

At PwC, our purpose is to build trust in society and solve important problems. Overseen by our Chairman, it drives what we say and do in our everyday work by informing our choice, shaping the debates, guiding our decision-making, and inspiring us to make extraordinary efforts.

# *PwC UK – Tax Strategy*



This tax strategy document sets out our approach to managing the Firm's own tax affairs. It, along with our underlying operational governance in relation to our tax affairs, has been approved by our Chief Operating Officer and is subject to periodic review by our Executive and Supervisory Boards.

This tax strategy document is published by PricewaterhouseCoopers LLP and the group of UK companies primarily held through its wholly owned subsidiary, PwC Holdings (UK) Limited.

It is compliant with the requirements of Schedule 19 of Finance Act 2016.



*Find out more about how our purpose and strategy are aligned*

## About us

- At PwC our culture is built on acting ethically, responsibly and with the integrity to do the right thing. These principles provide the strong bedrock for how we conduct our own affairs as well as how we work with our clients.
- Building and embedding this culture is a major focus of our Executive Board. It underpins so much that is important to us: our reputation, our ability to deliver high quality work and our credibility with our key stakeholders.

## Corporate sustainability

- We see sustainability not only as continuous improvement to business-as-usual, but also about our influence in the world. It's about how we can deliver long-term value for all our stakeholders.
- Our sustainability strategy is founded on some guiding principles – upholding high professional standards, being transparent, trusted and fair, fostering a culture of partnership and collaboration, valuing the longer-term consequences of our decisions, and leading by example to create a more sustainable future.
- Our sustainability strategy is central to delivering our purpose, and is based around two key principles:
  - being a catalyst for change – using our knowledge, skills, voice, and relationships to work with others and become “part of the solution” through activities that make a difference and influence change in the marketplace with clients and suppliers
  - doing the right thing – advancing an active agenda of issues that are central to responsible business and which create value for our stakeholders.

## Total tax impact

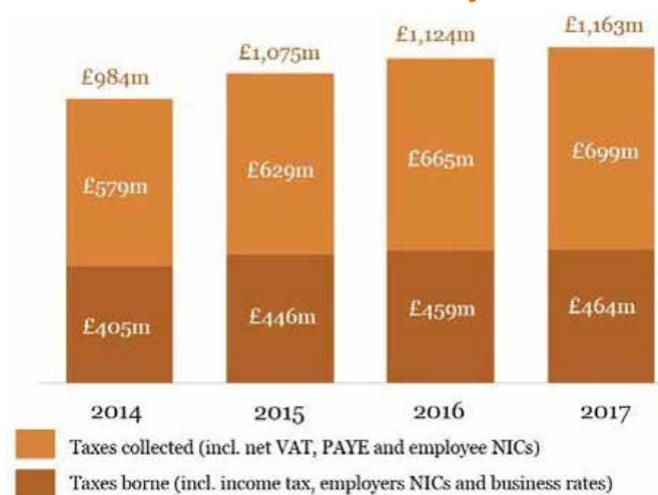
- Our total tax impact is a key part of our Total Impact Measurement & Management framework. This framework, which we are continuing to develop utilises our economic, tax, social and environmental impacts. It's one of the ways we're strengthening our reporting to provide greater transparency for our stakeholders, and improving the information we use for decision making.
- See our Total Impact Measurement & Management (TIMM) for more information around our approach to sustainability, and the full TIMM model.

## Our tax impact 2017 (cf. 2016)



- To arrive at our total tax ‘impact’ as part of the TIMM methodology we take the total taxes borne, and the total taxes collected by us, and add two more items: the taxes our suppliers pay, relating to the goods and services we purchase from them (indirect taxes); and the taxes that our people and the employees of our suppliers pay through spending their personal income in the general economy (induced taxes) which are largely through Value Added Tax.
- In 2017, our total tax impacts increased by 3% over 2016 to £1,814m, which is £300m more than five years ago. The increase relates to higher direct people taxes from an increased payroll and higher production taxes from increased VAT. The increases in payroll and supplier spend also raise our indirect and induced impacts. Our direct environmental taxes, meanwhile, decreased by 44% as we drove down our energy consumption.

## 2017 Total UK Tax contribution for PwC UK



- For our year to 30 June 2017 we contributed around £1,163 million in taxes to the UK economy (2016: £1,124 million).



- The Group and our partners contribute to UK Government finances through both taxes borne and taxes collected and we pay a range of taxes including
  - Income tax
  - Capital gains tax
  - Employment taxes
  - Corporation tax
  - Property taxes
  - Indirect taxes
  - environmental taxes
- The largest tax borne by our partners is on the profits distributed to them. Partner income tax and national insurance contributions payable on distributable profits for 2017 was £278 million (2016: £275 million). In addition to partner taxes a further £186 million (2016: £184 million) of business taxes were borne, with the largest element being national insurance contributions, reflecting the fact that people are essential to our business.
- As well as taxes borne, we collected taxes arising on employment and indirect taxes on behalf of the UK Government of £699 million (2016: £665 million).

### ***Approach to managing risk and developing good governance in relation to the taxation of our affairs***

- We are committed to being a responsible and compliant taxpayer in the countries where we operate and we do this in two ways.
- We maintain robust processes and controls which are designed to minimise the risk of errors arising which could impact the amount of tax that we pay. These processes and controls are regularly monitored, reviewed and tested and underpin the submission of returns prepared by us for our firm, for our partners and, as employer, for our staff.
- Where we contract with suppliers we ensure that we correctly deal with our tax obligations in respect of payments to them.
- The responsibility for our tax affairs rests with our Chief Operating Officer (“COO”) who is a member of our Executive Board. Our Supervisory Board also provides governance over our UK tax affairs.
- Our COO delegates the day to day management of our tax affairs, through the operation of our tax function, to our Designated Tax Partner. Our DTP is authorised to make decisions and sign filings and other documents in relation to our tax affairs on behalf of all of the Partners of the Firm.

### How we structure our own tax affairs

- Our guiding principles and codes of conduct govern how we manage our own taxation affairs. These are supported by both underlying detailed governance and risk management frameworks.
- When structuring our tax affairs we will only ever do so based on sound commercial purposes and we will never act in a way that we believe could be considered inconsistent with our understanding of the intention of Parliament or which could be contrary to any anti abuse legislation.
- Our internal controls and reporting lines aim to ensure that any part of our business intending to undertake a transaction or activity, as respects our own affairs, which is outside the normal course of our business model must always seek approval from our Designated Tax Partner. This is a practice which drives our consistent approach to structuring our affairs.

### Managing risk in relation to our taxation affairs

- We have developed a detailed framework of internal controls to provide a robust and comprehensive approach to managing risk in relation to the taxation of our own affairs. This framework is structured to deliver a level of governance and oversight which is consistent with the standards we adopt to our work when undertaking our broader client engagements.
- This detailed framework is based on the six elements of internal controls and internal quality controls.



Leadership responsibilities for quality within the firm



Human resources



Relevant ethical requirements



Engagement performance



Acceptance and continuance of client relationships and specific engagements



Monitoring

- The framework, along with our other financial and operational systems, are subject to a rolling independent review by our internal audit team with results reported to our COO and Executive Board.
- Our robust and comprehensive approach to managing risk in relation to tax is also underpinned by:
  - Our Code of Conduct (UK Code of Conduct) <https://www.pwc.co.uk/who-we-are/code-of-conduct.html>
  - Our Global Tax Code of Conduct; and <https://www.pwc.com/gx/en/services/tax/code-of-conduct.html>
  - ICAEW Guidance:- Professional Conduct in Relation to Taxation <http://www.icaew.com/technical/tax/pcrt>
- Our Partners are also required to conduct their personal affairs in a way which is aligned with our Code of Conduct.

### Dealing with tax authorities

- We engage openly and constructively with HM Revenue & Customs on matters relating to our tax affairs. We share information about our commercial developments or transactions, especially where there are complex tax treatments. Where necessary we will seek formal or informal clearance from HMRC on uncertain tax positions insofar as they relate to our tax affairs.
- Tax can be very complex so we approach our obligations with an appropriate level of analysis and consideration. Where we cannot reach agreement with HMRC on the interpretation of law and there is no other practical means of achieving agreement, we may test the matter in the Courts. We aim to collaborate appropriately with HMRC on the conduct of such actions.

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