



Our tax impact

September 2021

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Foreword

Through our work with clients and the taxes we pay we have a significant role to play in the UK tax system. Our stakeholders have an interest in how we play that role and the impact we make. This document seeks to inform our stakeholders through sharing the principles that inform our approach, examples of our work and the details of our tax contribution.

An effective tax system is vital to helping the UK thrive. Never has this been clearer than in the past 18 months when the COVID-19 pandemic has shone a light on the importance of the country's public services and spending which are enabled and funded by the tax intake. During this period the tax system itself was used in innovative ways to deliver vital financial support for businesses and individuals impacted by the pandemic.

At Deloitte we believe that tax systems can play a significant role in the context of era-defining issues that affect us all – like reducing the national debt, delivering sustainable and responsible economic growth, and tackling inequality and climate change.

In our UK Tax business, we use the diversity of skills, disciplines and experiences of our 4,000 people to help make tax and regulatory systems work, for the benefit of all.

We want to build trust and confidence, and guide people, business and governments to become forces of progress. That's how we make an impact that matters.

We do this by helping our clients to manage complexity and navigate change. I'm proud of the contribution our tax services have made over the past year, which has included:

- **Supporting responsible taxpayer engagement:** Our tax compliance services and advice have directly underpinned the flow of tax revenues and associated reporting from thousands of taxpayers. This has helped them to meet their obligations in a fast moving and technically demanding regulatory environment. We have invested heavily in technology to make compliance easier and more affordable and information more reliable.
- **Promoting the growth of the UK economy:** We've helped to unlock investment, fund innovative research and development activity, and guide organisations through the change and uncertainty stemming from the UK's departure from the European Union.
- **Responding to challenges in society:** We've enabled organisations and institutions to make the right tax choices to accelerate their journey to net zero emissions, tackle financial crime and respond to the COVID-19 pandemic.
- **Helping shape the future of tax:** Our insight and expertise have supported government as it develops effective tax policy and digitises the tax system.



Lisa Stott
Tax & Legal
UK Managing Partner

Supporting responsible taxpayer engagement

Our clients operate in a complex business and financial environment and all their activities – from selling products and services, hiring staff, and managing their supply chain to major events like financing and mergers and acquisitions – can have numerous tax implications. Our role is to share our knowledge and provide advice, so that taxpayers understand these implications and make informed choices, whilst maintaining the highest standards of compliance.

All Deloitte partners and employees who advise on UK tax matters are committed to upholding the reputation of the profession and adhering to the principles set out in the Professional Conduct in Relation to Taxation.

This means we do not create, encourage or promote tax planning arrangements or structures that set out to achieve results that are contrary to the clear intention of Parliament in enacting relevant legislation, and/or are highly artificial or highly contrived and seek to exploit shortcomings within the relevant legislation.

Examples of our contribution

- We help businesses to file in excess of 10,000 corporation tax returns and more than 25,000 income tax returns a year;
- Since Making Tax Digital for VAT went live on 1 April 2019, more than 18,000 VAT returns have been filed to HM Revenue and Customs ('HMRC') using our technology;
- We support hundreds of businesses with their UK indirect tax compliance needs, using our VAT Compliance & Technology services;
- We administer the UK payroll compliance for nearly 200 major employers collecting the PAYE for in excess of 11,000 individuals; and
- Our Global Mobility Compensation team helps manage the tax and other compliance obligations of our clients' internationally mobile staff across more than 100 jurisdictions.



Promoting the growth of the UK economy

We support our clients as they seek to achieve their commercial goals in an ever-changing environment. Three key examples of this in the last year were:

Navigating Brexit

Our Tax Policy Group, and our Global Trade and Indirect Tax teams, have helped both our people and clients prepare for, and navigate, the considerable tax implications of Brexit. These ranged from a new customs environment and VAT changes to withholding tax requirements and immigration and social security considerations. Our input enabled the smooth flow of trade in a period of administrative change not seen for a generation.

Supporting UK investment

Across all of our business we have supported hundreds of foreign owned companies to establish, expand and invest in the UK. The Deloitte R&D Tax team, which forms part of our wider Global Investment and Innovation Incentives team, helps hundreds of clients to engage with the government's R&D incentives. This enables many of our clients to be at the forefront of cutting-edge innovation in the UK and provides a basis on which to build future technical capability.

Budget insight

When the Chancellor delivered his annual Budget on 3 March 2021, as with every Budget day, our Tax Policy Group managed an intense programme of activity to update our clients on changes to the economy and tax system, and what it meant for them.

Examples of our contribution

- 30 Brexit Pulse Alerts published between July 2020 and February 2021 covering a range of trade, tax, and customs issues;
- 17 pieces of analysis on the impact of the UK-EU Trade and Cooperation Agreement, including articles on tax, rules of origin and cross-border trade in services;
- More than 30 high-profile speaking engagements by our Tax Policy Group lead between September and December 2020, as the end of the Brexit transition period approached;
- Since January 2021, our Global Trade Bureau has been helping businesses to comply with the estimated 500 percent increase in the number of annual UK customs declarations, and has enabled over 25,000 import/export flows with a combined value of over £1.3bn and associated taxes and duties of almost £95m;
- R&D support to 500-plus clients in over 20 sectors, covering for more than £1bn of investment activity;
- 38 one-page summaries published on our dedicated Budget website on the evening of Budget day, detailing the measures, taxpayer groups affected, and implementation dates; and
- EMEA Debriefs Webcast following Budget day, which more than 800 of our clients attended.



Responding to challenges in society

By working with our clients we are helping respond to some of society's most pressing challenges:

COVID-19

The COVID-19 pandemic had an enormous impact on all aspects of our lives and accelerated business model changes in dramatic ways. Deloitte helped clients to understand and, where appropriate, access government relief measures, as well as enabling them to comply with rapidly changing regulations and filing deadlines. We also responded to requests for input from HMRC who were seeking to provide support to businesses and individuals as efficiently as possible.

Tackling financial crime

Tax evasion hurts us all as it denies government the funds needed for public services and potentially means higher taxes for those who do meet their obligations.

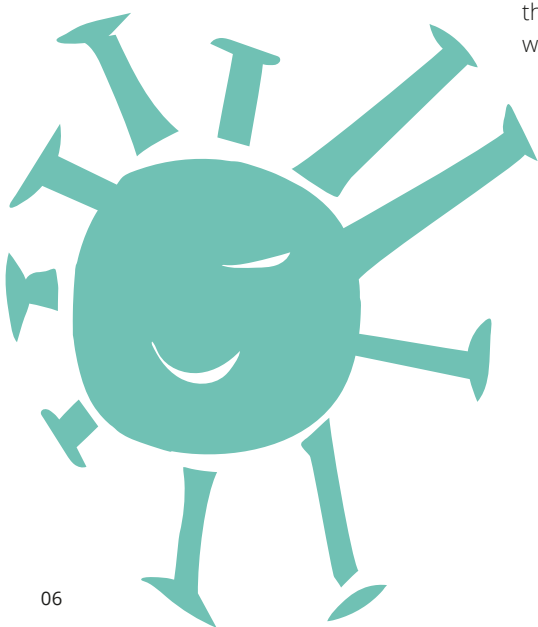
Through the use of technology, our Tax Risk teams continue to help large numbers of businesses in the fight against criminal tax evaders and financial crime. Our analytics tools can review vast amounts of customer data to detect suspicious activity, significantly improving the accuracy of information sent to tax authorities under the Automatic Exchange of Information (AEOL) regimes. The result is more actionable intelligence for tax authorities, while the right to privacy is protected for tens of thousands of account holders who would otherwise potentially be mis-reported.

The road to net zero

Taxation has a critical role to play in the decarbonisation of the UK economy. We are providing thought leadership and practical advice to clients, for example on their tax strategy for the road to net zero, advising on specific environmental taxes and incentives, advising on aligning reward and benefit policies with our clients climate goals, while reducing our emissions through our WorldClimate strategy. The story in relation to electric vehicles 'EVs' (see page 8) illustrates the impact we have through the advice we give and the action we take.

Examples of our contribution

- 9 national webinars, and many more at a sector or industry level, from March to November 2020. These covered the taxation, employment law and pensions aspects of the Coronavirus Job Retention Scheme (CJRS) and they were collectively attended by more than 5,000 people. The webinars helped the employers to understand the rules of scheme, and how to submit their claims and receive their grant funding;
- Our market leading tax technology has significantly improved our clients' compliance with international exchange regulations and helped them to identify suspicious customer activity and those participating in financial crime. Effective compliance with these regulations has contributed to significant additional tax revenues being generated worldwide, helping close the gap in tax revenues lost through evasion;
- 15 million accounts analysed, and 1,000 Automatic Exchange of Information ('AEOL') returns submitted to tax authorities using Deloitte AEOL technology;
- Published 'A tax strategy for the road to net zero' plus articles and blog posts on Deloitte's dedicated net zero hub;
- Analysis of net zero-related announcements (e.g. the Climate Change Levy) as part of our Budget day activity; and
- Responses to consultations on aviation tax, carbon emissions tax and plastic packaging tax proposals.



Helping shape the future of tax

Throughout the year, Deloitte has provided feedback and recommendations as part of consultations and calls for evidence from HM Treasury, HMRC and international bodies such as the Organisation for Economic Co-operation and Development. Through these formal responses, and a programme of technical conferences and other external events, we contribute to an effective and efficient tax system. We also provide ad hoc specialist tax support to policymakers.

Deloitte contributes time and resources to help UK and international policymakers ensure that tax laws achieve tax policy objectives, are clear and unambiguous, and do not create undue burdens on businesses and individuals.

All of our tax policy input is conducted in line with our robust risk and independence procedures.

Examples of our contribution

- Our Tax Policy Group coordinated more than 30 consultation responses in the year ended 31 May 2021 on a wide range of domestic and international tax issues. These included:
 - Adjustments to existing tax legislation to better align the practical application of the rules with the policy design or to incentivise taxpayer behaviour, for example, in relation to the UK funds regime, VAT grouping and Enterprise Management Incentives;

- Increasing public tax transparency and implementing mechanisms for taxpayers to report information to HMRC, for instance, the notification of uncertain tax treatment by large businesses;
 - Improving the UK tax administration framework and helping the government to achieve its objective of building a trusted, modern tax administration system through Making Tax Digital for Corporation Tax and the broader digitisation of the tax system;
 - The introduction of internationally agreed model rules in areas of taxation to help the UK play a leading role in promoting international tax cooperation and transparency, such as in relation to transfer pricing documentation; and
 - The work of the OECD/G20 Inclusive Framework on BEPS to address the tax challenges arising from the digitalisation of the economy.
- In relation to the work of the OECD/G20 Inclusive Framework on BEPS to address the tax challenges arising from the digitalisation of the economy:
 - Our Dbrief webcast series has included 3 presentations on the technical details of the proposals to allocate more residual profits to market countries ('Pillar One') and for a global minimum tax rate ('Pillar Two'), as well as the broader Digital Services Taxes environment; and
 - We have also produced public-facing analysis of technical developments and the status of political agreement of the proposals to inform businesses and wider society, alongside high-profile speaking engagements delivered by our technical leads at external conferences.



Stories of our impact

Providing tax help to the most vulnerable in society

Deloitte works closely with the charities TaxAid and Tax Help for Older People, which support individuals on low incomes who need assistance with their taxes but cannot afford professional advice.

Through our involvement, we are making sure everyone can access tax representation. The help can be life changing as it can get people back on their feet.

As well as working on individual cases and raising funds, Deloitte volunteers and secondees have helped the charities to develop their strategy, set up a volunteering programme, implement technology and devise a new operating system. Our Tax and Legal practice teamed up with Deloitte Digital to introduce a Salesforce case management system to enable more effective use of volunteers, protect beneficiaries' data and allow the charities to report on their impact. It also helped them to move swiftly to remote working during the pandemic.

Valerie Boggs, who is Chief Executive of both charities, said: "We have always felt that Deloitte is on our side, willing us on to help as many vulnerable people as possible. Your support goes well beyond the invaluable financial, volunteering, and pro bono help we receive. Deloitte staff are really part of our team, offering insight, support and inspiration on everything from events to service delivery."

Shaping ground-breaking government support during COVID

Deloitte helped to develop the government's COVID-19 support schemes, including the CJRS, which allowed employers to retain and pay their people by placing them on furlough.

CJRS was a first – and arguably the most significant support measure for employers in UK history. In difficult circumstances, HMRC's ability to design and implement the scheme in such a tight timeframe was an exceptional success. However, as with anything new that's introduced at scale, there were complexities and uncertainties. Deloitte played a key role working with HMRC and HM Treasury to refine the scheme as the pandemic evolved.

We were asked to lend full-time technical tax resource to the HMRC Coronavirus Response Unit, working alongside them and HM Treasury to formulate policy, draft employer guidance and engage with stakeholders. Deloitte also gave feedback on the scheme through a tax agents forum. In an open letter in May 2021, HMRC thanked the whole tax agent community for helping to make the CJRS a success.

Deloitte has advised hundreds of employers on CJRS matters, providing the confidence that many needed to access the funding, preserve jobs, and reconcile claims.

We continue to help companies that fared better than expected financially to make voluntary grant repayments to the UK Exchequer.

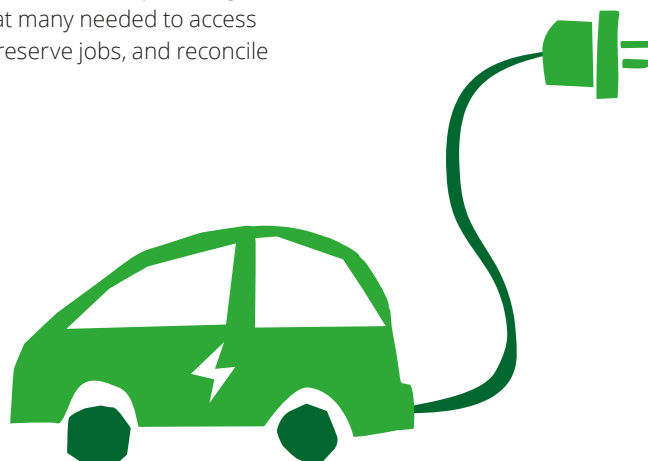
Deloitte did not claim any support under the CJRS nor did it seek any COVID funding benefits. We continued to meet our tax obligations on time throughout the COVID-19 pandemic.

Electric Vehicles

As part of our commitment to a more sustainable future, we've been supporting businesses so they can achieve – and exceed – their carbon reduction targets. This includes showing them the environmental benefits of EVs.

We're a member of the EV100 global initiative, which brings together companies switching to electric fleets. We've introduced a new car scheme for our UK staff that will mean a four-fold increase in the number of Deloitte EVs and an electric-only fleet by 2025.

This will enable us to exceed our fleet sustainability target five years ahead of schedule. We estimate that it will also remove around 2,500 tonnes of CO2 from the atmosphere each year.



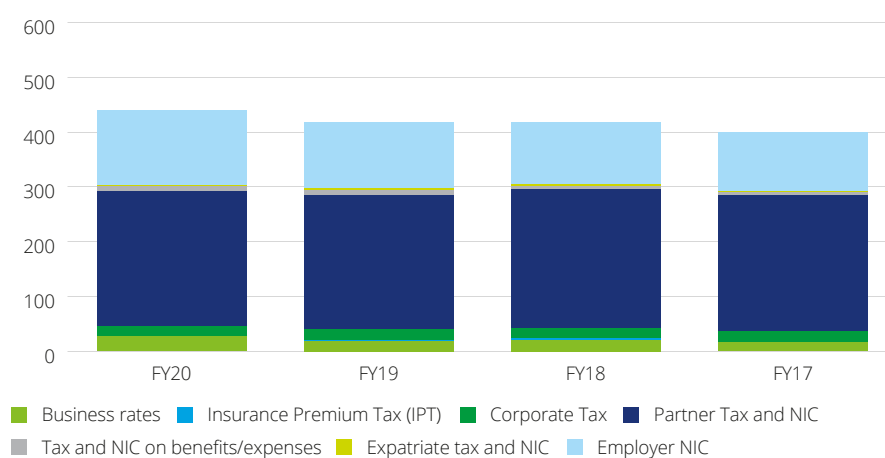
Our taxes paid and collected

Deloitte makes a significant contribution to the UK Exchequer through the taxes paid by the members and the business. In total this is estimated to be £485m in respect of the past year (2020: £438m). The partnership itself does not pay tax as UK tax rules look through a partnership to its members.

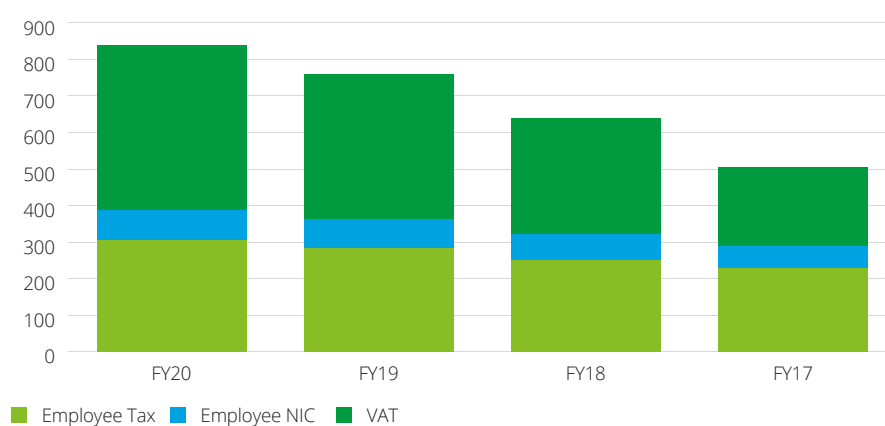
The tax borne by the members of Deloitte relates to the profits earned by them. Income tax and national insurance payable by members on the current year profits arising in the UK are estimated to be £286m (2020: £246m), including CGT of £20m in relation to the disposal of our Restructuring Business. This resulted in an average effective rate of tax for members of approximately 51.3% (2020 51.2%).

In addition, Deloitte has collected business taxes on behalf of the UK Exchequer of £838m (2020: £760m) which includes employee tax and national insurance of £386m (2020: £361m) and VAT of £452m (2020: £399m).

Taxes paid by Deloitte in the UK (£m)



Taxes collected by Deloitte in the UK on behalf of others (£m)



Tax policy

Financial year ending 31 May 2022

This policy applies to Deloitte LLP and all UK entities in its group

We apply the standards set out in the Professional Conduct in Relation to Tax to both our own tax affairs and when advising clients. This policy covers our approach to arranging our own tax affairs.

Ensuring that we pay the right amount of tax, in the right place, at the right time is core to our commitment to being a responsible business and Deloitte LLP makes a significant contribution to the UK Exchequer each year.

Our tax policy comprises five key components:

1. Commitment to compliance

We are committed to compliance with tax law and practice in the UK. Compliance for us means paying the right amount of tax in the right place at the right time. It involves disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

2. Responsible attitude to arranging our tax affairs

In structuring our commercial activities we will consider – among other factors – the tax laws of the countries in which we operate, with a view to maximising value on a sustainable basis for our partners or employees.

For example, we will often look to take steps to reduce the risk of double taxation (i.e. the same income being taxed twice in two different jurisdictions).

Any structuring that is undertaken will have commercial and economic substance and will have full regard to the potential impact on our reputation and broader goals. We will not put in place any arrangements that are contrived or artificial. We prepare all UK partners' tax returns in accordance with Professional Conduct in Relation to Tax.

3. Effective risk management

Given the scale of our business and volume of tax obligations, risks will inevitably arise from time to time in relation to the interpretation of complex tax law and nature of our compliance arrangements. We actively seek to identify, evaluate, monitor and manage these risks.

Where there is significant uncertainty or complexity in relation to a risk, external advice may be sought, particularly in relation to our international tax obligations.

We have a rolling programme of internal audit activity focused on our tax controls.

We seek to adhere to the low risk characteristics set out in HMRC's Business Risk Review methodology.

4. Constructive approach to engaging with HMRC

We engage with HMRC with honesty, integrity, respect and fairness and in a spirit of co-operative compliance. Wherever possible, we do so on a real time basis, to minimise tax risk.

Whilst we will not take positions on tax matters that may create reputational risk or jeopardise our good standing with taxing authorities, we are however prepared to litigate where we disagree with a ruling or decision of a tax authority, having always first sought to resolve any disputed matters through active and transparent discussion.

5. Board ownership and oversight

This tax policy is aligned with our Ethics Code and is approved and owned by the Executive and overseen by the Board. It is published in compliance with the requirements of Paragraph 16(2) and Paragraph 25 of Schedule 19 to the Finance Act 2016. It applies for the financial year ending 31 May 2022 and all subsequent years until superseded.



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