

# TAX STRATEGY **STATEMENT** **2020-2021**

Our tax  
strategy for the  
Royal London  
Group



## Tax strategy principles

Royal London is the largest mutual life, pensions and investment company in the UK, with funds under management of over £130 billion, almost 9 million policies in force and over 4,000 employees.

The Group also operates in Ireland where our Irish Insurance subsidiary, Royal London Insurance DAC, has around half a million policies in force. As a mutual, we aim to act equitably and with integrity towards all our stakeholders. These stakeholders include members, policyholders, other customers, employees, HM Revenue & Customs ('HMRC'), the Office of Revenue Commissioners in Ireland ('Irish Revenue Commissioners') and other relevant tax authorities.

Our tax strategy acknowledges all its stakeholders and supports our vision to become the UK's most trusted and recommended provider of life insurance and investment products, achieving long-term value for our members.

We strive to pay the right amount of tax, in the right place, at the right time and a fair amount of tax, striking a balance between all our stakeholders; ensuring that our customers are being treated fairly. We aim to be open and transparent in our approach to taxation at all times and behave responsibly and proactively in our dealings with relevant tax authorities.

Our approach to tax will have a strong technical basis, in line with both the actual law and the spirit of the law. Where the law or intended policy objectives are unclear or contradictory, we would take into account consistency with industry peers in order to ensure fairness to customers.

## Purpose

This statement sets out our tax strategy for the Royal London Group ('the Group'), which is approved by our Board.

## Our approach to tax risk management and governance

### Our key tax risks

There are four key areas of tax risk for Royal London:-

**Legislative Change Risk:** The risk that new or changes to tax legislation and regulation is not identified or is misunderstood and the risk of changes to the interpretation of tax law resulting in historic processes no longer being tax compliant.

**Compliance and Reporting Risk:** The risk of additional tax liabilities and associated liabilities such as interest and penalties arising through non-compliance or failures in tax processes.

**Advice and Transactional Risk:** The risk associated with the implementation of tax advice and in particular the risk associated with any business change (for example new products or business transactions) with a potential tax impact or new tax obligations.

**Reputational Risk:** The risk that actions taken could significantly prejudice relationships with the tax authorities or that publicity concerning our approach to tax adversely affects standing with customers and other stakeholders.

All of these key risks are managed in line with our tax strategy principles above.

### In particular, we will endeavour at all times to:

- Comply with all tax legislation, regulations and disclosure requirements
- Comply with our statutory responsibility to collect and pay taxes on behalf of policyholders, customers and employees
- Submit all returns by their due dates
- Make appropriate claims for reliefs and deductions, as intended by legislators, in the interests of policyholders and other customers
- Monitor changes in relevant tax law and practice, participating in tax consultations either directly or through trade bodies
- Ensure we are appropriately resourced with the right people, processes and systems to deliver tax compliance, and, our people are provided with regular tax training
- Comply with HMRC's Senior Accounting Officer regulations

## Risk management

We operate a 'Three Lines of Defence' model to manage risk within the business. While the Board of Directors is ultimately accountable for the Group's governance, risk management and control processes, responsibility for operation of these processes is delegated to business management and risk governance functions. This is covered in more detail in the Risk Management and Internal Control section of our Annual Report and Accounts. All tax risks are monitored against our tax strategy principles and agreed group wide risk metrics on a regular basis.

The Head of Tax is accountable for the management of the tax affairs of the Group and reports to the Group Chief Financial Officer. Day-to-day responsibility for the implementation of our tax strategy rests with the Head of Tax, the Group Tax team and operational teams with tax responsibilities within the business.

## Attitude towards tax planning

We assess any tax aspects of potential business activities against the following criteria:

**Commercial purpose** – Our tax strategy dictates that the commercial needs of the Group are paramount and all proposals must have a valid commercial purpose with the tax function acting, and being seen to act, as a facilitator not a director. Our tax strategy acknowledges that a combination of commercial and tax drivers will determine behaviour as we seek to achieve a fair outcome for our stakeholders.

**Technical strength** – Our tax strategy requires all tax proposals to have a strong technical basis using statute and legal precedent with challenge unlikely, except in relation to industry wide issues where our stance will normally be in line with our peers. Tax advice may be sought externally where the area of law is complex or uncertain, or, where specialist knowledge is required.

**Reputation** – Our tax strategy is important in managing our reputation with the public, HMRC and other stakeholders. We will not enter into transactions or arrangements where the main purpose is the avoidance of tax.

## Relationship with Tax Authorities

We will be open and transparent in our approach to taxation at all times and be seen to be behaving responsibly and pro-actively in respect of all our dealings with HMRC, the Irish Revenue Commissioners and other relevant tax authorities. Where appropriate and achievable we will undertake to engage with HMRC and the Irish Revenue Commissioners on a real time basis in any areas of material uncertainty.

The publication of this statement complies with our duty to disclose our group tax strategy as set out in Finance Act 2016.



55 Gracechurch Street, London EC3V 0RL

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