

# Group tax strategy

Phoenix Group Holdings plc



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# Introduction

## Phoenix at a glance

We are the UK's largest long-term savings and retirement business with c.12 million customers and c.£283 billion of assets under administration.

We support people in their journey to and through retirement by providing solutions to their long-term savings and retirement needs. This means providing the right guidance and products, at the right time, to support their decisions. As a market leader, we believe we have a core social purpose, to help as many people as possible secure a life of possibilities. This of course means taking responsible and sustainable investment decisions, but also using our presence and voice to create a national conversation and advocate on behalf of savers.

In 2023 we made a total tax contribution of £1,702 million (2022 £1,564 million) to the societies in which we operate and invest. The total tax contribution consists of taxes paid by the Group and the taxes which we collected and paid on to the tax authorities and in 2022 we were the 17th largest corporate contributor of tax in the UK<sup>(1)</sup>.



“The Board of Phoenix Group Holdings plc is responsible for ensuring that the tax obligations of the Group are understood, managed appropriately and complied with in a transparent manner. The tax strategy is reviewed annually and approved by the Group Board.”

**Rakesh Thakrar**  
Group Chief Financial Officer

# The Group's tax strategy

## Our strategy

With our clear purpose of helping people secure a life of possibilities and our vision of becoming the UK's leading retirement and savings business, the tax strategy supports our strategic priorities of:

- optimising our in-force business which includes our focus on embedding sustainability throughout;
- meeting more of our existing customers' needs on their journey to and through retirement and acquiring new customers; and
- transforming our operating model and culture.

In order to meet these strategic focuses, we act responsibly on all our tax matters, whether this is by:

- paying our tax in accordance with our legal obligations;
- promoting an open, transparent and collaborative relationship with the tax authorities in the jurisdictions where we operate; and
- managing our risks in accordance with the Risk Management Framework.

The application of the tax strategy is an integral part of the Group's day to day operations.

## Our team

Our in-house tax team is made up of a number of highly skilled and appropriately qualified individuals, with relevant business and subject matter expertise. We will engage where necessary with tax advisors in support of complex transactions, interpretation of new legislation and in overseas jurisdictions to provide local tax compliance services where specialist knowledge is required.



"I am proud to work for an organisation that not only delivers on our policyholders' and shareholders' commitments, but is passionate about its wider contribution to society. Managing our taxes in a sustainable and responsible way is a crucial part of our broader purpose."

**Elizabeth Fleming**  
Group Tax Director

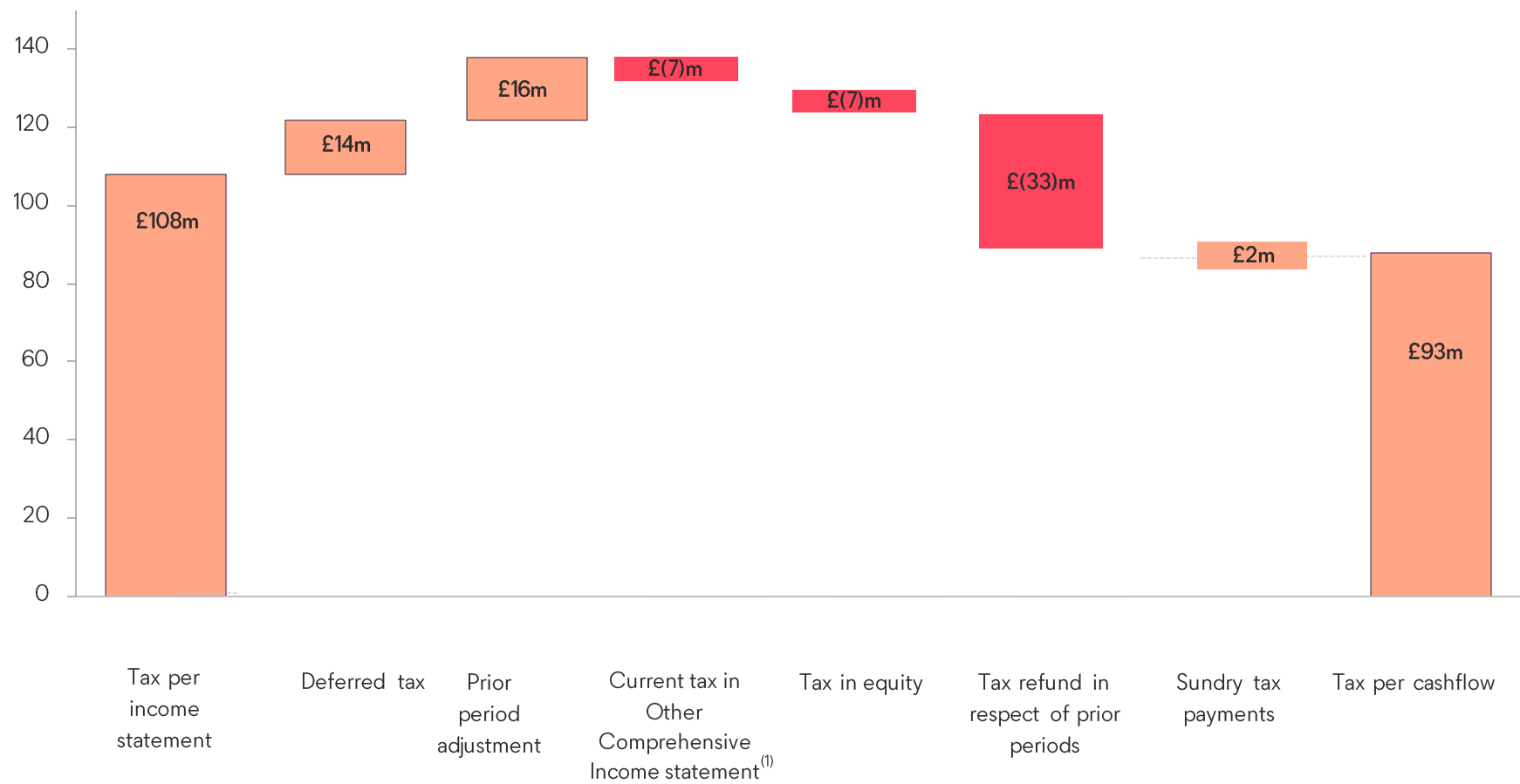
# Our Total Tax Contribution

Our 2023 total tax contribution consists of taxes paid by the Group and the taxes which we collected and paid on to the tax authorities. This represents a total tax contribution of £1,702 million.



# Financial statements reconciliation

Reconciliation of total tax charged to total tax paid



The chart shows a reconciliation between the taxation shown in the Consolidated Income Statement and the Statement of Consolidated Cash flows for the year ended 31 December 2023. The tax paid in the consolidated cash flow statement comprises corporate tax repayment of (£33m) and withholding taxes of £126m.

Generally, the tax charged in the accounts differs to the amount of tax paid to the relevant tax authorities during the period. This can be due a number of different factors such as:

- tax charged in prior periods may have included estimates;
- payments to tax authorities in respect previous periods; or
- payments based on estimated results which are subject to market volatility.

<sup>(1)</sup> Items of income and expense that are not recognised in profit or loss as required or permitted by other International Financial Reporting Standards



# How do we manage our affairs?

## Approach towards dealing with tax authorities

We promote an open, transparent and collaborative relationship with the tax authorities in the jurisdictions where we operate. This is achieved by:

- Regular meetings to ensure that our business is understood and to provide the opportunity to discuss tax implications of our strategy and business developments.
- Timely submission of tax returns and prompt responses to queries arising, including compliance with relevant local and international rules around tax authority reporting in the context of our customers' investments.
- Participating in HMRC consultations to support the development of effective legislation.
- Ensuring that products are compliant with the relevant legislation and tax authority practice in the jurisdictions in which they are sold.
- Adopting a cooperative approach to resolving questions over the interpretation of fact or tax law. Occasionally differences of opinion arise. When this happens, we work with the tax authorities to settle these in a manner consistent with our Tax Strategy. However, on limited occasions it may be necessary to pursue litigation to resolve a difference in views.



## Attitude towards tax planning

The management of the Group's tax affairs has a part to play in achieving the Group's strategic objectives but we do not engage in tax planning that is considered abusive or the sole purpose of which is to avoid tax. Where there is ambiguity about how a transaction or course of action is taxed, we will discuss it in advance with the tax authorities and / or take external advice where appropriate.

We continue to monitor our approach to the management of tax in the context of developing law and practice to ensure that any changes are carefully considered and our practices remain appropriate.



# Global taxes

## Low tax jurisdictions

The Group's insurance operations are primarily based in the UK and are liable to tax in accordance with applicable UK legislation. We also have overseas operations in Ireland and Germany. We have a former holding company in the group which is registered in the Cayman Islands which is inactive. This company was set up for historic reasons and was not used for tax purposes. Phoenix complies with the local tax obligations in the jurisdictions in which it operates.

## Investment Funds

The life insurance companies hold a broad range of investments on behalf of our policyholders. A number of investment vehicles are held which are resident for tax purposes in what are considered to be low tax jurisdictions i.e. Luxembourg, Jersey, Isle of Man etc.

It is common practice in the investment management industry to structure funds in low tax jurisdictions so that the income and gains generated are only taxed once in the hands of investor, maximising the returns that can be achieved for policyholders.

## Reinsurance

During 2023, Phoenix established reinsurance operations in Bermuda to act as a hub for group reinsurance activities. Bermuda is a centre of expertise and one of the key locations of the worldwide reinsurance market with a robust, Solvency II equivalent, regulatory framework and the Bermuda Monetary Authority is a well-established regulator. Bermuda has a highly qualified and experienced local workforce and our operations are staffed by a dedicated team of insurance and finance professionals. We pay taxes in Bermuda on our people and property in line with our legal obligations. The Group note the enactment of legislation in Bermuda in December 2023 which introduced a Corporate Income Tax with a headline rate of 15% effective 1 January 2025 which is expected to apply to the Group's local Bermudan operations.



# Tax risk management

## Approach to risk management and governance arrangements

The effective management of risk and the efficient allocation of capital against it are critical to the Group. Inherent in this is that tax risk is recognised and managed through the auspices of the tax strategy. The Risk Management Framework embeds proactive and effective risk management across the business and is described in detail in our [Annual Report and Accounts](#).

The management of our tax affairs is set in the context of our Risk Management Framework. This is achieved in practice by identifying the key tax risks the organisation is exposed to and implementing a detailed suite of controls designed to mitigate these. The operation of the controls is tested on a quarterly basis.

The Group Chief Financial Officer is accountable for the effectiveness of the Group's tax controls and is responsible for conducting periodic reviews, firstly that policies and controls are appropriate and secondly that they have been complied with. All employees are required to comply with the Risk Management Framework and tax strategy.



## Assessment of acceptable risk

The assessment of any proposed management action takes into account its commercial merits, its regulatory and legislative impact and its impact on key stakeholders, including HMRC or overseas tax authorities. In conducting these assessments external opinion is sought to assist in assessing the merit of the technical position if required. We would not pursue an interpretation of the tax legislation which is incompatible with our objective to remain compliant with our tax obligations.

# Glossary of Tax Terms

Taxes paid	Taxes collected
<ul style="list-style-type: none"> <li>• <b>Corporate tax</b> Represents taxation payable on profits in each relevant jurisdiction and includes tax due on policyholder profits on life business.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tax collected from policyholders</b> Tax is deducted from policyholder payments such as annuities and paid to the relevant tax authority.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Withholding taxes</b> Withholding taxes on investment income is suffered which cannot be recovered against corporate taxes due to the application of local tax laws.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Employee payroll taxes</b> These are deductions taken from employees such national insurance and PAYE before being paid to the relevant tax authority.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Irrecoverable VAT</b> Represents the amount of VAT which cannot be recovered on the non-insurance related activities of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>VAT</b> Some of the services performed by the Group require us to collect and remit the tax to the relevant tax authority.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Employer payroll taxes</b> Includes national insurance and social security taxes which the Group pays as an employer.</li> </ul>	
<ul style="list-style-type: none"> <li>• <b>Stamp Duty Reserve Tax (SDRT)</b> SDRT is incurred on the electronic purchase of shares. This is automatically collected and paid to the relevant tax authority.</li> </ul>	

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