

Souter Investments Tax Strategy

Overview

This tax strategy for Souter Investments¹ is published in accordance with schedule 19 Finance Act 2016. It sets out the strategy towards UK taxation adopted by Souter Investments for the financial years ending in the 12 months to 31 March 2022.

References to tax include corporation tax, PAYE, NIC, stamp duty land tax, land and buildings transaction tax, stamp duty, stamp duty reserve tax, VAT, and insurance premium tax.

Souter Investments is the collective name given to the suite of companies which form the investing vehicles for the Souter family. The portfolio has a private equity focus, investing particularly in unquoted businesses across a range of sectors. Souter Investments employs a high standard of professional diligence and rigor in selecting, executing and managing investments. This tax strategy forms part of that approach.

Souter Investments does not consider investments involving alcohol, tobacco, armaments, gambling, or pay-day loan businesses.

A major beneficiary of the success of Souter Investments is the Souter Charitable Trust. The charity is regulated by The Scottish Charity Regulator. Its objective is to assist projects engaged in the relief of human suffering both in the UK and overseas. Annual donations to the Souter Charitable Trust averaged approximately £4.1m per year over the 10-year period ended 30 June 2020. In October 2019 Sir Brian Souter also donated shares in Souter Investments Limited valued at approximately £109m to the Souter Charitable Trust, taking total charitable donations to approximately £150m over the 10-year period.

How Souter Investments manages its tax risks

The Managing Directors of Souter Investments have joint overall responsibility for tax matters. They are supported by a team of investment executives (“the Investment Team”). The Managing Directors and Investment Team are experienced and appropriately qualified. They are supported by a highly experienced finance team. Expert external legal, accounting, tax and other support is provided on a regular basis by appropriately qualified and regulated firms.

Both ongoing and potential tax risks are regularly considered, discussed and mitigated by this team of people. As part of its investment procedures the Investment Team is required to review tax risks in respect of each material new investment, taking advice from qualified advisors as appropriate. The Investment Team, finance team and Souter Investments’ advisers communicate with and advise the Managing Directors on tax affairs and risks on a regular basis.

¹ This strategy applies to all companies controlled by the Souter family, including inter alia Souter FT Holdings Ltd, Souter SBS Holdings Ltd, Souter Kent Ltd, SI 2016 Ltd, Souter Capital LLP and Souter Investments Ltd and all its subsidiaries.

The accounting periods of these entities vary; this policy applies to all year ends ending between 1 April 2021 and 31 March 2022

A system of review, with distinct roles and responsibilities, is in place for Souter's statutory tax filings.

The preparation of corporation tax returns is outsourced to appropriately qualified and regulated professional firms and reviewed by both the finance team at Souter Investments and, if appropriate, the responsible Investment Director, prior to submission.

The Boards of individual investments are responsible for the tax risks and strategy of their businesses.

Souter Investments holds investments in companies in a number of overseas jurisdictions. The Boards, management and finance teams of these companies are responsible for ensuring their compliance with all local tax laws. External advice is provided in each jurisdiction by appropriately qualified firms.

Souter Investments' attitude to tax planning and tax risk

In line with its overall investment philosophy, Souter Investments does not undertake any tax planning which is artificial or considered aggressive by either a Managing Director or the advisers to Souter Investments. Furthermore, Souter Investments fully complies with the guidance issued by ICAS that ICAS members:

'must not create, encourage or promote tax planning arrangements or structures that (i) set out to achieve results that are contrary to the clear intention of Parliament in enacting relevant legislation, and/or (ii) are highly artificial or highly contrived and seek to exploit shortcomings within the relevant legislation'.

All transactions undertaken by Souter Investments have a commercial purpose and the level of tax risk considered acceptable on any transaction is low. The level of risk is considered via discussions with tax advisers.

All entities controlled by Souter Investments are based in the UK or alternatively the country where their commercial operations are based.

Souter Investments does not set targets around effective tax rate and remuneration policies are not linked to the after-tax results of the business.

Working with HMRC

Souter Investments is transparent and honest in its dealings with HMRC. It is committed to making appropriate disclosures for all relevant tax issues, whether that is through the submission of tax returns, responding to requests in a timely manner or, in the case of any inadvertent errors, reporting promptly to HMRC with full disclosure.