



## **L&Q Tax Strategy**

This document was reviewed and approved by the L&Q Group Board at its meeting on 20 February 2020 and sets out the L&Q Group's general tax arrangements, as well as the policy and approach to tax risk management, attitude to tax planning and working with HMRC. Through the publication of this document the L&Q Group is in compliance with its duty under Section 161 and Paragraph 16(2) Schedule 19 of Finance Act 2016 in respect of the year ending 31 March 2020.

### **INTRODUCTION**

Established in 1963, the L&Q Group is one of the UK's leading housing associations and one of London's largest residential developers. As at 1 April 2019 the L&Q Group employed over 2,440 people and houses around 250,000 people in more than 95,000 homes, primarily across London and the South East. On 1 October 2019 L&Q completed its acquisition of Trafford Housing Trust which will facilitate investment in creating 20,000 new homes across the North West.

The L&Q Group is formed of London & Quadrant Housing Trust ("LQHT") and its charitable and non-charitable subsidiaries. LQHT is registered under the Cooperative and Community Benefit Societies Act 2014 and is a charitable Registered Provider of social housing, regulated by the Homes and Communities Agency. As the social landlord parent of the L&Q Group, LQHT provides central corporate services and strategic direction to the other members of the group.

The L&Q group generates the majority of its income from social housing lettings and other social housing activities such as shared ownership sales and the provision of care and support. It also generates income from non-social housing lettings including market and commercial rent and the provision of student accommodation. Turnover from non-social housing activities relates primarily to open market property sales and land parcels for housebuilding.

LQHT has been recognised by HMRC as a charity for tax purposes and therefore benefits from tax exemption on certain sources of income and gains, providing such income and gains are applied for charitable purposes only. The non-charitable companies in the L&Q Group are within the charge to UK corporation tax on their activities.

Further information about the L&Q Group's approach to social responsibility can be accessed here: <https://www.lqgroup.org.uk/about/landq-foundation/social-responsibility/>

## **TAX PLANNING**

The L&Q Group believes in its obligation to pay a right amount of UK tax in accordance with the legislative provisions and guidance issued by HMRC, but also seeks to be efficient with its tax affairs. The L&Q Group's appetite for tax risk is low, and it does not engage in tax planning that is not aligned to meeting its charitable purposes.

The tax strategy of the L&Q Group is driven by simplicity, transparency and ensuring that the tax reliefs, allowances and tax exemptions to which the Group is properly entitled are claimed in the manner intended by statute and HMRC. All tax planning is built on sound commercial business activity; the L&Q Group does not believe in using artificial tax arrangements to take advantage of legal but essentially questionable loop holes in tax legislation.

Due consideration is given to the L&Q Group's reputation, brand, corporate and social responsibilities when considering tax planning, as well as the fiduciary duties of the Group Board, Executive team and employees of the L&Q Group. In circumstances where tax uncertainty is identified or where it is considered that there is insufficient internal expertise, the L&Q Group will seek external advice to assist with resolving the uncertainty, concluding on the correct tax treatment and/or to provide a second opinion.

## **GOVERNANCE AND TAX RISK MANAGEMENT**

The Group Director of Finance has overall responsibility for the management of the tax affairs of the L&Q Group, including the submission of accurate tax returns on a timely basis, as required. The day to day management of the L&Q Group's UK tax affairs is provided by the in-house tax team who hold a combination of tax/accounting qualifications and sit within the Group's central finance function that reports to the Deputy Group Director of Finance. The Deputy Group Director of Finance is the appointed Senior Accounting Officer for the relevant entities within the L&Q Group.

The L&Q Group recognises that eliminating tax risks entirely is impossible, therefore the Group seeks to reduce the level of tax risk arising from its operations as far is practically reasonable by implementing various internal tools for the business functions to follow.

Processes, activities and transactions in relation to different taxes, and the controls relating to them, are reviewed by the appropriate specialist within the tax team to identify key tax risks. These key risks are monitored for changes in business and legislation, and processes and controls are updated accordingly. Tax risks are included within the Active Risk Management ("ARM") tool used by the Group. As it does with other business risks, the L&Q Group Board will consider significant tax risks as part of its oversight of the Group's activities and its regular review of the ARM reports.

By regularly reviewing its tax affairs and tax risk management procedures, the L&Q Group ensures that its tax strategy continues to be aligned with its overall business strategy and governance framework.

#### **WORKING WITH HMRC**

The L&Q Group is committed to continuing the transparent, collaborative and positive working relationship it has with HMRC, and values the on-going dialogue it has with its Customer Compliance Manager which allows it to keep HMRC aware, at an early stage, of significant transactions and/or changes in the business which may have significant tax implications.

The L&Q Group takes a proactive approach in the event that any inadvertent errors in respect of tax matters are identified, ensuring they are disclosed to HMRC as soon as is reasonably practicable.