

# ANGEL TRAINS GROUP TAX STRATEGY

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## Tax Strategy Introduction

Angel Trains Group (hereafter the 'Group') is one of the UK's leading train leasing specialists and has been an owner and lessor of rolling stock since 1994.

We are focused on maintaining our reputation as a professional and trustworthy Group, highly committed to safety and technical excellence, which is key to meeting our vision of being Britain's leading rolling stock asset manager. Our tax strategy is designed to support our vision and reputation.

All entities in the Group are wholly tax resident in the UK.

## Our Tax Strategy & Governance

Tax is part of the Finance function of the Group and it is the ultimate responsibility of the Chief Financial Officer (CFO) to ensure the Group's tax obligations are understood, complied with and managed appropriately. Day-to-day responsibility is with the Tax Managers and the Group Financial Controller, who reports to the CFO.

The CFO is the Group's Senior Accounting Officer (SAO), holding quarterly internal Business Risk Review meetings to discuss present and future tax risks that the Group is exposed to and the controls in place to mitigate these. The SAO is responsible for the submission of an annual certificate to HM Revenue & Customs (HMRC) stating that the Group has appropriate tax accounting arrangements.

Any changes to the Group's tax strategy are reviewed and approved by the Board. A specific risk register is maintained by the Group's Finance function with tax being reviewed and updated quarterly. The Group has a Strategic Risk Register which is updated and reviewed by the Audit & Risk Committee who meet on a bi-annual basis. If significant tax risks are identified these can be escalated and included in the Strategic Risk Register.

In addition, the Group has an Internal Audit function which is outsourced to Grant Thornton. There is a rolling programme of internal audits which examine all areas of the business and, where relevant, tax is included within the scope of these audits.

The Group's tax strategy encompasses three key areas:

- Integrity in its tax compliance, planning and reporting
- Controlling and managing tax risk
- Enhancing shareholder value

Tax includes all core and non-core taxes affecting the Group currently or in the future; including but not limited to Corporation tax, Value Added Tax, Income tax, National Insurance Contributions, Capital Gains Tax and Stamp taxes.

### **Professional Conduct & Responsibilities**

This tax strategy endeavours to guide all tax professionals (this includes any staff involved in tax matters) working for the Group when dealing with its tax affairs.

The Group has an obligation to pay the correct amount of tax legally due in the UK, in a timely manner and in adherence with UK statutory deadlines.

Staff involved in tax matters will aim to manage tax risk effectively by:

- Observing all applicable tax laws, rules, regulations and disclosure requirements, keeping the Board informed of material changes.
- Being diligent with their professional care and judgement in arriving at tax conclusions.
- Ensuring all tax decisions are taken at an appropriate level.
- Documenting all key decisions with evidence of the facts, conclusions and risks involved.
- Seeking appropriate written advice or confirmation where tax law is unclear or subject to interpretation, with a view to giving the Group improved certainty. Where certainty is unachievable, a robust risk assessment should be carried out and full disclosure made to HMRC.
- Establishing and maintaining good working relationships with HMRC (see below) and other third parties; and be professional, courteous and timely in all dealings with them.
- Undertaking regular tax training and keeping up to date with new legislation.
- Being compliant with all relevant Acts including the Proceeds of Crime Act 2002 (as amended by the Criminal Finances Act 2017) and the Bribery Act 2010.

### **Approach towards dealings with HMRC**

We promote an open, honest, transparent and collaborative relationship with HMRC. This is achieved by:

- Maintaining an open dialogue with HMRC through regular written updates and meetings which provide the opportunity to discuss business developments and the associated tax implications. This includes Business Risk Review meetings where the Group is given a risk rating; our most recent rating (July 2017) was low risk.

- Timely submission of tax returns and associated tax payments with prompt responses to any queries arising.
- Adopting a cooperative approach to resolving questions over the interpretation of tax law, where necessary working with HMRC on a real-time basis to determine the tax position.
- Participating in HMRC consultations to support the development of effective legislation.
- Ensure tax disclosure is enhanced, transparent and balanced when communicating our tax affairs. This includes appropriate disclosure being made in tax returns where a material tax position is being adopted (e.g. where tax law is unclear and the Group has adopted a certain interpretation and the tax involved is substantial).

### **Tax Risk Assessment & Management**

Good management of tax risk should minimise enquiries from tax authorities. However, excessive prudence in tax planning may contradict the enhancement of shareholder value. Establishing a good balance between the two is best achieved through:

- Continuous identification and regular review of tax risks in keeping with the Group's established risk registers and reporting processes.
- Ensuring the Group always has a strong tax technical position, which is clear and well-documented. A strong tax technical position is one where the Group is confident that its interpretation of tax law would withstand a challenge from HMRC. The tax function must ensure the Group is in a position to robustly defend any tax position taken in its tax returns.
- Robust processes and review procedures to ensure the tax compliance function is accurate and fit for purpose, both in the short and long-term. The group uses market leading software to meet its accounting and tax obligations. This ensures that appropriate systems, controls and safeguards are in place to enable accurate and complete reporting of the Group's tax liabilities.
- Ensuring all tax decisions are in keeping with the Group's corporate strategy.
- Fostering good working relationships with HMRC.

Tax planning initiatives should be evaluated with a view to minimising current and future Group tax liabilities. However, where any tax initiative is at risk of being considered 'aggressive' by HMRC, external tax technical advice must be obtained, and the Board briefed on the associated risks to the Group. All tax risk assessments should give due consideration to the Group's reputation, brand, and relationships with stakeholders.

External opinion is sought to assist in assessing the merit of the technical position if required. We would not pursue an interpretation of the tax legislation that is incompatible with our objective to remain compliant with our tax obligations.

## **The Group's attitude towards tax planning**

All tax planning and decisions must be driven by a commercial or business purpose, with due consideration given to the Group's corporate, legal and social responsibilities. The commercial reasoning behind a tax decision should be well-documented.

Input from the tax function is necessary at the planning, implementation and documentation stages of:

- All business or share acquisitions/disposals.
- All changes in corporate structure.
- All significant business transactions; e.g. new build capital expenditure decisions.
- All significant new processes affecting tax compliance.

The tax function should seek to provide commercially focussed, clear, timely and relevant advice to the Group. Where the same commercial outcome can be achieved, the most tax efficient approach should be recommended to the Group.

We do not engage in tax planning that is considered abusive or the sole purpose of which is to avoid tax. Where there is ambiguity about how a transaction or course of action is taxed, we will take external advice as appropriate and discuss it in advance with HMRC.