

## **Motability Operations Group**

### **Tax Strategy**

**Year ending 30 September 2018**

**Prepared in accordance with Finance Act 2016, Sch.19, para.16**

### **Overall strategy**

The overarching principle guiding Motability Operations' tax strategy is to comply with the requirements of, and the intentions underpinning, all relevant tax legislation and to maintain an open and constructive relationship with HM Revenue & Customs (HMRC). Our primary objective is to pay the right tax, in the right place and at the right time.

### **Approach to risk management and governance**

As is consistent with our wider approach, we operate comprehensive risk management and governance processes in relation to all tax matters. This is overseen by our Risk Policy & Compliance Committee (RPCC), which is a sub-committee of the Executive Committee and which also reports independently into our Group Audit Committee. A report covering tax management and developments in tax relevant to the Group, including any areas of uncertainty, is presented to and considered by each of the quarterly RPCC meetings. The Finance Director, as Senior Accounting Officer, receives regular briefings on tax matters from the Head of Financial Control and Financial Reporting & Tax Manager, including briefings specifically as part of the Senior Accounting Officer certification process. By virtue of the Executive Directors' membership of the RPCC, and Independent Non-Executive membership of the Audit Committee (including the Senior Independent Director) we thereby provide transparency in respect of all key tax matters, and ensure that decisions made are consistent with the strategic principles set out above.

### **Employment Taxation**

Day to day management of employment taxes is the responsibility of the Human Resources (HR) function. The Corporate Services Director (to whom the HR function reports) is responsible for ensuring that the necessary skills and experience are available to deliver effective management of employment taxes. The management of employment taxes includes the requirement to ensure that deductions are made in accordance with legislation and relevant communications from HMRC, and that amounts due to HMRC are paid on a timely basis. All employees are paid through PAYE.

### **VAT and Corporation Taxation**

Day to day management of other taxes (principally VAT and corporation tax) is the responsibility of the Finance function. The Finance Director is responsible for ensuring that the necessary skills and experience are available to deliver effective management of these taxes. Controls include reconciliations with accounting records and management reviews of calculations and returns.

## Attitude towards tax planning

We do not engage in artificial tax arrangements or aggressive tax planning. Where it is necessary to interpret tax legislation, we adopt an approach which we would consider to be viewed as reasonable, and consistent with its intended purpose. We engage proactively with HMRC to discuss any areas of uncertainty.

The UK Government and HMRC provide various tax incentives and exemptions. We utilise these rules where we consider them to be appropriate to our business and where we consider that our adoption of them is consistent with their intended purpose.

## Attitude to tax risk

We adhere to relevant tax law and seek to minimise the risk of uncertainty or disputes. In the event of any uncertainty or potential uncertainty in our tax position we seek appropriate professional advice, and where appropriate engage directly with HMRC. We take a responsible attitude to the interpretation of tax legislation.

## Approach to dealings with HMRC

We are committed to maintaining an open and constructive relationship with HMRC. As part of this approach, we seek to ensure that any areas of uncertainty are discussed with HMRC at the earliest opportunity and are resolved through dialogue. We seek to ensure that all returns are completed accurately and submitted within the specified time limits and that timely responses are provided to any questions raised by HMRC.

## Operations outside the UK

Whilst our fleet operations are wholly within the UK, our captive reinsurance business, MO Reinsurance Ltd (MORL), is located in the Isle of Man. MORL is domiciled in the Isle of Man (IOM), because it is not possible to operate such a reinsurance business efficiently on the UK mainland. The IOM provides the most appropriate 'near shore' option to deliver these arrangements:

- The IOM is a centre of excellence for reinsurance captives and regulates similar operations for a number of large UK and multinational companies
- The IOM's regulatory regime appropriately services the requirements of a business-to-business reinsurance structure, reflecting the relationship between MORL and RSA

From a tax perspective, and as a design principle, the arrangements have been structured to ensure that any profits realised in the IOM through MORL are allocated to Motability Operations Group plc and charged to tax in the UK. This is achieved under the UK Controlled Foreign Company (CFC) rules. These rules, contained in sections 371AA to 371VJ of Taxation (International and Other Provisions) Act 2010, impose a charge to tax on a parent company of the profits of non-resident subsidiary companies in certain prescribed circumstances.

The Group has received a letter of non-statutory clearance from HMRC agreeing this principle, confirming that all profits of MORL are chargeable to tax in the UK, and that it does not benefit from a lower level of taxation than would be incurred if the captive were based in the UK.