

# Yorkshire Water Services Limited Tax Strategy and Policies

Adopted by the Board of Yorkshire Water Services Limited  
on 28 November 2023



YorkshireWater

*This strategy applies to the group of companies headed by Yorkshire Water Services Limited ("the YW Group") in accordance with Schedule 19 to the Finance Act 2016. It is effective for the year ending 31 March 2024*

Our approach to management of our tax affairs is in-line with our 10-year strategy and vision launched in 2023:

- A thriving Yorkshire: right for customers, right for the environment.

Our strategy and vision is supported by:

- Strategic pillars – the key activities that will help us bring our vision to life;
- Foundations – the long-term programmes and ways of working that underpin all our strategic activities; and
- Our behaviours – how we act as we go about our work.

The most relevant aspects of our businesses' 10-year strategy and vision to our Tax Strategy are:

1. Our vision: a thriving Yorkshire, right for customers – part of this is having bills that everyone can afford but also being a trusted company to customers;
2. Foundations: a sustainable business – a key foundation of our business is to operate long-term responsible business practices, providing sustainable returns and acting fairly in the long-term interests of Yorkshire; and
3. Behaviours; we own it - we do the right thing, even when it's tough, doing the things that will make the most difference to our customers.

As such, the Group has a tax strategy and policies that address the need to be transparent regarding our approach to tax matters, to build and maintain trust with customers and other stakeholders while also recognising appropriate legislative tax concessions and reliefs which benefit customers through lower bills and help to support a sustainable business..



## **A trusted company Behaviour – we own it**

We are committed to acting with integrity and to adopt the highest standards of openness and transparency with regards to our approach to our tax affairs. Our tax strategy and policies require that we fully comply with both the letter of UK tax law and its application as it was intended. We make timely and accurate tax returns that reflect our fiscal obligations to Government.

We aim for certainty on the tax positions that we adopt, however, tax law can be unclear at times or subject to interpretation. With this in mind, our policy is:

- not to enter into transactions that have a main purpose of gaining a tax advantage; and
- not to make interpretations of tax law considered to be opposed to the original published intention of the specific law.

To support us in ensuring that we have interpreted tax law and its intended application correctly, we seek advice from large accounting firms, legal firms and/or tax counsel as appropriate.

For example, we do not use artificial tax avoidance schemes or use tax havens to reduce our tax liabilities.

### **Relationship with HM Revenue & Customs**

An important part of our tax strategy and policies is the maintenance of a strong, proactive working relationship with HM Revenue & Customs (“HMRC”). We are transparent with HMRC and, in cases of interpretation or complexity, work with them on a real time basis to determine the amount of tax due.

### **Tax disclosure**

We understand the value of our financial reporting to customers, investors and other stakeholders. We work to provide enhanced, transparent and balanced disclosure in communicating our tax affairs.



## **Bills everyone can afford Foundations – a sustainable business**

Managing our tax liabilities by recognising appropriate legislative concessions and reliefs is of benefit to customers (through fair and affordable bills) and investors (through fair and sustainable returns).

Our tax strategy and policies seek to make use of such appropriate reliefs and to control our tax costs so that money is not wasted. Decisions regarding such reliefs are taken using a decision-making framework that addresses the control of tax costs with being trusted by stakeholders.

Whilst seeking to manage tax liabilities, our policy is not to take an aggressive interpretation of tax legislation or use artificial tax avoidance schemes.

### **Tax Governance**

Tax is part of the Finance function and is the ultimate responsibility of the Chief Finance Officer who is responsible for the tax strategy and policies.

Tax strategy and policies are reviewed on an on-going basis by the Audit Committee and Board of Directors. Our tax status is reported regularly through the Group's Financeability Governance Group, chaired by the Chief Finance Officer. Tax status is also reported via the Audit Committee through the Group's Strategic Risk Register.

Tax strategy and policy issues are assessed on a case by case basis by the Tax Team with appropriate input from the Head of Corporate Finance, Chief Finance Officer in conjunction with the Chief Executive. Day-to-day tax matters are delegated to the Head of Corporate Finance and a team of in-house professionals who hold a combination of accounting and tax qualifications.



## Contribution

When considering the Group's tax contributions, there are several important factors to take into account:

- corporation tax is focused on by stakeholders, however, it is only one of a wide variety of taxes, duties and contributions that are levied on the Group. Amongst other things our costs include employment taxes, national insurance, carbon taxes, fuel duty and business rates;
- taxation is not the only method by which the UK Exchequer can raise revenue from businesses. Other mechanisms include business rates and licenses. These are important to public finances and must be taken into account when considering a company's part in society; and
- large companies are an important source of employment leading to higher Government revenues from employment taxes and increased levels of consumer spending; and we are an important source of investment into national infrastructure achieving a benefit that would have to be funded directly by the state, most likely through public borrowing. The capital allowances we claim on this infrastructure and tax deductible interest costs on debt raised to fund infrastructure expenditure reflect public policy choices made by Government and, wholly intentionally, have the effect of reducing tax liabilities for companies whose investment decisions support those policy choices.

