



BRITISH BUSINESS BANK

BRITISH BUSINESS BANK TAX POLICY

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Contents

2	Purpose	3
3	BBB taxation policy	3
4	Principles	3
4.1	Managing Public Money	3
4.2	The Code of Practice on Taxation for Banks	3
5	Application of principles	3
5.1	BBB's own tax affairs and investments	4
5.2	Overseas elements	4
5.3	BBB staff	5
6	Governance	5
7	Glossary	5

2 Purpose

The purpose of this Policy is to ensure that British Business Bank plc and its operating subsidiaries (together "BBB") manage their tax affairs in a way that:

- Complies with all relevant taxation legislation and regulation, including the Code of Practice on Taxation for Banks;
- Avoids compromising its reputation; and
- Meets shareholder and wider government expectations and requirements in respect of taxation matters.

3 BBB taxation policy

The BBB's taxation policy is to manage its activities and investments in accordance with the highest standards that are applicable to a government-owned, UK-based bank, and in accordance with the government's stated objectives on tax transparency and openness.

4 Principles

4.1 Managing Public Money

In accordance with its Framework Agreement with BIS, BBB will comply with the principles of HMT's "Managing Public Money" (published July 2013, as amended or replaced from time to time). BBB recognises the guidance on taxation matters within Managing Public Money. In particular, it is noted that 5.6.1 of that publication states:

"5.6.1 Public sector organisations should not engage in, or connive at, tax evasion, tax avoidance or tax planning. If a public sector organisation were to obtain financial advantage by moderating the tax paid by a contractor, supplier or other counterparty, it would usually mean that the public sector as a whole would be worse off – thus conflicting with the accounting officer's duties. Thus artificial tax avoidance schemes should normally be rejected. It should be standard practice to consult HMRC about transactions involving non-standard approaches to tax before going ahead."

4.2 The Code of Practice on Taxation for Banks

BBB will comply with HMRC's Code of Practice on Taxation for Banks dated 9 December 2009 and HMRC's Governance Protocol dated 26 March 2012 as amended from time to time (together the "Code").

In accordance with the Code, BBB will:

- Adopt adequate governance to control the types of transactions it enter into;
- Not undertake tax planning that aims to achieve a tax result contrary to the intentions of Parliament;
- Comply fully with all its tax obligations; and
- Maintain an open, professional and transparent relationship with HMRC.

5 Application of principles

The Business Bank will satisfy itself in each case arising that its actions are consistent with the purposes, tax policy and principles set out in sections A, B and C. To achieve this, it will adhere to standards including (but not limited to) those below.

5.1 **BBB's own tax affairs and investments**

In view of the principles underlying the Code and the paragraph of Managing Public Money cited above, in relation to its own tax affairs and investments BBB will:

- Abide by HMRC's published guidance and practice regarding acceptable tax structuring. In case of doubt, BBB will seek professional advice where necessary, and where appropriate, having taken advice, may seek guidance or clearance from HMRC. If HMRC indicates that it regards any proposed arrangements as outside the range of acceptable tax structuring, BBB will not enter into such arrangements.
- Only enter into transactions and investments that produce tax results which are consistent with the underlying economics of the relevant arrangements.
- Not engage in any tax structuring that does not support a genuine commercial purpose or whose sole or principal purpose is to save tax.
- Carry out appropriate due diligence checks on any transaction or investment structure before making any investment. To the extent appropriate, BBB may:
- Engage external advisers where necessary to advise on any material tax implications of the structure;
- Require contractual protections to ensure that the principles set out in this Policy are adhered to on an ongoing basis; and/or
- Require contractual remedies to ensure that BBB can, if necessary, exit the transaction if it becomes aware that a structure it is participating in involves tax evasion or tax avoidance.

5.2 **Overseas elements**

Whilst the principal objective of BBB's activities is to facilitate financing to UK based smaller businesses, BBB will from time to time invest in structures that have an overseas element or co-invest alongside overseas investors.

BBB will:

- Subject to paragraph E, avoid investing in, or through any structure that includes, an entity resident in an offshore jurisdiction. For the avoidance of doubt, this does not preclude investments in, or structures that include, companies, partnerships, incorporated or unincorporated bodies or other form of legal entity resident within the EEA for tax purposes.
- As appropriate, conduct due diligence on any counterparty, co-investor or recipient of BBB-sourced funds (domestic or overseas), paying particular attention to whether it is operating out of an offshore jurisdiction, engaged in any form of tax evasion or unacceptable tax structuring. (The phrase "unacceptable tax structuring" shall be construed in a manner consistent with this Policy).
- Expect all counterparties to comply with the tax law in their country of incorporation and to be upfront and honest in their dealings with their applicable tax authorities. UK counterparties will be expected to comply with the requirements of the Disclosure of Tax Avoidance Schemes (DOTAS) rules and the General Anti-Abuse Rules (GAAR) as amended from time to time.

5.3 **BBB staff**

BBB will ensure that contracts for the engagement of employees, contractors and board members follow the recommendations of HMT’s publication “Review of the tax arrangements of public sector appointees” (published May 2012, as amended or replaced from time to time).

In accordance with such recommendations:

- Board members and senior officials with significant financial responsibility shall be on the BBB payroll, unless there are exceptional circumstances approved by BBB’s Accounting Officer and the Principal Accounting Officer.
- Engagements of more than six months in duration and for more than a daily rate of £220 shall include contractual provisions regarding the income tax and NICs obligations of the individual engaged.

6 **Governance**

Transactions or investments should be referred first to the relevant Investment Committee for approval and if, any doubt remains following such referral, to the Board of BBB, in the following circumstances:

- Where there is any doubt as to whether a proposed transaction or investment is appropriate from a taxation perspective;
- Where due diligence checks suggest a proposed co-investor, counterparty or recipient of BBB-sourced funds is promoting or entering into tax evasion or unacceptable tax structuring schemes or is tax resident in an offshore jurisdiction or has a contentious or dubious history of tax compliance; or
- Where BBB proposes a transaction or investment in, or through any structure that includes, an entity which is not subject to EEA taxation, or in structures that could be deemed novel, contentious or repercussive.
- BBB will ensure that procedures are in place for the review of proposed and existing transactions to ensure compliance with this Policy.

7 **Glossary**

Reference	Meaning
BBB	British Business Bank
BIS	The Department of Business Innovation and Skills
You/staff	An employee, secondee or contractor working for BBB
CAO	Chief Accounting Officer
EEA	The European Economic Area