

# TAX GOVERNANCE POLICY

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<b>Section / Dept:</b>	Finance Department
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<b>Related policies:</b>	
<b>Policy history:</b>	New Policy

## Version History

Version	Author	Revisions Made	Date
1	Ruth Anderson	First Draft	

## Approval History

### Equality Analysis

Version	Reviewed by	Comments	Date
1	Jo McCarthy-Holland	Limited Equality Impact Confirmed	24/9/14

### Committee Sign Off

Version	Committee Name	Date of Sign Off
1	Executive Board	18/9/14
1	Finance Committee	26/9/14

<b>1</b>	<b>Introduction</b>
	<p>The University is partially exempt for VAT purposes. As the majority of the services it provides are exempt supplies of education and research, it has a low VAT recovery rate on its overheads, which is consistent with the rest of the University sector. This creates additional work in complying with VAT legislation, but at the same time creates opportunities to improve VAT recoverability. As a charity the University can take advantage of various VAT reliefs.</p> <p>All income from the University's charitable activities of providing education and engaging in non-commercially funded research is exempt from corporation tax. This includes investment and rental income, and capital gains. The University would be subject to corporation tax on profits from its non-charitable activities, but each year it proves that it makes an aggregate loss on those activities. Should non-charitable activities be profit making, they can be transferred to a subsidiary company and the profits legitimately shielded from tax through use of the Gift Aid scheme.</p> <p>The University is responsible for complying with UK legislation on income taxes and social security in the same way as any other employer. As its international partnerships and activity increases there is the additional requirement that it complies with income tax and social security legislation in those overseas countries where it is operating.</p> <p>The University is able to reclaim tax under the Gift Aid Scheme on qualifying donations to the University.</p>
<b>1.1</b>	<b>Purpose</b>
1.1.1	<p>The aim of the policy is to set out how the University will manage its tax affairs, ensuring that it complies with all relevant legislation - specifically the submission of accurate returns and payment of the right amount of tax at the right time - whilst:</p> <ul style="list-style-type: none"> <li>a) Maximising entitlement to any reliefs; and</li> <li>b) Applying the tax treatment most favourable to the University.</li> </ul> <p>This policy applies in respect of both UK legislation and, where applicable, overseas legislation.</p>
<b>1.2</b>	<b>Scope</b>
1.2.1	<p>This policy is applicable to all staff engaged in activities where tax may have an impact. This includes:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• Staff involved in purchase requisitioning and the raising of sales orders</li> </ul>
<b>1.3</b>	<b>Equality Analysis</b>
1.3.1	<p>An equality analysis has been undertaken and this has determined that no protected groups will suffer adverse consequences as a result of this policy</p>
<b>1.4</b>	<b>Definitions</b>
1.4.1	<p>BUFDG – British Universities Finance Directors Group <a href="http://www.bufdg.ac.uk">www.bufdg.ac.uk</a></p>

<b>1.5</b>	<b>Legislative context</b>
1.5.1	The University is required to comply with UK tax legislation and case law. It is also required to comply with tax legislation and case law in any other countries in which it operates.
<b>1.6</b>	<b>Health &amp; Safety Implications</b>
1.6.1	Not Applicable
<b>2</b>	<b>Policy – Principles and Procedures</b>
<b>2.1</b>	<b>Risk Management</b>
	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.
<b>2.2</b>	<b>Roles and Responsibilities</b>
2.2.1	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: <ul style="list-style-type: none"> <li>• A 'proof of tax' reconciliation (i.e. a reconciliation from the pre-tax surplus to the tax charge for the year)</li> <li>• Details of any HMRC compliance visits</li> <li>• Details of any internal or external tax audits (including payroll tax or VAT audits)</li> <li>• Tax fees paid/payable</li> <li>• Tax risks and opportunities (in conjunction with the University's tax advisers)</li> </ul>
2.2.2	The Chief Financial Officer has overall accountability for the University's tax affairs.  The Vice-President, Human Resources is responsible for ensuring that appropriate systems, processes and controls are in place to identify and calculate accurately the liability for employment taxes.  Day-to day responsibility for submitting tax returns and ensuring that the correct amount of tax is paid on time rests with the following: <ul style="list-style-type: none"> <li>• The Financial Accountant for VAT and corporation tax</li> <li>• The Payroll Manager for employment taxes.</li> </ul> Day-to-day responsibility for administration of the Gift Aid Scheme rests with the Gifts Officer in the Alumni and Development Office.
<b>2.3</b>	<b>Staff Training and Qualifications</b>
2.3.1	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.
2.3.2	The University will ensure that all relevant Finance and non-Finance staff (see Scope paragraph 1.2.1) above are suitably trained in, and understand, tax legislation and best practice as it applies to their work.

	<p>Specifically, the Finance Department will:</p> <ul style="list-style-type: none"> <li>• Make available and encourage relevant tax training</li> <li>• Provide relevant tax guidance to those making tax or business decisions as part of their job role, either on the University's website or in specific guidance notes</li> <li>• Encourage staff to ask questions about tax and make suitably qualified staff available to answer those questions</li> <li>• Simplify the tax elements of documents, such as purchase requisitions and sales orders, to make them as user friendly as possible</li> </ul> <p>The Payroll Department will provide similar guidance in respect of employment taxes where these impact on decisions made by staff as part of their job role.</p> <p>The University will not provide personal tax advice, with the exception of guidance on PAYE and NI matters which specifically affect the individual's employment with the University.</p>
2.3.3	<p>Relevant staff 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.</p> <p>They will also be encouraged to monitor and actively contribute to BUFDG discussion boards on tax related issues.</p>
<b>2.4</b>	<b>Professional Advisers</b>
2.4.1	The University will engage external tax advisers with extensive knowledge and experience in the Higher Education and not-for-profit sectors.
2.4.2	<p>The University will seek external advice:-</p> <ul style="list-style-type: none"> <li>• Where issues are outside the competence of the Finance Department (or Payroll Department in the case of employment taxes)</li> <li>• Where there is doubt as to the correct tax treatment and advice will inform the assessment of risk; or</li> <li>• Where it is more economic to use external support than to apply internal resources</li> </ul>
<b>2.5</b>	<b>Value for Money</b>
2.5.1	The University will ensure that it achieves value for money by only paying the tax that it is obliged to pay and by keeping tax advice fees low.
<b>2.6</b>	<b>Tax Planning</b>
2.6.1	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. It will not, however, include mechanisms which could be considered abusive i.e. falling within the General Anti-Abuse Rule.
2.6.2	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 significant. This will include approval for VAT recovery methods to be applied to new capital developments.
<b>2.7</b>	<b>Relationship with HMRC</b>
2.7.1	<u>Risk Profile</u>
	The University will seek to establish a low risk profile with HMRC and thereby minimise HMRC's intervention by:

	<ul style="list-style-type: none"> <li>• Demonstrating openness and competence</li> <li>• Replying promptly to HMRC's enquiries</li> <li>• Demonstrating strong and reliable systems, processes and controls to support the accurate calculation of tax liabilities</li> <li>• Only challenging HMRC's decisions when the University has a strong case and the amount of tax at stake is significant</li> </ul>
2.7.2	<u>Dealing with Errors</u>
	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 where required.
<b>3</b>	<b>Governance Requirements</b>
<b>3.1</b>	<b>Responsibility</b>
3.1.1	<p>The Chief Financial Officer has overall responsibility for this policy.</p> <p>The Deputy Director, Corporate Finance has responsibility for ensuring that it is effectively implemented, progress monitored and that the policy is regularly reviewed.</p>
<b>3.2</b>	<b>Implementation / Communication Plan</b>
	This policy will be communicated to all Heads of Department via a Leaders Alert, for onward dissemination as appropriate.
<b>3.3</b>	<b>Exceptions to this Policy</b>
	N/A
<b>3.4</b>	<b>Supporting documentation</b>
	N/A