

## Scotmid Tax Strategy

### Introduction

The Scotmid tax strategy demonstrates our approach and attitude towards risk management, planning and governance of the taxation of the Society. The strategy sits alongside our published Tax Policy and recognises that the Society has a long-standing policy of not engaging in aggressive tax avoidance schemes ensuring that our primary objective is to pay the appropriate amount of tax for our operations while being compliant with all tax legislation requirements.

### Strategy

#### Approach to risk management and governance arrangements in relation to UK taxation.

The Society recognises the complex nature of taxation and our finance team works closely with external tax advisors to ensure that those involved in the preparation and calculation of tax are advised of the regular changes in legislation.

The Society ensures that processes are in place to capture accurate and timely information allowing for the correct calculation of tax to be paid when due. Ensuring that the day to day activities within our retail, property and funeral operations are consistent allow management to highlight exceptional cases where further focus and review may be required. Our finance team headed by the Chief Financial Officer take an active part in supporting the business in all aspects of taxation.

The long standing relationship with HM Customs & Revenue (HMRC) allows the Society to seek advice and agree resolution in reporting for matters that maybe unusual in nature.

Recognising the importance of having an open and transparent approach to tax policy and strategy the Society aims to consistently gain the Fair Tax Mark. The purpose of the Fair Tax Mark criteria is to provide organisations with a widely accepted and freely available set of criteria to guide them to achieving maximum transparency and fairness in their taxation policies, especially when it comes to the preparation of material for publication.

The Audit Committee working with senior management review the Corporate Criminal Offence and Tax risks and ensure that the policy and strategy are reviewed each year ensuring appropriate oversight.

#### Attitude towards tax planning (so far as affecting UK taxation)

The Society does not undertake specific transactions with the sole or main aim of securing tax advantages that would otherwise not be available to us based on the reality of the trade that we undertake. As a result the Society will never undertake transactions that would require notification to HMRC under the Disclosure of Tax Avoidance Schemes Regulations or participate in any arrangements to which it might be reasonable anticipated that the UK's General Anti-Abuse Rule might apply.

With no complex remuneration or international processing the payroll team ensure that all employment tax calculations are consistent with the latest rates and UK legislation. Using a commonly used software solution as a basis for the payroll allows management to consider inherit risk to be low in this area.

The Society recognises that the VAT calculation can be complex in nature across the operations of Scotmid and that any transactional inconsistencies may lead to material risk. The Society worked closely with HMRC documenting the processes across the business to create a Retail Agreement. Adherence to the Retail

Agreement helps mitigate this risk alongside external verification of individual product coding which is carried out intermittently.

Third party tax teams are utilised to ensure that the Corporation tax calculations are carried out in line with UK legislation and senior members of the finance team are responsible for ensuring the accuracy of the information collated and output provided. The significant cost of Corporation tax and the complex calculations that sit behind this result in considerable focus in order to minimise risk of misstatement.

Employees in the Society are encouraged to be honest and diligent in carrying out their tasks to reduce fraud and minimise risk. The Society has a whistleblowing policy which is designed to ensure that employees are able to raise issues and concerns where they genuinely believe something is going wrong in the Society and where they are not able to do so with their Line Manager. The Society is firmly committed to maintaining the highest ethical standards in all its activities. It regards impropriety and malpractice as serious matters and seeks to prevent them arising. Where genuine concerns do arise, we seek to ensure there are appropriate processes in place, which will allow any employee to raise them in a proper manner and in good faith which ensures the issues are addressed. In addition the Society expects all employees to be compliant with the anti-bribery legislation.

#### Level of risk in relation to UK taxation that it is prepared to accept

The Society aims to be entirely compliant with the UK tax legislation and employees are encouraged to ensure that processes meet this. The Board and senior management team do however recognise that there will inevitably be inherent risk in all operations and encourage all teams to be open about identifying inconsistencies and placing processes in place to minimise these risks.

#### Approach to dealing with HMRC.

Openness, honesty and transparency are recognised as being paramount in all dealings with HMRC whether in direct contact with the Society or through third party representation.

Society contact details are updated to HMRC Customer Relationship Manager (CRM) when amendments made.

The Chief Financial Officer is responsible for overseeing the application of this strategy.

The Audit Committee will review this strategy annually and ensure that it is complied with.