

# Bank of England's undertakings regarding its tax obligations 2018

This document sets out the Bank of England group's (Bank) approach to managing its tax affairs and has been reviewed and approved by the Court of Directors (Court).

The document applies to the Bank and its subsidiary companies and unless otherwise stated, references to the Bank are to all these entities. A list of the entities to which it applies is set out below in Appendix 1.

This document is published in compliance with the requirements of Schedule 19 Finance Act 2016 (Large Businesses: Tax Strategies and Sanctions) and it applies from the date of publication until it is superseded.

## **About the Bank**

The Bank of England, the central bank of the United Kingdom, is a body corporate incorporated by Royal Charter pursuant to the Bank of England Act 1694, which has been amended by a number of further acts over the following 300 years<sup>1</sup>. The Bank's mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability.

The Bank was nationalised in 1946 and is now wholly owned by the UK government. This makes the Bank accountable to both Parliament and the public.

Although the Bank is wholly owned by the UK government, it is independent from the Government in terms of how it carries out its responsibilities.

## **Governance and operations in relation to UK taxation**

The Bank is overseen by a board of directors (known as the Court of Directors<sup>2</sup>) who are appointed by the Queen on the recommendation of the Prime Minister and the Chancellor. The Court is responsible for setting and monitoring the Bank's overall strategy.

The responsibility for managing the Bank's tax affairs is delegated to the Finance Director, reporting to the Chief Operating Officer and Governor's Committee. The Finance Director has executive responsibility for tax matters and is authorised to make decisions and sign returns and other documents in relation to the Bank's tax affairs.

Court determines the Bank's objectives, including its objectives for financial management. On behalf of Court, Audit and Risk Committee (ARCo) monitors the integrity of the Bank's financial systems, internal controls and risk management framework, which are integral in ensuring that the Bank reports and pays the right amount of tax.

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<sup>1</sup> <https://www.bankofengland.co.uk/about/governance-and-funding>

<sup>2</sup> <https://www.bankofengland.co.uk/about/people/court-of-directors>

On an operational basis tax affairs are managed by the tax team within the Bank's finance department. The tax team is staffed with appropriately qualified individuals.

## **Risk Management**

The Bank's Court of Directors determines the strategy for managing risk and the Bank's tolerance for risk. It takes the lead in setting a strong risk management culture across the Bank and relies on a sound governance structure to ensure its risk management strategy is implemented through frameworks, policies and risk reporting.

The Bank has no tolerance for a deliberate breach of a statutory, regulatory and/or other legal requirement. Therefore, the Bank puts in place robust processes with the intention of ensuring that it always meets its requirements in respect of tax, in full, on a timely basis.

The Bank maintains a robust framework of internal controls in relation to tax. These controls are subject to review by the Bank's internal audit team. The control framework enables risks to be identified; assessed and effectively managed. Material risks are escalated to the Bank's Executive Risk Committee and to Governors, ARCo and Court. The Bank seeks to reduce the level of risk in relation to taxation arising from its operations as far as is reasonably practicable by ensuring that:

- It maintains a contemporaneous record of process instructions
- reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations;
- decisions are taken at an appropriate level;
- appropriate training is carried out for staff outside of the Bank's tax team who manage or process matters which have tax implications, and;
- specialist advice is sought where the interpretation of the legislation is not clear.

## **Attitude towards tax planning**

The Bank complies with tax legislation and does not adopt aggressive interpretations of law. The Bank utilises incentives or reliefs where these are available and applicable.

At all times, the Bank seeks to comply fully with its regulatory and other obligations.

## **Relationship with HMRC**

The Bank maintains an open relationship with HMRC in relation to its tax affairs. HMRC is kept aware of significant transactions and developments in the Bank's business and the impact of current, future and retrospective tax risks through regular meetings and communication. The Bank discusses any tax issues arising with HMRC at an early stage.

It is the Bank's policy to fully disclose any inadvertent errors in submissions (should they occur) as soon as reasonably practicable after they are identified.

## **Appendix 1**

List of companies to which this document applies:

- The Bank of England
- The Securities Management Trust Limited
- Prudential Regulation Authority Limited.
- Bank of England Pension Fund Trustees Limited
- Bank of England Asset Purchase Facility Fund Limited
- Bank of England Nominees Limited
- CHAPS Clearing co Limited
- Bank of England Alternative Liquidity Facility Limited

UK taxation covered by this document:

- Income tax
- Capital gains tax
- Employment taxes
- Corporation tax
- Property taxes
- Indirect taxes
- Environmental taxes