

UK tax policy for 2017/18 and 2018/19

Introduction

This document sets out the strategic tax objectives of HDF (UK) Holdings Limited and its subsidiaries. A list of the entities to which it applies is set out below.

It is published in accordance with the requirements set out under paragraph 16(4) to Schedule 19 of the Finance Act 2016 and covers the taxes and duties set out in paragraph 15(1) of the schedule. The Finance Act requires the published tax strategy to cover four specific requirements:

- (i) The approach to risk management and governance arrangements in relation to UK taxation.
- (ii) The attitude of the group towards tax planning in relation to UK taxation.
- (iii) The level of risk in relation to UK taxation that the group is prepared to accept.
- (iv) The approach of the group towards its dealings with HMRC.

The document will be reviewed regularly for its suitability, adequacy and effectiveness in line with the annual requirement to re-publish this document.

Approach to risk management and governance arrangements

The Group is proactive in managing all financial risks, including tax risks and utilises a robust governance framework throughout its business to ensure that there is the appropriate level of oversight and Board engagement. Tax risks are managed to ensure they are highlighted and monitored and the most significant are managed and minimised.

The Senior Accounting Officer is responsible for ensuring that appropriate policies, processes and systems are in place and that these are reviewed on a regular basis. Tax return processes are documented to provide a framework for staff to follow and implement and monitor the controls. Wherever possible the Group uses automated processes and specialist tax software to minimise the risk of errors in the management of taxes. Formal meetings to consider tax issues and tax risks take place at regular intervals and compliance controls covering all taxes are monitored. Any significant tax risks would also be included with the Group's overall risk register.

Due consideration will be given to the Group's reputation, brand, corporate and social responsibility when considering tax positions.

The Group's tax risks are managed by having suitable well-trained staff to ensure compliance with the tax rules and manage tax risk. This ensures that appropriate transfer pricing policies are adhered to and that transactions between group companies are made on arm's length terms.

Attitude towards tax planning

The Group manages risks to ensure compliance with legal requirements in a manner, which ensures payment of the right amount of tax when it falls due. Whilst the Group seeks to structure its tax affairs in an efficient manner, all tax planning must be responsible and have a business purpose. The economic benefits associated with tax planning must never override compliance with all applicable laws.

The Group will not enter into artificial transactions or arrangements designed to circumvent the intentions of the law and will not enter any tax planning that we are not prepared to fully disclose to the tax authorities.

Assessment of acceptable tax risk

The level of risk which the Group accepts in relation to UK taxation is consistent with the overall objective of achieving certainty in the Group's tax affairs. The Group considers it has a prudent tax risk appetite, a low risk tolerance and uses its compliance management procedures to ensure tax risk is minimised based on principals of reasonable care. In conducting these assessments where necessary external opinion is sought on a technical position if required.

Approach to dealing with HMRC

The Group seeks to have a transparent and constructive relationship with HMRC in a style that is open and honest in order to build a positive long term relationship. Regular meetings are held with HMRC to ensure that HMRC understand our business and to provide the opportunity to discuss tax implications of our strategy and business developments.

We aim to be proactive in our dealings with HMRC and where applicable, discuss matters in advance to get their opinions or prior approval to reporting in our tax returns. We continually review business processes to ensure they comply with applicable tax legislation, regulations and disclosure requirements and ensure the timely submission of tax returns. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

List of entities covered by this Tax Strategy

- HDF (UK) Holdings Limited
- Hastings Water (UK) Limited
- South East Water (Holdings) Limited
- South East Water Limited
- South East Water (Finance) Limited
- Swan Group
- Swan Property Limited
- Southern Utilities (Holdings) Limited
- Invicta Water Limited