



# KPMG Tax Strategy

December 2019

## Scope

KPMG LLP is incorporated as a limited liability partnership under the Limited Liability Partnerships Act 2000. The capital in KPMG LLP is contributed by its Members.

KPMG Holdings Limited, a limited company registered in England and Wales, is wholly owned by KPMG LLP.

This strategy applies to KPMG LLP and to the group of companies headed by KPMG Holdings Limited in accordance with paragraphs 19 and 25 of Schedule 19 to the Finance Act 2016. A list of the entities to which it applies is set out below. In this strategy, references to 'KPMG', 'the firm' or 'the group' are to all these entities. The strategy has been published in accordance with paragraph 16(4) of the Schedule.

This strategy was published on 11 December 2019 and KPMG LLP regards this publication as complying with its duty under paragraphs 19(2) and 22(2) of the Schedule in its financial year ending on 30 September 2020. References to 'UK Taxation' are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to 'tax', 'taxes' or 'taxation' are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which KPMG has legal responsibilities.

This strategy does not deal with KPMG's provision of advice in the course of its professional activities. This is covered by KPMG's Tax Principles which are set out below.

## Aim

KPMG is committed to full compliance with all statutory obligations and full disclosure to tax authorities. The firm's tax affairs are managed in a way which takes into account the firm's wider corporate reputation in line with KPMG's overall high standards of governance.

## Governance in relation to UK taxation

- Ultimate responsibility for KPMG's tax strategy and compliance rests with the Board of KPMG LLP;
- Executive management of the group is delegated by the Board to the Executive Board;
- The Audit Committee's requirement to monitor the integrity of KPMG's financial reporting system, internal controls and risk management framework, expressly includes those elements relating to taxation;
- The Chief Operating Officer ('COO') is the Executive Board member with executive responsibility for tax matters;
- Day-to-day management of KPMG's tax affairs is delegated to the Head of Partnership Tax, via the CFO;
- The Partnership Tax team is staffed with appropriately qualified individuals;
- The Board and Executive Board ensure that KPMG's tax strategy is one of the factors considered in all investments and significant business decisions taken;
- The Head of Partnership Tax reports to Board Committees and the Board on KPMG's tax affairs and risks during the year.

## Risk Management

- KPMG operates a system of tax risk assessment and controls as a component of the overall internal control framework applicable to the firm's financial reporting system;
- KPMG seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations;
- Processes relating to different taxes are allocated to appropriate process owners, who carry out a review of activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required;
- Appropriate training is carried out for staff outside Partnership Tax who manage or process matters which have tax implications;
- Advice is sought from KPMG's own Tax Practice where appropriate.

## Attitude towards tax planning and level of risk

KPMG manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax.

KPMG's attitude towards tax planning is consistent with the 'Tax Principles' adopted by the firm's Tax Practice and which are set out below. When entering into commercial transactions, KPMG seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. KPMG does not undertake tax planning unrelated to such commercial transactions.

The level of risk which KPMG accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the firm's tax affairs. At all times KPMG seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Board is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question. KPMG LLP expects its members to adopt a corresponding approach in relation to their individual tax obligations and liabilities. It is a condition of membership of the firm that members provide KPMG with full visibility of their personal tax affairs. By requiring this transparency KPMG LLP seeks to ensure that members comply fully with their obligations in respect of UK taxation.

## Relationship with HMRC

KPMG seeks to have a transparent and constructive relationship with HMRC through regular meetings and communication in respect of developments in KPMG's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant taxes.

KPMG ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss any tax issues arising at an early stage. When submitting tax computations and returns to HMRC, KPMG discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.



# Tax principles

KPMG's UK Principles of Tax Advice are a written codification, for internal use, of KPMG UK's approach to providing tax services.

## Legal and ethical

**We act lawfully and with integrity and expect the same from our people, our firms' clients, tax authorities and other parties with whom we interact.**

- In every respect our work shall be fully compliant with legal and regulatory requirements and in our behaviour we aspire to the highest professional and ethical standards.
- In advising clients, we will take into account our view of prevailing public interest considerations and of any potential reputational risk to our clients and to KPMG.
- We shall not act in such a way as to undermine the structure of the tax system.
- We shall not entertain arrangements that evade tax or that rely, to any extent, in the authorities inability to collect it.
- We shall not exploit social policy legislation (for example, tax reliefs for charities).

## Advice

**We provide tax advice to our firms' clients to allow them to pursue their commercial objectives, respecting the needs of our people and the communities in which we operate.**

- We are committed to providing clients with advice of the highest quality tailored to the client's particular interests and commercial objectives.
- We will interpret legislation in a purposive way in line with the courts. We will not advise clients to enter into transactions with the main purpose of securing a tax advantage clearly contrary to the intention of Parliament in enacting the relevant legislation.
- We do not act as mere advocates of tax planning structures or arrangements. We shall only promote transactions or structures that have both substance and business purpose.

## Objectivity and Independence

**We maintain objectivity by seeking the facts and providing insight, consistent with our professional duties, in providing tax services to our firms' clients.**

- We shall explain clearly and objectively to our clients the technical strengths and weaknesses, and the risks as well as the rewards, of any tax planning ideas on which we advise.

## Transparency

**We support a relationship with tax authorities, based upon mutual trust and respect which will enable constructive dialogue and responsiveness by all parties in order to fulfil our responsibilities to our firms' clients.**

- We shall comply with all our disclosure requirements. We shall also require our clients to disclose to the authorities, and not dissemble or misrepresent, all material facts.

### List of entities covered by this Tax Strategy

- Daymer International Limited
- Knowledge Systems (Nunwood) Limited
- K Nominees Limited
- KPMG Audit Holdings Limited
- KPMG Audit Plc
- KPMG Boxwood Limited
- KPMG Business Intelligence Limited
- KPMG CIO Advisory Limited
- KPMG Crimsonwing Limited
- KPMG CW Properties
- KPMG Holdings Limited
- KPMG IT Advisory Limited
- KPMG LLP
- KPMG Nunwood Consulting Limited
- KPMG Nunwood Holdings Limited
- KPMG Nunwood Investment Limited
- KPMG Overseas Services Limited
- KPMG Pension Funding (GP) Limited
- KPMG Pension Funding Limited Partnership
- KPMG Pension Trust Company Limited
- KPMG Sourcing Limited
- KPMG UK Limited
- KPMG United Kingdom Plc
- Makinson Cowell (US) Limited
- Makinson Cowell Limited

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