



Tax strategy

For the year ending 31 December 2018

Tax strategy

OneSavings Bank plc ('OSB') is required to publish its tax strategy for the OSB Group in respect of UK taxation in accordance with paragraph 16(2) Schedule 19 Finance Act 2016.

OSB's tax strategy as set out in this document was re-approved by the Board of Directors on 2 April 2019.

Our business

OSB is a specialist lending and retail savings group authorised by the Prudential Regulation Authority ('PRA'), part of the Bank of England, and regulated by the Financial Conduct Authority and PRA.

OSB primarily targets underserved market sub-sectors that offer high growth potential and attractive risk-adjusted returns in which it can take a leading position and where it has established expertise, platforms and capabilities. These include private rented sector Buy-to-Let, commercial and semi-commercial mortgages, residential development finance, bespoke and specialist residential lending, secured funding lines and asset finance. OSB is predominantly funded by retail savings.

The Group operates through a number of subsidiaries in England and the Channel Islands, all of which are tax resident in the UK. The only non-UK tax resident subsidiary is OSB India Private Ltd ('OSBI'), which is incorporated in India and provides back office processing support. OSBI earns a management fee for this service under an arms' length transfer pricing arrangement.

Approach to tax risk management and governance

OSB's approach to risk management ensures effective identification, assessment and management of risk and is aligned fully to the Group's strategy and its vision to be a leading specialist lender within its chosen markets. Effective risk management has generated shareholder value through the optimisation of the risk-reward profile which is framed within the wider strategy and risk appetite context.

The Group has an established Strategic Risk Management Framework ('SRMF') which is subject to periodic review and approval by the Board and its committees. The modular construct of the SRMF, further details of which can be found in the 2017 Annual Report and Accounts on pages 33 to 38, makes it a dynamic, versatile and enduring framework. The integrated nature of the SRMF provides for improved Board oversight, engagement, and monitoring of the Bank's risk profile.

OSB has a prudent and proportionate approach to risk taking and management, which is reflective of its straightforward business model and its tax risk appetite is aligned to this. OSB adopts a low risk appetite in its approach to its tax affairs and tax strategy.

The principal tax risks facing the Group include;

- **Tax compliance and reporting**
This is the risk of late, missing or inaccurate returns, claims or elections, as well as the risk that processes and controls over the completeness and accuracy of accounting records used for tax computations are inadequate leading to errors in tax computations and returns
- **Business risk**
This is the risk that commercial decisions are made and transactions are executed without due consideration of the tax consequences or where tax advice taken is not correctly followed
- **Reputational risk**
This is the wider impact that tax risk can have on the Group's reputation and relationship with key stakeholders including tax authorities, regulators, shareholders and customers

The Group's tax risk management and governance framework is aligned to the Group's overarching SRMF and is underpinned by a suite of tax related policies and procedure manuals as well as a comprehensive tax risk register, which ensures tax risk is managed within appetite.

The Board has ultimate responsibility for the SRMF and the tax strategy. The Board has delegated day to day responsibility for the tax strategy and the supporting tax risk management and governance framework to the Group CFO. Any key unmitigated risks or issues relating to tax are escalated to the Board Risk Committee and/or Audit Committee in accordance with their terms of reference.

Attitude to tax planning

The Group will not tolerate failures to comply with the relevant laws, regulations and codes of conduct applicable to its business activities, and as such has committed to ensure that it is compliant with the intent and spirit of regulation/law. In line with this, OSB signed up unconditionally to HMRC's Code of Practice on Taxation for Banks ('the Code') in November 2013. In accordance with the Code, OSB's approach is not to engage in tax planning that does not genuinely support commercial activity or aims to achieve a tax result that is contrary to the intentions of Parliament.

Whilst at all times complying with its commitments under the Code, OSB will seek to structure its affairs in a tax efficient manner, taking advantage of appropriate reliefs available. Where tax planning is undertaken to assess alternative approaches to achieving a commercial objective, the Group will conduct a full analysis and take expert professional advice.

Remuneration arrangements for the Group's employees are structured so that the appropriate amounts of tax and national insurance contributions are paid.

In addition to its commitments under the Code, OSB's policy is not to promote tax avoidance or aggressive tax planning arrangements to our customers or to offer lending or savings products designed to facilitate tax avoidance. Where OSB offers tax free savings products, such as ISAs, it will structure them such that they can only be used in a way consistent with the intentions of Parliament.

Approach to dealing with HMRC

OSB has a policy of maintaining an open, transparent approach to regular communication with HMRC. This includes regular discussion of key developments in the business and their potential impact and any tax related issues in advance of tax filings. All HMRC queries are dealt with on a timely basis and in an open way. Any errors or omissions in tax filings are disclosed fully and notified to HMRC as soon as practicable.

OSB engages with professional advisors and HMRC when assessing the appropriate tax treatment of new or complex transactions. In addition, where possible the Group seeks advance tax clearance from HMRC where there is uncertainty of tax treatment.