

**Guardian
Media Group**
Tax strategy
2020/21



Guardian Media Group Tax strategy

This tax strategy applies across the Guardian Media Group (the “Group”), comprising Guardian Media Group plc (“GMG”) and its subsidiaries. This document, approved by the Board of GMG sets out the Group’s approach to conducting its tax affairs and dealing with tax risks for the year ended 28 March 2021. The Group regards the publication of this tax strategy as complying with the duty under paragraph 16(2) of Schedule 19 of the Finance Act 2016.

About Guardian Media Group

Guardian Media Group plc (GMG) is the parent company of the Guardian News and Media business (GNM), one of the world’s leading news publishing organisations. The Group has a portfolio of investments which are held in an endowment fund to generate returns to secure the long term future of the Guardian. GMG’s sole shareholder is The Scott Trust Limited, whose core purpose is to secure the financial and editorial independence of the Guardian, in perpetuity. Further information on the activities of the Group can be found on the Guardian Media Group website: www.theguardian.com/gmg.

The Group has business operations in the UK, US and Australia. All companies in the Group are incorporated in these countries, hold all of the Group’s assets and are fully subject to prevailing tax laws and regulations. The Group also has an endowment fund (the “Scott Trust Endowment Fund”) which exists solely to support and fund our journalism. The endowment fund consists of diversified medium and long term focused investments managed by a number of specialist fund managers. The investments include global and emerging markets equity, fixed income, hedge funds and private equity and venture capital funds. Whilst the investments are a mixture of UK and non-UK assets, they are all held by UK tax resident companies in the Group which are fully subject to UK tax laws and regulations on all of the income and realised gains arising from all of the investments held.

Our values

CP Scott, the famous Manchester Guardian editor, outlined the paper’s principles in his celebrated centenary leader on May 5, 1921. The much-quoted article is still used to explain the values of the present-day newspaper, The Scott Trust and Group. The values he described are: honesty; cleanness (today interpreted as integrity); courage; fairness; and a sense of duty to the reader and the community.

Group strategy and results

The Group has continued to implement its strategy to build deeper relationships with our audience and clients based on their trust in our high quality independent journalism which reflects our editorial purpose and our mission.

The primary financial goal set for GMG in 2020-21 was for Group adjusted net operating cash outflows to remain below £25 million, in line with the expected long term returns from the Scott Trust Endowment Fund. This target has been achieved for the year with an adjusted net operating cash outflow of £15.6m.

The Guardian is supported by the Scott Trust Endowment Fund. The value of the fund and other cash holdings stands at £1,148.5m (2020: £954.2m). The increase in the value of these holdings reflects the growth in valuation of investments following the significant declines in the prior year due to the deflationary impact of the Covid-19 pandemic.

Our tax position in the year-ended 28 March 2021

The Group is committed to reporting on its tax position in a transparent manner and makes extensive disclosures relating to tax in its annual financial statements. An abridged version of the disclosures for the year-ended 28 March 2021 detailing the corporation tax position of the Group is included as an Appendix to this document. The Group’s business operations in the UK, US and Australia have historically been loss making. These historic losses were legitimately used to offset taxable profits and gains that arose in the year which meant that the £0.6m estimated tax payment should be refunded. The Group collects and pays indirect and payroll taxes in the countries in which it operates. In 2020-21, the Group collected and paid £32.7 million of UK income taxes and social security associated with its employees.

Our tax strategy

Our tax strategy seeks to enable and support the Group's business strategy by managing tax risks and costs in a manner consistent with The Scott Trust values. Our tax strategy consists of four key principles:

1. We manage our tax affairs in a manner consistent with the values of The Scott Trust and the organisation's purpose to secure the financial and editorial independence of the Guardian in perpetuity and to support journalistic freedom and liberal values.
2. We seek to act lawfully and with integrity when managing our tax affairs by paying and collecting tax in accordance with all relevant laws and regulations in the countries in which we operate. If we discover instances of non-compliance we seek to resolve them with the appropriate tax authority.
3. We only engage in reasonable and sustainable tax planning that is aligned with commercial and economic activity. This means:
 - ▶ We do not enter into artificial tax arrangements;
 - ▶ We only respond to tax incentives and exemptions in the manner in which they were intended; and
 - ▶ All transactions between Group companies are carried out on an arms-length basis.
4. We are open and transparent with tax authorities and provide all relevant and reasonable information that is necessary for them to fully understand our tax affairs.

Our approach to governance arrangements and risk management

Governance arrangements

The GMG Board approves the Group's tax strategy. From an operational perspective, the Audit Committee, made up primarily of independent non-executive directors, is considered to be the supervisory body for all Group tax activities and monitors on-going compliance with the tax strategy. The Director of Finance and Tax is responsible for ensuring that appropriate procedures and guidelines are established, and suitable training and education provided to support the four strategic principles detailed above. The Director of Finance and Tax meets regularly with the Chief Financial & Operating Officer to discuss tax matters as they arise including the impact of the introduction of new tax legislation on the Group, the tax implications of changes to the Group's operations and the outcomes of tax risk management reviews. The Director of Finance and Tax reports at least annually to the Audit Committee on the tax position of the group and the on-going adherence to the tax strategy.

Risk management

Tax risks can arise as a result of changes in tax legislation and changes to the Group's underlying operating model, systems and processes. The Director of Finance and Tax is responsible for ensuring that the Group's tax position and tax risk management procedures are regularly reviewed to enable the appropriate management of tax risk. The tax function actively assesses and monitors UK tax risk throughout the year by maintaining a detailed tax risk register, which documents the processes and controls implemented to mitigate the risks. The tax risk register is reviewed regularly during the year to ensure its completeness and to check the effectiveness of the processes and controls. The outcomes of the reviews are discussed with the Chief Financial & Operating Officer and, where issues are identified, new processes and controls are designed and implemented.

The level of risk in relation to UK taxation that we are prepared to accept

The Group has a low appetite for tax risk and manages its tax affairs accordingly. Whilst standardised, acceptable levels of tax risk are not formally documented or quantified, tax risk is primarily managed with the aim of complying with all relevant laws and regulations and preventing and reducing tax disputes and uncertainty.

This is achieved by maintaining documented policies and procedures in relation to tax risk management and maintaining open and constructive relationships with tax authorities.

Our attitude towards tax planning

Our attitude to tax planning is governed by the four key strategic principles detailed above in the 'Our tax strategy' section. The Group may engage in tax planning in order to manage its tax costs and an assessment of the appropriateness of doing so is made against all four principles to ensure they are adhered to.

External tax advice is taken from time to time where clarification of the tax implications of the Group's activities is required.

Our approach towards our dealings with HMRC

A constructive relationship with HMRC is important in the operation of the Group's tax strategy.

We engage in an open and transparent way with HMRC to allow them to fully understand our tax affairs. Where appropriate we engage with them on a timely basis and seek advance clearance, either formally or informally, on the tax implications of a transaction or a change to our business.

We have a track record of pro-actively bringing tax issues in our business to the attention of HMRC and collaboratively working with them to resolve these as quickly as possible

Criminal Finances Act 2017

We ensure suitable policies and procedures are in place to prevent or minimise the risk of our employees, agents, suppliers or other third parties associated with us facilitating tax evasion as reflected in the Criminal Finances Act 2017. We will undertake, and periodically refresh, a risk-based assessment of our business activities to identify such risks and ensure procedures are adequate. We will communicate the policy and ensure adequate training is provided.

Appendix

Abridged tax disclosures in the Guardian Media Group plc financial statements for the year ended 28 March 2021.

The following abridged disclosures detail the corporate tax position of the Guardian Media Group for the year ended 28 March 2021. The full tax disclosures including those relating to deferred tax can be found in the Guardian Media Group plc consolidated financial statements for the year ended 28 March 2021.

1. Corporate Tax charge	2021 (£ m)
Corporate tax charge	
Corporate tax charged in the income statement:	16.8
Corporate tax charge	16.8
2. Factors affecting corporate tax charge for the year	2021 (£ m)
The tax charge on the loss before tax for the period is higher than the standard rate of corporation tax in the UK of 19%	
The adjustments which increase and decrease the tax charge are reconciled below:	
Profit before tax	198.2
Tax on profit calculated at standard rate of 19.0%	37.7
Adjustments increasing the corporate tax charge in the year:	
Impact of overseas tax rate differences	0.4
Foreign taxes paid	0.2
Losses not utilised in the year	0.9
Adjustments decreasing the corporate tax charge in the year:	
Income not taxable	(1.1)
Utilised tax losses in the year	(1.9)
Adjustment to tax charge on investments at fair value through profit & loss	(35.8)
Total corporate tax charge	
Current tax charge	0.4
Deferred tax charge	16.4
Total corporate tax charge	16.8

Details of items increasing and reducing the corporate tax charge for the year

Expenses not deductible for tax purposes and Income not taxable

Some expenses by their very nature are entirely appropriate charges for inclusion in these financial statements but are not allowed as a deduction against taxable income when calculating the tax liability. Examples of such expenditure are certain legal expenses and depreciation charged on assets that do not qualify for capital allowances.

Income arising during the year may not be taxable when calculating the corporate tax liability, for example, profit on disposal of capital assets which are recalculated under capital gain tax rules in the tax computation or dividend distributions which are not taxable in accordance with UK tax legislation.

Foreign taxes paid

The majority of the Group's activities are performed and taxed in the UK. However certain local taxes are incurred by the Group's activities in overseas territories. Withholding taxes are also incurred on certain overseas revenue streams; currently no double tax relief is available if there is insufficient UK tax payable on the foreign income against which the foreign tax was charged.

Impact of overseas tax rate differences

The rate of corporation tax in the UK in the year to 28 March 2021 was 19%. The rate is higher in the US and Australia.

Losses not utilised in the year

The Group has incurred losses in the year which have not been utilised in the year. These losses are carried forward to be utilised against future profits earned by the Group.

Utilised tax losses in the year

The Group has utilised historic losses to offset profits and gains recognised in the income statement which has resulted in a decrease in the corporate tax charge in the year. This includes brought forward losses which have been recognised as a deferred tax asset and those which have not previously been recognised as a deferred tax asset.

Adjustment to tax charge on investments at fair value through profit or loss

The accounting treatment of investments at fair value through profit or loss differs from the tax treatment. For tax purposes, the Group is required by law to ignore the accounting transactions and instead perform a separate calculation of the taxable profit or loss when the assets are disposed of. The Group is also required by law to disregard for tax purposes the accounting transactions associated with derivatives entered into relating to these assets. The disregarded transactions are subsequently brought into account for tax purposes when the underlying assets are disposed of. The resulting timing differences result in a deferred tax liability which represents the future net tax due on the disposal of the assets based on their valuation at the balance sheet date.