

EY UK tax strategy

June 2020

EY values and our commitment to building a better working world drive our tax strategy

Scope

This tax strategy applies to Ernst & Young LLP and all its wholly owned UK corporate subsidiaries, collectively 'EY LLP', for the financial year ending 3 July 2020. A list of EY LLP's subsidiaries (both active and dormant) is shown on [page 3](#) of this strategy.

This strategy applies to EY LLP when dealing with their own tax affairs. Our clients are responsible for setting their own tax strategies, and when advising clients we are mindful of their strategy and act in accordance with EY's values and our professional obligations. Further information regarding the principles that EY LLP employs when providing tax services is shown on [page 4](#).

EY LLP publishes this document in satisfaction of its duties under Paragraphs 16 (2), 19 (2) and 25 (1) Schedule 19 of Finance Act 2016.

A better working world

EY's purpose, building a better working world, is fundamental to its strategy as a distinctive global professional services brand. It helps build trust and confidence in the capital markets while solving some of the world's toughest challenges to leave a lasting legacy for our people, for our clients and for our communities.

For EY, one group of key stakeholders within our communities are the tax authorities that we interact with globally as a

taxpayer. Principally for EY LLP, this is Her Majesty's Revenue and Customs (HMRC) in the UK with whom we seek to maintain a positive and transparent relationship.

As owner-managers of a significant UK based business, we make a significant financial contribution to the UK Treasury which grows as we grow. We therefore welcome the opportunity to publicly outline our tax strategy as a business.

Our tax principles

Our objective is to pay the right amount of tax at the right time to meet our statutory obligations. We seek clarity and certainty on tax matters wherever feasible. When dealing with the firm's own tax affairs, we focus on:

- Being on time and in compliance with our tax filing and tax payment obligations
- Effectively managing our risks
- Working closely with HMRC in a cooperative manner on a real time basis
- Maintaining a tax strategy which is fully supported by and owned by the Board of EY LLP, our leadership
- Aligning our tax affairs to commercial activity of the services we provide
- Demonstrating the EY values at the heart of everything we do

EY's commitment to building a better working world includes programmes for school leavers. [Find out more.](#)



Our reputation is built by our people acting according to the EY values

Governance and conduct

Our tax strategy is approved and owned by the Board of EY LLP.

Our internal tax team has a clear accountability up to the Board for the management of tax arising from our business operations.

Our internal tax team has a clear mandate from the Board to act in a way aligned to the EY Values, which define who we are:

- People who demonstrate integrity, respect and teaming
- People with energy, enthusiasm and the courage to lead
- People who build relationships based on doing the right thing

The Board's mandate is for EY LLP to behave in accordance with the low risk characteristics as set out in HMRC's Business Risk Review process.

Compliance and effective risk management

Compliance is at the heart of what we do, and we focus on staying compliant with our tax filing and tax payment obligations.

EY LLP's business is of a significant scale, and we deal with a large volume of complexity in the tax systems in the jurisdictions in which we operate. As responsible taxpayers, we seek advice from the appropriate internal and external tax professionals to manage our risks and compliance positions so we can pay the right tax at the right time.

We have clearly documented processes and controls relating to the management of our tax compliance processes.

Our internal tax team has clear roles defined by their areas of process and tax experience. They report to a Head of Tax who, in turn, reports to the Chief Operating Officer and the Board.

Our internal tax team keeps up to date with legislative changes through training and continuing professional development.



Commercial attitude to tax planning

We undertake transactions which are commercially driven and do not put in place artificial or contrived arrangements that could give rise to reputational damage for EY.

We structure our business operations from a commercial perspective to identify and appropriately manage any tax risks arising from them.

Our tax affairs are aligned in accordance with their commercial and economic substance in compliance with the tax laws of the jurisdictions in which we operate.

We will claim tax reliefs as aligned to the tax laws under which we operate.

Cooperative approach with HMRC

EY LLP maintains an open and honest dialogue with HMRC, and we will do so on a timely basis.

We meet with and correspond with HMRC regularly throughout the year and keep abreast of tax developments.

We keep HMRC informed of significant transactions and business changes and disclose and discuss any areas of significant uncertainty in how the legislation applies.

We communicate our positions based on full disclosure of the relevant facts and legislative position.

Where we have uncertainty in how the underlying legislation applies, we seek to resolve the matter through an open and honest dialogue.

In FY19, EY LLP and its members paid £373m in tax, national insurance contributions (NIC) and business rates. In addition, EY LLP collected £554m of tax from others

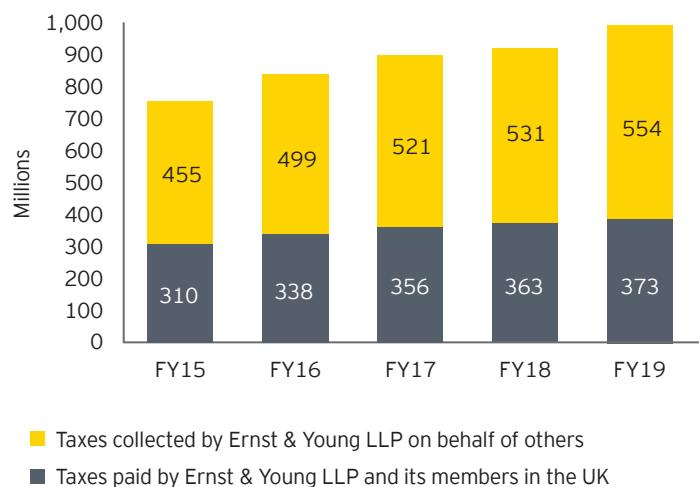
As EY LLP's business grows, its financial contribution to the UK Treasury increases.

Under UK tax law, members of EY LLP pay tax as is individually assessed on their share of EY LLP's profits. Income taxes are not assessed on the LLP itself. This means that most of the profits of EY LLP are subject to an income tax rate of 45% and an additional NIC rate of 2% leading to a headline rate of 47%.

The largest tax borne by our individual partners is these taxes on the profits distributed to them. Partner income tax and NIC payable on distributable profits for FY19 was £222m (FY18: £209m).

In addition to the tax paid by EY LLP and its members, EY LLP collected £554m (FY18: £531m) on behalf of others with the largest element being employees' tax and NIC, reflecting the fact that our people are core to delivering to our business.

Ernst & Young LLP's Total Tax Contribution



Note: The figures for FY18 have been updated to reflect the latest available information.

List of UK subsidiaries

EY LLP's active UK resident subsidiaries:

- ▶ Ernst & Young Services Limited
- ▶ Ernst & Young Limited
- ▶ Rolls House Holdings Limited
- ▶ Foviance Group Limited
- ▶ EY-Seren Limited
- ▶ Ernst & Young Services (UK) Limited
- ▶ EY Foundation
- ▶ EY AgilityWorks Limited (acquired 30 November 2019)
- ▶ EY Incentives Limited (acquired 31 March 2020)

EY LLP's dormant UK resident subsidiaries:

- ▶ Ernst & Whinney Limited
- ▶ Ernst & Young Trustees Limited
- ▶ Ernst & Young International Limited
- ▶ Garrard House Executor Trustees Co Limited
- ▶ EYGS UK Participation Limited
- ▶ EY Securities Limited
- ▶ Seren Partners Limited (dissolved 29 April 2020)
- ▶ Se Vendre Limited (dissolved 29 April 2020)
- ▶ Webabacus Limited (dissolved 29 April 2020)
- ▶ Parthenon London Tenant Limited (in liquidation)
- ▶ EY Greenwich Advisory Services Limited (dissolved 29 April 2020)
- ▶ Integrc UK Limited (in liquidation)
- ▶ EY Corporate Secretaries Limited

EY LLP's principles for client servers

Our Global Code of Conduct

The Global Code of Conduct (the 'Code') applies to everyone at EY, regardless of their individual role, position or practice and sets out a clear set of standards for the way we conduct business. In line with the UK Firm's purpose of Building a Better Working World, the Code provides an ethical framework to help our people live the EY Values and guide them with the challenging and sometimes difficult choices they face. All EY people are asked to affirm their understanding of the principles contained in the Code and their commitment to abide by them on an annual basis. A copy of the Code can be found [here](#).

In addition to the Code and the EY Values, EY's Global Tax practice has an established framework of policies, guidance and procedures which govern our approach to providing tax services to clients to assist our tax professionals.

The Code, the UK Firm's purpose statement and the EY Values, together with the Global Tax policies, guide our people throughout the engagement life cycle, from accepting new clients to providing our advice and, collectively, provide the basis for the UK Tax Principles set out below. In everything we do, we comply with all laws, regulations and standards that apply to us in our professional conduct, including the requirements of the Professional Conduct in Relation to Tax, issued by the Institute of Chartered Accountants in England and Wales and other professional bodies.

Working with the right clients

- ▶ We have client acceptance and continuance procedures in place to ensure that we carefully consider the risk characteristics of prospective and existing clients.
- ▶ We reject unethical or illegal business practices in all circumstances.
- ▶ We avoid working with clients and others whose standards are incompatible with our Global Code of Conduct. Before we take on a new engagement or client, we not only determine whether we can commit sufficient resources to deliver quality services that reflects our professional capabilities, especially in highly technical or complex areas, but also whether we believe our services are appropriate for a leading professional services organisation to undertake.
- ▶ We seek only to act for clients who expect tax professionals to help them understand, arrange and report their affairs in compliance with their legal and regulatory obligations for taxation.
- ▶ We do not accept new clients, or assist in advising current clients, in relation to any attempts to evade tax.

Advising clients

- ▶ **Our approach:** We serve our clients' interests within the law and are committed to providing them with highest quality advice on managing their tax liabilities and tax compliance obligations.

In carrying out client work, we will use an appropriately qualified and experienced team to execute all aspects of the work.

- ▶ **Independent and objective advice:** We advise clients on the merits of proposed arrangements based both on applicable rules and other material considerations that may be relevant, such as the impact of any proposed arrangements on their reputation and/or relationship with the tax authorities and other relevant stakeholders.

We provide clients with an independent and objective view of the tax position and seek to help clients effectively manage their tax risk in accordance with their particular goals and commercial objectives.

- ▶ **Commercially based advice:** We provide advice to clients which is tailored to their specific facts and circumstances and the commercial substance of their business. We do not promote tax avoidance schemes, nor do we advise on highly contrived or artificial tax planning arrangements.
- ▶ **Transparency and disclosure:** We do not advise on arrangements where the success of the arrangement depends on information being withheld from HMRC or any other tax authority. Furthermore, we fully comply with the requirements of all relevant mandatory disclosure regimes that EY LLP is subject to.

Serving our clients' interests will, on occasion, involve disagreement with the tax authorities. We encourage this to take place on an open, honest, constructive and professional footing.



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Ernst & Young LLP

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