

RBS Group Plc – Group Tax Strategy

At RBS we believe that how we conduct ourselves determines whether people want to do business with us, work for us and welcome us as part of their community. This ethos is enshrined in [Our Code](#) which is integral to the way we do business and the values that we hold.

In line with the principles outlined in Our Code, RBS is committed to the responsible management of our worldwide tax affairs including a compliant approach to tax law in a transparent manner. We are committed to paying the right amount of tax in the jurisdictions in which we operate; to completing and submitting accurate tax returns and to paying tax due within the timeframes set by legislation. RBS has signed up to the UK Government's [Code of Practice on Taxation for Banks](#) ("The Code of Practice") which commits us to obeying the spirit as well as the letter of the law and to maintaining an open dialogue with HM Revenue & Customs ("HMRC"). All parts of the bank worldwide are expected to follow The Code of Practice.

Approach to governance

The Group Board is collectively responsible for the long term success of RBS and the delivery of sustainable shareholder value. Its role is to provide leadership of RBS within a framework of prudent and effective controls which enables risks to be assessed and managed. Ultimate responsibility for RBS's Tax Strategy and compliance rests with the Board. Day to day management of RBS's tax affairs is delegated to the Head of Tax who has a reporting line into the Chief Financial Officer who is a member of the Board.

As part of the bank's governance structure the Board discharges certain responsibilities through Board sub committees including the [Group Audit Committee](#) and [Board Risk Committee](#). Tax risks are reported to the Group Audit Committee and significant risks are escalated to the Board via the group and franchise governance structures. The Board Risk Committee is responsible for reviewing and recommending the risk appetite framework to the Board for approval and senior management of the Bank are responsible for implementing and embedding the Board approved risk appetite framework across the Bank. The Board Risk Committee provides oversight of senior management in this regard.

Approach to tax risk management

Due to the size and complexity of RBS's business we are exposed to tax risk as part of our day to day business. We aim to operate within tax risk appetite and minimise the level of tax risk arising from our operations as far as is reasonably possible. We take both economic and reputational consequences into account when assessing tax risk.

In line with our internal risk management framework Group Tax has put in place specific policies and processes to ensure that we fulfil our tax obligations and adhere to The Code of Practice. These policies are applied globally. The businesses and functions within RBS are accountable for identifying, owning and managing tax risk and are responsible for delivering a robust, co-ordinated and effective control regime. Our Internal Audit department provides independent assurance to the Board and Executive Management on the quality and effectiveness of governance, risk management and internal controls to monitor, manage and mitigate key risks including tax risks.

Group Tax approval for new products, transactions or business proposals is required through the group's risk governed sign off processes. Our tax specialists ensure that we comply with tax law and practice in a timely manner; that transactions and business proposals are within tax risk appetite and that we consult with HM Revenue and Customs and/or external advisors where necessary.

Should issues arise in relation to the application of tax policies and processes at RBS then we have systems by which these are escalated and addressed.

Attitude towards tax planning

RBS will only undertake tax planning which supports genuine commercial activity and is compliant with The Code of Practice. Where there is doubt regarding the treatment of a transaction under The Code of Practice, Group Tax will refer the transaction to HMRC for clearance. Should a proposal not fall within The Code of Practice we will not proceed with it.

We are committed to paying the right amount of tax in the jurisdictions in which we operate. We do not establish businesses in any jurisdiction with the sole or main purpose of gaining a tax advantage or to divert profits from higher tax rate jurisdictions. We operate policies to ensure there is no artificial diversion of profits between high and low tax countries. All intra-group transactions are required to be priced on an arm's length basis in accordance with the group's Arm's Length Transfer Pricing policy which reflects internationally accepted transfer pricing standards and local tax laws. We do not use low tax jurisdictions to undertake transactions with the main aim of reducing tax liabilities. We are committed to improving tax transparency and comply with global initiatives in this regard.

Our tax specialists undertake regular training to ensure that they maintain up to date tax and industry knowledge but on occasion the tax treatment of particular issues will be uncertain. This may be due to the complexity of tax law or because there are alternative interpretations or approaches to tax law which might result in different outcomes. In such situations we will use external advisors to confirm the most appropriate tax treatment. External advisors may also be used where we do not have the internal resources to deliver large projects. All external advice received is considered in terms of our stated risk appetite, our risk management and governance standards and our own attitude to tax planning.

Level of tax risk that the group is prepared to accept

RBS has a low appetite for tax risk. We seek to comply fully with our legal, regulatory and other obligations and to act in line with the principles set out in Our Code. In accordance with our commitment to The Code of Practice on Taxation for Banks we will not enter into non-commercial transactions which give an artificial tax result.

Tax evasion

The Group has no tolerance for any activity relating to the criminal offence of tax evasion and we are committed to preventing the facilitation of tax evasion. We comply with the relevant legislation in this area both in the UK and worldwide, and expect the same from the third parties that we deal with.

Approach of the group towards its dealings with HMRC

RBS is transparent in our interaction with tax authorities. In the UK we have real time engagement with HMRC and discuss current, future and past tax risks, tax events and interpretation of the law at our regular meetings. We fully disclose to HMRC any significant uncertainties in relation to tax matters and seek to resolve issues arising before returns are filed, whenever practicable. We engage in a co-operative, supportive and professional manner in all of our interactions.

We regard this publication as complying with RBS Group Plc's duty under para 16(2) Schedule 19 FA 2016 to publish a tax strategy for members of the RBS group for the accounting period commencing 1 January 2018. Members of the RBS group covered by this tax strategy are those entities in which RBS Group Plc has a direct or indirect holding of over 50% of ordinary share capital as well as RBS Group Plc itself. In this strategy references to "RBS", "the bank"; "the group" and "we" are to all these entities.