

<b>Tax Procedure</b>	
<b>Enabling Policy Statement; Executive Owner; Approval Route:</b>	Our Operations - Chief Operating Officer - Operations Committee
<b>Is the Procedure for internal use only (Non-disclosable) ?</b>	Disclosable
<b>Associated Policy Statements:</b>	N/A
<b>Authorised Owner:</b>	Chief Finance Officer
<b>Authorised Co-ordinator:</b>	EA to CFO
<b>Effective date:</b>	1 <sup>st</sup> March 2023
<b>Due date for full review:</b>	1 <sup>st</sup> March 2024
<b>Sub documentation:</b>	N/A

### Approval History

<b>Version</b>	<b>Reason for review</b>	<b>Approval Route</b>	<b>Date</b>
1	New Tax Governance Policy	Finance Committee	26/09/14
2	Tax Policy and Strategy	Executive Board	20/09/18
3	Annual review	Finance Committee	30/01/20
3.a	Annual review	Finance Committee	28/01/21
3.b	Annual review	Finance Committee	1 March 2023

### 1. Introduction

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. As such it is potentially exempt from UK taxation in respect of income and capital gains within categories covered by relevant tax legislation and to the extent that such income or gains are applied to exclusively charitable purposes.

In practical terms the above means that all income from the University's charitable activities of providing education and engaging in non-commercially funded research is exempt from UK corporation tax. This includes investment and rental income, and capital gains. The University would be subject to UK corporation tax on profits from its non-charitable activities, were it unable to prove, on an annual basis that it had made an aggregate loss on those activities.

The University and its subsidiaries receive no similar exemption in respect of UK VAT and the University VAT group is partially exempt for VAT purposes. As the majority of the services the University provides are exempt supplies of education and non-business research, it has a low VAT recovery rate on its overheads, which is consistent with the rest of the University sector. This creates extra work to comply with VAT legislation, but also creates opportunities to improve VAT

recoverability. As a charity the University is able to take advantage of various VAT reliefs.

The University's subsidiary undertakings are subject to UK corporation tax in the same way as any commercial organisation, although they may take advantage of Section 471 CTA2010 to mitigate the corporation tax liability through gift aid.

The University is responsible for complying with UK legislation on income taxes and social security in the same way as any other employer.

As the University's international partnerships and overseas activity increase there are additional requirements for it to comply with all relevant tax and social security legislation in those overseas countries where it operates and/or its employees are based.

## 1.1. Purpose

1.1.1. This procedure sets out how the University (including its subsidiaries) will conduct its tax affairs and manage tax risk.

1.1.2. With the exception of the Introduction above:

1.1.2..1. All references to the "University" apply also to all subsidiary companies.

1.1.2..2. Any references to "tax", "taxes" or "taxation" are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the University has any legal obligations.

1.1.3. This procedure explains how the University will conduct its own tax affairs. It does not specifically cover the requirement, arising from the Criminal Finances Act 2017, for the University to have reasonable procedures in place to prevent the facilitation of tax evasion by one of its "associate" persons (defined as an employee, agent or other person who performs services on behalf of the University).

1.1.4. The University is committed to preventing the facilitation of such tax evasion and is developing procedures to provide a defense against a charge of facilitating tax evasion and the Ethical Conduct Procedure will be amended, where necessary.'

## 2. Scope and Exceptions to the Procedure

### 2.1. Scope

2.1.1. This procedure is applicable to members of Council, Executive Board, and their relevant sub-committees, and to all University and subsidiary company staff engaged in activities where tax may have an impact. This includes:

2.1.1..1. Members of the Finance and Payroll Departments involved in the calculation and reporting of tax liabilities and provision of tax advice to other employees of the University.

2.1.1..2. Members of the Advancement Team involved in reporting and advising on gift aid.

2.1.1..3. Senior managers and other staff involved in budgeting, option appraisals and contract negotiation where taxes may have an impact on the level of income received, or costs borne, by the University.

2.1.1..4. Staff involved in purchase requisitioning and the raising of sales orders.

### 3. Definitions and Terminology

#### 3.1. Definitions

3.1.1. BUFDG – British Universities Finance Directors Group [www.bufdg.ac.uk](http://www.bufdg.ac.uk) - the University sector representative group.

### 4. Procedure

#### 4.1. Key principles

The University will manage its tax affairs in accordance with the following key principles:

4.1.1. The University will comply fully with all relevant laws, rules, regulations, statutory reporting and disclosure requirements wherever it operates.

4.1.2. The University will ensure that the tax procedure is always consistent with the University's overall strategy, its approach to risk management and its core values.

4.1.3. The University will apply professional diligence and care in the proactive management of all risks associated with tax matters and ensure that governance and assurance procedures are appropriate.

4.1.4. The University will foster constructive, professional and transparent relationships with tax authorities, based on principles of integrity and collaboration.

4.1.5. The University will use reliefs, exemptions, incentives and, where appropriate, tax structures, in order to optimise its tax position in the conduct of its activities but will not use them for purposes which are knowingly contradictory to the original intent or spirit of the legislation.

#### 4.2. Risk Management

4.2.1. The University will adopt a risk-based approach to tax management which ensures that all significant tax risks are identified and assessed in terms of likelihood and impact. It will also ensure that appropriate controls are put in place, documented and maintained. It will adopt a generally cautious approach to tax risk.

#### 4.3. Roles and Responsibilities

4.3.1. The Finance Committee, on behalf of Council, has oversight of the University's tax affairs. Finance Committee will receive an annual report on the management of the University's tax affairs to include:

4.3.1..1. A 'proof of tax' reconciliation (i.e. a reconciliation from the pre-tax surplus to the tax charge for the year).

4.3.1..2. Details of any HMRC compliance visits.

4.3.1..3. Details of any internal or external tax audits (including payroll tax or VAT audits).

4.3.1..4. Tax risks and opportunities.

4.3.1..5. Tax fees paid/payable.

4.3.2. The Chief Financial Officer has overall accountability for the University's tax affairs.

4.3.3. Day-to day responsibility for submitting tax returns and ensuring that the correct amount of tax is paid on time rests with the following:

4.3.3..1. The Head of Tax for VAT and Corporation Tax

4.3.3..2. The Head of Reward for employment taxes.

4.3.4. Day to day responsibility for administration of the Gift Aid Scheme rests with the Gift Processing Assistant within the Advancement Team.

#### 4.4. Professional Advisors

4.4.1. The University will engage external tax advisers with extensive knowledge and experience in the Higher Education and not-for-profit sectors.

4.4.2. The University will seek external advice:

4.4.2..1. Where issues are outside the competence of the Finance Department (or Payroll Department in the case of employment taxes).

4.4.2..2. Where there is doubt as to the correct tax treatment and advice will inform the assessment of risk.

4.4.2..3. Where it is more economic to use external support than to apply internal resources.

#### 4.5. Value for Money

4.5.1. The University will ensure that it achieves value for money by:

4.5.1..1. Only paying the tax that it is obliged to pay; and

4.5.1..2. Making appropriate use of internal tax resources and external tax advisors.

#### 4.6. Tax Planning

4.6.1. The University aims to pay the right amount of tax legally due both in the UK and overseas, recognising that it has a fiduciary duty to act exclusively in its best interests as a charity in the management of its affairs and the application of its property to further the University's purposes for the public benefit. This duty makes it appropriate for the University to engage in reasonable and prudent tax planning and to take advantage of available tax reliefs and exemptions relating to charities where these will assist the work of the University, encourage genuine donations and coincide with the purposes for which these reliefs and exemptions were created.

4.6.2. The University will maintain existing tax mitigation measures (including the use of subsidiary companies where appropriate) and will implement new methods of reducing its tax liabilities where legally and ethically possible, thus optimising funds available to fund the University's core activities of teaching and research and further its strategic aims. It will not, however, include mechanisms which could be considered abusive e.g. falling within HMRC's General Anti-Abuse Rule ("GAAR").

4.6.3. The University will seek advance approval from HMRC of any arrangements where there is potential for HMRC to challenge the University's interpretation of legislation and the amount of tax involved is material for audit purposes. This will include approval for VAT recovery methods to be applied to new capital developments.

#### 4.7. Relationship with Tax Authorities

4.7.1. The University seeks to have a transparent and constructive relationship with tax authorities wherever it operates.

#### 4.8. Risk Profile

4.8.1. In relation to its UK operations, the University will seek to establish and maintain a low risk profile with HMRC and thereby minimise HMRC's intervention by:

- 4.8.1..1. Demonstrating openness and competence, adopting open and collaborative professional relationships at all times.
- 4.8.1..2. Replying promptly to HMRC's enquiries.
- 4.8.1..3. Demonstrating strong and reliable systems, processes and controls to support the accurate calculation of tax liabilities.
- 4.8.1..4. Engaging in full, open and early dialogue with HMRC to discuss tax planning, strategy, risks and significant transactions.
- 4.8.1..5. Proactively entering into dialogue with HMRC with regard to issues where the correct treatment is uncertain.
- 4.8.1..6. Working collaboratively with HMRC should disagreements arise to resolve issues by agreement (where possible).
- 4.8.1..7. Only challenging HMRC's decisions via appeal to the tax tribunal when the University has a strong case and the amount of tax at stake is material for audit purposes.

#### 4.9. Dealing with Errors

- 4.9.1. When a mistake is made in respect of information submitted to the tax authorities or tax paid, the University will act swiftly to correct the mistake and inform the tax authorities as required.

#### 4.10. Other

- 4.10.1. The University will respond to HMRC consultations as appropriate, either by direct response to HMRC or via BUFDG.

### 5. Governance Requirements

#### 5.1. Implementation: Communication Plan

- 5.1.1. This procedure will be published on the University website.
- 5.1.2. It will be communicated to all Heads of Department and their equivalents in subsidiary companies for onward dissemination as appropriate.

#### 5.2. Implementation: Training Plan

- 5.2.1. The University will maintain an appropriately qualified in-house tax resource comprising staff with relevant tax, accounting and payroll qualifications and experience. All such staff will be expected to maintain their technical knowledge and undertake continuing professional development.
- 5.2.2. The University will ensure that all relevant Finance and non-Finance staff (see Scope paragraph 1.2) above receive, on joining, training in, and understand, tax legislation and best practice as it applies to their work.
- 5.2.3. Specifically, the Finance Department will:
  - 5.2.3..1. Make available and encourage relevant tax training.
  - 5.2.3..2. Provide tax guidance to those making tax or business decisions as part of their job role, either via the University's website or in specific guidance notes.
  - 5.2.3..3. Encourage staff to ask questions about tax and make suitably qualified staff available to answer those questions.

5.2.3.4. Simplify the tax elements of documents, such as purchase requisitions and sales orders, to make them as user friendly as possible.

5.2.4. The Payroll Department will provide similar guidance in respect of employment taxes.

5.2.5. The University will not provide personal tax advice, with the exception of guidance on PAYE and National Insurance matters which specifically affect the individual's employment with the University.

5.2.6. Relevant Finance and Payroll staff and staff from the subsidiary companies will attend conferences and workshops (including those organised by the University's external tax advisers, BUFDG and the Charity Tax Group) to help ensure that the University operates best practice within the Higher Education and Charity sectors.

5.2.7. They will also be expected to monitor and actively contribute to BUFDG discussion boards on tax related issues.

### 5.3. Review

5.3.1. This procedure will be reviewed on an annual basis.

5.3.2. The operational owner will be responsible for any minor changes between formal reviews e.g. changes of role titles or other titles or names which do not change the meaning of the policy.

### 5.4. Legislative Context and Higher Education Sector Guidance or Requirements

5.4.1. The University is required to comply with UK tax legislation and case law.

5.4.2. It is also required to comply with tax legislation and case law in any other countries in which it operates or its employees are based.

### 5.5. Sustainability

5.5.1. This Procedure will not have any environmental impact.

## 6. Stakeholder Engagement and Equality Impact Assessment

6.1. An Equality Impact Assessment was completed on 09/02/2023 and is held by the Authorised Co-ordinator.

6.2. Stakeholder Consultation was completed, as follows:

Stakeholder	Nature of Engagement	Request EB Approval (Y/N)	Date	Name of Contact
Governance	Development and creation of this procedure v3.b	N	Feb 2023	Andrea Langley
H&S	Development and creation of this	N	Feb 2023	Matt Purcell

	<a href="#">procedure v3.b</a>			
Sustainability	Development and creation of this <a href="#">procedure v3.b</a>		TBC	TBC