet the organisation's tax compliance obligations Group Tax ensures that there are processes and procedures in place to prepare, review and submit tax returns in accordance with the legislation and respond to queries or investigations regarding those returns.

Tax procedure manuals are maintained which cover preparation of all computations and returns prepared by Group Tax. Documented procedures are also in place for other statutory returns and compliance work (mainly associated with members' savings) where Group Tax provides technical advice to Customer Operations, undertakes reviews and submits data to HMRC.

Group Tax is responsible for managing timely submission of all statutory tax returns and interpretation of the relevant tax legislation regarding their content and format.

#### **4.2 Tax planning**

Group Tax provides ongoing advice to the business and undertakes tax planning where appropriate to support commercial activity and pursue business opportunities of the Group. Tax planning is only proposed when tax, accounting, regulatory and legal implications have been evaluated and found to be in accordance with the Code of Practice on Taxation for Banks which the Society adopted in November 2010 and re-adopted in November 2013.

Tax Planning will only be undertaken with the approval of the Chief Finance Officer, who will seek approval from the Board for tax planning of any significance. Where appropriate, tax advice is sought or confirmed by Group Tax with external advisers.



## 5. Control

### 5.1 Control Reporting

Operational risk reports are made by the Group Tax Manager every three months on the effectiveness of internal controls confirming that all specified risks have been managed within the team. Any failures or partial failures are highlighted and discussed.

Internal Audit also undertakes periodic reviews, report the findings and ensure that any deficiencies in processes are rectified.

### 5.2 Control Mechanisms

A variety of controls are used to manage tax risk:

- Maintenance of tax procedure manuals;
- Adherence to Group Tax compliance and planning procedures;
- Continuing review of tax processes and procedures to ensure efficiency of process and compliance with current requirements;
- Regular meetings with auditors or other external tax advisers;
- Maintenance of a 'Tax Risk Process Register' which details 'business as usual' tax risks and controls;
- Maintenance of a 'Tax Risk Register' which details and tracks strategic, or temporary, or potential tax risks and how they are being managed or controlled;
- Continuing review of tax risk and discussion of material tax risks with the Director of Finance (the Senior Accounting Officer for the Group) and Chief Finance Officer where appropriate;
- All agreements with HMRC for the settlement of any significant tax liabilities will be subject to authorisation by the Chief Finance Officer or full Board as appropriate.

## 6. Relationship with HM Revenue and Customs ("HMRC")

The Group seeks to maintain an open and professional working relationship with HMRC and is willing to co-operate with HMRC on any reasonable enquiry into any aspect of its activity that is relevant to its tax liabilities. The Group will approach its Customer Relationship Manager with regard to any significant areas of tax risk and will constructively discuss them in an open manner. The Group Tax Manager reports to the Board twice a year on the status of the Group's tax position including relationship with HMRC, highlighting any specific tax risks under enquiry by HMRC.

All enquiries from HMRC and all correspondence and negotiations with HMRC are managed by the Group Tax Manager on behalf of the Board with support from management and external advisers as appropriate.

