

Abri Group Limited - Tax Strategy 2023-24

Introduction

In accordance with Schedule 19, Section 16 of the Finance Act 2016, Abri Group is required to publish a tax strategy as turnover in 2022/23 exceeded £200m. This strategy will outline how we manage UK tax risks, our attitude to tax planning, the level of risk we are prepared to accept and how we work with HMRC. The strategy was approved by the Group Board on 25 January 2024.

Group Structure

An overview of the current structure of the Abri Group is outlined below, impacting the relevant taxes that each entity is exposed to on a day-to-day basis.

Legal Status	Entity	Overview
Community Benefit Society	Abri Group Ltd.	Registered with the Regulator of Social Housing, holds majority of stock and benefits from charitable tax status.
	The Swaythling Housing Society Ltd.	Registered with the Regulator of Social Housing, holds stock and is the principal employer.
	Silva Homes Ltd	Registered with the Regulator of Social Housing, holds stock, benefits from charitable tax status and employer of all other staff.
	Oriel Housing Ltd.	Registered with the Regulator of Social Housing and provides in house construction services to the registered providers in the Group.
Private limited company	Yarlington Homes Ltd.	Provides in house design and build services to the registered providers in the Group.
	Forest Future Homes	
	Radian Developments Ltd.	Member of limited liability partnership joint ventures, delivering homes for sale to the public and affordable units for the social housing sector.
	Yarlington Property Management Ltd.	Provides repair and maintenance services to the stock owning registered providers and third-party customers.
Public limited company	Radian Capital PLC	Raise finance on the bond markets, the proceeds from which are on lent to other Group companies to fund the supply of new housing.
	Yarlington Treasury Services PLC	

The Group generates most of its income from social housing lettings and other social housing activities such as shared ownership sales. It also generates income from non-social activities, including market rent and the development of units for market sale and several smaller revenue streams.

How we manage UK tax risks

Abri has sought to optimise its Group structure for operational purposes over the last three years, with an anticipated and realised benefit across a range of taxes.

The parent company converted to a Community Benefit Society and an entity with charitable tax status in 2021, simplifying corporation tax arrangements and was followed by a reduction in the number of entities in the Group, many of whom were legacy employers. In some cases, entities have been retained to ensure regulatory compliance, or minimise disruption to other stakeholders. Silva Homes and Forest Future Homes joined the Group on 2 October 2023.

An overview of the range of taxes the Group complies with, alongside an overview of how this is achieved, is outlined below:

Corporation Tax and Gift Aid

Overview

Abri and Silva have been granted charitable tax status by HMRC and therefore benefit from tax exemptions on income generated in accordance with its primary purpose; the supply of housing to charitable beneficiaries.

Radian Developments is liable for tax based on its share of taxable surpluses generated within development joint venture limited liability partnerships of which it is a member, given the tax transparency of these vehicles.

All other entities in the Group are subject to tax based on their individual operations.

Roles and Responsibilities (Abri and Silva)

Responsibility for day-to-day compliance sits within the Financial Reporting Team, who in conjunction with appointed external advisers, are responsible for the production and submission of all required information on returns annually.

At the time of writing, Abri and Silva have retained legacy advisers for corporation tax.

- The Head of Financial Reporting is responsible for the provision of timely and accurate financial information to external advisers.
- Disclosures for statutory accounting and final corporation tax returns are provided by the external advisers, subject to clarifications on appropriate treatments.
 - Statutory disclosures are reviewed internally by management and externally by auditors via the wider accounts approval process; and
 - Final tax computations are reviewed by the Head of Financial Reporting prior to final approval from the Director of Finance and submission to HMRC by the external advisers.
- The Head of Financial Reporting is responsible for ensuring that all liabilities are settled as they fall due.
- The Head of Financial Reporting maintains contact with external advisers during the year, ensuring that any operational or legislative changes and emerging risks are reacted to appropriately.

Employment Taxes - PAYE, NICs (National Insurance Contributions) and CIS (Construction Industry Scheme)

Overview

Swaythling and Silva ensure compliance with all relevant taxes as the employing entities within the group. At present, contracts of employment differ in the legacy Abri and Silva groups and legacy processes will be retained until “single systems” are operational.

Roles and Responsibilities (Abri)

- Relevant employee data is maintained in an off the shelf system, managed by HR.
- Payroll is processed on an off the shelf system by an in-house team under the responsibility of the Payroll Manager.
- Payroll and associated returns are approved by the Head of Operational Finance prior to payment and/or submission with HMRC.
- Annual returns are produced by the Payroll Manager and approved by the Head of Operational Finance.
- Construction Industry Scheme deductions and returns are administered by the Finance Officer and approved by the Head of Operational Finance

Roles and Responsibilities (Silva)

- Relevant employee data is maintained in an off the shelf system, managed by HR.
- Payroll is processed by an outsourced payroll bureau.
- Payroll and associated returns are returned and approved by the Lead Finance Partner prior to payment and/or submission with HMRC.
- Annual returns are produced by the Associate HR Partner and are reviewed and approved by the Lead HR Partner/Lead Finance Partner, as appropriate.
- Construction Industry Scheme deductions and returns are prepared and submitted by the Lead Finance Partner.

Value Added Tax (VAT) and Stamp Duty Land Tax (SDLT)

Overview

Within the Abri Group there are five primary VAT registrations, as outlined below.

- Abri VAT Group - covering Abri, Swaythling, Radian Developments, Yarlinton Property Management, Radian Capital, and Yarlinton Treasury Services
- Oriel Housing
- Yarlinton Homes
- Silva Homes (with effect from 2 October 2023)
- Forest Future Homes (with effect from 2 October 2023)

As legacy finance systems have been retained, the financial reporting for entities in the legacy Groups is undertaken on a common finance system under a common chart of accounts to homogenise the preparation of returns as far as possible.

SDLT, VAT and any other tax considerations in relation to the purchase of land for development or the construction of development sites are notified to Group Board or a sub-committee of the Board, at project approval.

Development sites contain individual 'risk registers' changes to these sites may impact on the initial tax position. These are flagged and actioned as and when they arise, reported to Board or an appropriate sub-committee of the Board of as they may arise.

Specific external advice is often sought, any issues or concerns that this may raise are then reported back up to Board or an appropriate sub-committee of the Board.

Roles and Responsibilities (Abri)

- In accordance with the transition to Making Tax Digital, software provided by a third party is used to extract information from the finance system and generate draft returns. These outputs are reviewed by the Head of Operational Finance to ensure they are free from error or omission.
- The Head of Operational Finance is responsible for agreeing an appropriate partial exemption special method, to be applied in the Abri VAT Group.
- Development project managers and the Head of Business Planning and Assets ensure there is an appropriate sharing of knowledge across the business.
- External consultants or solicitors are normally used for preparing and/or submitting SDLT returns and are checked prior to submission where appropriate by the Head of Business Planning & Assets.

Roles and Responsibilities (Silva)

- The Finance Partner (Resources) is responsible for extracting relevant financial data and information from the finance system and preparing draft VAT returns.
- The Lead Finance Partner is responsible for reviewing the draft VAT return and submitting the final version to HMRC using Making Tax Digital software.
- External consultants or solicitors are normally used for preparing and/or submitting SDLT returns and are checked prior to submission where appropriate by the Lead Growth Partner (New Build and Regeneration).

All employees responsible for tax compliance sit within the Chief Financial Officer's directorate within the corporate structure and report into either the Director of Finance or the Director of Treasury and Financial Planning. All are experienced in their respective fields and ensure their knowledge is kept up to date via a combination of training and discussions held with professional advisers.

External advice is routinely sought, especially in complex transactions and/or where significant potential liabilities may arise if the incorrect course of action is followed.

Attitude to tax planning

Given the sector in which it operates, Abri recognises its responsibility to a range of stakeholders, whilst simultaneously seeking to deliver Value for Money for the services it provides to its customers, as required by Government. By utilising our structure to reduce tax charges and electing to use available tax reliefs and exemptions we can retain more of the funds we generate and re-invest those into the communities we serve.

We will therefore actively engage in tax planning practices that are in the spirit of, not just in the current letter of, the law. We will not enter arrangements that are overly aggressive, morally questionable, or where doing so would adversely impact another group of stakeholders. Outlined below are some examples of how we maximise our tax efficiencies:

- Entities who are subject to corporation tax can make qualifying Gift Aid donations to the charitable parent company to reduce, or mitigate, tax liabilities;
- Acquiring land for the development of social housing in the entity with the most beneficial tax treatment specific to that purchase; and
- Enrolling employees in salary sacrifice arrangements for pension contributions or other qualifying arrangements, reducing tax bills for employees and employers accordingly.

The level of risk we are prepared to accept for UK taxation

As previously outlined, and evidenced by recent activity, Abri seeks to operate in a low-risk environment where tax is concerned.

We seek to do so by making the structure of our operations as simple as possible and minimise the number of complex transactions that could increase the subjectivity of subsequent treatments, which in turn may impact tax liabilities that could arise as a result.

This approach is led by our Group Board, supported by the relevant committees and filters through into the day-to-day decision-making process within relevant teams.

How we work with HMRC

We are committed to continuing the positive relationship we have with HMRC, a position based on a sound record of tax compliance in the past, by:

- submitting all relevant returns in accordance with statutory deadlines
- making all payments of tax before they become due
- in the event of previously unknown liabilities becoming known, making unprompted disclosures, as early as possible after issues become known and settling amounts owed.
- in the event of queries or investigations, responding in full, transparent, and timely fashion
- where relevant, in complex or subjective cases, engaging with HMRC via external advisers up front to agree treatments and/or disclose potential claims before any official submissions are made.