

## UK Power Networks Tax Strategy

In September 2016 new legislation was introduced within Schedule 19 (“the schedule”) of the Finance Act 2016. The schedule requires large businesses to publish their tax strategies. UK Power Networks is required to publish a tax strategy for the financial year ended 31 March 2018.

UK Power Networks Holdings Limited is a limited company registered in England and Wales and is the head of the UK group containing 22 Group companies. UK Power Networks Holdings Limited is wholly owned by a consortium consisting of:

Shareholder	Ultimate Parent undertaking
CKI Number 1 Limited	CK Infrastructure Holdings Limited
Devin International Limited	Power Asset Holdings Limited
Eagle Insight International Limited	Li Ka-Shing Foundation Limited

This tax strategy applies to all UK companies in the UK Power Networks group together “UK Power Networks”. This strategy also applies to three shareholder holding companies: CKI Number 1 Limited, CKI Number 2 Limited and CKI Number 3 Limited. A list of the companies to which it applies are set out in the Appendix below.

### Aim

UK Power Networks fully complies with all applicable tax requirements relevant to a group operating in the UK. UK Power Networks collects and pays taxes including Income Tax, Corporation Tax, Pay As You Earn, National Insurance Contributions, Value Added Tax, Insurance Premium Tax and Stamp Duty Land Tax. UK Power Networks has a responsibility to our customers and other stakeholders to ensure that the group makes payment and recovery of the correct amount of taxes at the right time. UK Power Networks makes all required disclosures to Her Majesty’s Revenue and Customs (“HMRC”) to support the amounts of tax concerned.

### Governance in relation to UK taxation

- The ultimate responsibility for the tax strategy and compliance rests with the UK Power Networks Board;
- The UK Power Networks Board reviews and approves all material investment and business operating decisions directly or delegates the appropriate authority. The UK Power Networks Audit Committee considers significant matters as part of its monitoring of internal controls and financial reporting arrangements;
- The Finance Director is the member of the Executive Management Team with responsibility for tax matters;
- Day-to-day management of UK Power Networks’ tax affairs is delegated to the Head of Tax, who reports to the Finance Director;



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IN PEOPLE** | Gold

- The tax team reporting to the Head of Tax is staffed with appropriately qualified individuals;
- Details of UK Power Networks' tax affairs and risks are reported to the board on a regular basis during the year.

### **Tax risk management framework**

- Given the scale and complexity of our business and volume of tax obligations, risks will inevitably arise from time to time in relation to the interpretation of how complex tax law applies to business and compliance with the law. We actively seek to identify, evaluate, monitor and manage these risks and seek advice where necessary from appropriate professional firms and counsel;
- Significant risks identified by the business are escalated to the Board for consideration;
- As far as possible, through the activities of its Board, Committees and personnel responsible for tax matters, UK Power Networks seeks to monitor and manage the level of tax risk arising from its operations by ensuring appropriate processes and controls are in place;
- UK Power Networks manages day-to-day tax risk with an appropriate internal control framework applicable to the group's financial reporting system. Where processes, which have tax implications, are managed outside the tax department, there is appropriate training from and partnering with the tax department.

### **Approach to tax affairs**

- UK Power Networks considers tax as part of its overall business planning decision-making process. When entering into commercial transactions, the group seeks to obtain the correct benefit of tax incentives, reliefs and exemptions available under UK tax legislation. Tax is considered in order to support business and commercial activities.

### **Relationship with HMRC**

- UK Power Networks seeks to have a cooperative and constructive professional relationship with HMRC through regular meetings and communication. UK Power Networks keep HMRC aware of business developments and discuss any tax issues arising at an early stage.
- UK Power Networks aims to obtain certainty from HMRC at the earliest opportunity on the tax treatment of complex or uncertain issues. Resolution of any disputed matters is through open discussion and negotiation with HMRC. Having sought first to resolve any disputed matters through active and mutually transparent discussions, UK Power Networks is prepared to litigate in cases where it disagrees with the position of a tax authority.
- UK Power Networks takes an active role in the development of the UK's legislative framework through participation at company or industry level in Government consultation on significant new tax laws.

### **Declaration**

UK Power Networks Group regards this publication as complying with the requirements of Schedule 19 to Finance Act 2016 insofar as they relate to UK Power Networks.

## **Appendix – companies covered by the UK Power Networks tax strategy**

Eastern Power Networks plc  
London Power Networks plc  
South Eastern Power Networks plc  
UK Power Networks (Operations) Limited  
UK Power Networks (Transport) Limited  
UK Power Networks (South East Services) Limited  
UK Power Networks (IDNO Finance) Limited  
UK Power Networks (IDNO) Limited  
Lea Valley Utilities Limited  
UK Power Networks Services (Enterprises) Limited  
UK Power Networks Services (South East) Limited  
UK Power Networks Services (Contracting) Limited  
UK Power Networks Services (Development) Limited  
UK Power Networks Services (Asset Management) Limited  
UK Power Networks Services (Commercial) Limited  
UK Power Networks Services (Powerlink Holdings) Limited  
UK Power Networks Services Powerlink Limited  
UK Power Networks Holdings Limited  
UK Power Networks Services Holdings Limited  
UK Power Networks Group (Trustee) Limited  
UK Power Networks (Trustee) Limited  
UK Power Networks Insurance Limited  
CKI Number 1 Limited  
CKI Number 2 Limited  
CKI Number 3 Limited