

An aerial, top-down view of a modern office lobby. The space is characterized by a light-colored, polished stone floor and a ceiling with a grid of dark metal beams and large glass panels. In the center, two people are walking. To the left, there is a seating area with several light blue armchairs and small round tables. A dark blue carpeted area with a window is visible in the lower center. The overall atmosphere is bright and professional.

Our tax responsibilities

Our tax responsibilities

Together we invest for a better future. We do it to make a difference – to the lives of our clients and customers, our employees, society and our shareholders.

Tax is important for all our stakeholders and we have a tax strategy which forms the core of our approach to tax. It sets out the basis upon which tax management should be practiced in Standard Life Aberdeen.

A large part of running a responsible business is committing to high ethical, legal and professional standards – and being open, honest and transparent about what we're doing to meet those standards.

These guiding principles have been used in formulating our tax strategy, which sets out our approach to governance over tax matters, our attitude to tax risk, our attitude to tax planning, and how we deal with HMRC and other relevant tax authorities.

How we manage our tax activities

We have an in-house team that manages our company's tax activities. These activities include reporting our company's tax position, ensuring we understand and comply with our tax obligations in each of the countries we operate in, and that our customers and clients are provided with the information they need to meet their own tax obligations.

Our tax team works within the parameters of our tax risk policy, which is approved by our Board as part of our Enterprise Risk Management framework. Core to this policy is our tax strategy.

We believe it's important that our approach to tax reflects the interests of our stakeholders in a balanced way. So our tax strategy and tax risk policy take account of our clients, shareholders, employees, tax authorities and the wider community.

Our tax strategy

Governance

Having a strong governance framework is important to enabling us to manage and control the tax risks of Standard Life Aberdeen. Responsibility for the tax strategy and the day-to-day management of tax risk sits with the Chief Financial Officer. Our governance framework for tax consists of:

1. A separate tax risk policy which sets out how we manage and operate tax risk across Standard Life Aberdeen. The policy is subject to annual review and approval by the Board and sets the operational standards by which we manage tax risk across the business. The policy is embedded within our Enterprise Risk Management Framework, the basis upon which we manage risk across the business.
2. A 'three lines of defence model' for managing tax risk. Day-to-day management of the policy is delegated to the Global Head of Tax whilst operationally tax risk management and tax processes sit with the various regions and functions of the business, supported by the tax function. Internal Audit, as the third line of defence, provides independent assurance, challenge and advice. Tax risks and related controls are documented and controls are subject to regular assessment under our risk framework.
3. The Group Audit Committee maintains oversight of matters relating to the public disclosure of tax information, such as analysis of the tax charge in Standard Life Aberdeen's Annual Report and Accounts.

Our attitude to tax risk

There are three key areas of tax risk for the group:

- Failure to meet our tax compliance and reporting requirements
 - Not taking appropriate consideration of the tax consequences of our actions and transactions
 - Wider reputational risks which may impact the company and its stakeholders.
 - Standard Life Aberdeen sets its tolerance for accepting risk by setting risk appetites. We have stated appetites for tax risk consistent with our overall risk appetite for the group as follows:
4. Standard Life Aberdeen has no appetite for any breach of tax compliance and reporting obligations that apply to its business and seeks to manage its obligations in line with this. We recognise, however, that errors or omissions may happen from time to time due to the complexity of tax legislation and / or the business.
 5. Where tax laws require interpretation or where tax regulations or codes are ambiguous or untested, Standard Life Aberdeen will take reasonable steps to determine their applicability, including seeking tax advice where necessary. When determining the appropriate course of action, Standard Life Aberdeen will have due regard to fair outcomes for its customers, clients, shareholders and other relevant stakeholders. We recognise that not all matters can be settled by agreement with the tax authorities and therefore we may have to resolve disputes through formal appeals or other proceedings.
 6. Where breaches of our strategy or tax policy are identified, Standard Life Aberdeen will ensure that these are resolved in a timely manner – taking into account, where relevant, the interests of customers, clients, shareholders and other stakeholders. This may involve engaging with tax authorities and we shall do so in a cooperative and transparent manner.
 7. Exposures to tax risk must be controlled to manage the risk of reputational and financial loss.

Our attitude to tax planning

We recognise the importance of the contribution we make to public finances through our payment of taxes. It is important to us that our approach reflects the interests of our stakeholders in a balanced way. We achieve this by:

8. Managing and controlling tax within a commercial context, such that all transactions and arrangements are based upon a primary underlying business purpose and commercial rationale beyond the tax benefits.
9. Planning and managing our tax affairs to ensure that we make appropriate claims for reliefs and deductions provided by the law, where it is cost-effective to do so.
10. Not seeking to apply an aggressive interpretation of tax legislation outside what is understood to be intended, nor which is inconsistent with our global code of conduct. In doing so we will not undertake any transactions whose sole or main purpose is the creation of a tax benefit greater than that intended by legislation.
11. Seeking external tax advice where the application of tax law to a transaction or situation is uncertain, or where specialist knowledge is required. We may also seek external advice for significant or complex transactions and to assist in our understanding of new legislation.
12. Applying the tax strategy to collective investment schemes and other fund structures which we manage or promote. In common with industry practice we may set up such fund structures in jurisdictions that do not impose an additional layer of tax on the fund or structure itself. We believe such fund structures are consistent with the strategy and our global code of conduct where the effect of such fund structures is, as far as practically possible, to mirror the taxable return investors would have received had they invested directly in the underlying assets themselves.

How we deal with HMRC and other relevant tax authorities

A key element of our approach to tax is to maintain a cooperative and transparent relationship with tax authorities in the jurisdictions in which we operate. We will, therefore:

13. Build and maintain professional and constructive relationships with HMRC and other relevant tax authorities. For material transactions or tax events we may engage on a real-time basis with HMRC and other relevant tax authorities, to agree or clarify the application of tax legislation to the transaction or tax event. As a large business we are also subject to HMRC's annual Business Risk Review process, and during this process we discuss and agree the status of current, future and past tax risks.
14. Not enter into any transaction or arrangement that is contrary to the General Anti-Abuse Rules.

The information set out above is published to comply with our duty to disclose our tax strategy as set out in the Finance Act 2016.

We have a **global code of conduct** which sets out the ethical behaviours and standards expected of all our people. Our tax strategy complements the code of conduct and at all times must support the high standards of behaviour set out in the code.

Being transparent in our approach to tax

We've increasingly found that stakeholders ask for more transparency on tax policies, reporting and payments.

We support the objectives of international initiatives that tackle tax avoidance and aggressive tax planning including the principles behind government initiatives to increase transparency and the wider understanding of tax. One of the ways we support this is by publishing information on our wider tax contribution to society – for example, our total tax contribution in our annual report and accounts, available on the [financial reporting documents](#) page.



Our total tax contribution

Our total tax contribution is a measure of the taxes we pay on all of our activities, as well as the tax we collect on behalf of tax authorities.

Our total tax contribution for continuing business was £526m. Of the total £211m was borne by Standard Life Aberdeen whilst £315m represents tax collected by us on behalf of the tax authorities. Taxes borne by Standard Life Aberdeen mainly consist of corporation tax, employer's national insurance contributions and irrecoverable VAT. The taxes collected figure is mainly comprised of pay-as-you-earn (PAYE) deductions from employee payroll payments, employee's national insurance contributions, VAT collected and income tax collected on behalf of HMRC on platform pensions business.

Our head office is in Edinburgh but we have a regional hub and local operations in several countries including Philadelphia and Singapore. Because our key operations and regional hubs are where we do most of our business, we pay more tax in the countries where they're based. We also have offices in other global financial centres, as well as associate and joint venture businesses.

Our tax expense

Our tax expense measures the tax we pay on shareholder profits, which we're required to report under International Financial Reporting Standards. It's made up of current tax expense and of deferred tax expense – the tax we expect to pay in future years once assets are recovered or liabilities are settled.

Each year, there are a number of one-off items that affect our effective tax rate – the average rate of tax we pay on pre-tax profits. There's more detail about how our tax expense is broken down in the Chief Financial Officer's overview and section 8 of our annual report and accounts, available on the [financial reporting documents](#) page.