

# Drax Group Tax Strategy 2022



**drax**

# Group Tax Strategy

For the Financial Year ending 31 December 2022

## Our governance arrangements

This group tax strategy<sup>1</sup> is governed by the Board of Drax Group plc (the **Board**.) The responsibility for implementing it rests with our Group Head of Tax who reports to the **Chief Financial Officer - (CFO)**. The CFO reports regularly to the Board and **Audit Committee** on such matters, or on an ad hoc basis if the need arises. The group tax strategy is applied consistently to **all companies within Drax Group**.

The strategy is supported by internal control frameworks which govern the operations of the Drax Group and are subject to regular reviews by the Group's internal audit function. Such control frameworks and systems also underpin our compliance with the **UK Senior Accounting Officer legislation**.

Day to day oversight and responsibility for the management of the Group's tax affairs and compliance with the tax strategy is delegated to the Group Head of Tax, who reports to the Audit Committee during the year on key aspects of compliance. The Group is liable to a range of taxes, principally in the UK, including corporation tax, VAT, payroll costs, climate change levy and landfill tax. To meet our compliance obligations, the Group Head of Tax is supported by an in-house tax team and accounting professionals across the wider finance function.

## Our approach to tax planning and tax risk

The Group understands that tax risk is inherent in every commercial transaction. Our tax team are involved in all significant business activities and developments, which enables us to fully assess any potential tax consequences of our business activities. Where appropriate, external advice is sought to supplement the knowledge of the tax team.

We seek to fully understand the reliefs and incentives that exist within the territories in which we operate and we will utilise those which are available to us and are in accordance with our commercial strategy and activities.

As a responsible tax payer, we expect our suppliers to act responsibly too, and as part of our supply chain code of conduct, we ask that our suppliers observe similar principles as set out in the **UK Government's Procurement Contract guidelines**.

All group subsidiaries are subject to tax in their place of residence and where economic allegiance is created, ensuring that tax is paid in the places where resources are utilised.

We have an inactive subsidiary undertaking which is incorporated in a low tax jurisdiction. It is resident in the UK for tax purposes and would therefore pay UK tax on any profits arising were it to become active.

## The level of tax risk the Group is prepared to accept

We take a responsible approach to managing our tax affairs and we will always comply with applicable tax laws and regulations in the countries in which we operate.

Our approach to tax risk follows the same principles that apply to all other business risks. Maintaining our reputation with stakeholders and upholding high corporate social responsibilities have always been important to us and are key considerations in assessing risk. In keeping with **our values** we will always seek to do the right thing in maintaining that position. That assessment will inevitably also take into account the materiality of any item, but we do not set defined limits on what is acceptable/non-acceptable risk.

Instead, if we identify a material tax uncertainty, we will seek appropriate and proportionate external advice from reputable professional firms, and/or if the channel exists, we will engage with respective tax authorities to resolve that uncertainty.

Our tax filings and tax positions reflect our commercial activities, and where judgement is required in relation to sensitive items in a tax return, we will only report that which we reasonably believe to be in accordance with tax law. The process we follow in such circumstances involves due consideration by our internal tax specialists including the assessment of case law; published intentions of the law setters; third party advisor opinion and tax authority guidance. It will also consider the potential impact on our ongoing relationship with the relevant tax authorities.

## Our approach to dealings with Tax Authorities in the UK and abroad

As we are a UK-headquartered business, our principal interactions are with the UK Tax Authorities, being HM Revenue & Customs (HMRC). As we develop our business internationally, we will always seek to maintain a professional and constructive working relationship with the relevant tax authorities in the countries in which we are established.

We actively seek open dialogue with HMRC in pursuit of a professional and constructive 'no surprises' working relationship. We regularly meet with them to enable a better understanding of key developments in our business. It also provides the opportunity to share information about tax matters impacting our business and to agree tax positions collaboratively and where possible on a real-time basis. This is particularly important where new reliefs or incentives are introduced, or the Group's activities qualify for reliefs or incentives for the first time.

*Approved by the Drax Group Plc Board of Directors on 22 July 2022.*

## Archive

[2021 Tax Strategy \[PDF\]](#)

[2020 Tax Strategy \[PDF\]](#)

[2019 Tax Strategy \[PDF\]](#)

[2018 Tax Strategy \[PDF\]](#)

[2017 Tax Strategy \[PDF\]](#)

<sup>1</sup> Our tax strategy is published and made available on our website in accordance with Schedule 19 of Finance Act 2016.