



# Securing tomorrow today

Setting strategy:  
stakeholder  
engagement, effective  
governance and  
communication

Richard Wheatley –Tui  
Mark Kennedy – Deloitte UK





# Back to the future

## Stakeholder engagement, effective governance and communications

**Richard Wheatley**  
**TUI Travel PLC**  
**26 June 2014**

What do you do when your group's  
tax affairs start trending on Twitter  
and make the newspaper  
headlines?

Let me show you what I mean...

# The new dimension

At 0700 on 3 December 2012, we released our 2012 results – a record breaking year for underlying profits. Then.....

At 0730, on Twitter....



Followed later on the BBC with...



# This is what the newspapers said.....



Do not be too starry-eyed about the Co-op deal  
**Ian King: Business Editor's Commentary**

## TUI avoids tax payout but denies being 'clever'



**Dominic Walsh**  
Last updated at 12:01AM, December 5 2012

The boss of Britain's biggest tour operator has insisted that the company's tax affairs are "very clear and very transparent", after it

TUI Travel reported an 8 per cent rise in underlying pre-tax profits to €390 million, from revenues 2 per cent lower at €14.46

MPs' Expenses.  
Hillsborough.  
Phone Hacking.  
Stephen Lawrence.  
Help For Heroes.  
National Security Agency.  
Cycle Safety.  
Wikileaks.

Behind the story:

Summer deluge helps fill pockets of TUI

The summer's wet weather proved a boon for TUI Travel, which reported a £57m rise in pre-tax profit for the f...

Last updated at December 4 2012

 Post a comment



[Hungry Horse eager for more eateries](#)

How do you stop this from  
happening again?

# Devise something like this for your annual report & accounts

## Tax

### The Group's approach to tax

The Group's approach to tax matters is to comply with all relevant tax laws and regulations, wherever we operate in the world, whilst managing our overall tax burden. We look to pay the right and fair amount of taxes in accordance with the letter and spirit of the laws in the countries in which we do business.

We consider the 'right' amount of tax as being in accordance with the letter of the law and the 'fair' amount of tax as being in accordance with the government policy intention for which the law was introduced.

### Context

The effective tax rate on the Group's underlying profit before tax for 2013 was 27%. The Group paid cash income taxes of £110m. We consider the cash taxes that we pay to governments are an important source of revenue for them in providing a stable infrastructure and environment in which we operate our businesses.

The Group's businesses operate in 180 countries. This geographical diversity leads to considerable complexity in our tax affairs, and tax authorities around the world are subjecting the tax affairs of large companies to ever greater scrutiny. We look to manage our tax affairs in a manner to support our business operations with the aim of ensuring that the tax consequences of our business operations match with the economic and commercial consequences of those business operations. For example, we look to ensure that the same profits are not taxed twice by different countries, and that transactions between subsidiary and associate companies are conducted on arm's length terms and prices.

Where a tax rule, regulation or incentive exists that may convey a tax advantage to our operations, such as using losses incurred in prior years or tax depreciation from investing in our business, we will use that rule, regulation or incentive to support our businesses. In many countries, such rules operate automatically by law, for example, using UK losses incurred in prior years to offset current year UK taxable profits.

The Group uses the services of external, expert tax advisors to provide input into the Group's tax affairs, such as the management of compliance in some overseas jurisdictions and the impact of changes in tax legislation on the Group.

### Tax governance

The Group's tax strategy is determined by the Board of Directors as a sub-set of the Group's overall business strategy and is approved annually by the Audit Committee. Operational responsibility for the execution of the Group's tax strategy rests with the Chief Financial Officer and the Group Tax Director who report the Group's tax position to the Audit Committee on a regular basis.

The Group Risk Management Committee considers tax risks that may arise as a result of our business operations, on a quarterly basis, through the Group's risk management framework. The consideration of such tax risks includes actions to mitigate the risks or to prevent their occurrence or recurrence.

### The location of our businesses

TUI Travel operates across 31 key source markets. These source markets are 'home' to our tour operators and airlines. It is from these source markets that our 30 million customers wish to travel. Our inbound services companies and associates operate key leisure travel destinations.

As a leisure travel group, we take people on holiday to some countries that have low or zero tax rates. This means that we may have subsidiary companies in such locations, for example, we have a legal entity in the British Virgin Islands which operates a yacht base for our Moorings business and is one of the island's largest employers. We also have legal entities in other Caribbean islands for the same purpose and for operating hotels that our customers visit.

### Payment of taxes

In the year ended 30 September 2013, the Group paid corporate income taxes of £110m as per the table below:

The amounts shown below represent the corporate income tax, or corporation tax and cash tax payments made by the Group and its subsidiary companies during the year ended 30 September 2013. Different countries have different rules as to how companies should make payments of cash taxes with some requiring payments on account to be made during the current year or the immediately following year or a combination of these methods, whilst others may use the immediately preceding year as the basis for cash tax payments. Cash tax payments may be lower than the tax charge for the year due to the utilisation of brought forward tax losses against current year profits.

With regard to UK cash taxes, £14m is the corporation tax paid in the year ended 30 September 2013. This is lower than may be expected due to the utilisation of losses brought forward from earlier years and tax depreciation (UK capital allowances) resulting from investment in our UK business. We expect the amount of UK corporation tax to increase in future years as these brought forward losses reduce.

### Relationships with tax authorities

We look to develop and maintain good working relationships with tax authorities in the countries in which we operate. We communicate with them in an open, honest and positive manner. Where it is possible to do so, we seek to discuss our major commercial transactions and their tax consequences and treatment with tax authorities in advance of their execution or seek an advance ruling of the tax consequences and treatment of such transactions in order to provide us with certainty of the tax treatment. We are committed to transparent and prompt full disclosure in all tax matters. We pay our tax liabilities when they become due.

We recognise that there will be areas of differing legal interpretations between the Group and tax authorities. Where this occurs, we will engage with tax authorities to try to resolve the matters in a co-operative and expedient manner. Where a conclusion cannot be reached in such a manner, the tax authority or the Group may choose to litigate the issue through the relevant legal system.

The Group reviews new tax law and regulations that governments around the world introduce from time to time. Where we believe that new laws would have a disproportionate or detrimental impact on the Group's businesses or require amendment to achieve the intention of the new law, we will lobby the relevant government, either in our own name or as part of a trade association, to explain the potential issues and to suggest alternatives.

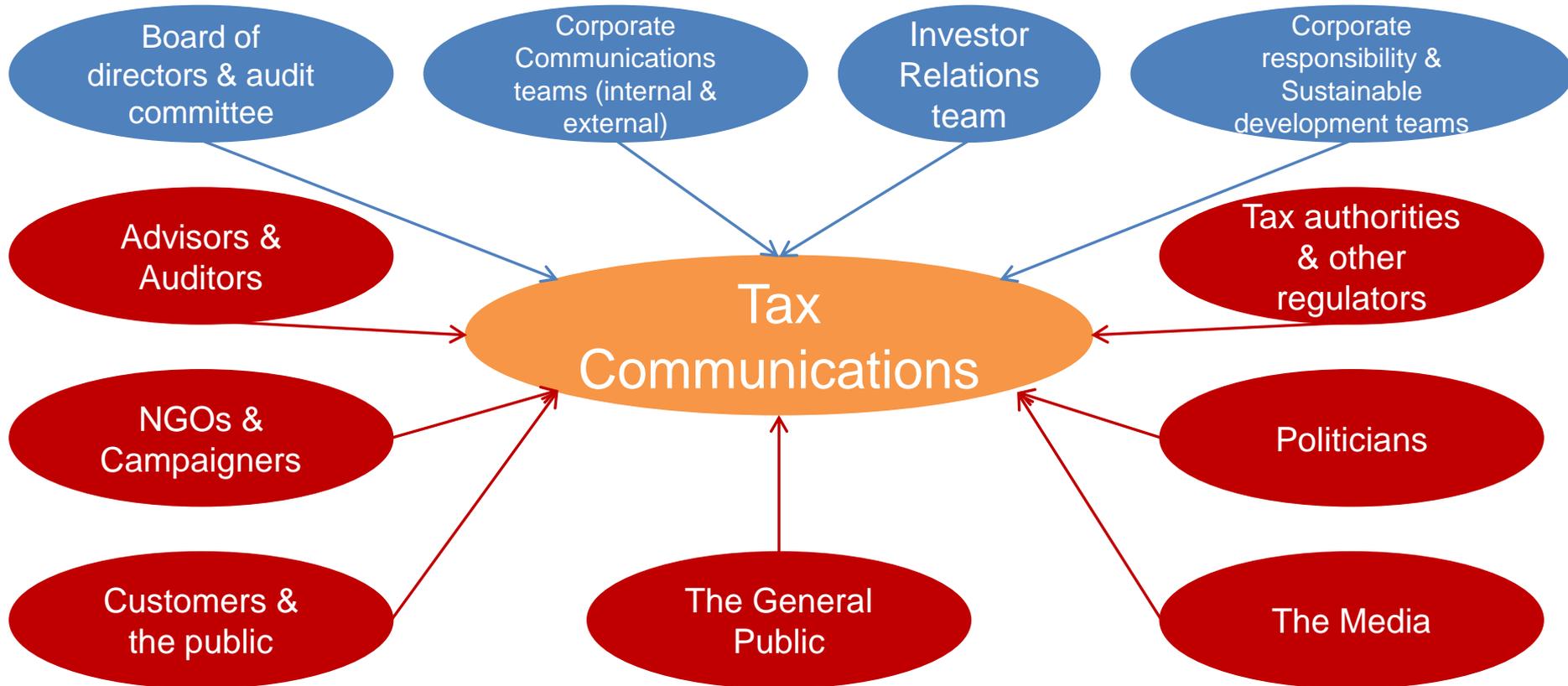
### PAYMENT OF TAXES

Territory	2013 £m	2012 £m
Australia	(2)	(1)
Belgium	21	12
Denmark	2	—
Dominican Republic	1	—
Finland	3	—
France	6	—
Germany	26	32
Greece	—	2
Mexico	2	3
Morocco	5	—
Netherlands	6	—
Norway	1	—
Portugal	12	17
Spain	—	5
Sweden	4	—
Turkey	—	2
United Kingdom	14	2
Others (payments less than £1m)	5	—
<b>Total</b>	<b>110</b>	<b>82</b>

## Some background on the development of these pages

- **Timeframe – Do not expect to have the finished article quickly.** It will take you up to 6 months to have all the conversations you need to have with stakeholders and draft and redraft what you want to say.
- **Who is/are your audience or audiences?** Understand where they are coming from
- **Who are your stakeholders?** More than you realise
- **“Road test” the drafts with target groups**
- **Do not rely on numbers and charts to make your case**

# Who are your stakeholders?



# What should you say in your communications?

- **Your Group's approach to tax** – what is your overall tax objective and your view on the “right” and “fair” amount of tax?
- **The context** – the overall tax environment/business support/use of advisors (for what?)
- **Governance** – How? Who? When?/Approach to tax risk management
- **Payment of Taxes** – How much? Which taxes? Economic contribution
- **Relationships with tax authorities** – How do you manage these? What is your approach? What happens when you disagree? Approach to lobbying?

## Some thoughts for your communications

- **Do not use tax phrases or tax jargon** – you know what it means and so do all the other finance people, but does the reader.
- **Make it readable for non-tax/finance people**
- **Be careful using lots of numbers and charts**
- **Be careful claiming credit for the amounts of tax paid**
- **Do not back yourself into a corner**
- **Explain points that may be issues** – TUI Travel and the BVI

## Some observations having been through the cycle

- Do not make the mistake of thinking this is easy – it isn't
- You will be challenged at every step on what you want to say, the language you use, why are you doing this, etc.
- Make sure you brief your CEO, CFO, Investor Relations team and Corporate Communications team regularly on what is happening on tax
- Make your communications relevant and specific to your Group
- Be proactive – where's the safety in waiting for a standard on tax reporting.



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