



# Tax Policy

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The purpose of this Policy is to ensure that British Business Bank plc and its operating subsidiaries (together "BBB") manages its tax affairs in a way that is compliant with all regulation, does not compromise its reputation and meets shareholder and wider government expectations and requirements in respect of taxation matters.

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## 1. Purpose & objective

The purpose of this Policy is to ensure that British Business Bank plc and its operating subsidiaries (together "BBB") manage their tax affairs in a way that:

- Complies with all relevant taxation legislation and regulation;
- Avoids compromising its reputation; and
- Meets shareholder and wider government expectations and requirements in respect of taxation matters.
- Is consistent with the values that BBB promotes in the conduct of its business.

## 2. Scope

This policy, and any associated procedures, applies to all BBB entities and operations including staff, permanent employees, contractors, secondees, agents and Board members.

## 3. Definition of terms

Please refer to Appendix 1 to this Policy.

## 4. Legal and Regulatory Obligations

BBB complies with all current UK tax legislation, regulations, codes of practice and industry guidance including but not limited to the following. It also complies with international tax legislation and regulations where its activities fall within the scope of foreign jurisdictions (e.g. FATCA, FISMA):

### 4.1. Managing Public Money

In accordance with its Framework Agreement with BEIS, BBB will comply with the principles of HMT's "Managing Public Money" (published July 2013, as amended or replaced from time to time). BBB recognises and where appropriate applies the guidance on taxation matters within Managing Public Money. In particular, it is noted that 5.6.1 of that publication states:

*"5.6.1 Public sector organisations should not engage in, or connive at, tax evasion, tax avoidance or tax planning. If a public sector organisation were to obtain financial advantage by moderating the tax paid by a contractor, supplier or other counterparty, it would usually mean that the public sector as a whole would be worse off – thus conflicting with the accounting officer's duties. Thus artificial tax avoidance schemes should normally be rejected. It should be standard practice to consult HMRC about transactions involving non-standard approaches to tax before going ahead."*

### 4.2. The Code of Practice on Taxation for Banks

The Code of Practice on Taxation for Banks ("the Code") was first introduced in March 2009 and has been subject to subsequent updates. The Code comprises the HMRC's Code of Practice on Taxation for Banks dated 5 December 2013 and HMRC's Governance Protocol dated 8 November 2016. BBB does not fall within the definition of a participating group or entity for adoption of the Code, however whilst is not required to formally adopt the Code it applies the principle commitments which are to:

- Adopt adequate governance to control the types of transactions that it enters into;
- Not undertake tax planning that aims to achieve a tax result contrary to the intentions of Parliament;
- Comply fully with all its tax obligations; and
- Maintain an open, professional and transparent relationship with HMRC.

Details of other primary sources of regulation, codes and guidance are detailed at section 8 to this Policy.

## 5. Key principles

BBB will satisfy itself in each case arising that its actions are consistent with the purposes and principles of this policy. To achieve this it will adhere to standards including (but not limited to) those below. BBB Finance and Legal teams will provide guidance and advice on the implementation of the policy

### 5.1. BBB's Own Tax Affairs and Investments

In view of the principles underlying the Code and the paragraph of Managing Public Money cited above, in relation to its own tax affairs and investments BBB will:

- 5.1.1. Abide by HMRC's published guidance and practice regarding acceptable tax structuring. In case of doubt, BBB will seek professional advice where appropriate and having taken advice, may seek guidance or clearance from HMRC. If HMRC indicates that it regards any proposed arrangements as outside the range of acceptable tax structuring, BBB will not enter into such arrangements;
- 5.1.2. Only enter into transactions and investments that produce tax results which are consistent with the underlying economics of the relevant arrangements;
- 5.1.3. Avoid engaging in any tax structuring that does not support a genuine commercial purpose or whose sole or principal purpose is to save tax;
- 5.1.4. Carry out appropriate due diligence checks on any transaction or investment structure before making any investment. To the extent appropriate, BBB may;
  - Engage external advisers where necessary to advise on any material tax implications of the structure;
  - Require contractual protections to ensure that the principles set out in this Policy are adhered to on an ongoing basis; and/or
  - Require contractual remedies to ensure that BBB can, if necessary, exit the transaction if it becomes aware that a structure it is participating in involves tax evasion or tax avoidance.
- 5.1.5. BBB will adopt a risk- based approach in its assessment of the tax implications of transactions which might for example take account of the regulatory status of the counterparties to a transaction and the complexity of the investment structure.

### 5.2. Overseas Elements

Whilst the principal objective of BBB's activities is to facilitate financing to UK based SMEs, BBB will from time to time invest in structures that involve an overseas element or may co-invest alongside overseas investors. In doing so, BBB will:

- 5.2.1. Avoid investing in, or through any structure that includes, an entity that is resident in an offshore jurisdiction. Investments in, or structures that include, companies, partnerships, incorporated or unincorporated bodies or other form of legal entity resident within the EEA will be considered on a case by case basis.
- 5.2.2. As appropriate, conduct due diligence on any counterparty, co-investor or recipient of BBB-sourced funds (domestic or overseas), paying particular attention to whether it is operating out of an offshore jurisdiction, engaged in any form of tax evasion or unacceptable tax structuring. (The phrase "unacceptable tax structuring" shall be construed in a manner consistent with this Policy).

- 5.2.3. Expect all counterparties to comply with the tax law in their country of incorporation and to be upfront and honest in their dealings with their applicable tax authorities. UK counterparties will be expected to comply with the requirements of the Disclosure of Tax Avoidance Schemes (DOTAS) rules and the General Anti-Abuse Rules (GAAR) as amended from time to time.

### **5.3. BBB Staff**

BBB will ensure that contracts for the engagement of employees, contractors and board members follow the recommendations of HMT's publication "Review of the tax arrangements of public sector appointees" (published May 2012, as amended or replaced from time to time).

In accordance with such recommendations:

- Board members and senior officials with significant financial responsibility shall be on the BBB payroll, unless there are exceptional circumstances approved by BBB's Accounting Officer and the BEIS Principal Accounting Officer.
- Engagements of more than six months in duration and for more than a daily rate of £220 shall include contractual provisions regarding the income tax and NICs obligations of the individual engaged.

BBB will also apply the off-payroll rules stipulated under the anti-avoidance tax legislation IR35.

### **5.4. Relationship between BBB and HMRC**

BBB maintains a relationship with HMRC which is transparent, constructive and based on mutual trust wherever possible. Where it is in doubt whether the tax result of a proposed transaction is contrary to the intentions of Parliament, it may discuss its plans in advance with HMRC in order to help form its view.

## **6. Roles and Responsibilities**

### **6.1. BBB staff, permanent employees, contractors, secondees, agents and Board members**

Are responsible for taking appropriate action to ensure that they and BBB are compliant with current tax legislation and regulations and with this policy.

### **6.2. Chief Financial Officer**

The Chief Finance Officer (CFO) is responsible for ensuring that BBB implements policies and procedures to enable BBB to manage its tax affairs in a way that is compliant with all regulation, does not compromise its reputation and meets shareholder and wider government expectations and requirements in respect of taxation matters.

### **6.3. Finance Managing Director**

The Finance Managing Director is responsible for ensuring that in relation to its own tax affairs BBB fully complies with all its tax obligations and is compliant with this policy.

### **6.4. Operational Managing Directors**

Operational Managing Directors are responsible for:

- Ensuring that procedures are in place for the review of proposed and existing investment transactions to ensure compliance with this Policy;
- implementing processes to ensure that due diligence checks are undertaken on any transaction or investment structure before recommending an investment decision.

#### **6.5. Operational Teams**

Operational teams are responsible for undertaking due diligence checks on transactions and investment structures.

#### **6.6. HR Director**

The HR Director is responsible for ensuring that procedures are in place to ensure that the tax arrangements in relation to the employees, contractors and board members are compliant with Government regulations.

### **7. Compliance**

Any potential breach of this policy by a member of staff will be investigated. Staff in breach of this policy may be subject to disciplinary action in accordance with the BBB's disciplinary procedures.

### **8. Further information**

#### **Managing public money;**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/686462/MPM\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686462/MPM_2018.pdf)

#### **The Code of Practice on Taxation for Banks – Consolidated Guidelines**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/566119/The Code of Practice on Taxation for Banks HMRC consolidated guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/566119/The_Code_of_Practice_on_Taxation_for_Banks_HMRC_consolidated_guidance.pdf)

#### **Review of the Tax Arrangements of Public Sector Appointees;**

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220745/tax\\_pay\\_appointees\\_review\\_230512.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220745/tax_pay_appointees_review_230512.pdf)

**HMRC Off-Payroll Working Rules (IR35)** <https://www.gov.uk/guidance/off-payroll-working-in-the-public-sector-reform-of-intermediaries-legislation>

**BBB Anti-Money Laundering Policy** <https://intranet.british-business-bank.co.uk/wp-content/uploads/2017/09/Anti-Money-Laundering-Policy.pdf>

## Appendix 1 Glossary of terms

Term	Description
BBB	British Business Bank plc and its subsidiary undertakings
BBB plc	British Business Bank plc
BEIS	Department of Business, Energy and Industrial Strategy
HMT	Her Majesty's Treasury
HMRC	Her Majesty's Revenue and Customs
BBFSL	British Business Financial Services Limited
SULCo	Start Up Loans Company
GBS	Government Banking Services
FATCA	Foreign Account Tax Compliance Act
FISMA	Federal Information Security Management Act