Building Public Trust Through Tax Reporting

Tax transparency to whom and for what purpose?

Examples of voluntary reporting from UK listed companies

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pwc

www.pwc.co.uk/services/tax/tax-transparency.html

"No matter how long the report is, everything hasn't already been said, if the story of the business isn't clear.

And even when the reporting is clear and succinct, and honest and balanced, what about the people who are listening?

They matter because businesses do well when they're trusted. And trust has to be bestowed – by others."

Extract from a speech made by Lady Susan Rice CBE, on corporate reporting, at the PwC Building Public Trust Awards in Corporate Reporting, September 2016.

Contents

Foreword

Tax is no longer considered to be a private matter for companies, but is increasingly viewed as a measure of a company's contribution to the communities in which it operates and as a reflection of a business's broader values and purpose.

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Over the last eleven years, since the first Building Public Trust Awards for tax reporting, we have seen a substantial change in the approach of businesses and governments towards the public reporting of tax. In many cases, tax is no longer considered to be a private matter for companies, but is increasingly viewed as a measure of a company's contribution to the communities in which it operates and as a reflection of a business's broader values and purpose.

We have also seen what happens when businesses enter the media and political spotlight because their tax behaviour appears at odds with the prevailing public and political sentiment. While it is usually the largest companies that make the biggest splash, the tax affairs of smaller companies may also be of interest, if not to the public at large, then to their customers, employees, investors, non-executive directors and other stakeholders.

Governments and regulators, particularly in the European Union, are increasing the level of tax transparency that they require from large companies, especially for corporate income tax. As our work with the 100 Group[1] has shown however, for UK companies, corporate income tax is a relatively small and declining share of the taxes borne by the largest UK companies. Why is it then that governments and campaigning organisations continue to focus their transparency efforts on corporate income tax?

In part it might be that corporate income tax is the most visible tax when it comes to financial reporting – it is a separate line in the income and cash flow statements and is the subject of separate notes to the financial statements. It is also the tax that is the most difficult to allocate between taxing jurisdictions, as demonstrated by the OECD's BEPS[2] project. Governments however continue to use corporate income tax, and in particular the headline tax rate, as a weapon in their fight to attract inward investment – tax competition between states is alive and well. It could therefore be argued that governments are using transparency to square the circle of reducing corporate income tax rates to attract investment and growth, while being able to demonstrate to their electorates that companies are paying their "fair share" and contributing to the communities in which they operate.

The practical outcome of this tension is the growing requirements for mandatory transparency and there have been two significant changes over the last year – the requirement for large business to publish their tax strategy as it relates to UK tax, and further developments in country-by-country reporting.

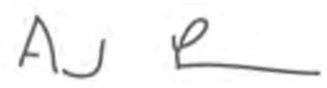
1. http://www.pwc.co.uk/100group

2. Organisation for Economic Co-operation and Development - Base Erosion and Profit Shifting project

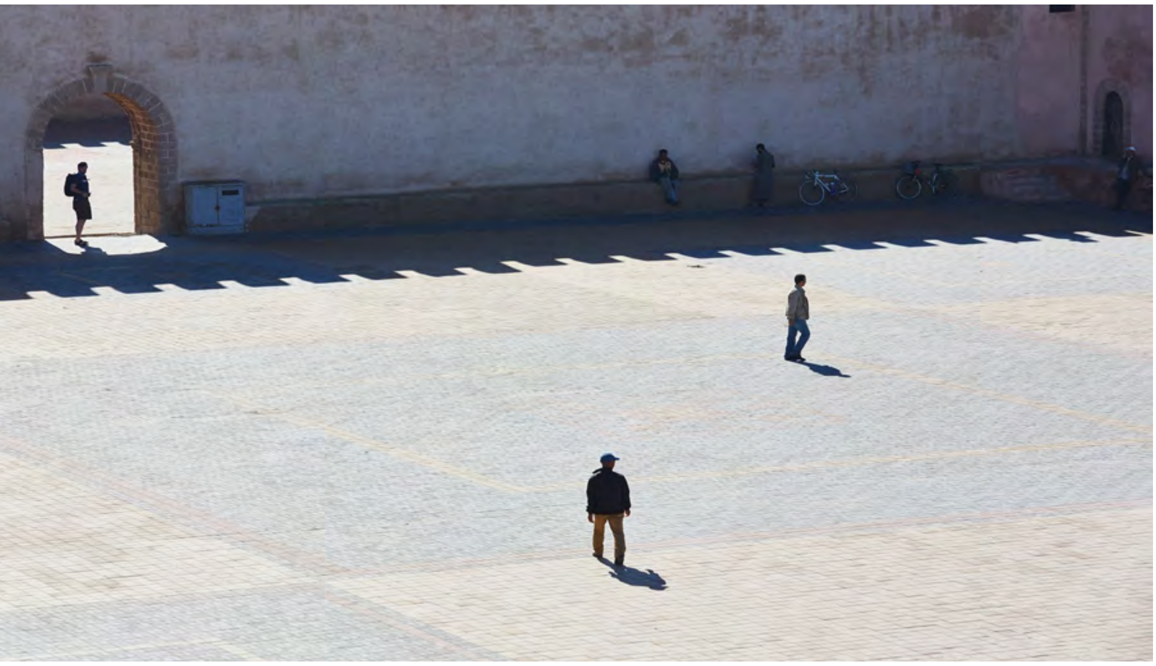
It is against this backdrop that we present this insight into voluntary tax reporting for accounting periods ending in the year to 31 March 2016. We summarise the background to the mandatory requirements for tax transparency and then provide examples of how companies are responding, using voluntary tax disclosures to tell their story. As always, there is a range of approaches and it's important to consider the value that increased transparency will bring. For some companies, where the business case is insufficient, there will be little activity in this area. Others however have dedicated time and energy to developing voluntary disclosures and driving the debate on tax transparency forwards and we salute their efforts.

Our review of public disclosures uses a range of criteria, broadly divided into tax strategy and risk management, tax numbers and performance, and Total Tax Contribution and the wider impact of tax. We use a detailed scoring process and this publication provides examples of good practice as regards the reporting for different types of listed companies in the FTSE100 and FTSE250. We have divided the publication into sections dedicated to companies predominantly operating in the UK, multinational companies and companies operating in the extractive sector, a sector which has taken a lead in the area of tax transparency. Each of these groups has different complexities in their tax affairs and different mandatory reporting requirements that must be met. Each group has a different set of stakeholders with different needs which may or may not be addressed by improving transparency. Each group has a different level of internal tax resource and technological capability to process data. The extracts reflect this diversity; every company will want to consider how best to respond given its own circumstances.

As always, we are interested to hear your views and to understand how the changing tax landscape is impacting your business, so please do let us know your thoughts.



Andrew Packman



Requirement to publish a tax strategy – Legislative requirements

September 2016 saw the requirement come into force for large companies to publish a tax strategy as it relates to UK taxation. The requirement is part of HMRC's large business tax compliance rules, first raised in a consultation in July 2015. At that time, David Gauke, then Financial Secretary to the Treasury, explained the purpose of the legislation:

"While increasing numbers of UK businesses are already being transparent about their approach to taxation, a number are still failing to do so. In addition, there are still a small number of businesses which simply do not play by the rules – persistently engaging in tax avoidance or highly aggressive tax planning, or refusing to engage with HMRC in a full, open and proper way. It would be unfair to the vast majority of businesses not to do more to tackle this problem, and to level the playing field for all."

David Gauke, Financial Secretary, 'Improving Large Business Tax Compliance' consultation document, July 2015.

The commencement date for the legislation, applying to accounting periods beginning after 15 September 2016, means that many companies are assessing whether they are in the scope of the legislation, when they should publish an updated strategy and the required content of the UK tax strategy document. Many are also considering whether additional voluntary disclosures would be helpful.

Who is within scope of the legislation?

Applies to both groups with parent companies inside and outside the UK considered 'qualifying' under Senior Accounting Office (SAO) thresholds (£200m turnover or £2bn assets). Also includes UK companies who have a parent subject to OECD BEPS Country-by-country (CbCR) reporting or would be subject to CbCR in the UK if their foreign parent were UK tax resident.

PwC insight

While many outbound (UK parented) companies are familiar with the changing tax landscape and the scrutiny of companies' tax affairs, this may be a newer concept for some inbound (non UK parented) companies. The legislation includes inbound groups with over EUR 750m worldwide turnover but only a small UK presence and so for a number of companies the new requirement will build on well developed thinking; for others, more briefing and support will be required to help develop the appropriate response.

What should the strategy cover?

There are four areas: the approach of the UK group to risk management and governance arrangements in relation to UK taxation; the attitude of the group towards tax planning (so far as it affects UK taxation); the level of risk in relation to UK taxation that the group is prepared to accept; the approach of the group towards its dealings with HMRC.

PwC insight

Internal documentation on the company's current approach (e.g. Sarbanes Oxley documentation, tax code of conduct, SAO sign off process etc) may cover some of the required areas. Companies are currently reviewing existing material, assessing which elements should be made public and ensuring that any public statements are supported by operational practice and strong systems of internal governance and control.

When is first disclosure required?

Deadline for first publication, which should be on the internet, will be before the end of the first financial year commencing after 15 September 2016. There is a penalty regime for non compliance with fines of at least £7,500.

PwC insight

Companies are already drafting disclosures for review. Some companies have released updated strategy statements and a number have already provided narrative around their view of the new requirement.

But while some companies are focusing on the mandatory requirement for a public tax strategy, others see it as one element of the broader transparency agenda. It is something to take into account when considering the question 'Transparency to whom and for what purpose?'. The tax strategy forms only part of the company's disclosures on tax and contributes to the bigger picture.

Requirement to publish a tax strategy – How are companies responding?

Our review of tax reporting for 2015 year ends identified 64 companies disclosing their approach to tax (see page 12) but there was a broad range of content. Some companies included brief statements, others included more extensive commentary, sometimes covering a number of pages. We reviewed the different areas covered by the FTSE100 when communicating both their approach to tax and tax governance.

Approach to tax planning

Unsurprisingly, companies referred to their compliance with applicable tax laws and to paying tax based on the tax laws in the jurisdictions where they operate. Some also referred to the company's responsibility to pay tax. Figure 1 shows the percentage of companies in the FTSE100 making disclosures as described.

Figure 1: Content of tax strategy disclosures in the FTSE100

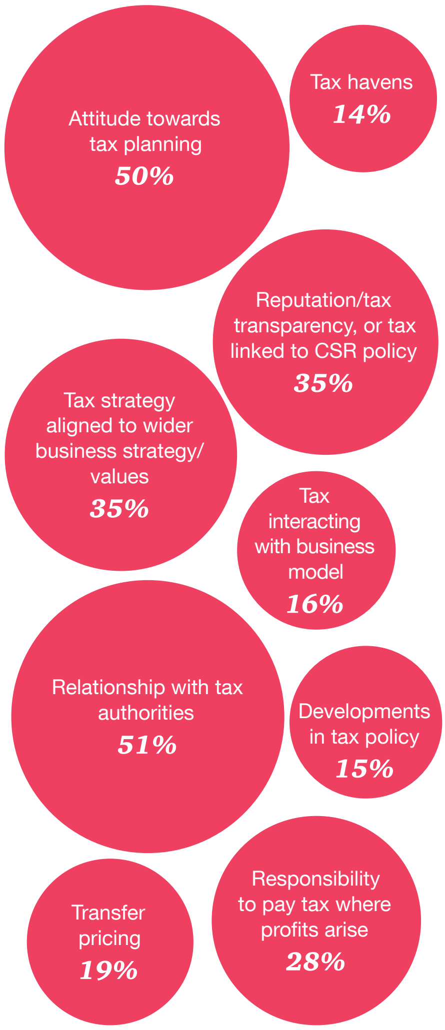


Chart shows % of companies making disclosures as described

Relationship with tax authorities: over half of the FTSE100 referred to their relationship with tax authorities. Examples of content included references to a transparent, professional and constructive relationship of mutual respect, details of the company's risk rating, open and early dialogue, timely responses to requests from tax authorities for information and seeking feedback from HMRC.

Attitude of the group towards tax planning: half of the FTSE100 referred to their attitude to tax planning, many stating that they would not enter into tax arrangements simply to achieve a tax advantage and drawing a distinction between planning using artificial structures and genuine commercial transactions. Some referred to responding to available incentives and exemptions.

Alignment to wider business strategy: 35% of the FTSE100 commented that their tax strategy was consistent with their wider business strategy, confirming that tax was aligned to the rest of the business and the wider business objectives.

Link to reputation/corporate responsibility: 35% of the FTSE100 highlighted that tax is considered to be a reputational issue and made a link between paying tax and corporate responsibility. Some made reference to potential reputational implications and how a company's tax affairs may be perceived.

Tax havens: 14% of the FTSE100 referred to their activities in tax havens, some indicating a general approach to operations in tax havens, others providing details of the number of subsidiaries in tax havens and the rationale behind locating business there.

Responsibility to pay tax where profits arise: 28 companies in the FTSE100 made reference to paying an appropriate amount of tax according to where value is created, reflecting underlying commercial transactions across the business; a focus of the OECD BEPS initiative.

Transfer pricing: 19 companies in the FTSE100 referred to their approach of following the terms of double taxation treaties and relevant OECD guidelines when dealing with issues such as transfer pricing and the establishment of a taxable presence.

Interaction between tax and the business model: 16% of the FTSE100 made some reference to their business model and how tax arises in the value chain. Understanding how the value arises in a company's business model and the resulting tax flows can be challenging. Headlines highlighting a company's high revenues but low tax payments often do not clarify that high revenues are not an indicator of high profit margins or high taxable profits. An explanation of the business model can help with this understanding.

Developments in tax policy: 15 companies in the FTSE100 referred to the changing tax landscape and developments in tax policy. Reference was made to engagement with policy makers, tax administrations, industry bodies and supranational bodies in order to contribute to the development of tax policy.

Governance over tax

Over half of the FTSE100 described the governance over their tax affairs. For some, this was a reference to oversight by the audit committee or the board and for others, more detail around their tax risk framework. Figure 2 shows the level of detail of the governance disclosures in the FTSE100.

The tax risk landscape has changed. Stakeholders increasingly expect organisations to be able to confirm that tax risks are appropriately managed and a company's approach to risk management and governance arrangements now forms part of HMRC's UK tax strategy requirements. The continued demands for increased transparency means that organisations need clarity and oversight around the management of their tax affairs, more so now than ever before. External stakeholders will in turn want to be confident that the organisation clearly understands and is committed to delivering the tax strategy.

Developing your approach

While companies must respond to these new legislative requirements, it is important to consider their strategic approach to tax transparency. Additional voluntary disclosures can create value by building trust and enhancing reputation but they need to be considered carefully and will vary by sector and for different companies. As we explain further on page 8, a strategic approach may address the following situations:

- Transparency to whom and for what purpose?
- Who are your stakeholders?
- What do they want to know?
- What do you want to disclose?
- What are the risks and benefits of additional disclosure?

A considered and agreed approach to these questions will help ensure that companies are keeping pace with the tax transparency debate.

Figure 2 : content of tax governance disclosures in the FTSE100

56 companies

56 companies indicated that the **board or audit committee** had **reviewed, or had oversight of, the tax strategy.**

Of these

29 companies

29 companies gave details of **how the strategy is implemented on a day-to-day basis,** or had **clear governance objectives with evidence of them being met.**

Of these

18 companies

18 companies provided details around areas such as

- The tax risk **profile** or **appetite**
- Details around the **specific controls** in place or the **overriding framework**
- Evidence of how tax risk management is **aligned to risk management in the wider business**

Developments in country-by-country reporting – Legislative requirements

2016 has seen developments in country-by-country reporting (CbCR), the requirement for companies to report tax and some financial information on a country-by-country basis. There are a number of CbCR regimes[3], each designed to achieve a different purpose although with recent developments, CbCR is increasingly being used to look at whether companies are paying the "right" amount of tax in the "right" place rather than simply looking to highlight the amounts of tax that governments are receiving.

The Extractive Industry Transparency Initiative (EITI) is the oldest regime and is very much focussed on governments being held to account for the cash they receive. With the EU Accounting and Transparency Directives (EUAD), the attention moved more towards the payments made by extractive companies in respect of their extractive activity. The inclusion of financial data in CbCR regimes, such as under the EU Capital Requirements Directive IV (CRD IV) and the OECD CbCR regime, has moved the focus towards holding companies to account; the provision of financial data allows ratios to be calculated with the expectation from some that it can be deduced whether a business is paying tax in the "right" place and in the "right" amounts.

Many people however have serious reservations as to whether it is possible to use and interpret CbCR data in this way, potentially leading to more confusion than clarity in many cases. This is not an immediate issue since, for most companies, CbCR disclosures (prepared under OECD BEPS) are for use by tax authorities, to enable governments to identify risk areas and counteract them, and are not publicly available. However, there are two recent developments which indicate that this could change in the future:

- In April 2016, the European Commission put forward a proposal for public CbCR disclosures. This is a proposal at the start of a legislative process so it's unclear whether it will be passed, or in what format. But it's an indication of a trend towards further public country-by-country reporting.
- In September 2016, an amendment was made to the 2016 Finance Bill giving HMRC the power to make regulations requiring OECD CbCR disclosures to be made public, although we understand that the regulations would only be considered when and if there is international agreement on public CbCR.

PwC insight

Some companies are considering additional voluntary disclosures around their CbC reporting to give a full picture of the tax they pay. Current activity includes carrying out dry runs and risk assessments to highlight areas of attention in CbCR disclosures and then considering these in the context of the broader question 'Transparency to whom and for what purpose?' and what, if any, additional information is needed to assist understanding and interpretation of the CbCR disclosures?

3. http://www.pwc.com/gx/en/services/tax/publications/tax-transparency-reporting-an-ever-changing-landscape.html

CbCR under OECD BEPS	Overview
Who needs to report?	Multinational groups with a turnover in excess of €750m operating in OECD member countries and other countries that adopt the OECD guidance.
For which activities do they need to report?	All activities.
Payments to which levels of government?	As only corporate income taxes are to be reported, this will mainly be payments to national governments, though could include local and state governments in some countries.
Materiality.	Entities excluded from financial statements only on size or materiality grounds should be included in the CbCR data. No guidance is given as to the materiality thresholds for the data to be included.
Reporting timeframe.	One year after the end of the relevant financial year.
Where the data needs to be reported.	To be reported to the tax authority in the parent company jurisdiction and shared with other tax authorities through information exchange agreements.
Level of data aggregation.	Financial and tax data is to be reported by tax jurisdiction. In addition, for each entity its place of tax residence, place of legal incorporation and main activities must be provided.
Reporting basis for payments to government.	Tax is reported on both a cash and current year accrual basis.
Audit requirements.	There are no audit requirements.

Developments in country-by-country reporting – How are companies responding?

For many companies, there is no requirement for public CbCR disclosures and understandably voluntary disclosures are more limited than those seen around tax strategy and governance. That said, some people take the view that CbCR data will at some point be publicly available and are considering what voluntary disclosures, if any, would assist with the interpretation and understanding of that data.

For some sectors, notably extractive and some financial services, public CbCR is a reality and two of the examples below are drawn from these sectors. However, this level of disclosure will not be right for everyone - it is essential that companies assess whether additional voluntary disclosures would create value for them.

Barclays is within the provisions of CRDIV and alongside those mandatory disclosures (which are subject to audit) Barclays highlights payments made in respect of employment taxes, irrecoverable VAT and bank levy. There is also commentary around its business activities in each territory.

Country Snapshot 2015		Audited	Audited	Unaudited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
		Turnover	Profit / (loss) before tax	Total tax paid	Corporation tax paid	Social Security paid	VAT paid	Bank Levy paid	Other taxes paid	Public subsidies received	Average number of employees
Country[1]	Commentary	£m	£m	£m	£m	£m	£m	£m	£m	£m	
United Kingdom	We are one of the largest banks in the UK, with operations spanning all business lines. Various factors mean that the profit we report here as being earned in the UK differs from the profits on which we were subject to corporation tax during 2015. As we are headquartered in the UK, the profit figure includes intra-group dividends received, which are not taxed in the UK. Our profit is also after significant expenses including provisions for ongoing investigations and litigation as well as customer redress that are not deductible for UK tax purposes. In addition, the tax payable on our UK taxable profits is reduced through the offset of tax losses from previous years, though new UK tax laws introduced with effect from 1 April 2015 limit the ability to offset losses incurred in prior years to 50% of the taxable profits generated.	15,305	1,292	1,674	159	403	482	553	77	1	48,622

Source: Barclays plc, Our 2015 Country Snapshot – page 4

Vodafone makes voluntary disclosures of payments to governments by country and includes direct and indirect payments as well as fees paid for access to networks. In addition, Vodafone highlights the broader economic contribution it makes in each country, detailing capital investment and direct employment figures.

Australia

	Direct revenue contribution: Tax (£m)	Direct revenue contribution: Non-tax (£m)	Indirect revenue contribution (£m)	Capital investment (£m)	Direct employment
2014–15	13	31	28	209	1,695
2013–14	6	201	32	255	1,651
	We operate mobile services in Australia under a 50:50 joint venture with Hutchison Telecommunications (Australia) Limited with 5.3 million customers as of 31 March 2015. We also support a number of enterprise customers in Australia. We first entered the market in 1992 through the award of a mobile licence to Vodafone Pty Limited and established the joint venture with Hutchison in 2009. Our 2014–15 non-tax contribution was lower than in the prior year as a consequence of a spectrum auction in 2013–14 which increased government receipts in that year.				
Number of legal entities	4				
Legal entities	• Talkland Australia Pty Limited • VAPL No. 2 Pty Limited	• Vodafone Enterprise Australia Pty Limited • Vodafone Hutchison Australia Pty Limited			

Source: Vodafone Group plc, Tax and our total contribution to public finances 2014-15 – page 29

Anglo American makes disclosures under the EU Accounting Directive. In addition to the required disclosures, the company shows the socio-economic development spend in the countries where it operates, identifying amounts paid in the developing world. The disclosure includes capital investment, expenditure with local and other suppliers, wages and corporate social investment and is used to be able to demonstrate the contribution made to countries and communities to build trust and support its social licence to operate in those countries.

Botswana

US$ millions	2015
Capital investment	101.0
Total procurement	559.9
Local procurement	490.3
Wages and related	75.0
Corporate social investment	0.4
Enterprise development: number of jobs supported	1,124

Source: Anglo American plc, Tax and Economic Contribution Report 2015 – page 15

Developing your approach

There is a sectoral lens to these mandatory reporting requirements. For financial services and extractive companies, where public disclosure is already in place, much thought has been given to the issue. For UK focused companies, CbCR disclosures will be more limited in scope and require less input than for other more complex multinational corporations. For this latter group, CbCR disclosures should be put in the context of the company's broader approach to transparency, considering the question 'Transparency to whom and for what purpose?'.

A strategic response: the Tax Transparency Framework

The current environment gives rise to a range of different pressures on companies when it comes to considering what tax transparency means for them. There are a number of potentially competing demands being made by regulators, investors, the media, the board, employees, tax departments – the list goes on. How can you consider all the relevant factors and reach a robust decision on the most appropriate approach to tax transparency?

The Tax Transparency Framework

We have developed our Tax Transparency Framework to help guide companies through the thought process needed to develop an individual approach that maximises the benefit of tax transparency for the company. The Framework does not necessarily encourage more disclosure of tax matters, but is intended to help companies make a considered decision as to what works for them, taking into account all the different influences. While many companies will already have a view on tax transparency, this may have evolved as a response to regulation or particular news stories without a comprehensive strategic view having been taken. The Framework is intended to help companies to develop this strategic view by considering all stakeholders and parts of the company, to carry out a risk and benefit analysis of tax transparent disclosures and then to implement these, ensuring that appropriate controls and processes are in place to support any disclosures.

Transparency to whom and for what purpose?

The central question is "Transparency to whom and for what purpose?". The Framework starts by trying to answer this, taking into account the full range of internal and external stakeholders that have an interest in a business's tax affairs. These might include external stakeholders such as investors, regulators, tax authorities and NGOs as well as internal stakeholders such as non-executive directors, the board, employees, tax departments and corporate and social responsibility departments.

What do stakeholders want to know and why?

Having identified their stakeholders, companies should then consider what they want to know, why they want to know it, and therefore what information might be useful to them. In some cases, the information stakeholders say they need may not in fact answer the underlying questions that they are interested in. For example, mandatory county-by-country data may not provide useful information about the activities of a business in a particular location. Companies should therefore think as broadly as possible about what information might be useful in responding to the needs of a particular stakeholder. Whether or not a company will choose to disclose that information is a separate question which is considered later in the process. This initial stage is simply to try understand the full range of demands that are being placed on an organisation.

Gather views from around the business

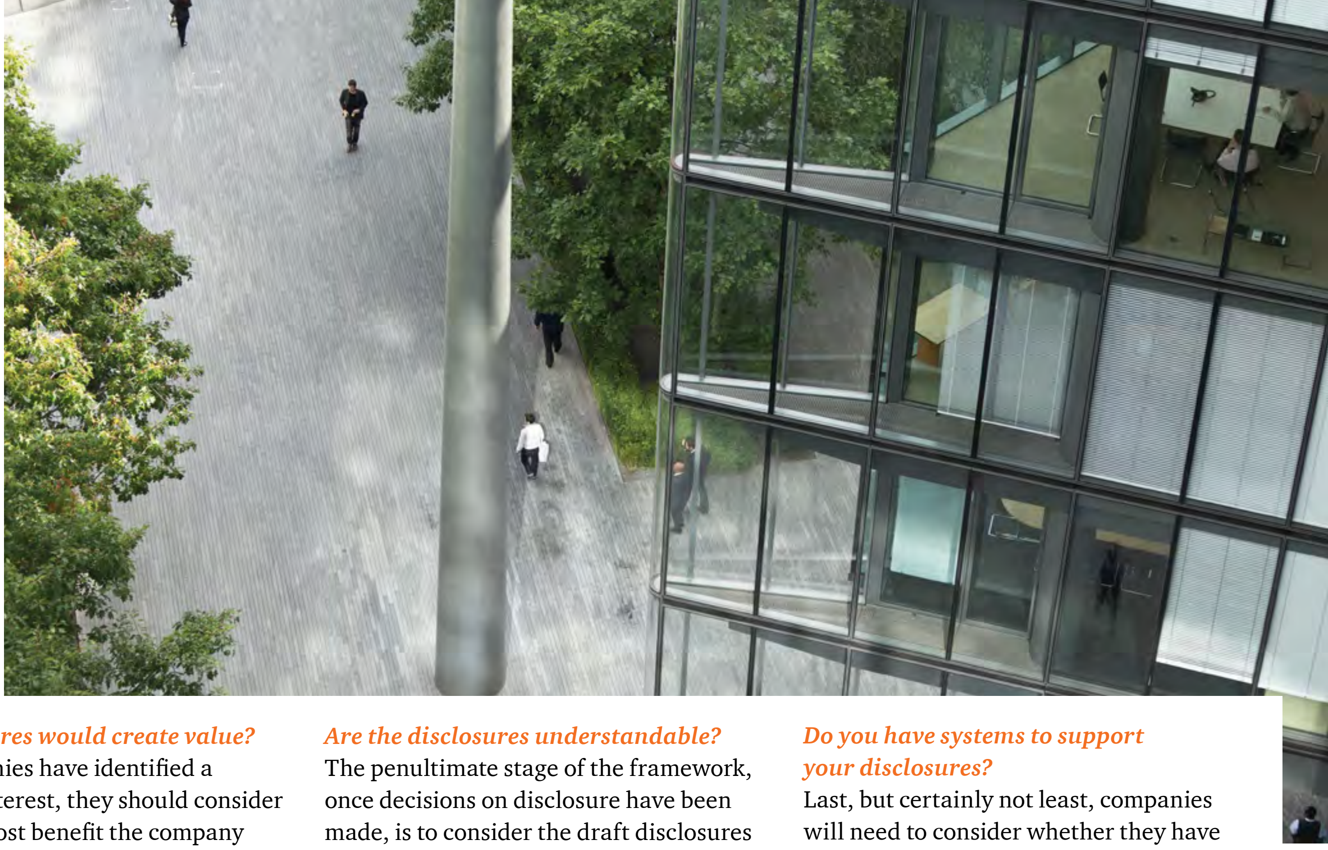
To arrive at a comprehensive list of stakeholders and their interests, companies should involve a range of parties in the discussion. In some cases, it might be possible to ask the stakeholders directly, in other cases they will need to bring in those who have experience of the demands of stakeholders. This is likely to mean that tax departments will need to work with public relations, investor relations and corporate and social responsibility teams as well as external organisations to answer the question "Transparency to whom and for what purpose?".

What are the risks and benefits of providing information?

Having identified the stakeholders and their interests, companies will then want to consider what information they already provide, what other information they might want to provide, and the risks and benefits of providing or withholding that information. To make a fully informed decision, companies will need to consider a range of factors such as:

- What are their existing and future mandatory disclosure obligations under regulations such as accounting standards, country-by-country reporting and tax strategy disclosures?
- What are the risks inherent in mandatory disclosures and could more information help to explain that mandatory data and so mitigate any risks?
- How do they compare to their peers in terms of tax contribution, effective tax rates and the nature and extent of disclosures? Many companies will not want to be in the vanguard of disclosures, but equally, will not want to be left behind.
- Are there factors that would increase public interest in their tax affairs? For example, a brand name, public listing status, an industry that has a high profile in tax matters or an usually low effective tax rate.

Once a company has thought about the full extent of interest in its tax affairs, the information it could make available and the associated risks and benefits, a decision will need to be taken as to whether to disclose that information and in what form.



What disclosures would create value?

Where companies have identified a stakeholder interest, they should consider what would most benefit the company in terms of disclosure – which might be no voluntary public disclosure. On the other hand, a relatively straightforward statement could add considerable value. For example, it is recognised that employees increasingly want to work for companies with values that align with their own. A short explanation showing that a business's tax strategy aligns with its broader business strategy might reassure existing and potential employees. The most appropriate location for such an explanation should also be considered as this might sit better in internal employee communications, or on the company website than in the annual financial report. Similar thought should be given to the location of other potential disclosures.

Companies might want to draw on the best practice of other companies as well as considering how tax could be integrated with other disclosures. As shown elsewhere in this publication, we are seeing increasing examples of tax being included in broader statements on a company's economic and social contributions.

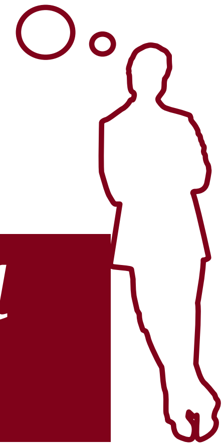
Are the disclosures understandable?

The penultimate stage of the framework, once decisions on disclosure have been made, is to consider the draft disclosures in the light of stakeholders' needs. Do the disclosures actually address the needs of the stakeholders and are they understandable to the target audience? For example, while companies have to provide a reconciliation between the statutory and the effective tax rates, the reconciling items are often aggregated and use technical descriptions. These might not be meaningful to an analyst, who is not a tax expert, but who wants to understand which of the adjusting items are recurring or which relate to specific one-off events. By considering how understandable the disclosures are to the target audience, companies can help to make sure that they derive the maximum amount of value from any disclosures.

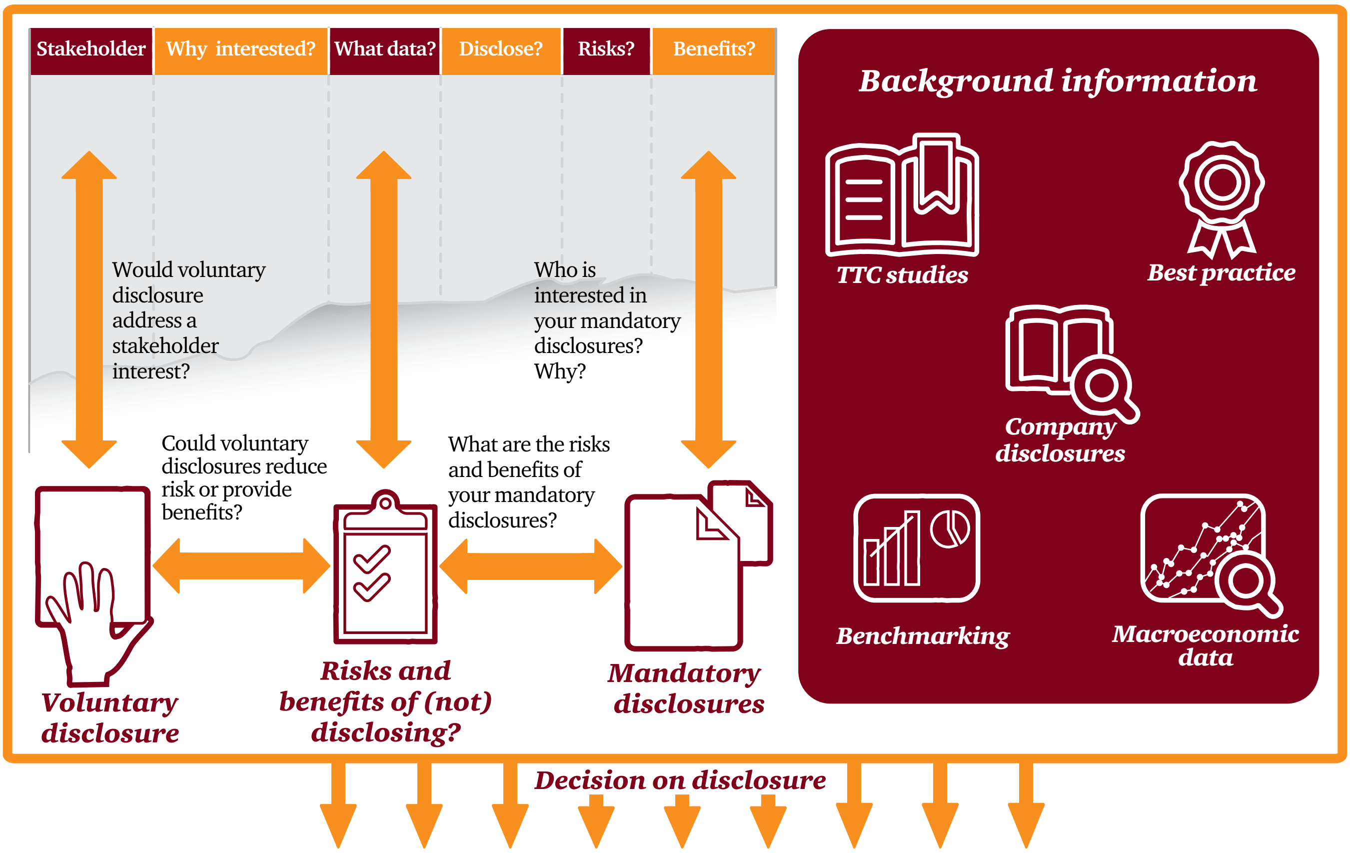
Do you have systems to support your disclosures?

Last, but certainly not least, companies will need to consider whether they have the proper controls and processes in place to support the disclosures that they make. The board is likely to need comfort not only that the data in any disclosures are correct, but that any assertions around governance can be supported. For example, if a company states that it files all its tax returns on a timely basis, what is the internal evidence to support this? The quality of controls and processes is also likely to feed into the risks and benefits analysis earlier in the process as inadequate controls will increase the risk around disclosing particular information.

By following the Tax Transparency Framework, a company will not necessarily end up disclosing more information on its tax position. It will however have a thorough and comprehensive analysis of the factors behind its position on tax transparency. It will have internal consensus and agreement on the balance of competing pressures within the business. In applying the Framework a company will obtain a broad and strategic view of its tax profile and tax disclosures. This view could be missed if a company focusses solely on responding to specific transparency demands without considering the underlying interest of its stakeholders and whether the tax disclosures satisfy those interests in a way that maximises benefit for the company.



Transparency to whom and for what purpose?



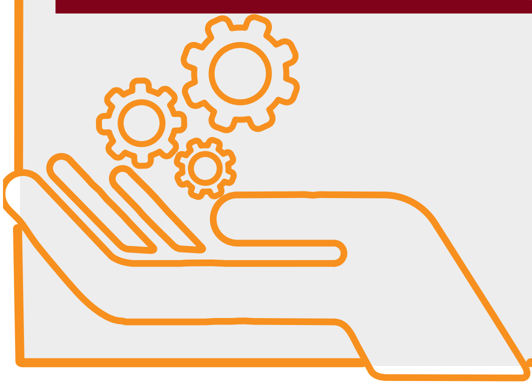
Draft disclosures

Are the disclosures understandable to the interested parties?

Do the disclosures maximise benefit to the company and respond to the needs of stakeholders?

How do the tax disclosures fit with broader messages on contribution and impact?

Optimised disclosures



Do you have the systems and processes to support your disclosures?

Our review of tax disclosures

We use elements of our Tax Transparency Framework to carry out a review of tax reporting in the FTSE350. It includes the areas that we consider to be the basis of good practice in tax reporting. The areas were originally developed following discussions with FTSE companies and different stakeholder groups including governments, investors, analysts and CSOs and cover tax strategy and risk management, tax numbers and performance and Total Tax Contribution and the wider impact of tax.

Tax strategy and risk management

In reviewing a company's tax reporting we are looking for discussion of the approach to tax, identification of risks and tax strategy. This includes disclosure of policy in areas which are key to that particular business such as tax planning, transfer pricing, low-tax jurisdictions and relationships with revenue authorities.

Explanations of internal governance processes are recognised as well as evidence of oversight for tax at Board or audit committee level.

Historically found in the front end of annual reports, we are now seeing more webpages and reports dedicated to companies' approach to tax.

Tax numbers and performance

The second pillar of the framework is most closely aligned to the required disclosures in the accounts under financial reporting standards and other applicable regulations. We look for a clear explanation as to why the current tax charge is not simply accounting profit at the statutory rate or some insight into the effective tax rate. We also look for a clear reconciliation from cash tax to the charge and forward looking measures, such as forecast accounting or cash tax rate.

Usually placed in the annual report, some companies make innovative use of graphics to illustrate and contextualise the numbers.

Total Tax Contribution and the wider impact of tax

The third area we review looks away from traditional accounting disclosures towards understanding the wider picture. Discussion of how tax impacts the business strategy and details of advocacy are recognised. We look for additional insight into taxes borne and collected other than corporation taxes and the company's economic value add.

This pillar of the framework also includes country-by-country reporting and discussion of taxes contributed to developing countries – an area where we have seen an increase in both mandatory and voluntary reporting in recent years.

1.

Tax strategy and risk management

- Discussion of tax objectives and strategy
- Disclosure of policies in key areas for the business, for example, tax planning and transfer pricing
- How the tax strategy and function are managed and who has responsibility for governance and oversight
- Discussion of material tax risks

2.

Tax numbers and performance

- Clear reconciliation of the tax charge to the statutory rate
- Discussion of cash tax payments and how they relate to the tax charge
- Forward-looking measures for tax, such as an indication of the future direction of the company tax rate

3.

Total Tax Contribution and the wider impact of tax

- Show how tax impacts wider business strategy and company results
- Discussion of advocacy activities on tax
- The impact of tax on shareholder value
- Communication of the economic contribution of all taxes paid

A review of the FTSE100 for 2015 year ends

This page shows the results of our May 2016 review of tax disclosures in the FTSE100, looking at 2015 year ends. We looked for five specific areas of disclosures that are included in our Tax Transparency Framework, reviewing annual reports, corporate responsibility reports and websites. The number of companies in the FTSE100 reporting each specific area is shown together with the movement from last year.

Approach to tax

2015 **64** +8
2014 **56**

The approach to tax was disclosed in some way by **64** companies, almost two thirds of the FTSE100. This has increased from 2014, when the number disclosing their approach to tax was 56.

Thirty-three of the approach to tax disclosures were found in annual reports. Of the remaining disclosures, thirteen were made in a separate tax policy document, eight companies included the disclosure on a webpage, six published standalone tax reports and four disclosures were found in corporate responsibility reports.

Tax governance

2015 **56** +6
2014 **50**

Tax governance refers to the company's approach to risk management and the responsibility for oversight of tax affairs. We identified **56** companies providing some details of tax governance procedures, which is an increase of six compared to the 50 who disclosed this in 2014.

Market analysts and other stakeholders tell us that they are increasingly looking for confirmation of whether companies have appropriate governance systems and controls in place. They are interested in whether the tax strategy and risks are discussed outside the tax department – this may be in the form of a board-reviewed tax policy or that tax has been discussed by the audit committee during the year.

Cash tax reconciliation

2015 **18** +4
2014 **14**

Reconciliation of cash tax to the tax charge is a voluntary disclosure which sets out the differences between the tax charge and the corporation tax paid by the group. It's a disclosure made by relatively few companies but it helps those seeking to explain to stakeholders how the tax charge in the accounts relates to the tax paid to the Government.

We found that **18** companies in the FTSE100 provided the explanation of the difference between these two numbers, which is an increase from the 14 companies reporting for 2014 year-ends.

Total Tax Contribution

2015 **37** -3
2014 **40**

Companies pay far more in taxes than just corporation tax. Total Tax Contribution (TTC) quantifies the total amount of taxes generated by a company and contributed to the public finances. **It clearly distinguishes between taxes borne by companies and taxes collected on behalf of others.**

We found that **37** companies disclosed TTC data, often analysing this number by the types of taxes paid. The decrease of three companies from the 40 that disclosed this in 2014 is due to the changes in composition of the FTSE100. A further eight companies quantified some other taxes beyond corporation tax.

TTC is a significant part of a businesses' wider contribution to the economy. Almost half of the FTSE100 include tax in some form of economic value added disclosure, with a number combining TTC, economic impact, social impact and environmental impact.

Geographic reporting

2015 **28** +3
2014 **25**

Geographic reporting remains on the agenda for governments, regulatory and supranational bodies worldwide, and civil society organisations. There is increased focus on whether tax provisions and payments made by large multinationals reflect their commercial operations in each jurisdiction where they operate.

We found that **28** companies are currently providing some breakdown of their taxes around the world, either by region or country. We observed an increase compared to 2014 when the number reporting this was 25.

Of the 28 that provided geographic reporting, eight are **extractive companies** and five are **banks**. This reflects the mandatory reporting regimes that already apply to these sectors.

1. Multinational Companies (MNCs)

The majority of FTSE100 companies have operations overseas, with many maintaining a strong UK presence. Some have addressed increased interest from CSOs or NGOs and the media with greater transparency around their tax affairs.

Ranging from paragraphs in the front-end of the annual report to standalone tax reports, MNCs are providing more information about their approach to tax and how they identify and respond to tax risks.

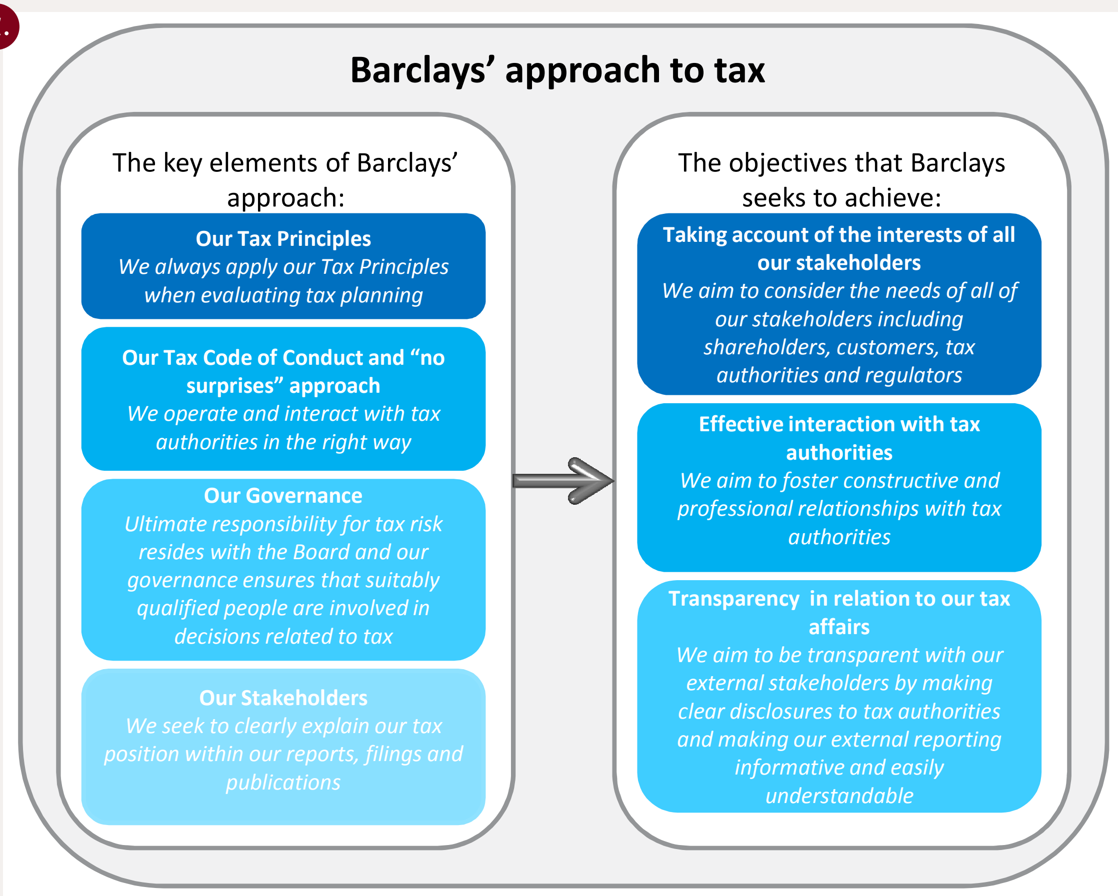
Tax performance numbers are being enhanced with narrative around the reconciling items or some forecasting effective and cash tax rates. Some use a weighted average statutory rate to reflect the geographic mix of tax bases.

Even companies which are outside the mandatory reporting regimes offer insight into the geographic makeup of the taxes they pay – often including a Total Tax Contribution disclosure. Some give commentary and opinion around voluntary transparency as well as global tax policy initiatives. Those with operations in the developing world often link tax with economic impacts such as jobs and capital investment.

Source:
1. Barclays plc, Our 2015 Country Snapshot – page 10
2. RELX Group, Tax principles (web - http://www.relx.com/investorcentre/corporatestructure/Pages/tax-principles.aspx)

Tax strategy and risk management
– Approach to Tax

1.



Barclays sets out its objectives covering stakeholder interest, relationship with tax authorities and tax transparency, and the approach adopted to achieve those objectives. This includes references to tax principles, tax code of conduct, governance over tax and interaction with stakeholders.

2.

We respect the rights of governments to determine heir own tax regimes, rates of tax and collection mechanisms and do not use our commercial bargaining power in any given country or region to obtain company-specific tax advantages hat are not available to all market participants, or which are o herwise not properly legislated.

We aim to ensure compliance wi h all laws and relevant regula ions in the countries in which we operate, and make full and imely disclosures in tax returns, reports, and documents submitted to taxing au horities.

Cross-border transactions undertaken between Group subsidiaries are taxed on an 'arm's-length' basis in accordance with the principles endorsed by the OECD and he United Nations Committee of Experts on International Cooperation in Tax Matters.

We prepare and maintain all documentation required by law, as well as any where necessary to provide support for a transac ion with a tax impact.

We comply with all current tax transparency requirements, and support interna ional efforts to provide meaningful insight to stakeholders by publishing information in addition to the minima required by existing law and accounting standards.

In making commercial decisions we take tax into account in the same way as any other cost. Where there is more than one way of structuring a commercial business arrangement we will take a holis ic view, considering all factors including tax. We may implement an alternative with a lower tax cost, provided it is compliant with he laws and relevant regula ions in the jurisdic ions concerned and on he basis hat we will make full and imely disclosures to the affected jurisdictions.

We will not enter into tax planning, transac ions or structures hat are no ifiable to tax authori ies under mandatory disclosure regimes, which we consider to be abusive, or which otherwise have no ul imate commercial business purpose.

The tax affairs of the RELX Group are managed by a team of suitably qualified tax professionals, supported where appropriate by external advisors. Training is provided to staff to ensure hat tax compliance is carried out with a suitable level of diligence and technical expertise.

This extract from RELX's Statement of Principles sets out the group's approach to tax and explains the circumstances in which, when structuring a commercial business arrangement, a lower tax cost alternative may be implemented.

Source:

3. London Stock Exchange Group plc, Tax Strategy
   (web - http://www.lseg.com/about-london-stock-exchange-group/regulatory-strategy/london-stock-exchange-tax-strategy)
4. Associated British Foods plc, Tax Principles (2015)

Tax strategy and risk management – Approach to Tax

3. LSEG's strategy for taxation is centred around four concepts:

- To ensure that the Group fulfils its fiscal obligations with regard to the administration and payment of all taxes.
- To ensure that the Group's tax affairs are arranged in an efficient manner, whilst remaining compliant with the tax laws of the jurisdictions in which it operates.
- To support the delivery of the Group's corporate and risk management strategies.
- LSEG does not undertaken purely artificial transactions in order to obtain a tax benefit and will only enter into transactions, which would be fully justifiable should they become public. Furthermore, all transactions must have a business purpose or commercial rationale.

We understand that collecting and paying tax is an important contr bution to the economies and societies in which our businesses operate. LSEG believes its obligation is to pay the amount of tax legally due in any territory, in accordance with rules set by governments.

Tax is a business expense which needs to be managed, like any other, and therefore LSEG may respond to legitimate tax incentives and statutory alternatives offered by governments. We will utilise tax incentives or opportunities for obtaining tax efficiencies where these:

- Are of a type that the tax authorities would expect;
- Are aligned with business or operational objectives; and
- Do not carry significant reputational risk or significant risk of damaging our relationship with the fiscal authorities in the key jurisdictions in which we operate.

Due consideration will be given to LSEG's reputation, brand, corporate and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of directors and employees of LSEG.

We will operate with integrity in our compliance and reporting. Compliance with all relevant legal disclosure and approval requirements will be adopted and all information will be clearly presented to the tax authorities or other relevant bodies, as appropriate. Openness, honesty and transparency will be paramount in all dealings with tax authorities and other relevant bodies.

LSEG sets out four concepts underlying its tax strategy and highlights the circumstances in which the group would respond to available tax incentives. LSEG's reputation, brand and corporate and social responsibilities are part of the considerations.

4.

Tax Principles:

Our businesses pay a significant amount of tax to local and national governments including corporate taxes on profits, social taxes on employment, taxes on property, customs and excise duty on purchases, withholding taxes and environmental taxes. Our businesses also collect sales taxes charged to our customers and taxes paid by our employees. These are all paid in full and on time in the territories in which we operate

The principles governing the management of our tax affairs are fully aligned with the group's wider commercial, reputational and business practices and are consistent with our commitment to corporate respons bility. They consist of the following:

- complying with applicable tax laws, rules, regulations and disclosure requirements;
- paying the right amount of tax based on the tax laws, rules and regulations of the territories in which we operate;
- interpreting tax law using relevant guidance and discussing such interpretation with tax authorities where appropriate;
- managing our tax affairs so as to enhance shareholder value, whilst ensuring the wider reputation of the group is not compromised;
- only undertaking tax planning which is aligned with a genuine commercial rationale;
- seeking to have constructive and transparent working relationships with tax authorities based on mutual respect and trust; and
- proactively managing and monitoring compliance with the above tax principles.

The board-adopted tax policy, and compliance with it, is regularly reviewed. The underlying tax principles are actively monitored by the tax department, internal audit, our external advisors and the board. We are completely transparent in all of our dealings and disclosures with all tax authorities.

Associated British Foods uses a single page to set out its high-level tax principles. It refers to the different groups which monitor compliance with the policy including the board and the internal audit function.

Source:
5. Pearson plc, Taxation principles (2015)
6. Schroders plc, Tax Strategy (2015)

Tax strategy and risk management
– Approach to Tax

5.

Taxation Principles

Our two overriding objectives for tax management are:

1. To protect value for our shareholders, in line with our broader fiduciary duties;

2. To comply fully with all relevant legal and regulatory obligations, in line with our stakeholders' expectations.

The principles that guide us at Pearson in delivering these two objectives are:

1. To comply with all relevant tax laws, regulations and tax reporting requirements in all jurisdictions in which we operate, including claiming available tax incentives and exemptions. If we discover instances of non-compliance we seek to resolve them with the appropriate tax authority.

2. To manage our tax affairs in accordance with Pearson's Code of Conduct.

3. To pay an appropriate amount of tax according to where value is created within the normal course of commercial activity. Our approach to transfer pricing follows the "arms-length" principle as outlined in the OECD Transfer Pricing Guidelines i.e. cross border transactions take place as if the parties were unconnected.

4. To undertake transactions aligned with business activities and business objectives.

5. To achieve a more favourable tax outcome where a choice exists between different options. In considering and deciding between different options, the factors we consider include commercial, strategic and reputational impact.

6. To have an open working relationship with tax authorities. To discuss and consult on our interpretation of the law with tax authorities such as HMRC as issues arise. Where possible, we will use tax clearances to obtain agreement in advance from tax authorities prior to undertaking transactions.

7. To agree the tax strategy with the Chief Financial Officer and the Audit Committee annually.

Pearson sets out its tax principles, highlighting that commercial, strategic and reputational impacts are all considered when approaching tax matters. It states that its tax affairs are aligned to the group's Code of Conduct.

6.

Tax Strategy

1. Schroders will comply with its tax obligations worldwide and will only engage in reasonable tax planning that is aligned with commercial and economic activity. We will follow the terms of the UK's Double Taxation Treaties and relevant OECD guidelines for international tax matters.

2. We will maintain an open and transparent relationship with the tax authorities in the key jurisdictions in which we operate. In the UK, Schroders was one of the first businesses to enter into a framework agreement with HMRC. Under this framework, we agreed to keep HMRC informed of business activities, results and key developments as they arise and proactively disclose issues, risks and uncertain tax positions, and we continue to be committed to conducting our tax affairs in this way.

3. We will utilise tax incentives or opportunities for obtaining tax efficiencies where these:
   - do not carry significant reputational risk or significant risk of damaging our relationship with the fiscal authorities in the key jurisdictions in which we operate,
   - are aligned with the intended policy objectives of the governments which introduced the incentives,
   - do not have a material adverse impact on "above the line" results, and
   - are aligned with business or operational objectives.

4. We will manage tax risk in such a way as to ensure that key risk areas are monitored and material risks minimized.

5. We will adhere to the CBI's seven tax principles for UK business.[1]

6. We will comply with the requirements of the UK's Code of Practice on Taxation for UK Banks.

Schroders covers its approach to tax, which includes the attitude towards tax planning and utilising available incentives. The company also discusses its relationship with tax authorities and confirms that it follows the CBI's tax principles and the UK's Code of Practice on Taxation for UK Banks.

Source:

1. Unilever plc, Tax (web - https://www.unilever.com/sustainable-living/what-matters-to-you/tax.html)
   Unilever plc, Tax Risk Framework (2015)
   Unilever plc, Tax Principles: scorecard example (2015)

Tax Strategy and Risk management – Tax Governance

1.

Managing tax risk

As a business, we are subject to taxation in the many countries in which we operate. The tax legislation in these countries differs and is often complex and subject to interpretation by management and the government authorities. Recent developments in the international tax arena have increased the likelihood of changes to tax systems in the countries in which we operate and this creates added uncertainty.

The risks are managed through our Tax Risk Framework and monitored through a web based tool for collecting details of all our direct tax exposures and provisions. The tool is used to collect details of all exposures and provisions on a quarterly basis with an approval process for any new provisions or changes to existing provisions, and also includes an Annual Compliance Checklist. In 2015, we also introduced a tax compliance tracking tool to centrally monitor the filing of all corporate income tax returns and related tax payments.

Tax Risk Framework - examples of a risks and mitigating action for each of 5 key risks

Policy	**Risk:** Transactions and behaviours not in line with Tax Principles	**Mitigating action:** Annual compliance confirmation and completion of scorecard for certain transactions
Governance & Organisation	**Risk:** Lack of right organisational structure to implement tax strategy	**Mitigating action:** Organisational structure regularly reviewed by Tax Leadership Team
People	**Risk:** Insufficient tax training	**Mitigating action:** Regular global, regional and local training sessions, plus individual development plans
Compliance & Documentation	**Risk:** Failure to comply with statutory tax obligations	**Mitigating action:** Annual compliance checklists plus online compliance tracking tool
Reporting & Risk Management	**Risk:** Tax positions not accurately reflected in reporting	**Mitigating action:** Online tool to collect and approve direct tax exposures and provisions

Unilever sets out the group's tax risk framework showing examples of five risks and mitigating actions taken to manage the risk. There is also a practical example of the framework in operation.

Tax Principles: scorecard example

What was the transaction?
Unilever Ventures wanted to participate in an investment fund managed by a third party. The fund was based in the Cayman Islands, with the business investment being in China. Unilever Ventures wanted to invest in around 7% of the fund value.

How did we assess this?
We reviewed the transaction against our Tax Principles, taking into account the jurisdictions involved, the size of the transaction, and the impact for Unilever of alternative structure scenarios.

What did we conclude?

- With only 7% we were a minority investor, with no significant influence over the investment fund structure.
- The tax impact for Unilever was the same as if we had directly invested into China, so there was no tax benefit to Unilever as a result of the fund investment.
- Therefore, the transaction did not go against our Tax Principles.

Source:
2. Legal & General Group plc, 2015 Group Tax supplement – page 2

Tax Strategy and Risk management – Tax Governance

2.

Governance and risk management

Responsibility for the tax strategy, policies and management of tax risk ultimately rests with the group chief financial officer, with day-to-day responsibility for the operation of the tax function resting with the chief tax officer and Group tax teams.

The chief tax officer reports the group's tax position regularly to the Group Audit Committee. In addition, the Group's Tax Risk status is reported as required to the Group Risk Committee We set out below the key risks which we face and how we manage these risks.

Changes in legislation

The ever-changing tax landscape impacts on both our business and our customers (e.g. tax rate changes, devolution of income tax). We seek to manage the risks arising from unintended consequences of any legislation changes. We engage with HMRC, HMT and other authorities directly and as part of trade bodies.

Transactional risk

When implementing business transactions we aim to understand the tax implications and risks. To the extent that there is uncertainty, we engage and work with HMRC on a real time basis.

Compliance and reporting risk

We seek to meet our tax compliance obligations by delivering our tax returns and tax payments on time. We have the appropriate resources, processes and controls in place to enable us to achieve this.

Reputational risk

The profile of tax in general has significantly increased in recent years in the wake of the tax avoidance and transparency debate. We operate within the parameters of our tax policy and we are committed to being transparent so that the way we manage our tax affairs is not misrepresented.

Legal & General highlights oversight of the group's approach to tax by the group chief financial officer and involvement of the Group Audit Committee and Group Risk Committee. Four key risks are identified with details of how they are managed.

Source:
3. London Stock Exchange Group plc, Tax Strategy
   (web - http://www.lseg.com/about-london-stock-exchange-group/regulatory-strategy/london-stock-exchange-tax-strategy)
4. SABMiller plc, Our Approach to Tax 2016 – page 17

Tax Strategy and Risk management
– Relationship with tax authorities

3.

Relationship with Tax Authorities

It is LSEG's general policy to be transparent and proactive in all interactions with tax authorities. Our tax teams around the world are required to operate according to a clearly defined set of behaviours, including acting with integrity and communicating openly. The application of this principle should be tailored to each territory style and engagement. Each tax team is encouraged to proactively foster this principle.

We have an open, honest and positive working relationship with tax authorities in the jurisdictions in which the Group operate. We are committed to prompt disclosure and transparency in all tax matters with the authorities. We recognise that there will be areas of differing legal interpretations between ourselves and tax authorities and where this occurs we will engage in proactive discussion to bring matters to as rapid a conclusion as possible.

LSEG higlights that the policy of its tax teams is to be transparent and proactive in interactions with tax authorities The disclosure clarifies that the teams are required to operate according to a clearly defined set of behaviours, recognising that these should be tailored to each territory style and engagement.

4.

"Africa Industry Tax Association (AITA) has continued to build a solid relationship with the Africa Tax Administration Forum (ATAF)."

SABMiller was a driving force behind, and one of the co-founders of, the recently formed Africa Industry Tax Association (AITA), whose current membership consists of nine multinational companies, each of which has a substantial footprint in Africa. AITA was formed to create a formal and structured collective platform from which to create open lines of communication with African governments and revenue authorities on matters of common interest, and to promote fair, transparent, efficient and enforceable taxation systems and administration. AITA has continued to build a solid relationship with the Africa Tax Administration Forum (ATAF).

Activities during the year of AITA included exclusive representation at the ATAF conference on cross-border taxation; attendance at the launch of the Africa Tax Research Network; sitting on an independent panel evaluating and awarding tax innovation by tax revenue authorities (driven by ATAF) and being invited by the Academy of Public Finance/ITIC to provide tax training to representatives of the African revenue authorities. These examples illustrate a solid contribution to the development of tax expertise and our contribution to the wider economy.

SABMiller provides details of its work with Africa governments and revenue authorities via the Africa Industry Tax Association.

Source:
5. Unilever plc, Tax
(web - https://www.unilever.com/sustainable-living/what-matters-to-you/tax.html)
6. BAE Systems plc, Annual Report 2015 – page 22

Tax Strategy and Risk management
– Relationship with tax authorities

5.

8. Relationships with tax authorities

We seek to develop strong, mutually respectful relationships with national tax authorities based on transparency and trust. Where countries have weak or poorly constructed fiscal regulation and/or institutions we support work to help develop the capability of tax authorities and systems.

Unilever sets out that it seeks to develop strong, mutually respectful relationships with tax authorities, highlighting the group's support to help develop the capability of tax authorities and systems.

6.

The Group promotes collaborative professional working with tax authorities in order to build open, transparent and trusted relationships. As part of this, the Group engages in open and early dialogue to discuss tax planning, strategy, risks and significant transactions, and discloses any significant uncertainties in relation to tax matters. Queries and information requests by tax authorities are responded to in a timely fashion and the Group ensures that tax authorities are kept informed about how issues are progressing. The Group seeks to resolve issues in real-time and before returns are filed where possible. Fair, accurate and timely disclosures are made in tax returns, reports and documents that the Group files with, or submits to, tax authorities. Where disagreements over tax arise, the Group works proactively to seek to resolve all issues by agreement (where possible) and reach reasonable solutions.

BAE Systems refers to open and early dialogue with tax authorities, covering tax planning, strategy, risks and significant transactions, and signficant uncertainties in relation to tax matters. The group highlights timely responses to queries and resolution of issues in real-time.

Source:
1. SABMiller plc, Annual Report 2016 – page 42
2. GlaxoSmithKline plc, Annual Report 2015 – page 158

Tax numbers and performance

1.

The effective rate of tax is calculated as the ratio of adjusted tax expense to adjusted profit before tax as shown below.

	2016 US$m	2015 US$m
Taxation expense	**1,152**	1,273
Tax on amortisation	**96**	117
Tax on exceptional items	**28**	(83)
Share of associates' and joint ventures' taxation	**114**	157
Adjusted tax expense	**1,390**	1,464
Profit before tax	**4,074**	4,830
Exceptional items (excluding finance costs exceptional items)	**657**	138
Exceptional finance costs	**64**	15
Amortisation	**350**	423
Share of associates' and joint ventures' tax and non-controlling interests	**150**	236
Adjusted profit befo e tax	**5,295**	5,642
Effective tax rate	**26.3%**	26.0%

SABMiller provides details of the group's adjusted effective tax rate, with a numerical reconciliation for both the adjusted profit before tax and the adjusted tax expense, giving details of the adjusting items for each measure.

2.

Reconciliation of taxation on Group profits	2015 £m	2015 %	2014 £m	2014 %	2013 £m	2013 %
Profit before tax	**10,526**		2,968		6,647	
UK statutory rate of taxation	**2,131**	**20.25**	638	21.5	1,545	23.2
Differences in overseas taxation rates	**1,035**	**9.8**	406	13.7	196	2.9
Benefit of intellectual property incentives	**(286)**	**(2.7)**	(323)	(10.9)	(189)	(2.8)
R&D credits	**(38)**	**(0.4)**	(72)	(2.4)	(88)	(1.3)
Inter-company inventory profit	**(16)**	**(0.1)**	(27)	(0.9)	(121)	(1.8)
Impact of share-based payments	**12**	**0.1**	31	1.0	(2)	–
Losses not recognised/(previously unrecognised losses)	**31**	**0.3**	(205)	(6.9)	(18)	(0.3)
Permanent differences on disposals and acquisitions	**(248)**	**(2.4)**	23	0.8	(227)	(3.4)
Other permanent differences	**79**	**0.8**	264	8.9	301	4.5
Re-assessments of prior year estimates	**(578)**	**(5.5)**	(617)	(20.8)	(197)	(3.0)
Disposal of associate	**–**	**–**	–	–	(67)	(1.0)
Tax on unremitted earnings	**32**	**0.3**	19	0.6	20	0.3
Deferred tax and other adjustments on restructuring	**–**	**–**	–	–	(134)	(2.0)
Tax charge / tax rate	**2,154**	**20.5**	137	4.6	1,019	15.3

GSK has a substantial business presence in many countries around the globe. The impact of differences in overseas taxation rates arose from profits being earned in countries with tax rates higher than the UK statutory rate, the most significant of which in 2015 were the US, India, France and Germany. This was partially offset by the increased benefit of intellectual property incentives from the UK Patent Box and Belgian Patent Income Deduction regimes. Such regimes provide a reduced rate of corporate income tax on profits earned from qualifying patents. The impact of overseas tax rates was further offset by permanent differences on disposals during 2015 which were subject to the UK 'Substantial Shareholdings' Exemption from tax. In 2014 the anticipated Oncology disposal resulted in the recognition of deferred tax assets on capital losses subsequently utilised in 2015. The reduction in the benefit provided by R&D credits reflects the change in the UK regime to record the benefit within the R&D expense in the income statement. Re-assessments of prior year estimates in 2015 include a benefit of £498 million from the resolution of a number of tax matters in various countries.

Future tax charges , and therefore our effective tax rate, may be affected by factors such as acquisitions, disposals, restructurings, the location of research and development activity, tax regime reforms and resolution of open matters as we continue to bring our tax affairs up to date around the world.

GSK provides additional detail for the largest items in its reconciliation of tax on group profits, explaining why differences in overseas taxation rates are a reconciling item. The narrative also refers to the UK Patent Box and provides explanation for the permanent differences on disposals.

Source:
3. Reckitt Benckiser Group plc, 2015 Annual Report and Financial Statements – page 106
4. Legal & General Group plc, 2015 Annual Report and Accounts – page 31
5. Unilever plc, Tax
(web - https://www.unilever.com/sustainable-living/what-matters-to-you/tax.html)

Tax numbers and performance

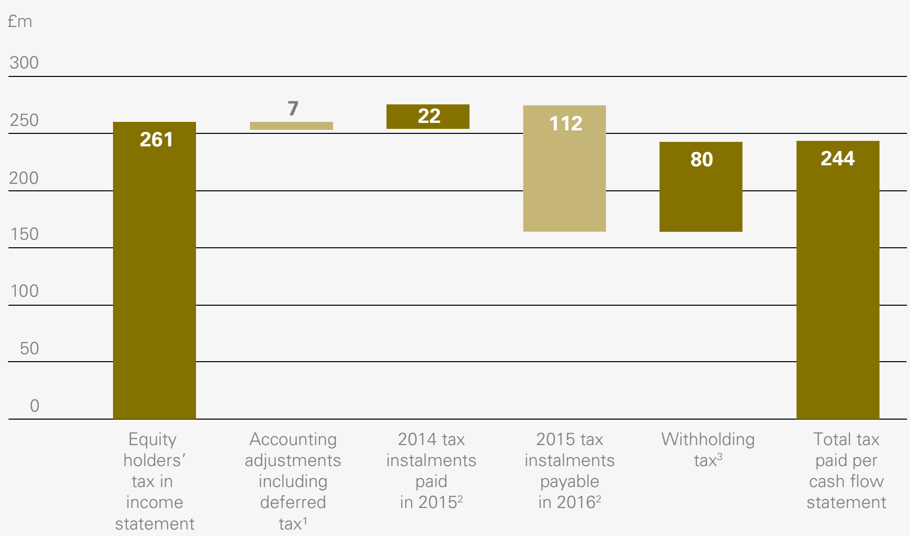
3.

- The Group is subject to tax audits and uncertainties in a number of jurisdictions. The issues involved can be complex and disputes may take a number of years to resolve. Each uncertainty is separately assessed and the provision recognised depends on the specific context of each case. The accounting estimates and judgements considered include:
  - Status of the unresolved matter;
  - Strength of technical argument and clarity of legislation;
  - External advice;
  - Resolution process, past experience and precedence set with the particular taxing authority;
  - Agreements previously reached in other jurisdictions on comparable issues; and
  - Statute of limitations.

Reckitt Benkiser highlights the accounting estimates and judgements used in determining the recognition of uncertain tax provisions

4.

Reconciliation of tax charge in income statement to UK tax paid per cash flow



Legal & General uses a 'waterfall' chart to illustrate and explain the differences between the tax charge reported in the income statement and the cash tax paid in the year.

5.

There are a number of reasons why the corporate tax cash payments in a particular year will be different from the corporate tax charge in the financial statements, including:

- Timing differences: Tax payments relating to a particular year's profits will typically be due partly in the current year and partly in the following year.
- Deferred tax: The Group tax charge includes deferred tax which is an accounting adjustment arising from timing differences. Timing differences occur when an item has to be included in the financial statements in one year but is required to be taxed/deducted for tax in another year.
- Uncertain tax positions: Unilever is subject to taxation in the many countries in which it operates. The tax legislation of these countries differs, is often complex and is subject to interpretation by management and the government authorities. These matters of judgment give rise to the need to create provisions that may result in a tax payment in future years. Approximately 60% of our uncertain tax provisions relate to judgements on transfer pricing where there is the potential for disputes due to tax authorities potentially having a different point of view on where value is created.

Unilever uses a narrative explanation to describe why corporate tax cash payments will differ from the corporate tax charge in the financial statements.

Tax numbers and performance

6.

Deferred tax assets on losses in Spain

During the 2015 year end, the Group acquired Grupo Corporativo Ono S.A. which had tax losses of £2,375 million in Spain and which are available to offset against the future profits of the Spanish business. The losses do not expire.

A deferred tax asset of £673 million (2015: £603 million) has been recognised in respect of Ono's losses as we conclude it is probable that the Spanish business will continue to generate taxable profits in the future against which we can utilise these losses. The Group has reviewed the latest forecasts for the Spanish business which incorporate the unsystematic risks of operating in the telecommunications business (see pages 22 to 28). In the period beyond the 5 year forecast we have reviewed the profits inherent in the value in use calculations and based on these and our expectations for the Spanish business we believe it is probable the losses will be fully utilised.

Based on the current forecasts the losses will be fully utilised over the next 8 to 10 years A 5%–10% change in the forecast profits of the Spanish business would not significantly alter the utilisation period.

Vodafone provides a sensitivity analysis for the group's deferred tax assets on losses, highlighting that a 5-10% change in the forecast profits of the Spanish business would not significantly alter the utilisation period.

7.

	2015 £m	2014 £m
Profit before income tax	**124.4**	66.5
Notional charge at UK corporation tax rate of 20.25% (2014: 21.50%)	**25.2**	14.3
Recurring items:		
Non-deductible/(deductible) goodwill impairment and intangible amortisation	**0.6**	(1.0)
Effect of overseas tax rates	**8.8**	5.8
Tax incentives	**(5.6)**	(7.6)
Overseas financing deductions	**(5.8)**	(5.3)
Non-recurring items:		
Adjustments to prior years within current and deferred tax (excluding movements in tax provisions)	**2.2**	3.5
(Release)/increase in tax provisions	**(8.6)**	1.1
Effect of reduction in tax rates (note 10(h))	**0.1**	(4.9)
Non-taxable income	**(1.3)**	(0.5)
(Utilisation)/recognition of a deferred tax asset for previously unrecognised tax losses	**(0.3)**	0.5
Total tax charge reported in the Income Statement (note 10(a))	**15.3**	5.9

Included within the tax reconciliation are a number of non-recurring items, the main ones being changes in tax rates (UK and Spain) which resulted in deferred tax effects due to the restatement of balances, and the release of tax provisions. The UK corporation rates will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020 and the Spanish rate has decreased to 25% from 1 January 2016. Items expected to recur in the tax reconciliation for 2016 include the difference in rates between the UK and our overseas markets, tax incentives on re-investment credits and the merger of our Spanish businesses and the effect of the debt financing of our overseas subsidiaries.

National Express identifies the items in its tax reconcilition which are recuring and those which are non-recurring, providing further narrative to explain the non-recurring items.

Source:
1. Vodafone Group plc, Tax and our total contribution to public finances 2014-15 – page 20
Vodafone Group plc, Tax and our total contribution to public finances 2014-15 – page 27

Total Tax Contribution and the wider impact of tax

1. Country-by-country narrative reporting

As we explain in the Introduction (see page 4) in this year's report we have set out to increase the range and depth of disclosure on a country-by-country basis to provide a greater insight into the factors that determine Vodafone's overall tax and economic contribution in a local market. For each country, we now include a narrative summary setting out the context of our activities in that location together with the relevant financial data. That summary includes a list of the Vodafone legal entities present in the country plus an overview of the purpose of those entities.

United Kingdom

	Direct revenue contribution: Tax (£m)	Direct revenue contribution: Non-tax (£m)	Indirect revenue contribution (£m)	Capital investment (£m)	Direct employment
2014–15	320	28	726	1,309	16,681
2013–14	355	24	630	1,310	12,979

Vodafone was founded in the UK more than 30 years ago. The country remains the domicile of the Group; however, as Vodafone has expanded internationally, the UK now accounts for less than 2% of the Group's total adjusted operating profit as of 31 March 2015. More than 95% of our customers and around 90% of our employees are outside the UK and less than one-quarter of our top 230 global senior leaders are nationals from our country of domicile.

We are one of the largest private infrastructure investors in the UK where we operate mobile and fixed-line services with 18.5 million customers as of 31 March 2015. We are also a significant provider of communications services to UK corporate and public sector customers, from small and medium-sized enterprises and local government departments to central government and some of the world's largest multinational companies.

In addition to the Vodafone UK local operating business, the Group's core global functions are located in the UK. These include the corporate headquarters, which provides professional support services to companies across the Group as a whole. For example, the Vodafone brand (and associated intellectual property assets) and global brand management team are located within the UK. This means that under transfer pricing arrangements (explained earlier (see page 8) in the report) which have been agreed with tax authorities around the world, all the Group's operating businesses pay royalty fees into the UK for the use of the Vodafone brand and to fund the activities of the team that oversees it. Similarly, the global function that supports the Group's affiliate Partner Market network is also based in the UK. We also have a number of UK holding companies (which ultimately own the entire Group) as well as companies that manage the external treasury activities of the Group as a whole.

All these activities create income that is subject to tax in the UK. However, our overall UK tax liabilities are also determined by the factors explained earlier (see page 12) in the report including:

- substantial levels of capital investment (more than £1.3 billion in 2014–15);
- significant debts associated with UK spectrum costs and to fund the expansion of the Group; and
- low profitability of the UK mobile market compared with other countries.

Our long history in the UK means that we have a significant number of legal entities linked to past mergers and acquisitions or discontinued lines of business that play no active role in the Group today. Almost 70% of all Vodafone legal entities in the UK are dormant but remain registered for the reasons we explain earlier (see page 20) in the report.

Number of legal entities: 200

Legal entities

- AAA (Euro) Limited
- AAA (MCR) Limited
- AAA (UK) Limited
- Acorn Communications Limited
- Apollo Submarine Cable System Limited
- Aspective Limited
- Astec Communications Limited
- Bluefish Communications Limited
- Business Serve Limited
- C.S.P. Solutions Limited
- Cable & Wireless (India) Limited
- Cable & Wireless Access Limited
- Cable & Wireless A-Services Limited
- Cable & Wireless Aspac Holdings Limited
- Cable & Wireless Capital Limited
- Cable & Wireless CIS Services Limited
- Cable & Wireless Communications Data Network Services Limited
- Cable & Wireless Communications Starclass Limited
- Cable & Wireless Europe Holdings Limited
- Cable & Wireless Global Business Services Limited
- Cable & Wireless Global Holding Limited
- Cable & Wireless Global Telecommunication Services Limited
- Cable & Wireless Nominee Limited
- Cable & Wireless Services UK Limited
- Cable & Wireless Trade Mark Management Limited
- Cable & Wireless U.K.
- Cable & Wireless UK Holdings Limited
- Cable & Wireless UK Services Limited
- Cable & Wireless Waterside Holdings Limited
- Cable & Wireless Worldwide Pension Trustee Limited
- Cable & Wireless Worldwide plc
- Cable & Wireless Worldwide Services Limited
- Cable & Wireless Worldwide Voice Messaging Limited
- Cable & Wireless Worldwide Pension Trustee Limited
- Cellops Limited
- Cellular Operations Limited
- Central Communications Group Limited
- Central Telecom (Northern) Limited
- Chelys Limited
- CITIC Cable and Wireless Broadband Co. Limited
- City Cable (Holdings) Limited
- Cornerstone Telecommunications Infrastructure Limited
- CT Networks Limited
- CWW Operations Limited
- Dataroam Limited
- Digital Island (UK) Limited
- Digital Mobile Spectrum Limited
- Emtel Europe Limited
- Energis (Ireland) Limited
- Energis Communications Limited
- Energis Holdings Limited

Vodafone provides a broad range of detail on the group's activity in different countries covering a narrative summary, financial data on direct and indirect revenue contribution, capital investment, employment and a list of Vodafone legal entities.

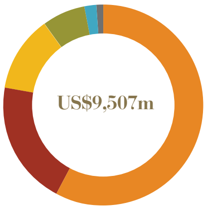
Source:
2. SABMiller plc, Annual Report 2016 – page 42
3. Unilever plc – Tax (web – https://www.unilever.com/sustainable living/what-matters-to-you/tax.html)
4. GlaxoSmithKline plc, Responsible Business Supplement 2015 – page 7

Total Tax Contribution and the wider impact of tax

2.

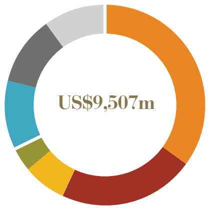
Total taxes borne and collected by the group, including excise and indirect taxes, and including those related to our MillerCoors joint venture in the USA, amounted to US$9,507 million (2015: US$10,639 million) in the year, with the reduction due to the effects of currency translation. The composition and divisional analysis respectively are shown in the following charts.

Tax borne and c llected by category



- Excise 58%
- Other indirect taxes 20%
- Taxes on profits 12%
- Employment taxes 7%
- Tax withheld at source 2%
- Taxes on property 1%

Tax borne and collected by region



Developing economies (US$6,536m)
- Latin America 35%
- Africa 22%
- Europe 7%
- Asia Pacific 4%

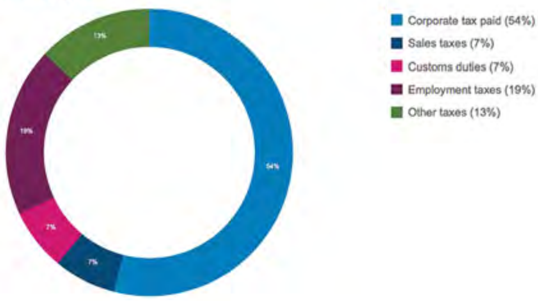
Developed economies (US$2,971m)
- Asia Pacific 11%
- Europe 11%
- North America 10%

SABMiller provides details of its total taxes borne and collected by the group. These are shown both by type of tax and also by region, identifying both developing and developed economies.

3.

Unilever's business generates considerable tax income for the governments in the countries in which we operate. In addition to corporation taxes, we pay and collect numerous other taxes. These include employee taxes, sales taxes, customs duties and local transaction taxes. During 2015, we made global tax payments of €8 billion (our Total Tax Contribution). This comprised €3.8 billion of taxes paid by Unilever, and €4.2 billion of taxes collected from employees and customers on behalf of governments. The chart below shows a breakdown of the taxes paid.

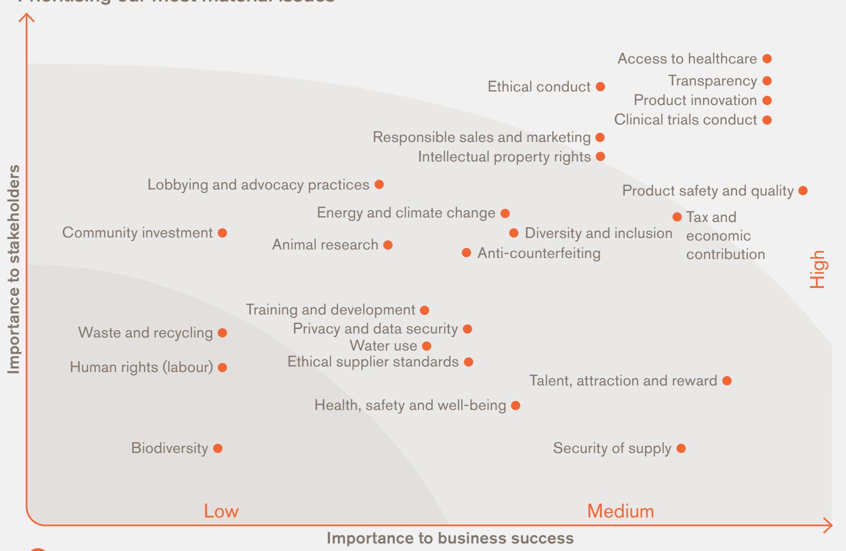
Total taxes paid by type



Unilever highlights its total contribution in taxes borne and collected and shows how this is made up by type of tax.

4.

Prioritising our most material issues



To see how our Responsible Business commitments align to our material issues, see page 6.

GSK identifies tax and economic contribution as a responsible business commitment that is important both to stakeholders and to business success.

Source:
5. SABMiller plc, Our Approach to Tax 2016 – page 16
SABMiller plc, Our Approach to Tax 2016 – pages 4-5

Total Tax Contribution and the wider impact of tax

5.

Production based incentives

In some developing markets, production-based incentives are used to support the development of the agricultural economy and to address illicit trade Reducing excise rates for beers brewed using locally-grown raw materials creates a number of opportunities: consumers are able to afford high quality, regulated beers and can move away from illicit or informal alcohol; demand for local crops creates a stable market for local farmers, improving their livelihoods and, in turn, the newly-expanded beer sector provides an additional excise revenue stream for governments. A preferential excise rate for sorghum-based beer in Uganda has improved our ability to support local farmers to progress from subsistence farming to profitable commercial enterprises. 20,000 farmers now directly supply our local business, with around 180 000 indirectly involved in the value chain The initiative generates government tax revenues of around US$70 million per year – enough to run six large Ugandan districts. This model has been replicated in many of our African markets.

SABMiller provides a description of production-based incentives and an example of how this has benefitted the local community with a link to the tax revenues generated as a result.

To further explain the economic impact, SABMiller shows how the economic value generated by the group is distributed to different stakeholders, including payments to tax authorities.

Through our activities we generate economic value. Our value drivers are our people, our brands, our distribution capability and our ability to execute in market. These have created market leading positions which enable us to achieve economies of skill and scale. The value created from revenue we raise, our interest and dividend receipts, royalty income and proceeds from the sale of assets, is then distributed among our various stakeholders – to our suppliers for their operating inputs, to our employees for their labour, to our shareholders and lenders for their funds, to governments for the country infrastructure in which we operate and to communities to fund social investment activities. The remainder is kept within our business and reinvested to fund future growth.

Our economic distribution to governments is in the form of taxes generated from our activities.

Direct economic value generated[1]	Economic value distributed					Economic value retained
	Operating costs	**Employee remuneration[2]**	**Payments to capital providers**	**Payments to tax authorities[3]**	**Community investments[4]**	
Revenue of US$19,833m plus interest and d vidend receipts, royalty income and proce ds from ale of assets	Costs of materials, services and facilities.	Cost of employees' salaries and benefits.	Financial payments made to the providers of the company's capital.	Tax paid, including remittance taxes and excise taxes.	Voluntary contributions and investment of funds in the broader economy.	Value retained for corporate and operational purposes, including funding future capital expenditure and acquisitions.
US$ 21,640m	US$ 7,923m	US$ 2,145m	US$ 2,672m	US$ 6,253m	US$ 28m	US$ 2,619m

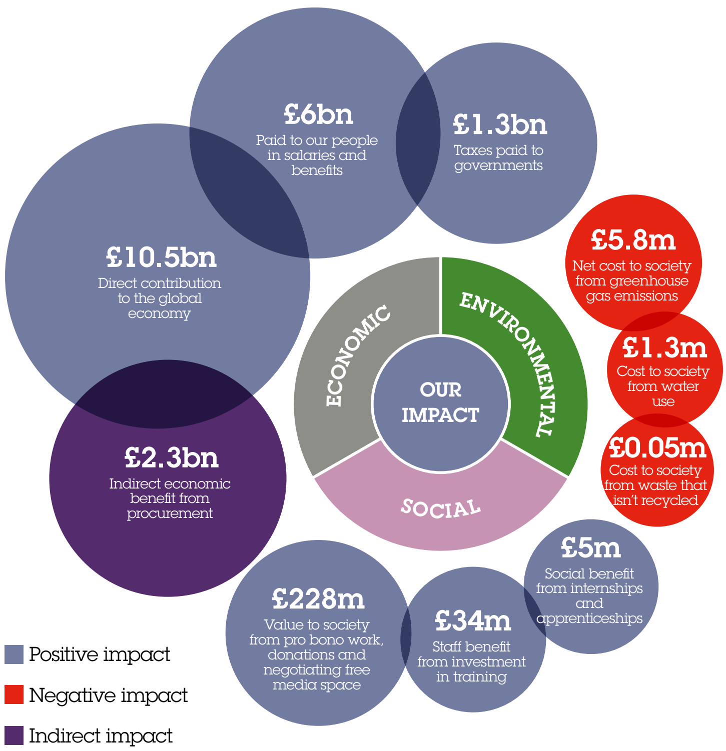
[1] This table is constructed based on data contained in the SABMiller 2016 Annual Report and follows guidance recommended by the Global Reporting Initiative (GRI EC1). This table contains only subsidiary data
[2] Excludes share option charges, includes employer taxes and social security contributions
[3] Excludes VAT, indirect taxes and taxes borne by employees
[4] Includes cash donations, value of gifts in kind and time donated, and management costs of corporate social investment activity

Source:
1. WPP plc, Sustainability Report 2015/16 – page 15
2. Legal & General Group plc, Group Tax (web - http://www.legalandgeneralgroup.com/investors/group-tax.html)

Total Tax Contribution and and the wider impact of tax

1.

Summary of our impact

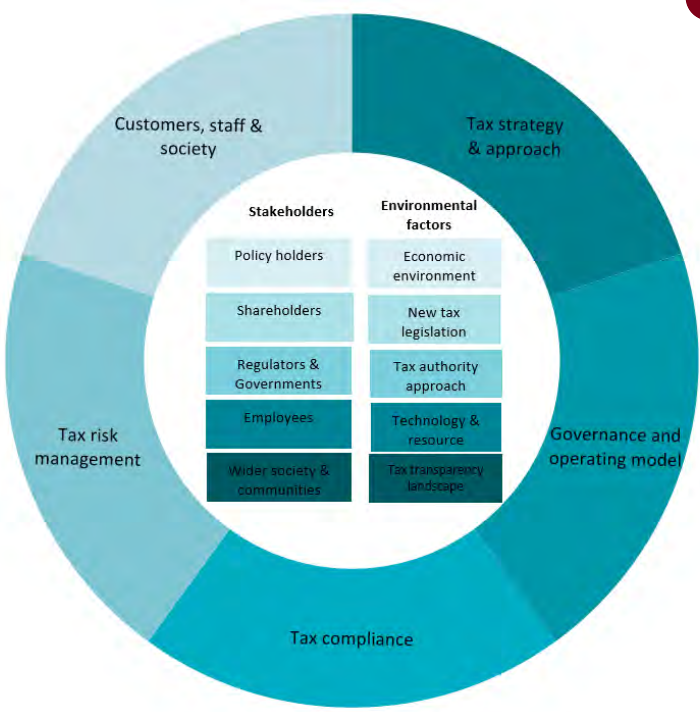


As for last year, our research shows a significant positive economic impact, both directly through our business activities, the salaries and benefits we pay to employees and our tax payments to governments and indirectly through the benefits resulting from our spend with suppliers. We also make a significant social contribution through the direct value of our pro bono work and charitable donations and indirectly through the impact of this support. Among the measures we have used, our main negative impact relates to the cost to society and future generations of greenhouse gas emissions associated with our business activities. Waste disposal and water consumption also represent negative impacts of our direct operations.

Note:
The methodology used to evaluate these impacts is outlined on pages 96-99.

WPP puts payments to governments in the context of broader economic, social and environmental impacts, showing the total impact of the group beyond tax.

2.



Legal & General highlights that taxes paid are part of the group's contribution to society and show how their stakeholders and broader environmental factors interact with the group's approach to tax.

Source:
3. Vodafone Group plc, Tax and our total contribution to public finances 2014-15 – page 11
4. GlaxoSmithKline plc, Annual Report 2015 – page 53

Total Tax Contribution and and the wider impact of tax

3.

European Commission illegal state aid investigations

In t e last ew yea , there have bee a num e of cases of alleged illegal state aid under which governments in a number of jurisdictions – including Luxembourg – have been accused of entering into spec al agreements with individual multinational companies. It is alleged that the arrangements in place have had the effect of reducing those companies' overall tax charge beyond the levels possible under the standard tax regimes in those jurisdictions.

n 2014, the European Commission opened formal investigations into whether or not the tax rulings received by certain companies[4] in Luxembourg, the Netherlands, Belgium and Ireland potentially infringed state aid ules through enabling profit shifting.

Tax rulings are a standard part of most countries' administrative tax practices and do not in themselves constitute state aid if they merely give certainty to the company as to how the relevant laws are to be applied in practice, whether in relation to complex commerc al transactions or to areas of uncertainty in domestic or international tax law. Such rulings – typically known as 'advance tax agreements' – may be provided on an informal or formal basis In the Commission's view, the tax rulings provided in those cases examined in depth went beyond simple advance tax agreements to the extent that the companies involved allegedly gained an advantage over competitors. It is important to note that both the companies and countries involved in those cases are vigorously contesting the outcome of the investigations.

Vodafone has not entered into any special agreements with the Luxembourg tax authorities and is therefore not the focus of any related European Commission investigation We have received advance tax agreements from the authorities in order to confirm that the standard provisions of the Luxembourg tax regime apply to our facts and circumstances. Agreements of this kind are standard practice in many countries: wherever and whenever there are complex transactions, unclear tax regulations or substantial values involved, tax authorities generally seek to provide companies of all sizes with both formal and informal rulings and clearances in order to reduce uncertainty. Vodafone is confident that the advance tax agreements in Luxembourg therefore do not in any way amount to any form of bespoke arrangement with, or preferential treatment from, the Luxembourg tax authorities.

Vodafone addresses the current issue of European Commission illegal state aid investigations, explaining the background to the issue and the current status.

4.

There continued to be a significant international focus on tax reform during 2015 – including the OECD's Base Erosion and Profit Shifting ('BEPS') project and European Commission initiatives such as the proposed 'Anti-BEPS' Directive and the increased use of fiscal state aid investigations. The OECD BEPS reports clarify the important principle that tax should be paid on profits throughout the supply chain, commensurate with where the profit making activity takes place. GSK supports this approach and has been active in providing relevant business input to assist in the successful delivery of the aims of the BEPS project. In particular, we support the implementation of the OECD's recommendations on Country-by-Country Reporting ('CBCR'), including the exchange of CBCR data between tax authorities, as being key to its success. This data, validated against existing information held on taxpayers, will support their ability to ensure multinational groups pay the right amount of tax.

GSK provides commentary on the OECD's Base Erosion and Profit Shifting (BEPS) project and Country-by-Country reporting with details of the issues under consideration and GSK's view of those issues.

Source:
5. SABMiller plc, Our Approach to Tax 2016 – pages 13-14
SABMiller plc, Our Approach to Tax 2016 – pages 10-11
6. Vodafone Group plc, Tax and our total contribution to public finances 2014-15 – page 7

Total Tax Contribution and and the wider impact of tax – Explaining tax

5.

Transfer pricing

The vast majority of our business involves the local production and sale of local brands. Therefore, there are relatively low levels of intercompany cross-border sales, compared to many other multinational companies.

However, centralising professional expertise – for example in treasury, intellectual property management, back office activities, IT and procurement – leads to stronger businesses better able to compete in their local market and generating greater levels of profitability and tax. Centralisation enables us to achieve lower input costs, to focus energy on centres of excellence and to look after our assets better. It benefits consumers by allowing us to reinvest savings in our business to offer broader product offerings. This pooling of activity and resource is necessary in today's business environment, and is a growing factor in our group as it becomes more globally integrated. This creates intercompany service transactions.

For example, the globalisation of our procurement function to be led by deep subject matter experts has enabled us to reduce our input costs and to bring new value into our production and supply processes by identifying new materials and methods. This gives rise to intercompany procurement transactions.

Similarly, while the majority of our beer brands are owned within their markets of origin, it makes commercial sense to have a team of specialist trademark experts in one place to manage international rights. This gives rise to intercompany royalty payments. In the same way, centralised group functions provide other specialist services and guidance to promote best practice, and to enhance synergies across the business to ultimately increase local revenue and efficiency.

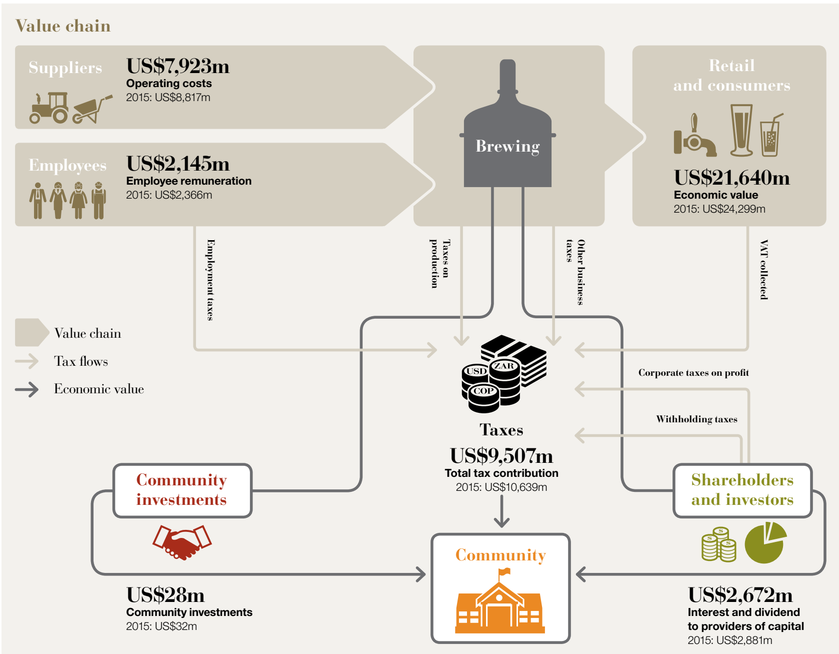
All of these examples demonstrate how value is created using specialists to complement and support that 94% of our total lager volume is from markets where we have a number one or number two national beer market position.

The group has grown historically by acquisition and this has, on appropriate occasions, been funded by debt. In addition the centralised treasury activities have supplied an efficient source of funding to subsidiaries for general corporate purposes. This gives rise to intercompany interest payments.

The core of all our transfer pricing is in compliance with both the OECD Transfer Pricing Guidelines for Multinational Enterprises and local domestic tax legislation. Compliance is supported through transaction-specific transfer pricing policies. We regularly review these policies for appropriateness.

SABMiller includes an explanation of transfer pricing. It covers what transfer pricing is, using practical examples to explain how it arises, and the group's approach to compliance.

SABMiller also uses a flow chart to explain how tax arises along the value chain. Inputs are shown on the left, and outputs on the right, with tax flows and economic value flows quantified.



Vodafone provides an explanation of how a company with a high turnover can have a low corporation tax charge, providing a numerical example to assist with understanding.

6.

Revenues and corporation tax: an illustrative example

It can often be difficult to understand how a company with a large turnover can have a very low corporation tax charge as a proportion of its revenue. We have provided below an illustrative example of a company with £1 million of revenue a year that has borrowed money to invest in new equipment or premises and that also has relatively high operating costs.

Total revenue	£1,000,000
Operating costs (e.g. costs relating to providing services, maintaining equipment, plant and premises, purchasing raw materials etc.)	(£650,000)
Administration costs (e.g. staff, property costs)	(£75,000)
Annual deduction for capital expenditure	(£150,000)
Interest (i.e. relief on debt interest costs arising from borrowings to fund expansion)	(£100,000)
Profit before tax	£25,000
UK corporation tax at 20% of profits	£5,000

2. Extractives

Many of the London-listed extractive companies (notably the mining companies) manage their central functions in the UK, with substantial operations overseas in the territories where the natural resources are located.

Extractive companies have been central to the advances made in tax transparency over recent years through exposure to the EITI, EU and US country-by-country reporting initiatives.

Mining companies, in particular, have become increasingly open about their tax strategy and governance procedures, and how they manage the risk of operating in territories with developing tax regimes.

Source:
1. Anglo American plc, Tax and Economic Contribution Report 2015 – page 5
2. Rio Tinto plc, Taxes Paid in 2015 – page 6

Tax strategy and risk management

1.

OUR APPROACH

Anglo American's approach to tax is influenced by the dynamics of the mining sector, as well as the nature of the mining cycle. Mining is a long life, high risk business with very significant initial capital investment required before any return on investment is realised (see illustration on page 9). We therefore support approaches to tax that foster sustainability over the long term and are not focused narrowly on short term outcomes.

Our approach to tax is aligned with our Good Citizenship Business Principles, our long term business strategy and our vision to be 'Partners in the Future'. As such, we support the principles of transparency and active and constructive engagement with our stakeholders. We see a benefit through this broader engagement in our approach to tax in a number of key jurisdictions both for our business and for our stakeholders. For example, in applying this approach in the UK, we continue to be considered 'low risk' by HMRC in its annual risk assessment for the Group. At the same time, increased transparency can empower communities by helping them to understand how much income is generated from the mining activity in their regions.

Our approach is set out in the Group's tax strategy which we use as a means of explaining our way of working to external stakeholders, employees and our in-house team of tax professionals.

This strategy includes a number of key points:

- We respect the law in each of the jurisdictions in which the Group operates. This means that we comply with our legal obligations for tax, that we fi e our tax returns (and s mi a) on time with full and adequate disclosure of all relevant matters, and pay our taxes on time.
- We do not take an aggressive approach to tax planning or compliance. This means that we will only undertake transactions that we are prepared to fully disclose, and that we will not undertake transactions that are without strong underlying commercial motivation, or that are (or appear to be) artificial or contrived.
- We conduct intragroup transactions on an arm's length basis and comply with our obligations under transfer pricing rules in the jurisdictions where we operate.
- The use of tax haven companies plays no part in our tax strategies. We accept that we have a small number of so-called tax-haven entities in the Group's structures today that are largely the result of legacy structures inherited from acquisitions and that are now mainly dormant, are planned to be liquidated or re-domiciled. Such entities are disclosed in full to appropriate governments and agencies, and any remaining entities are fully subject to UK tax. As such, we secure no tax benefit from these remaining entities.
- We seek to maintain a long term, open, constructive relationship with tax authorities and governments in relation to taxation matters and will seek to proactively engage with those tax authorities and governments directly or indirectly (i.e. through relevant representative bodies) to shape future tax policy and legislation in ways that share our experience, international best practice and promote and protect Anglo American's interests, principles and strategy.

Anglo American aligns the group's approach to tax with its long term business strategy, its Good Citizenship Business Principles and vision to be 'Partners in the Future'. It highlights support for approaches to tax that foster sustainability over the long term.

2.

Rio Tinto sets out its approach to activites in 'tax haven' countries, confirming that the approach has been agreed with the board and highlighting activities that it will and will not undertake.

Tax risk management and governance

- The Board reviews and approves the Policy, and management's adherence to it, on an annual basis.
- Subject to this oversight by the Board, the conduct of the Group's tax affairs and the management of tax risk are delegated to a global team of tax professionals.
- The global tax team operates in partnership with the Group's businesses to identify and mitigate tax risks.
- A manual of procedures is maintained in relation to tax risk management, and thorough risk assessments are completed before entering into any tax planning on significant transactions.
- This includes a commitment to ensure full compliance with all statutory obligations. The Group actively considers the implications of tax planning on its wider corporate reputation.

Dealings with tax authorities

- The Group values having good relations with tax authorities and is committed to full disclosure to tax authorities.
- The Group has entered into co-operative compliance agreements in relation to income tax and GST in Australia. In other countries it adopts more informal programmes of real-time commun cation with tax authorities.

Principles of tax plan ing

- Tax planning is aligned with our business strategy and conforms to our global code of business conduct, *"The way we work"*.
- The Group does not undertake aggressive tax planning.
- The Group manages its tax affairs in a proactive manner that seeks to maximise shareholder value, while operating in accordance with the Policy.
- Where the Group takes an uncertain position in relation to a majo bus ness transaction or in tiative it will seek an opinion from an independent external advisor to support its position.
- Subject to the above, the Policy is not prescriptive on levels of acceptable risk.

Ent ties resident in "Tax haven" countries

There has been increased public and media inte est n the use of entities resident in "tax ha en" countr es in recent years

Following a ev ew, the Board determined how the group's tax strategy applies to ent t es res dent in a "tax haven" jurisdict on

The principles Rio Tinto appl es are as follows:

- Profit should b taxed in the country in which the business and profit g nerati g a tivity is carried out
- The Group should ava l tself of tax concessions and ncent ves (includ ng a lower company tax rate) offered by ountr es in wh c business activ y s und rtaken.
- The Group should pay no mo e tax than is due nder a easonable interpretation of the tax law

R o Tinto will ot

- Establi h a range nts that are artific al and t linked to business requirements and that rely on non disclosure
- Artific ally tran fer profits f om one bus ness location to another to avoid taxation

Source:

3. Royal Dutch Shell plc, Sustainability Report 2015 – page 49
4. Anglo American plc, Tax and Economic Contribution Report 2015 – page 8

Tax strategy and risk management

3.

Tax strategy

It is the right of governments to determine what a fair share of tax is and to draft tax laws accordingly. They do so against strong competition for capital and investment, which is internationally mobile. It is not the role of business to form views on what level of taxation is fair. We use legitimate tax incentives and exemptions designed by governments to promote investment, employment and economic growth.

When considering the viability of investments, tax is one of the factors we examine. Income tax is just one part of the overall tax regime considered. We expect to pay tax on our income in the country where activities take place, and believe double taxation of the same activity by different jurisdictions should be avoided. Shell supports efficient, predictable and stable tax regimes that incentivise long-term investment. We expect the laws to be applied consistently, creating a level playing field for all.

Royal Dutch Shell sets out its view that governments determine what a fair share of tax is and higlights that it expects tax laws to be applied consistently, creating a level playing field for all.

4.

Tax governance

We have a team of dedicated tax professionals who are charged with managing the Group's tax affairs in line with the Group's tax strategy.

This team is committed to acting in accordance with our Good Citizenship Business Principles and tax strategy; internal tax policies ensure that the strategy is embedded in the way we do business. Our tax professionals also strive to maintain a long term, open and constructive relationship with tax authorities, governments and other relevant stakeholders.

We actively engage with a variety of stakeholders on a range of issues relating to tax, including industry bodies that help bring commercial understanding and experience into debates about tax policy and governance.

Tax matters are regularly presented to our Board and Audit Committee who take a particular interest in the extent to which our approach to tax meets our commitments to stakeholders, including host governments and local communities and our ambition of good tax governance. In addition, our tax affairs are regularly scrutinised by our external auditors and by tax authorities as part of the normal course of local tax-compliance procedures.

Overall, we consider that our tax governance framework is consistent with emerging efforts by tax authorities to improve tax compliance and encourage businesses to adopt best-practice tax risk management processes. We have already adopted the key principles outlined in the Tax Risk Management and Governance Review launched by the ATO in 2015, as well as the consultation on Improving Large Business Tax Compliance published by HMRC in the UK. We will continue to monitor relevant guidance to ensure we are a leading organisation in this area.

Anglo American refers to its tax governamce framework and how this is consistent with the ATO and HMRC activity in this area as tax authorities encourage business to adopt tax risk management processes.

Source:
1. Anglo American plc, Annual Report 2015 – page 130
2. Royal Dutch Shell plc, Annual Report and Form 20-F 2015 – page 137

Tax numbers and performance

1.

The effective tax rate for the year of (7.1)% (2014: (488.4%)) is lower (2014: lower) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 20.25% (2014: 21.5%). The reconciling items, excluding the impact of associates and joint ventures, are:

US$ million	2015	2014
Loss before tax	(5,454)	(259)
Less: share of net loss/(income) from associates and joint ventures	221	(208)
Loss before tax (excluding associates and joint ventures)	(5,233)	(467)
Tax on loss (excluding associates and joint ventures) calculated at United Kingdom corporation tax rate of 20.25% (2014: 21.5%)	(1,060)	(100)
Tax effects of:		
Items non-taxable/deductible for tax purposes		
Exploration expenditure	15	18
Non-deductible/(taxable) net foreign exchange losses/(gains)	15	(12)
Non-taxable net interest income	(29)	(8)
Other non-deductible expenses	144	72
Other non-taxable income	(92)	(138)
Temporary difference adjustments		
Current year losses not recognised	12	79
Recognition of losses not previous y recognised	(18)	(143)
Utilisation of losses not previously recognised	(13)	(13)
Write-off of losses previously recognised	29	65
Adjustment in deferred tax due to change in tax rate	(2)	106
Other temporary differences	13	95
Special items and remeasurements[1]	1,333	1,014
Other adjustments		
Secondary tax on companies and dividend withholding taxes	52	193
Effect of differences between local and United Kingdom tax rates	46	106
Prior year adjustments to current tax	(58)	(68)
Other adjustments	1	(1)
Income tax expense	388	1,265

[1] The special items and remeasurements reconciling item of $1,333 million (2014: $1,014 million) relates to the net tax impact of total special items and remeasurements before tax calculated at the Uni ed Kingdom corporation tax rate less the associated tax recorded against these items, one-off tax charges and tax remeasurements. See note 6 for further details of the tax amounts included within special items and remeasurements.

Anglo American provides clear headings in the reconciliation, differentiating between items not taxable or deductible, temporary differences, special items and other adjustments.

2.

RECONCILIATION OF APPLICABLE TAX CHARGE AT STATUTORY TAX RATES TO TAXATION (CREDIT)/CHARGE			$ MILLION
	2015	2014	2013
Income before taxation	2,047	28,314	33,592
Less: share of profit of joint ventures and associates	(3,527)	(6,116)	(7,275)
(Loss)/income before taxation and share of profit of joint ventures and associates	(1,480)	22,198	26,317
Applicable tax charge at statutory tax rates	930	11,206	16,463
Adjustments in respect of prior periods	320	(161)	(78)
Tax effects of:			
Income not subject to tax at statutory rates	(2,597)	(1,864)	(1,077)
Expenses not deductible for tax purposes	1,452	2,271	1,134
Deductible items not expensed	(418)	(401)	(545)
Taxable income not recognised	384	526	263
Derecognition of deferred tax assets	108	1,015	321
Other	(332)	992	585
Taxation (credit)/charge	(153)	13,584	17,066

The weighted average of statutory tax rates was (62.8)% in 2015 (2014: 50.5%; 2013: 62.6%). The negative rate in 2015 (tax charge on a pre-tax loss) was mainly due to impairment charges, and other charges related to ceasing activities in Alaska and the Carmon Creek project. These resulted in significant losses in jurisdictions with relatively low tax rates compared with Shell's typical weighted statutory average. Excluding these items, the weighted average of statutory tax rates for 2015 was comparable with 2014.

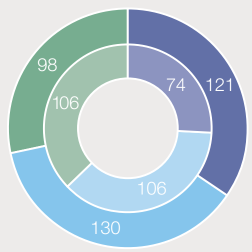
Royal Dutch Shell uses a weighted average statutory tax rate in its reconciliation, showing how this compares to previous years and explaining why it has changed compared to previous years.

Source:
3. Centrica plc, Annual Report and Accounts 2015 – page 27

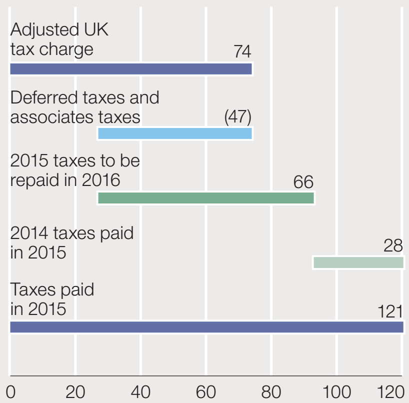
Tax numbers and performance

3.

Tax charge v. cash tax by country 2015 £m



Breakdown of UK adjusted tax charge £m



Statutory tax rates on profits

Group activities	%
UK supply of energy and services	20
UK oil and gas production	50/75
Norway oil and gas production	78
Netherlands oil and gas production	50
United States supply of energy and services	35
Canada supply of energy and services and oil and gas production	26
Republic of Ireland supply of energy and services	12.5

As at December 2015.

FURTHER INFORMATION ON THE TAX CHARGE IS SET OUT IN NOTE 9.

Centrica provides details of the reconciliation from adjusted UK tax charge to taxes paid, highlighting the impact of deferred taxes and timing differences from tax paid in the year relating to other years.

Source:
1. Anglo American plc, Tax and Economic Contribution Report 2015 – page 6
Anglo American plc, Tax and Economic Contribution Report 2015 – page 7

Total Tax Contribution and the wider impact of tax

1.

Workers exiting the drift entrance to Moranbah underground coal mine in Australia.

TAX CONTRIBUTION THROUGH THE CYCLE

Mining is an inherently high risk business, with significant sums invested in long term projects where future returns are uncertain. Many tax regimes in resource rich countries reflect this, with tax relief for the exploration, development and construction costs of mines often available in addition to the regular tax provisions applicable to companies in other sectors.

This often means that in times of economic downturn – such as those faced by the mining sector at present – there tends to be a significant reduction in our tax contribution as it relates to profit taxes. However, even when profit-based tax payments reduce, a significant portion of our contribution endures due to mining royalties and taxes associated with, for example, employment and procurement. This feature is one indicator of the long term nature of our investments and our business' contribution to our host communities and governments.

For example, principally due to the prevailing economic environment, our Australian operations, which primarily produce export metallurgical coal, reported a loss for the year to 31 December 2015. Our reported tax contribution (on page 18 of this report) for the same period clearly shows how, regardless of this, our tax contribution from non-profit taxes remained significant.

Further discussion and detail is available in this respect, with Australia again as the case study in our tax disclosure factsheet, available on our website.[1]

DESIGN OF AN EFFECTIVE FISCAL REGIME FOR THE MINING INDUSTRY

Anglo American operates in a variety of jurisdictions which have different fiscal regimes applicable to the mining industry. The nature of any fiscal regime, and its stability of application, is a significant factor in attracting investment as well as ensuring the long term viable operation of existing projects and operations.

In our experience, there are a number of important factors which should be taken into account in the design of an effective fiscal regime for the mining industry:

Tax policy and administration

- Tax should be imposed under generally applicable laws passed by parliament.
- Tax policy and legislation should be stable, competitive and predictable.
- Any law changes should be prospective, not retrospective, taking into account the integrity and coherence of the entire tax system.
- Tax administration should be consistent and transparent, aligned with government policy.
- Governments should be open to constructive dialogue between tax administrators, policymakers and taxpayers.

Basis of taxation

- Tax should be levied on a fair and equitable basis, enabling risk and reward to be shared between the investor and government, supporting long term investment and job and wealth creation.
- Tax should generally be levied on profits so that appropriate tax revenues can be raised at the appropriate time.
- Detailed tax rules should take account of the specific characteristics of the mining industry including relief for exploration, infrastructure expenditure and appropriate reliefs for capital expenditure.
- Any mining specific taxation should typically be in the form of a mining royalty or mining tax based on profit rather than revenues.

Anglo American also provides narrative explaining the life cycle of a mine and how this will impact the different types of tax receipts. It highlights that, regardless of a downturn, the tax contribution from non-profit taxes remained significant.

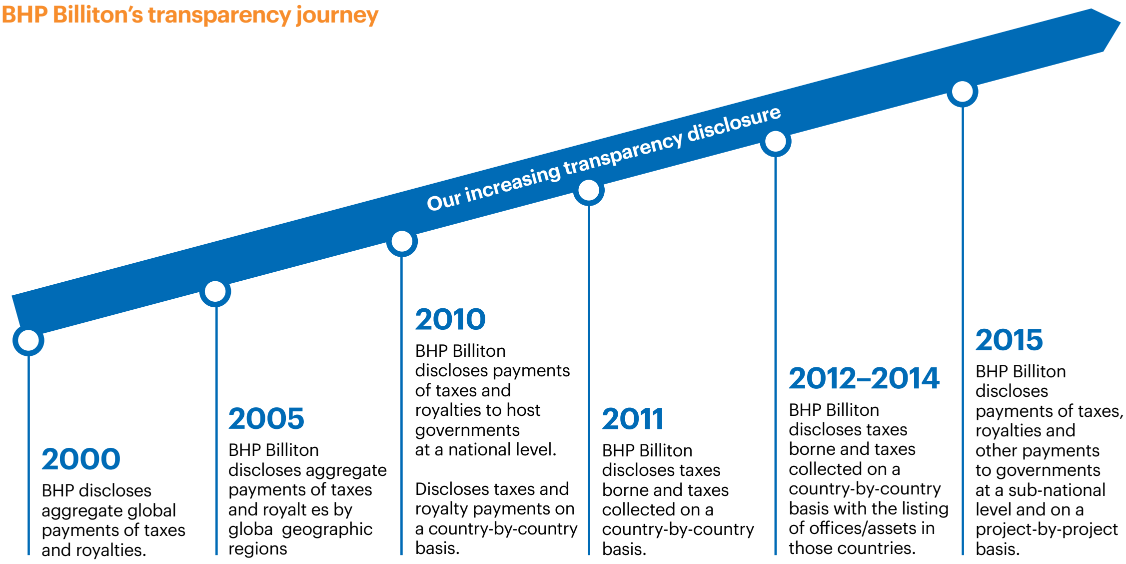
Anglo American provides narrative on its view of the design of an effective fiscal regime for the mining industry covering tax policy and administration and the basis of taxation.

Source:
2. BHP Billiton plc, Economic contribution and payments to governments 2015 – page 5
BHP Billiton plc, Economic contribution and payments to governments 2015 – page 9

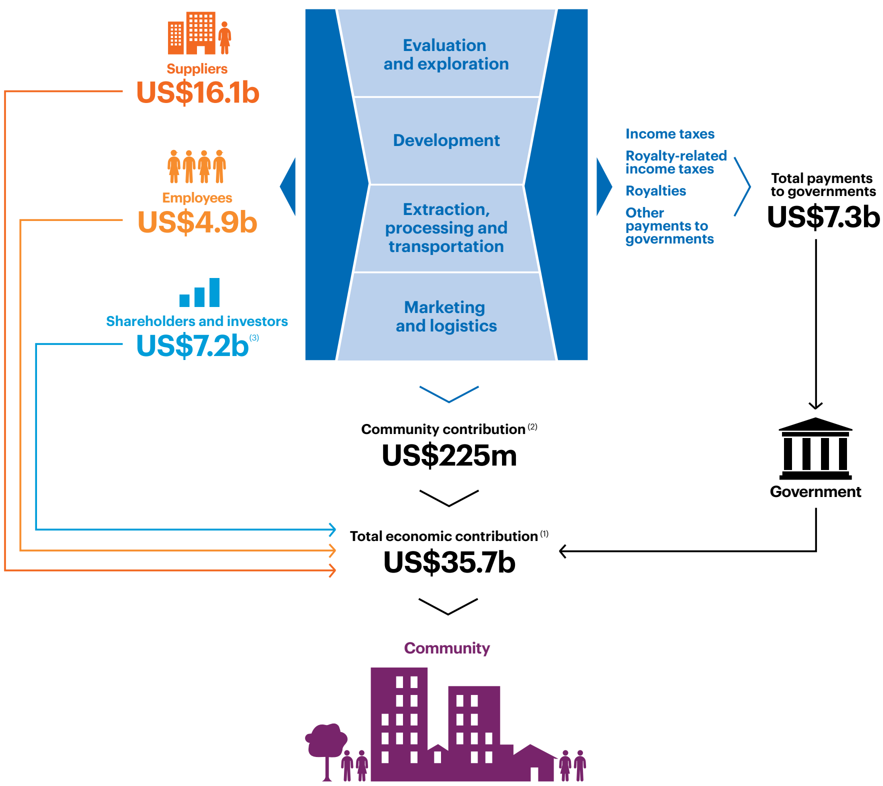
Total Tax Contribution and the wider impact of tax

2.

BHP Billiton's transparency journey



BHP Billiton's global value chain (1)



BHP Billiton includes a graphic highlighting its transparency journey and increasing disclosures from 2000 to 2015.

BHP Billiton also shows its global value chain using a helpful infographic. It quantifies the amount paid to governments and also to suppliers, employees, shareholders and investors, and communities.

3. UK focused companies

Many of the UK's largest companies remain essentially British businesses with staff, operations and customers predominantly located onshore. Across a range of sectors, these companies have relatively simple group structures and fewer overseas tax entities.

Complex policy areas such as transfer pricing and low-tax jurisdictions are less relevant in the day-to-day operations of the tax function. As a result, tax may be lower risk in comparison to multinational peers and so strategy and governance disclosures need not be as detailed.

The statutory disclosures and commentary on effective tax rate are not significantly affected by differing overseas tax rates.

There is no substantive geographic split of taxes paid that can be disclosed. However, a Total Tax Contribution analysis and economic impact reporting can give a clear and quantifiable message about what the company contributes to the UK.

Source:
1. United Utilities Group plc, Annual Report and Financial Statements 2016 – page 102
2. Travis Perkins plc, Annual Report and Accounts 2015 – page 62
3. Pennon Group plc, Annual Report and Accounts 2016 – page 24

Tax strategy and risk management

1.

Tax policies and objectives

Consistent with our wider business objectives, we are committed to acting in a responsible manner in relation to our tax affairs.

Our tax policies and objectives, which are approved by the board on an annual basis, ensure that we:

– only engage in reasonable tax planning aligned with our commercial activities and we always comply with what we believe to be both the letter and the spirit of the law;

– do not engage in aggressive or abusive tax avoidance;

– are committed to an open, transparent and professional relationship with HMRC based on mutual trust and collaborative working; and

– maintain a robust governance and risk management framework to ensure that these policies and objectives are applied at all levels.

In line with the above, we expect to fully adhere to the new HMRC framework for co-operative compliance.

Under the regulatory framework the group operates within, the majority of any benefit from reduced tax payments will typically not be retained by the group but will pass to customers via reduced bills.

In any given year, the group's effective cash tax rate on underlying profits may fluctuate from the standard UK rate due to the available tax deductions on capital investment and pension contributions. These deductions are achieved as a result of utilising tax incentives, which have been explicitly put in place by successive governments precisely to encourage such investment. This reflects responsible corporate behav our n re ation to taxation.

Consistent with the group's general risk management f amewo k, any tax risks are assessed for the likelihood of occurrence and the negative financial or reputational impact on the group and its objectives, should the event occur. In any given period, the key tax risk is likely to be the introduction of unexpected legislative or tax practice changes which lead to increased cash outflow which has not been reflected in the current regulatory settlement. The group is committed to actively engaging with relevant authorities in order to actively manage any such risk.

United Utilities highlights its tax policies and objectives and explains its approach to utilising tax incentives. Tax risks are linked to the group's general risk management framework and a key tax risk is identified and discussed.

2.

Tax Strategy and Tax Risk Management

The Group's objectives in managing and controlling its tax affairs and related tax risks are as follows:

- Ensuring compliance with all applicable rules, legislation and regulations under which it operates
- Maintaining an open and co-operative relationship with the UK Tax Authorities to reduce its risk profile
- Paying the correct amount of tax as it falls due

Tax policies and risks are assessed as part of the formal governance process and are reviewed by the Chief Financial Officer and reported to the Group's Audit Committee on a regular basis.

Significant tax risks, implications arising from these risks and potential mitigating actions are considered by the Board when strategic decisions are taken:

- The tax risks of proposed transactions or new areas of business are fully considered before proceeding

The Group employs professional tax specialists to manage tax risks and takes appropriate tax advice from reputable professional firms where it is considered to be necessary.

Travis Perkins sets out the group's objectives in managing its tax affairs and provides details of Board and Audit Committee involvement in governance over tax.

3.

TAXATION STRATEGY

Our tax strategy, reaffirmed by the Board in April 2016, is to fulfil our statutory obligations by the application of relevant tax legislation n a reasonable way, engaging n tax planning only when it is aligned with the commercial and economic activity of the Company. This is in l ne with the pr nciples published by the Confederation of British Industry (CBI) n 2013. The Group engages with HMRC n an open and transparent way, ident fy ng potential areas of uncertainty on a t mely basis. Due to the complexity of tax legislation, the Group and tax authorities may somet mes have d ffer ng opinions on the treatment of certain tax items. The Group manages this risk and accrues for areas of tax uncertainty in line with account ng standards requirements, where appropriate. The Board is regularly updated on tax matters, and any tax mplications of commercial activities are highlighted to the Board with the use of a risk matrix to assess the appropriateness of a proposal.

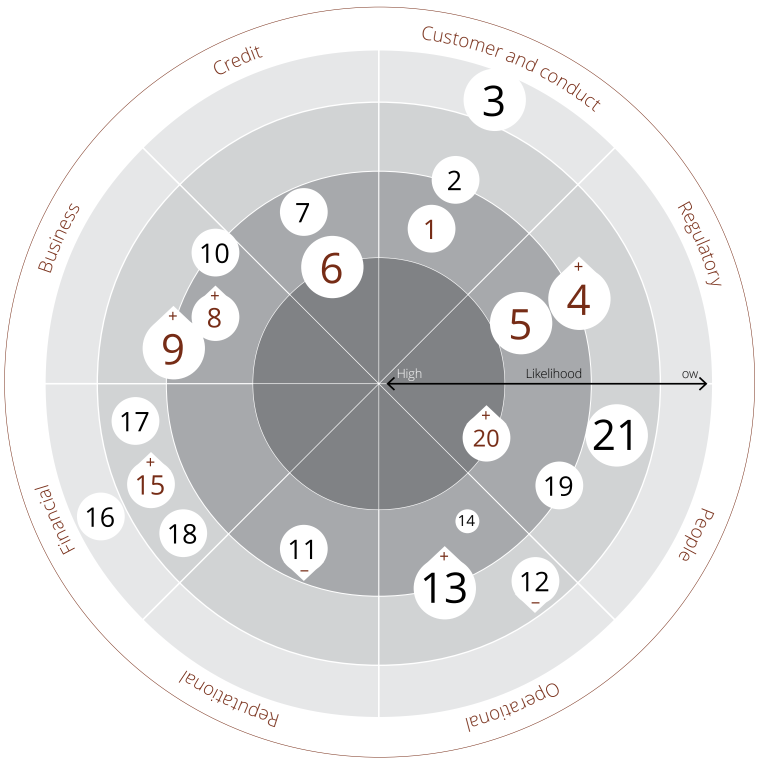
Pennon provides details of its approach to tax and clarifies that tax planning must be aligned with the commercial and economic activity of the company. Reference is made to the CBI tax principles and to a risk matix to assess the appropriateness of a proposal.

Source:
4. Provident Financial plc, Annual Report and Financial Statements 2015 – page 62
5. The Rank Group plc, Annual Report and Financial Statements 2015 – page 40

Tax strategy and risk management

4.

Provident Financial Group risk map



Principal and emerging risks

1 Conduct
2 Responsible lending
3 Agent/customer relationship
4 UK regulation
5 EU regulation
6 Credit
7 Home credit collections
8 Competition
9 New initiatives
10 Change management
11 Publicity and political
12 Information s curity
13 Supplier
14 IT change management
15 Capital
16 Liquidity
17 Pension
18 Tax
19 Remuneration
20 Recrui ment and re ention
21 Self-employment status

Selected risks discussed in more detail

mpact

HIGH MED LOW

+ Increase from 2014
– Decrease from 2014

Like ihood

High/current principal risks

Low/eme ging risks

Provident Financial includes tax on its group risk map, identifying it as a principal financial risk which would have a medium impact.

5.

Rank highlights partnering with the business to provide relevant tax advice as part of its strategy alongisde compliance with obligations and relationships with tax authorities.

Tax strategy

Rank's tax strategy is to fully comply with statutory tax obligations and maintain good rela ionships with tax authorities, to partner the business in providing relevant tax advice and to enhance shareholder value.

Rank operates in a highly regulated and highly taxed industry and aims to engage effectively with governments to ensure that Rank's economic and societal contributions are understood and valued

It remains Rank's objective to ensure that all taxes are correctly accounted for and that tax returns are completed accurately and on time and that any tax liabilities are paid. There are sufficient processes and controls in place to ensure that this objective is met. Rank has continued to progress and resolve certain current and historic tax issues in the UK and abroad in the past year through working co-operatively with the local tax authorities. The Group aims to conclude tax audits as quickly as possible whilst also defending its position robustly with a view to protecting shareholder value and taking into account the cost of defending audits in relation to the amounts of tax at stake.

The Group's tax strategy is regularly reviewed and approved by the Board and supported by the use of appropriate advisors. Where disputes arise over the interpretation and application of tax legislation, the Group will seek to resolve any differences by discussing the merits of its position with the relevant tax authority. In the event that agreement cannot be reached, Rank will consider litigation provided that the grounds of appeal stand a good chance of success and that there is sufficient tax at stake to warrant the cost of litigation.

Source:
1. The Rank Group plc, Annual Report and Financial Statements 2015 – page 40
2. United Utilities plc, Annual Report and Financial Statements 2016 – page 39
3. Lloyds Banking Group, Annual Report and Accounts 2015 – page 198

Tax numbers and performance

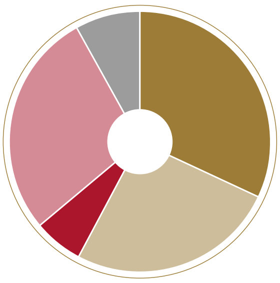
1.

Taxation

In the year 2014/15 th Group s busin sse have generated £159.6m (2013/14: £189.4m) for the UK Exchequer and local government in direct and indirect taxes and local business rates The year-on-year reduction is due to lower corporation tax payments. Rank has provided employment to 11,000 (2013/14: 11,000) people across the Group. The broader impact of Rank's operations, including taxes paid by supplier companies, is harder to quantify but no less significant

Taxation represents a significant proportion of the Group's total outgoings as can be seen from the chart below:

TAXATION



Group taxation	32%
Employment costs	26%
Depreciation/amortisation	6%
Payments to suppliers	28%
Other	8%

Cash t x rate

In the year ended 30 June 2015 the Group had a cash tax rate of 3 0% on adjusted profits following refunds received in the year. These arose following submission of the 2012/13 tax returns which included the amusement machines VAT repayment to HMRC. Taking into account this refund, the adjusted cash tax rate of 15 6% on adjusted profits reflects the utilisation of capital allowances and losses in the Group (2013/14: 16.7%). The Group is expected to have a cash tax rate of approximately 17.5% to 20 0% in the year ended 30 June 2016 excluding any tax payable on the resolution of a number of legacy issues This is lower than the Group's effective corporation tax due to the utilisation of capital allowances and losses in the Group

Effective tax rate

The Group's effective corporation tax rate in 2014/15 was 22.9% (2013/14: 22.2%) based on a tax charge of £17.0m on adjusted profit before taxation This is in line with the Group's anticipated effective tax rate of 22% to 24%. The effective corporation tax rate for 2015/16 and future periods is expected to be 21% to 23%, reducing in line with the reduction to UK corporation tax rates but remaining 1% to 3% above the UK statutory tax rate as a result of some overseas profits being taxed at higher rates and depreciation of assets that do not qualify for capital allowances. Further details on the taxation charge are provided in note 7.

Ra k provides de ail of both its cash t x r te and effective tax rate. The nar a ive covers adjusted ra es and forward looking p ojections for both rates giving an indication of the sustainable rate that can be expected in the future.

2.

In 2015/16, we paid co po ation tax of £53 million which represents an effective cash tax rate on underlying profits of 13 per cent, 7 per cent lower than the headline rate of corporation tax of 20 per cent Consistent with prior years the key econciling item to the headline rate was allowable tax deductions on net capital investment We have expressed the effective cash tax rate in terms of   nderlying prof t as th s meas re exclude net fair va ue mov ments on debt and de ivative nst uments and thereby enables a medium-term cash tax rate forecast. We would expect the average cash tax rate on underlying profits through to the end of the current regulatory period in March 2020 to be around 15 per cent. The key risk to sustaining this rate is any unexpected changes in tax legislation or practice and, as necessary, we would actively engage with the relevant authorities in order to manage this risk.

United Utilities includes narrative to explain why its effective cash tax rate was lower than the headline rate of corporation tax and provides a medium term cash tax rate forecast.

Lloyds Banking Group provides a forecast for when it expects its carried forward losses to be utilised.

3.

The deferred tax asset is expected to be utilised over different time periods in each of the entities in which the losses arise. Under current UK tax law there is no expiry date for unused tax losses Following the enactment of the Finance Act 2015, there is now a restriction imposed on the amount of banks profits that can be offset by certain carried forward tax losses for the purposes of calculating corporation tax liabilities. The losses are expected to be fully utilised by 2025.

As disclosed in note 38, deferred tax assets totalling £1,109 million (2014: £921 million) have not been recognised in respect of certain capital losses carried forward, trading losses carried forward and unrelieved foreign tax credits as there are no predicted future capital or taxable profits against which these losses can be recognised.

Source:

4. Royal Bank of Scotland Group plc, Annual Report and Accounts 2015 – page 292
5. Marks and Spencer Group plc, Annual Report and Financial Statements 2016 – page 100

Tax numbers and performance

4.

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 20.25% (2014 - 21.50%; 2013 - 23.25%) as follows:

	2015 £m	2014 £m	2013 £m
Expected tax credit/(charge)	547	(568)	2,057
Losses and temporary differences in year where no deferred tax asset recognised	(1,086)	(89)	(887)
Foreign profits taxed at other rates	510	76	(117)
UK tax rate change impact (1)	94	—	(313)
Non-deductible goodwill impairment	(124)	(28)	(247)
Items not allowed for tax			
- losses on disposals and write-downs	(23)	(12)	(20)
- UK bank levy	(50)	(54)	(47)
- regulatory and legal actions	(232)	(182)	(144)
- other disallowable items	(199)	(191)	(212)
Non-taxable items			
- gain on sale of Direct Line Insurance Group	—	41	—
- gain on sale of Global Merchant Services	—	—	37
- other non-taxable items	173	79	153
Taxable foreign exchange movements	19	21	(25)
Losses brought forward and utilised	122	225	36
(Reduction)/increase in carrying value of deferred tax asset in respect of:			
- UK losses	—	(850)	(701)
- US losses and temporary differences	—	(775)	—
- Ireland losses	—	153	—
Adjustments in respect of prior years (2)	226	245	244
Actual tax charge	(23)	(1,909)	(186)

Notes:

(1) In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rates standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 18% from 1 April 2020. The Finance (No 2) Act 2015 restricts the rate at which tax losses are given credit in future periods to the main rate of UK corporation tax rate, excluding the Banking Surcharge 8% rate introduced by this Act. Deferred tax assets and liabilities at 31 December 2015 take into account the reduced rates in respect of tax losses and non-banking temporary differences and where appropriate, the banking surcharge inclusive rate in respect of other banking temporary differences.

(2) Prior year tax adjustments for 2015 include releases of tax provisions that reflect the reduction of exposures in countries where RBS is ceasing operations in line with the strategy to become a smaller, simpler UK focused bank. The prior year tax adjustment also reflects adjustments to reflect submitted tax computations in the UK and overseas and a further prior year tax credit in respect of tax losses arising in the Belfast Branch of Ulster Bank Ireland Limited reflecting UK tax law changes and European Court of Justice decisions on the surrender of tax losses.

Royal Bank of Scotland provides a further breakdown of 'items not allowed for tax' and 'non-taxable items' and includes a narrative explanation of prior year tax adjustments.

5.

C Current tax reconciliation

The current tax reconciliation shows the main adjustments made to the Group's accounting profits in order to arrive at its taxable profits. The reconciling items differ from those in note 7B as the effects of deferred tax timing differences are ignored below.

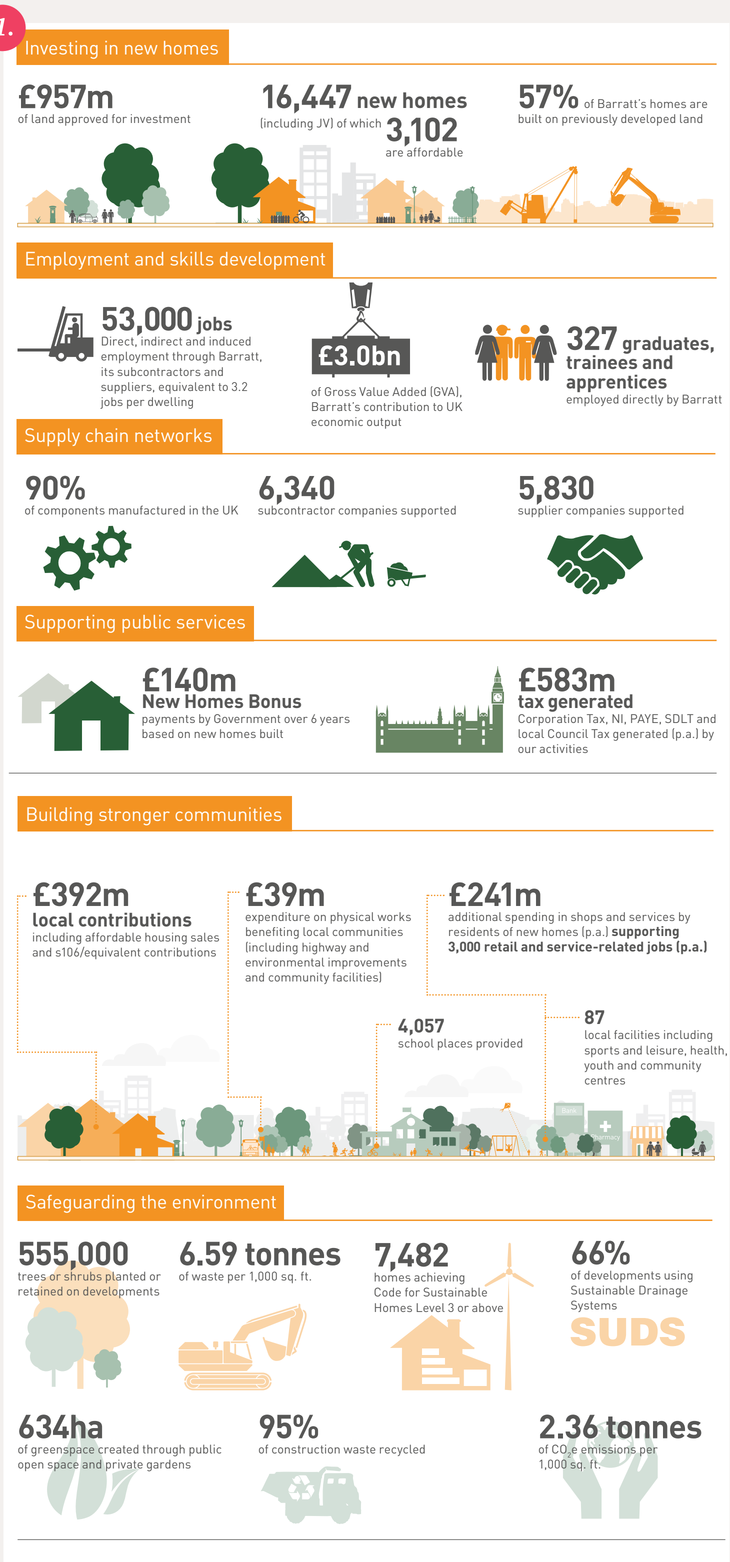
	2016 £m	2015 £m
Profit before taxation	**488.8**	600.0
Notional taxation at standard UK corporation tax rate of 20% (last year: 21%)	**97.8**	126.0
Disallowable accounting depreciation and other similar items	**85.4**	86.1
Deductible capital allowances	**(71.5)**	(76.9)
Allowable deductions for employee share schemes	**(3.4)**	(10.2)
Allowable deductions for employee pension schemes	**(13.4)**	(15.6)
Overseas profits taxed at rates different to those of the UK	**(4.3)**	(5.7)
Overseas tax losses where there is no immediate relief	**3.7**	4.8
Other income and expenses that are not taxable or allowable	**7.6**	1.9
Adjustments to underlying profit:		
– international store review charges where no tax relief is available	**21.0**	7.7
– (profits)/losses on property disposals	**(0.5)**	0.5
– UK property and investment deductions where no tax relief is available	**7.5**	0.6
– acquisition of Lima (Bradford) S.à r.l. joint venture	**(5.4)**	–
– embedded derivative	**4.7**	(0.3)
– overseas profits taxed at rates different to those of the UK	**(5.2)**	(0.1)
Current year current tax charge	**124.0**	118.8
Represented by:		
UK current year current tax	**111.6**	106.5
Overseas current year current tax	**12.4**	12.3
	124.0	118.8
UK adjustments in respect of prior years	**(5.6)**	(7.5)
Overseas adjustments in respect of prior years	**(0.5)**	(3.0)
Total current taxation (note 7A)	**117.9**	108.3

In addition to a tax reconciliation to total income tax expense, Marks and Spencer provides a tax reconciliation to the current year current tax charge. Deferred tax timing differences are excluded from the reconciliation.

Source:
1. Barratt Developments plc, Sustainability Report 2015 - pages 2-3

Total Tax Contribution and the wider impact of tax

1.



Barratt Developments quantifies the amount of tax generated through its operations during the year, which include employment, supply chain, public services and communities. The infographic provides a powerful picture of the company's contribution to the UK.

Source:
2. SSE plc, Annual Report 2016 - page 22
3. Marks and Spencer Group plc, Annual Report and Financial Statements 2016 – pages 24-25

Total Tax Contribution and the wider impact of tax

2.

Providing public services
SSE depends on society to provide strong public services to function and thrive. SSE relies on emergency services, public roads and the public health services to fulfil its core purpose of providing energy in a reliable and sustainable way.

Lending human capital
SSE's success depends on its employees and their innate abilities and learned knowledge. It depends on society to make the first investment in that human capital, through education and training.

Giving right to pay dividends
Energy was once nationalised, and so SSE depends on society for he right to pay dividends to shareholders. To attract and support investment in energy infrastructure, SSE has paid increasing dividends each year since it was formed in 1998.

Paying a fair share of tax
As part of society, SSE believes it should contribute to the cost of the services on which it depends. SSE has been an accredited Fair Tax Mark company since 2014 and paid tax to government totalling £453.9m in 2015/16.

Supporting and creating sustainable jobs
As part of society, SSE believes in supporting and creating high quality, long-term jobs for local people. In 2015/16, SSE employed 21,118 people directly and supported another 97,430 jobs across the UK and Ireland.

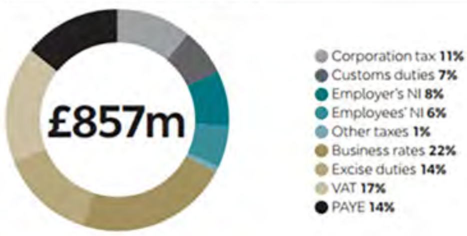
Investing in infrastructure
SSE helps maintain and grow the energy infrastructure society needs. In 2015/16 SSE invested £1.6m in energy assets and services, part of the £8.9bn and €805m contribution SSE made to UK and Irish economies in the same year.

SSE highlights paying tax as a way it contributes to society, supporting the cost of those services it depends on. Paying tax is put in the context of supporting and creating jobs and investing in infrastructure.

3.

TAXATION
The full year underlying effective tax rate was 17.2% (last year 18.9%). Statutory effective tax rate was 17.3% (last year 19.7%). It was lower in part owing to a one-off credit due to the restatement of our deferred tax liability to reflect a lower future UK Corporation Tax rate.

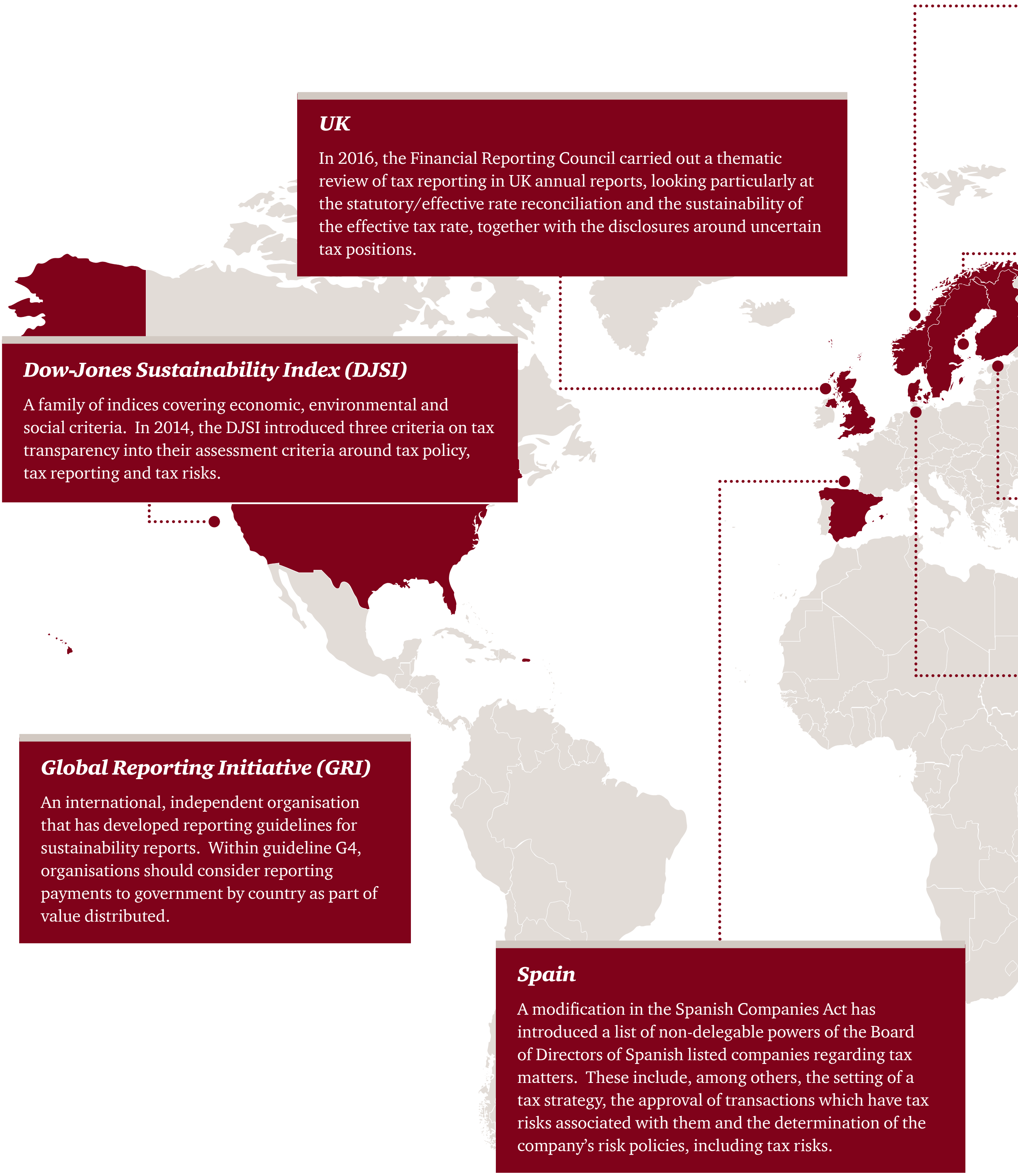
TOTAL TAX CONTRIBUTION



In 2016 our total cash tax contribution to the UK Exchequer was £857m (2015: £767m); split between taxes ultimately borne by the company of £419m (2015: £388m) (i.e. corporation tax, customs duties, employer's NIC, business rates and sundry taxes) and taxes attributable to the Company's economic activity collected on behalf of the government of £438m (2015: £379m) (i.e. PAYE, employees' NIC, value added tax, excise duties and sundry taxes).

Marks and Spencer shows its contribution in all taxes, showing the breakdown by type of tax and identifying those taxes borne by the company and taxes collected on behalf of the government.

Other Tax Transparency initiatives



UK

In 2016, the Financial Reporting Council carried out a thematic review of tax reporting in UK annual reports, looking particularly at the statutory/effective rate reconciliation and the sustainability of the effective tax rate, together with the disclosures around uncertain tax positions.

Dow-Jones Sustainability Index (DJSI)

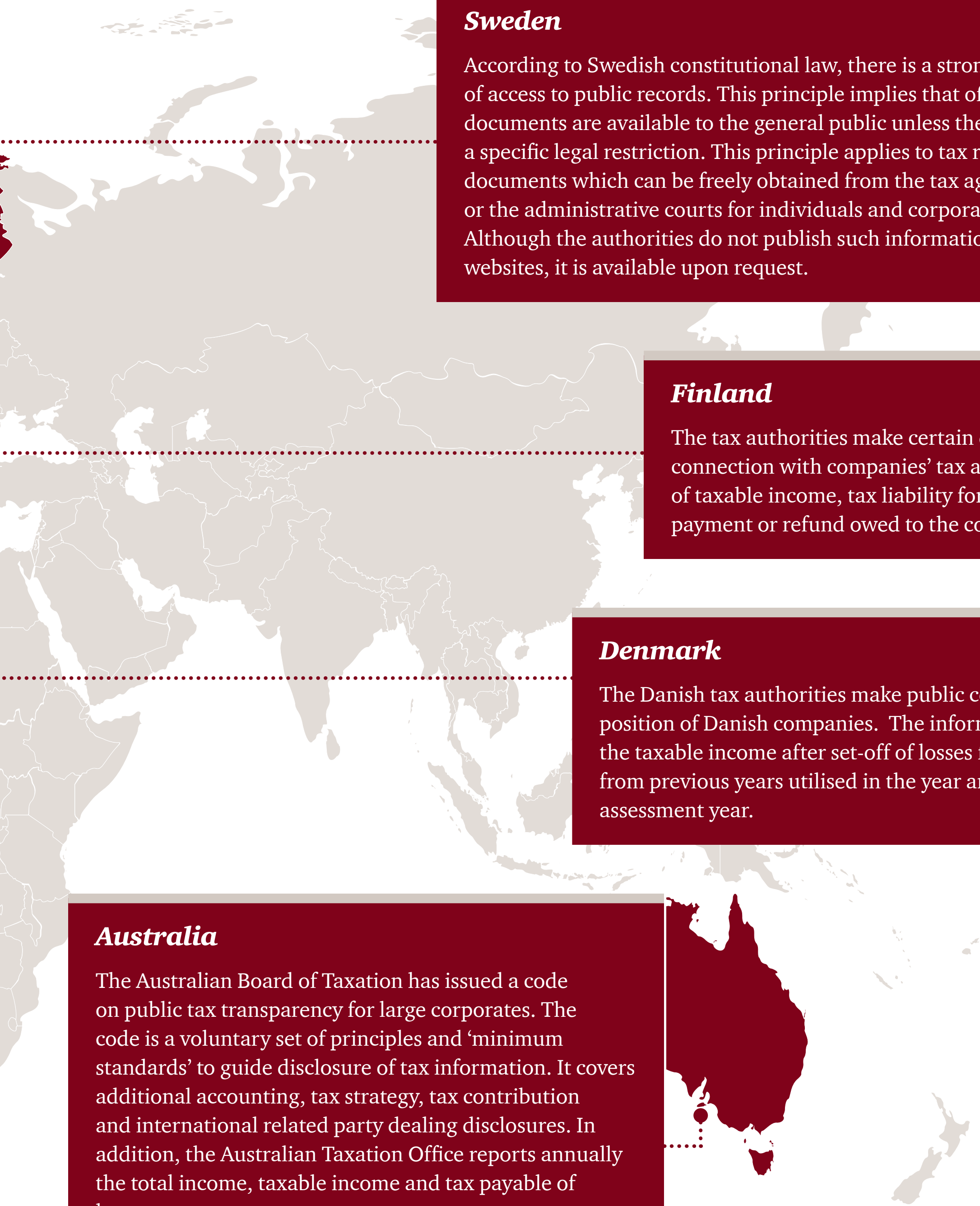
A family of indices covering economic, environmental and social criteria. In 2014, the DJSI introduced three criteria on tax transparency into their assessment criteria around tax policy, tax reporting and tax risks.

Global Reporting Initiative (GRI)

An international, independent organisation that has developed reporting guidelines for sustainability reports. Within guideline G4, organisations should consider reporting payments to government by country as part of value distributed.

Spain

A modification in the Spanish Companies Act has introduced a list of non-delegable powers of the Board of Directors of Spanish listed companies regarding tax matters. These include, among others, the setting of a tax strategy, the approval of transactions which have tax risks associated with them and the determination of the company's risk policies, including tax risks.



Norway

'Tax lists' are made available to the public through the Tax Directorate's home page. The list includes information such as net income, net wealth and assessed tax. The media is allowed to see, but not publish a complete tax list.

Sweden

According to Swedish constitutional law, there is a strong principle of access to public records. This principle implies that official documents are available to the general public unless there is a specific legal restriction. This principle applies to tax related documents which can be freely obtained from the tax agency and/or the administrative courts for individuals and corporate entities. Although the authorities do not publish such information on their websites, it is available upon request.

Finland

The tax authorities make certain data publically available in connection with companies' tax affairs. These include total amounts of taxable income, tax liability for the year and outstanding tax payment or refund owed to the company.

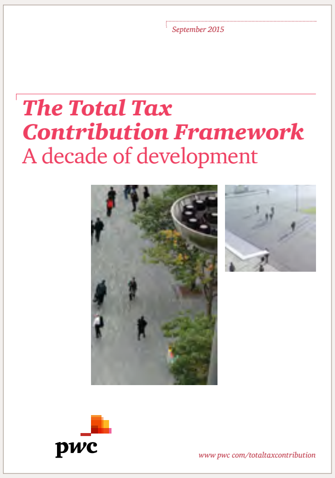
Denmark

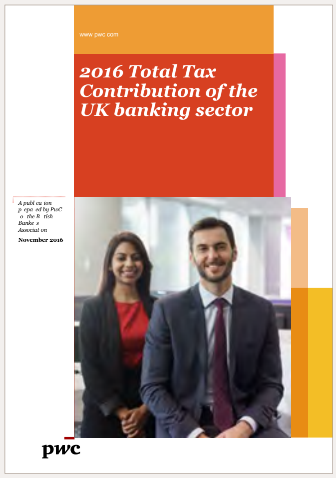
The Danish tax authorities make public certain data on the tax position of Danish companies. The information disclosed includes the taxable income after set-off of losses from previous years, losses from previous years utilised in the year and the tax calculated for the assessment year.

Australia

The Australian Board of Taxation has issued a code on public tax transparency for large corporates. The code is a voluntary set of principles and 'minimum standards' to guide disclosure of tax information. It covers additional accounting, tax strategy, tax contribution and international related party dealing disclosures. In addition, the Australian Taxation Office reports annually the total income, taxable income and tax payable of large corporates.

Recent publications





Key contacts:

PwC has a strong network of people who can advise you on how to develop your reporting to best meet the needs of your business, the board and external stakeholders. To discuss reporting insights for your organisation, please speak to your usual contact or one of our team:

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www.pwc.co.uk/services/tax/tax-transparency.html

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