Sandicliffe Motor Holdings Limited

Tax Strategy & Process Document

This document sets out the tax strategy for the year ended 31 December 2022 of Sandicliffe Motor Holdings limited (the “Group”) and its subsidiaries including the trading entities:

- Sandicliffe Garage Limited
- Sandicliffe Limited

thereby fulfilling the responsibilities in accordance with Schedule 19 of the Finance Act 2016.

1. Purpose

The Group’s tax strategy is focused on ensuring that tax risks are managed to provide sustainable outcomes within the parameters of the Group’s strategic and commercial objectives in order to ensure it pays the correct amount of tax.

The Group acknowledges that compliance with all statutory obligations and full disclosure to the tax authorities is an essential part of good corporate governance which enhances the reputation of the Group as a responsible taxpayer.

2. Owner

The Group’s tax strategy document is owned by the Senior Accounting Officer (SAO).

3. Approval Process

The tax strategy, which covers both the internal governance of tax matters and the approach to tax, is approved by the Board on an annual basis. It is subject to regular review and is provided to third-party advisors for comment and review.

4. Scope

The Group’s tax strategy covers those UK taxes covered by the Senior Accounting Officer regime mainly comprising:

- Corporation tax;
- PAYE income tax;
- National Insurance;
- Capital gains tax;
- Value Added Tax (VAT);
- Insurance Premium Tax (IPT); and
- Stamp Duty.

5. Detailed Tax Strategy

5.1 Key Principles

The Board considers it entirely proper that the Group conducts an appropriate level of responsible tax planning in managing its tax affairs, being consistent with its obligations to protect the assets of the company for the benefit of our shareholders.

In its planning processes, the Group gives due regard to the UK tax regime in place at the time decisions are taken and utilises the advice of its auditors and external advisors to appropriately manage risks relating to taxation.

5.2 Commercial rationale

The commercial needs of the Group are paramount and all tax planning is undertaken in this context. All transactions must therefore have a business purpose or commercial rationale while remaining compliant with the legislation.

Where alternative paths exist to achieve the same commercial result, the most tax efficient approach is generally recommended.

5.3 Integrity in compliance and reporting

Diligent professional care and judgment is used to arrive at well-reasoned conclusions, supported with documentation that evidences the facts, conclusions and risks involved.

Compliance with all relevant legal disclosure and approval requirements is adopted and all information is clearly presented to the tax authorities or other relevant bodies, as appropriate.

Openness, honesty and transparency is paramount in all dealings with HMRC and other relevant bodies, and all dealings are undertaken in a professional, courteous and timely manner.

Where tax law is unclear or subject to interpretation, written advice or confirmation is sought as appropriate to ensure that the Group's position would, more likely than not, be settled in its favour.

5.4 Risk management

The Group manages tax risk in such a way as to ensure that key risk areas are monitored and material risks minimized.

Tax risk is ideally managed by the prevention of unnecessary disputes. The avoidance of all tax disputes would suggest an overly prudent position that is not in line with the Board's main objective to enhance shareholder value.

Prevention of unnecessary dispute is desired and appropriate and best achieved:

• From strong technical positions and a clear explanation of those positions;

• Thorough documentation, particularly of facts; and

• Strong compliance procedures ensuring accurate and complete tax returns.

The tax risk assessment process will give due consideration to the Group's reputation, brand, corporate and social responsibilities, as well as the applicable legal and fiduciary duties of directors and employees of the Group.

Assessment of risk takes due account of:

• Both short and long term considerations and risks;

• The impact on corporate reputation/brand;

• The consequence of disagreements with tax authorities over the application of law; and

• The benefit of certainty in respect of uncertain or disputed tax positions.

The Group considers the following to be the fundamental tax risks impacting the business:

i. Lack of technical knowledge with respect to the current UK tax regime;
ii. Errors & inaccuracies made in tax calculations, especially those with high complexity;
iii. Untimely submission of tax returns to HMRC;
iv. Inconsistency between accounting records and tax submissions; and
v. Payments made to staff outside of the PAYE regime.

The Group mitigates these theoretical risks by employing qualified accountants to prepare HMRC submissions, using third-party auditors and tax specialists to support the preparation & integrity of those submissions and ensuring that all employees are paid through the third-party payroll system.

6. Key People & Processes

6.1 Roles and Responsibilities

The Senior Accounting Officer (SAO) is responsible for ensuring that the tax affairs of the Group are conducted in accordance with the Group's Tax Strategy and relevant legislation. The SAO provides an annual declaration to HMRC to confirm that the Group maintained appropriate tax accounting arrangements during the preceding financial year.

The SAO of the Group is a qualified ACCA accountant and required to maintain up-to-date technical knowledge of UK tax legislation. The SAO is a Group Board Member and provides monthly updates to the Board on the Group's tax affairs.

6.2 Board Reporting

The SAO reports on a monthly basis to the Board of Directors. The monthly report includes:

- Details of any meetings with advisors;
- Summary details of new/forthcoming tax legislation;
- Key findings from recent audits;
- Any material errors identified that may require declaration to HMRC;
- Any significant process changes or changes in key staff; and
- Any significant reassessment of tax risk.

6.3 Use of Advisors

The Group uses external advisors to:

i. Provide regular technical updates to the finance team to ensure the accurate completion of tax submissions;
ii. Prepare detailed tax calculations where the technical nature of the calculation is complex and best served by the employment of tax specialists, e.g. capital allowance calculations;

The Group's preference is to use external advisors from one of the large accountancy firms to ensure that all advice received is of a high standard.

6.4 Systems and Controls

The Group uses third-party systems to process and store its tax accounting records. These systems cover payroll, accounting, vehicle fleet management and dealer management. The Group is also supported by the tax calculation software and systems used by its external advisors.

All tax submissions are fully reconciled to the underlying tax accounting records prior to submission to HMRC. The SAO has oversight of all submissions.

The Group is externally audited on an annual basis to ensure the robustness of its underlying accounting records. The Group's preference is to use one of the large accountancy firms for its statutory audit.