

1 JULY 2019

TAX STRATEGY

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2019/20

Scope

This tax strategy applies to the British Council and its UK subsidiary entities in accordance with Schedule 19 to the Finance Act 2016 (hereafter referred to as 'the Act'). A list of the entities to which it applies is included below. In this tax strategy, references to the British Council are to all those entities so listed.

This strategy applies for the current financial year ended 31 March 2020. It replaces the previous policy statement issued on 31 January 2018 and will continue in force until it is superseded. It has been published in accordance with paragraph 16(4) of Schedule 19 to the Act by being made available on the British Council's website: www.britishcouncil.org.

References to 'UK Taxation' are to the taxes and duties set out in paragraph 15(1) of Schedule 19 to the Act, including income tax, corporation tax, PAYE, NIC, VAT, insurance premium tax and stamp duty land tax. References to 'tax', 'taxes' and 'taxation' are to UK taxation and to all corresponding overseas taxes in respect of which the British Council has legal responsibility.

Background

The British Council is a non-departmental public body ('NDPB') incorporated by Royal Charter. It is registered in England and Wales, and in Scotland, as a charity. The British Council is classified as a public corporation for budgetary and national accounts purposes. The Foreign and Commonwealth Office ('FCO') is the sponsoring department for the British Council.

The British Council is a charitable body in the UK and benefits from various exemptions and reliefs from corporation tax under Part 11 of the Corporation Tax Act 2010 so far as its income and gains are applied in furtherance of its charitable objects for the public benefit. However, it remains fully subject to other UK tax compliance requirements, for example relating to VAT and employment taxes.

The British Council, either through its branch network or indirectly through its subsidiaries, currently operates in over 100 countries. In a number of jurisdictions, the British Council's not-for-profit activities may be outside the scope of taxation or benefit from equivalent charitable tax exemptions. However, it is increasingly subject to ongoing tax compliance obligations for business and employment-related taxes in various overseas territories.

Aim

The British Council is committed under its code of conduct to comply with the law in all the countries and territories where it works. Additionally, in managing its tax affairs, the British Council is required to operate in accordance with charity law and the wider regulatory framework for charities as well as complying with its obligations as a public sector body.

Governance in relation to taxation

The Board of Trustees holds full responsibility for the British Council's policy, strategy and performance. The trustees are responsible for ensuring the British Council is solvent, well-run and delivering its charitable outcomes for the benefit of the public. The board delegates detailed oversight of the British Council's financial risk management and governance processes, of which tax risk management forms a part, to its sub-committee, the Audit and Finance Committee.

Executive responsibility for managing the British Council's tax affairs is delegated to the Chief Financial Officer and, for employment-related tax matters, the Global HR Director. The British Council's central tax department ('Group Tax') reports to the Chief Financial Officer and is responsible for UK VAT and corporation tax compliance and provides specialist tax advice and support to operational teams with the aim of ensuring that material taxation risks and obligations globally are identified and appropriately managed. Responsibility for managing overseas tax risk and compliance rests with a network of Regional Finance Directors reporting to the Chief Financial Officer.

Employment-related tax compliance is managed within the HR function reporting to the Global HR Director. The HR team has a specialist in-house employment and expatriate tax manager and draws on further technical support, where needed, from Group Tax and external professional advisers.

Risk management

Taxation risks are identified and managed as part of the British Council's wider control processes for financial risks and compliance.

The Group Tax team is staffed with appropriately qualified individuals and offers specialist advice and training for operational teams on tax matters and provides tax advice on major transactions and material changes in business operations.

As the global cultural relations and educational activities of the British Council have developed over time and the regulatory environment in different countries evolves, the organisation continues to face uncertainties over its legal and tax status in particular countries. The British Council has a specialist head office team, the Status and Tax Work-stream, which uses a risk-based approach to review and implement appropriate legal and tax solutions in overseas locations. This working group is overseen by the Status and Tax Steering Group, a technical advisory committee, which recommends necessary corporate entity changes to the Chief Executive with the aim in overseas locations of reducing the organisation's reputational and financial risk, creating compliant platforms to manage business operations and ensuring appropriate operational independence from UK government.

Attitude towards tax planning and level of risk

The British Council takes all reasonable and prudent steps to ensure that it pays the right amount of tax and has a responsibility to arrange its affairs so that charitable resources are not expended in meeting unnecessary tax liabilities. For example, it will take advantage of any available charitable tax reliefs and exemptions to which the British Council, or any of its overseas entities with a similar status, is entitled.

However, as a public sector organisation, the British Council does not seek to engage in, or connive at, tax evasion or tax avoidance and tax planning which is abusive. In this context, artificial arrangements lacking commercial substance and designed to counter the original intention of tax legislation would be considered 'abusive'.

The British Council will interpret tax laws in a reasonable way and seeks to apply them in the spirit to which we understand they were intended whilst maintaining a co-operative relationship with HM Revenue & Customs ('HMRC') and relevant overseas tax authorities. In cases of material tax uncertainty, in conjunction with the in-house tax function, proportionate external advice will be sought from reputable professional firms. Where applicable, rulings or suitable clarification would be sought from the relevant tax authorities.

Relationship with HMRC

The British Council is committed to maintaining a constructive and transparent relationship with HMRC. It benefits from having a dedicated Customer Relationship Manager ('CRM'). There are regular meetings and correspondence between the British Council's Group Tax team and the CRM to ensure that HMRC is aware of any significant developments in the British Council's business or operations or any taxation issues that have been identified for which the taxation treatment may be uncertain.

If the British Council undertakes significant new transactions or business operations where there are uncertain UK taxation implications the British Council seeks to obtain confirmation of such treatment from HMRC. Any inadvertent errors in returns and tax filings made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

List of UK entities covered by this tax strategy

British Council

BC Holdings (United Kingdom) Limited

BC Trading International Ltd