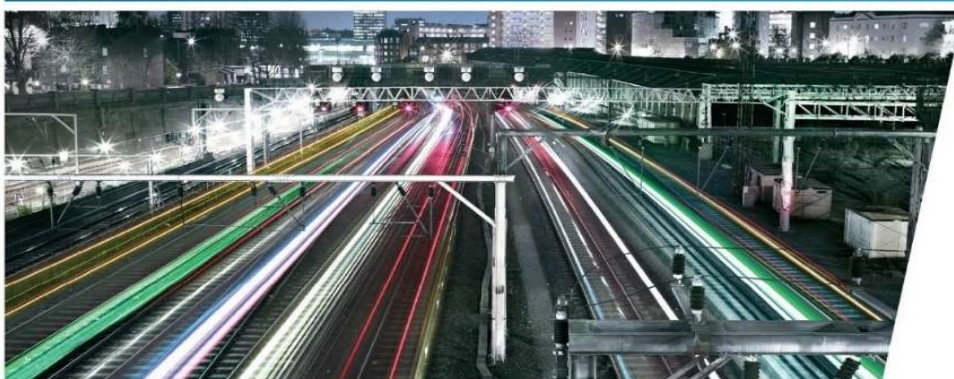




# Network Rail Group Tax Strategy





## 1.0 Introduction

**The Network Rail Group is an arm's length body of Central Government and is a part of the Department for Transport. The Group is subject to all taxation in the UK in respect of all its business activities.**

This document is published in accordance with Schedule 19 of Finance Act 2016 and sets out Network Rail Group's strategy and approach to conducting its tax affairs and dealing with tax risk.

The document has been approved by the Board of Network Rail Group.

The document will be periodically reviewed, and any amendments will be approved by the Board of Network Rail Group. It is effective for the year commencing 1 April 2022.

The Group Finance (Tax Team) work with our businesses to ensure that:

- The strategy is adopted and followed consistently across the Group with clear lines of responsibility and accountability;
- There is alignment of the strategy with Network Rail Group's overall approach to corporate governance and risk management, and;
- Network Rail Group pays the right amount of tax required of it under the laws and regulations of the countries in which it operates.

The rest of this document sets out how Network Rail's internal control, governance and processes provide the necessary assurance and oversight to support our low risk appetite consistent with being an Arms Length Body of the Department for Transport.



## 2.0 Network Rail Group Tax Strategy

Network Rail Group is committed to conduct its tax affairs in line with the Group's overall strategy, its approach to risk and the Group's core values, to meet the following objectives:

- We will comply with all relevant laws, rules, regulations, reporting and disclosure requirements in all jurisdictions in which the Group operates;
- We will ensure that all necessary tax computations are submitted within statutory deadlines to the relevant authorities;
- We will apply professional diligence and care in the management of all risks associated with tax matters and ensure governance and assurance procedures are appropriate;
- We will ensure that sufficient technically able and experienced people are engaged within the Group so that all tax requirements and risks are managed;
- We will foster constructive, professional, and transparent relationships with all tax authorities based on the concepts of integrity, collaboration, and mutual trust;
- We will use Government incentives and legislative reliefs, in line with their intent, to minimise the tax costs; and,
- We will not pursue any schemes or structures that have been devised just to reduce the Group's overall taxation liability, or to assist a third party in reducing their tax liabilities.



### 3.0 Tax Risk Management

All tax risks are assessed for the likelihood of occurrence, and the financial or reputational impact on the group should they occur. This is consistent with the group's risk management framework.

A quarterly review of the identified tax risks is undertaken as a part of the Group's Enterprise Risk Review process. This identifies taxation risks, outlines any necessary remediation and the progress within a set timeframe as well as any potential financial impact. This is escalated to senior management for review.

Because of the industry's five-year regulatory cycle, in any given period, the key tax risk is likely to be the introduction of unexpected legislative or tax practice changes that lead to increased cash outflow or operational challenges which have not been reflected in the current regulatory settlement. Additional costs may arise from increased tax payments or because of operational impacts.

All significant tax issues are reported to senior management through the internal risk governance structure and dependent on the risk, may be escalated to the Board.

Where technical uncertainty arises, Network Rail engages with both external advisers and HMRC to obtain additional advice and certainty with the aim of ensuring that any residual risk is low.

### 3.1 Governance & Assurance Framework

Our governance process is the basis by which we ensure our tax returns are correct and can be traced right through the groups accounting systems and processes.

As a large business Network Rail is required to certify on an annual basis, under the Senior Accounting Officer (SAO) regime, that reasonable steps are taken to ensure that our tax arrangements are fit-for-purpose.

To support the SAO certification, Group Tax undertake a detailed annual review of tax compliance systems and processes with action plans agreed with process owners where appropriate. The action plans are managed by the relevant process owner with support from Group Tax and form part of the subsequent year's review.

In addition to the SAO process, the Head of Group Tax sits on the Financial Control and Governance Committee and tax risks are reported on an ongoing basis through a specific Tax Risk register, which reports on a quarterly basis part of the Group's Governance Risk Assurance Continuous Improvement reporting.

Tax is considered in all significant commercial transactions and the tax function actively collaborates and consults with the relevant business teams to ensure that timely taxation advice is considered and factored into our activities.

The Chief Financial Officer (CFO) is responsible for tax governance and is the Senior Accounting Officer for HMRC purposes. The CFO is supported by an appropriately experienced and qualified team, including seasoned tax professionals with expertise in each area of tax.

Network Rail Group has a cautious approach to tax and the Group is accredited by HMRC to be of a low tax risk.