

Tax Strategy: Heathrow Airport Group (“Heathrow”)

This document sets out Heathrow’s tax strategy in accordance with the requirements enacted in Schedule 19 of The Finance Act 2016 and is subject to periodic review.



Overview

It is important to Heathrow that the right amount of tax is paid at the right time. We understand that we have a corporate responsibility to collect and pay tax and have been working hard to promote tax transparency and build trust with our stakeholders.

Heathrow’s operations, whilst large, are conducted entirely from the UK with no overseas operations. Accordingly, Heathrow pays a range of UK taxes, such as corporation tax, employment taxes, VAT and is one of the biggest business rates payers in the country – paying £1 billion into the public purse over the past decade.

Heathrow operates not only within the UK’s tax laws, but also within the spirit of them. All profits are subject to UK corporation tax and no funds are routed through tax havens. Heathrow has no investments outside the UK which are not subject to UK tax.



HMRC requirements

The Finance Act 2016 requires the published tax strategy of Heathrow to set out the following:

- a) Approach taken to risk management and governance arrangements in relation to UK taxation;
- b) Attitude towards tax planning (so far as affecting UK taxation);
- c) Level of risk in relation to UK taxation that Heathrow is prepared to accept; and
- d) Approach towards dealings with HMRC.

To satisfy the above requirements, Heathrow first published its tax strategy in October 2017. This publication has since been updated and replaced by this document which was released in October 2018. Heathrow considers this document and earlier versions to be compliant with the requirements of the Finance Act 2016.

Approach to risk management and governance

Given the scale of Heathrow's operations, it is important to ensure the right processes and controls are in place to manage potential tax risks. To achieve this, the Director of Tax and Financial Control assumes responsibility for ensuring that the appropriate policies, processes and systems are in place and that these are reviewed for operational effectiveness.

The tax department directly supports the Director of Tax and Financial Control and is vigilant in the creation and maintenance of robust processes for recording the right amount of tax. This team is adequately staffed with clearly defined roles and each individual has the required skills and support to carry out their role effectively. Regular training is provided to ensure the team is capable of managing the tax risks, including the encouragement of appropriate skills across the business. Where necessary, external tax advice is sought to ensure that the correct amount of tax is considered in relation to any business restructure, complex transaction or legislative change.

The Audit Committee periodically reviews tax matters affecting Heathrow through updates provided by the Director of Tax and Financial Control. Any concerns are addressed in a tax risk register which evaluates identified risks and supports the development of a response strategy to address the given item. All risks are monitored and controlled as appropriate.

Overall responsibility for Heathrow's tax strategy sits with the Board. The Chief Financial Officer is accountable for ensuring Heathrow has a tax strategy which is appropriate for the recording and delivery of tax obligations. This strategy is reviewed and approved by the Audit Committee on behalf of the Board.

Attitude towards tax planning

Heathrow pays UK tax in accordance with all laws and regulations. As part of the business and commercial operations, Heathrow seeks to utilise available tax reliefs, incentives and exemptions in line with both the intent and letter of tax legislation whilst having no involvement in tax planning other than that which arises from genuine commercial activity. This means that Heathrow will not structure transactions in a way which gives a tax result contrary to the intentions of Parliament nor adopt measures to manage its effective tax rate.

Accepted level of risk

Heathrow's tax strategy supports the business strategy. It is focused on ensuring both tax and tax risks are managed to provide sustainable outcomes. As a result, Heathrow has a low tax risk appetite. The approach is to mitigate any risk by taking reasonable care whilst also considering Heathrow's brand, reputation and the wider airport community. Heathrow is also committed to ensuring that tax evasion is not facilitated and has implemented procedures to prevent such behaviour.

Approach to HMRC

Heathrow seeks to have an open and transparent relationship with HMRC, creating and maintaining mutual trust.

The tax team is responsible for supporting the business in meeting its tax obligations in an open and transparent manner, ensuring that any inadvertent errors identified are disclosed to HMRC as soon as reasonably practical and processes are put in place to prevent repetition.

Heathrow seeks to engage in relevant Government initiated tax consultations to ensure that the views of business are represented.

