



Tax report 2023

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# Foreword from our Interim Chief Financial Officer



**We believe there is significant headroom in each of our three core businesses, which are at different points in their development. We will build on the strong strategic foundation of each business to target profitable growth and higher net capital generation, giving us greater scope to invest in business expansion and sustain returns for our investors. Our purpose however remains the same – to enable our clients to be better investors.**

As ever, our approach to tax reflects our purpose and our strategy, meaning that we seek to operate responsibly in all our tax matters. We recognise that contributing to public finances is a key part of the broader contribution we make to society in the countries in which we operate.

In meeting our responsibilities in paying and collecting taxes in the countries and communities where we live and work, our tax strategy is guided by our strong commitment to the highest ethical, legal, and professional standards. We are also committed to being open, honest, and transparent about what we are doing and how we meet those standards.

## **Ian Jenkins**

Interim Chief Financial Officer,  
abr dn plc

abr dn plc regards the publication of this Tax Report as complying with its duty under paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish its UK tax strategy in respect of the year ending 31 December 2023.

abr dn plc is registered in Scotland (SC286832) at 1 George Street, Edinburgh EH2 2LL.



Our Global Code of Conduct sets out the standards and behaviours that our business expects all of our colleagues to follow.



# Our tax strategy

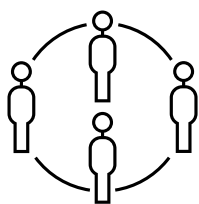
Our group is structured around our three businesses - Investments, Adviser and interactive investor - focused on the changing needs of our clients and customers. Our approach to tax is closely aligned to our strategy to create sustainable, client-led growth.

We seek to operate responsibly in all our tax matters and recognise its importance across our stakeholders, from our clients, customers and employees to our shareholders and the contribution we make to society more widely.



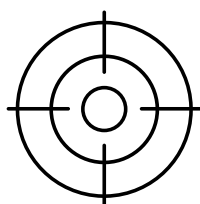
## Our principles

The principles of our tax strategy are closely aligned to the standards and behaviours we expect from all of our colleagues.



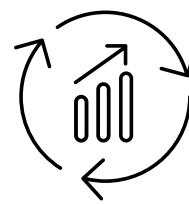
### Responsibility

We recognise the importance of the contribution we make to public finances through our payment of taxes and take into account the needs of all our stakeholders in the way we manage our tax affairs.



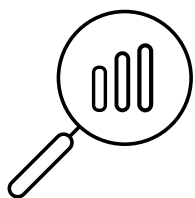
### Purpose

We do not seek to apply an aggressive interpretation of tax legislation and we will not undertake any transaction whose sole or main purpose is the creation of a tax benefit greater than that intended by legislation.



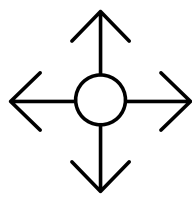
### Sustainable tax development

We discuss tax policy and regulation development with tax authorities, government and international organisations to ensure the sustainable and effective development of tax rules.



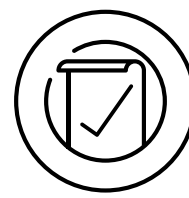
### Transparency

We work cooperatively and transparently with HMRC and other tax authorities.



### Control

We operate a strong governance framework in managing and controlling our tax risks.



### Compliance

We ensure that we meet our tax compliance and reporting obligations.

# How and where we pay tax

**The range of solutions we offer our clients and customers across our three businesses is reflected in the broad scope of our tax responsibilities. We pay taxes to tax authorities, as well as collecting taxes on their behalf, in a wide range of countries across the globe. These taxes relate to our business operations, our customers, our people and the assets we manage and administer.**

We pay tax on the profits generated in the countries in which we operate, as well as taxes on employing our people. We also incur VAT/GST on goods and services used in our business.

## **Our clients and customers**

We collect taxes on certain payments made to our customers, including income tax withheld on pension products offered by our Adviser and interactive investor businesses. We also collect VAT/GST on fees levied on customers.

## **Our colleagues**

We collect income tax and social security taxes deducted at source from payments we make to our employees.

## **The assets we manage or administer**

Withholding taxes are often deducted at source from investment returns and transaction taxes are incurred on certain types of transactions.

We have tax compliance obligations in the countries in which we operate, in the countries in which our funds are registered and in which our clients and customers are located.

Whilst the majority of our people are located across our operational hubs, our distribution networks and customer base means we have a role to play in the effective and efficient operation of tax systems in a large number of countries. This covers our operating companies and the funds we manage and administer.

## **Information reporting**

We collect and report data to multiple tax authorities relating to the investments we manage and administer for our clients under international exchange of information agreements. These regulations aim to ensure transparency and compliance by taxpayers on a worldwide basis. This includes reporting to the US tax authorities under the terms of the Foreign Account Tax Compliance Act (FATCA), and to other tax authorities – including those in the UK – under the Common Reporting Standard (CRS) or the local equivalent.



# Our locations across the globe

As a global investor, we have operations in financial capitals and important regional centres in countries around the world. These bring us closer to our clients and provide invaluable knowledge and insight. We also have a substantial presence in the UK savings and wealth market.



## Europe

Belgium  
Denmark  
France  
Germany  
Ireland  
Italy

## Luxembourg

Netherlands  
Spain  
Sweden  
Switzerland  
UK

## Middle East

United Arab Emirates

## Asia Pacific

Australia  
China  
Hong Kong  
Japan

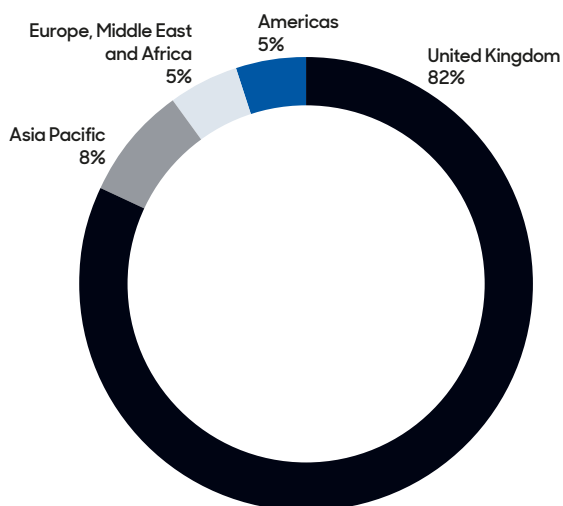
## Malaysia

Singapore  
South Korea  
Thailand

## Americas

Brazil  
USA

## Where our colleagues are located



We have operational hubs in the UK, Luxembourg, Singapore and the US where the majority of our colleagues are located.

We also have distribution and client servicing operations in many other countries where we have clients and customers.

We have clients and customers in the UK, EMEA, Asia Pacific and Americas regions.

# Our total tax contribution

Our total tax contribution consists of the taxes paid by our group to tax authorities, and the taxes our group collects that are then passed to tax authorities.

## Taxes paid

These are the taxes that our group pays to tax authorities where we have operations. The main types paid are:

- payroll taxes, which relate to our role as an employer.
- corporation tax, which we pay on the profits generated from our operations, including the sale of assets.
- VAT/GST which we pay on goods and services purchased and are unable to recover.

## Taxes collected

These are the taxes that we are obliged to collect and then pay to tax authorities arising from our operations across the globe. They most frequently include:

- taxes deducted from payroll and reward payments made to our employees.
- VAT/GST on services provided to clients and customers.
- taxes deducted from payments made to clients and customers, such as those on pension products offered by our Adviser and interactive investor businesses.

## Tax contribution

**£201m**

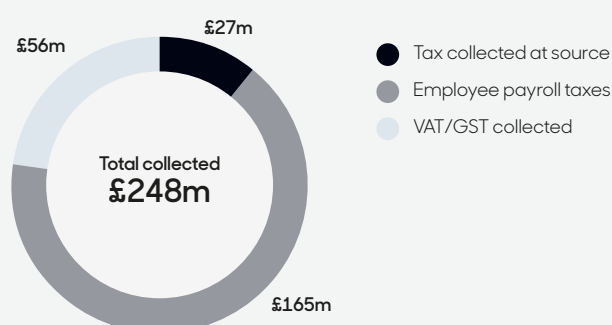
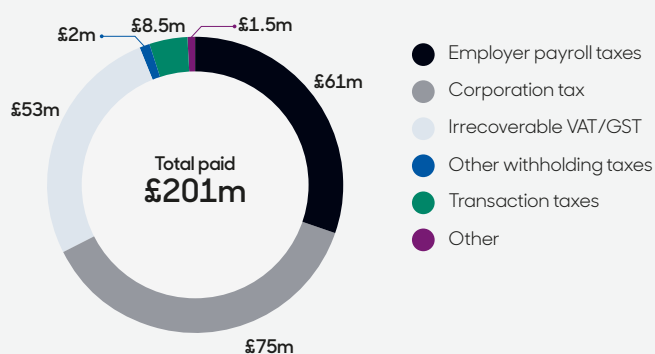
Total taxes paid in 2023

**+£248m**

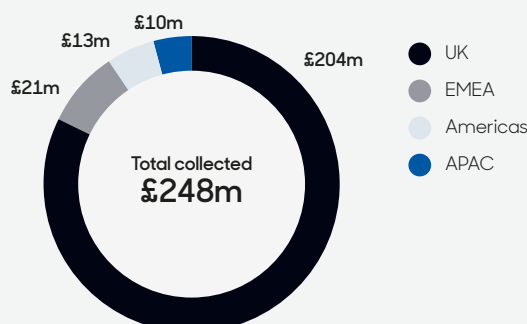
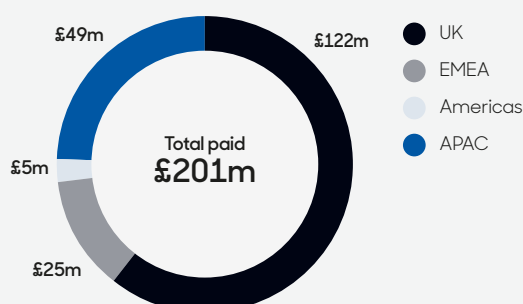
Total taxes collected in 2023

**=£449m**

Our total tax contribution for 2023



## Regional view



# Corporation tax charge 2023

## How the tax charge in the accounts translates to tax paid

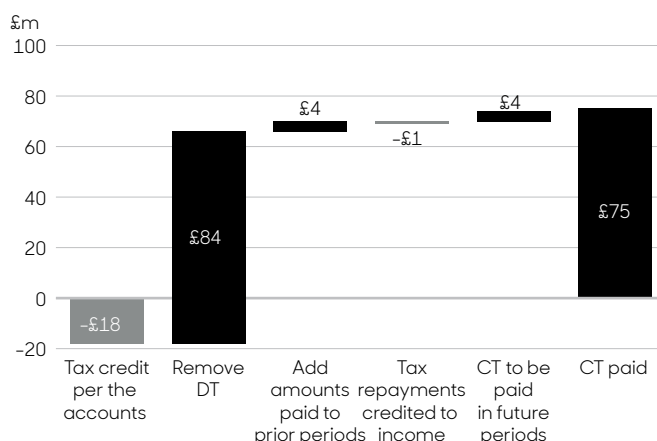
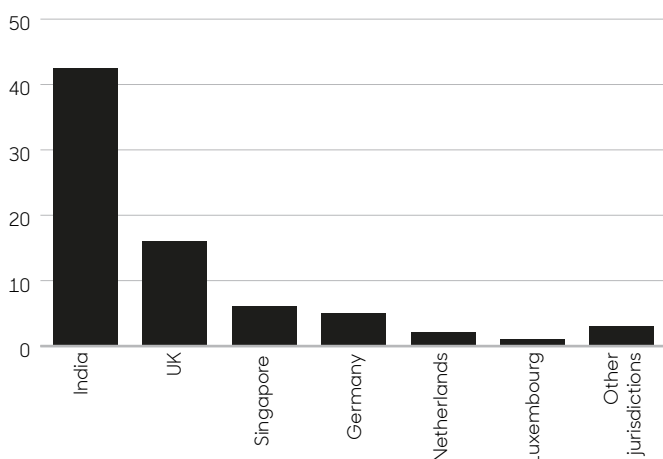
The tax credit in our financial statements is made up of both 'current tax' and 'deferred tax'. Deferred tax relates to tax amounts that will arise in future periods. In 2023, the biggest component of the deferred tax credit related to the release of the deferred tax liability for unrealised gains on strategic investments and intangible assets acquired through business combinations.

The timing of payments of corporation tax is governed by local tax laws. As such, there can be some timing differences that result in tax from prior periods being paid in the year or tax liabilities being payable in future periods. Both these factors give rise to movements in the amount of corporation tax payable in the year.

## Where we paid corporation tax in 2023

Our international footprint means that we pay tax in a large number of countries, helping support the societies and communities in which we operate.

The countries in which we pay corporation tax reflects where we operate and generate profits and the effect of one-off transactions (such as the disposal of shares the Group held in our Indian associate, HDFC AMC). The level of tax paid depends on the profitability of our businesses in each country and the local tax rules.



## Glossary of terms

### VAT/GST

The tax collected on the services we provide and paid on goods and services we buy.

### Income tax

Taxes deducted by us on some payments made to customers and employees on behalf of tax authorities.

### Corporate tax

Tax we pay on profits from our business activities.

### Operational tax

Tax relating to our products such as tax relief on pension products we offer through our Adviser and interactive investor businesses and reporting made to

tax authorities under Automatic Exchange of Information rules.

### Social security tax

Contributions to local social welfare schemes which are deducted (collected) from payments made to employees and contributions paid by the company.

### Withholding tax

Deductions made on investment income before it is received by us.

### Transaction taxes

Taxes paid on transactions which mainly relate to properties and shares bought and sold.

# Tax planning and tax advisers

**We manage and control our tax affairs in a balanced way, supporting our wider business objectives whilst meeting our stakeholder interests. This includes the contribution we make to public finances.**

## Our approach

We have complex tax affairs reflecting the international nature of our business, our broad range of customers and clients and the differing types of products we offer those customers and clients. Tax authorities and governments are also developing their approach to tax to deal with changing business models and the increasingly international nature of business. This complexity makes it important that we have a transparent and straightforward approach to managing and controlling our tax affairs.

- We do not seek to apply an aggressive interpretation of tax legislation outside what is understood to be intended. We avoid undertaking any transactions whose sole or main purpose is to create a tax benefit greater than that intended by legislation, which would be inconsistent with our Global Code of Conduct.
- We plan and manage our tax affairs to ensure that we make appropriate claims for reliefs and deductions provided by the law, where it is cost effective to do so.
- Any tax planning is done within a commercial context. Transactions or arrangements entered into are based upon a primary business purpose and commercial reason beyond any tax benefits which may arise.
- As an international business, we often have transactions between companies in our group which are in different countries. Where there are such transactions, we will apply arm's length transfer pricing principles in line with Organisation for Economic Co-operation and Development (OECD) transfer pricing principles and any local rules.
- We seek external tax advice where the application of tax law to a transaction or situation is unclear, or where specialist knowledge is required. We may also seek external advice for significant or complex transactions.
- It is our policy not to enter into any transaction or arrangement that we know or reasonably believe to be contrary to any General Anti-Abuse Rules on tax avoidance. Variations of these rules apply in the different countries in which we operate.



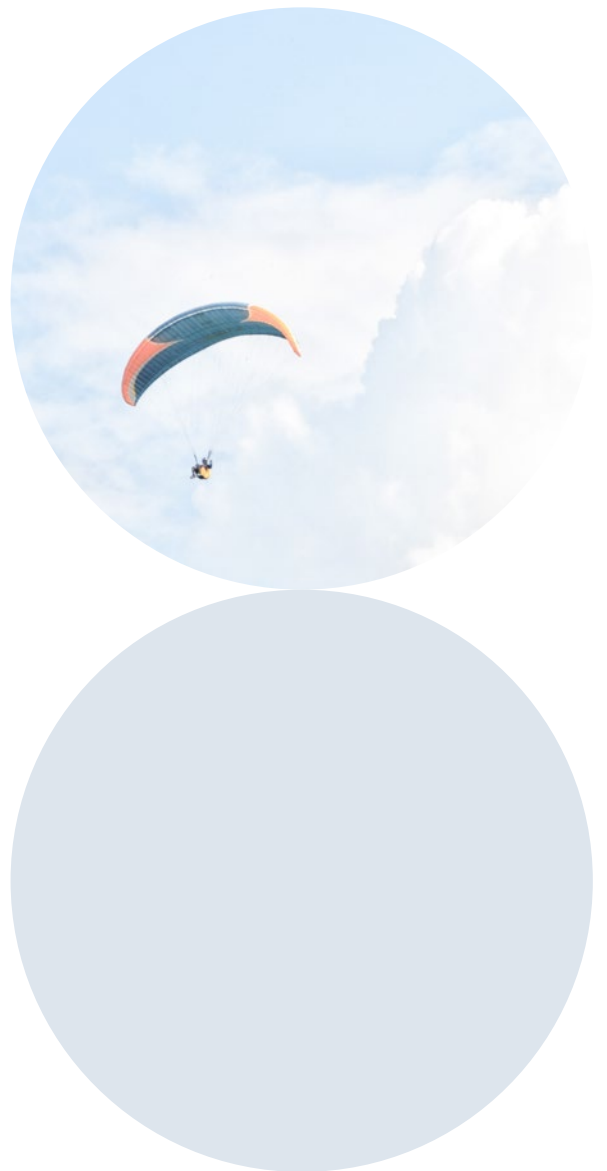


# Our products

## **Managing and administering the assets invested in by our clients and customers is core to our business.**

We have a broad range of clients and customers, from individuals who use our wealth management and financial planning services, to institutional investors such as pension funds. We manage a wide range of collective investment vehicles in which they may invest. These investment vehicles can range from well-established mutual funds, to more bespoke and complex structures, often used for investing in real estate and infrastructure assets.

In common with many other companies in our industry, we have established collective investment schemes and other fund structures in jurisdictions such as Ireland, Luxembourg and the Cayman Islands which do not impose an additional layer of tax on the fund or the structure itself. These fund structures enable investors to obtain the scale benefits and efficiencies from pooling investments, as well as removing additional layers of tax. The structures typically aim to result in a broadly similar taxable return to that which investors would receive if they invested directly in the underlying assets themselves. Ultimately, investors will pay tax on their returns in accordance with the tax rules applying in the country in which they are resident. We do not use so-called tax havens to avoid paying tax on activities which take place elsewhere.



# How we engage with tax authorities and other bodies

**It is important that we maintain a cooperative and transparent relationship with tax authorities in the jurisdictions in which we operate.**

## Engagement with tax authorities

We engage with tax authorities where a transaction is complex or material. Depending upon the nature of the transaction, we may seek statutory or non-statutory tax clearances.

We may also engage with tax authorities where there is uncertainty as to how tax legislation applies to a transaction or circumstance.

In the UK we proactively discuss with HMRC key business developments, significant transactions, and material tax uncertainties. We aim to make our tax returns and other communications with HMRC as clear and accurate as possible and include appropriate disclosures where necessary. We seek to resolve issues arising before returns are filed, whenever practicable.

## Development of tax policy

Tax rules for international companies are evolving as governments seek to tackle tax avoidance in business models and cross-border activities. We consider that it is important to play our part in the development of tax policy where it could have an impact on our stakeholders.

It is important that tax authorities and other bodies involved in the development of tax policy understand our business model and the structure of our fund offerings. Therefore, we engage in public policy debate and discussion on tax matters which are important to our stakeholders, either through trade bodies or directly. These matters can range from the tax regime relating to long-term savings and investments, to the development of international tax principles by organisations such as the OECD.

Our aim is to ensure the sustainable and effective development of tax regimes relevant to our businesses, so that legislation meets its policy objectives without unintended consequences for our stakeholders. Consistent effective tax regimes can promote confidence among clients and customers to continue saving and investing. They also contribute to sustainable and efficient growth for our business.

We support the modernisation and development of international tax regimes to reflect modern business practices and structures. It is important that we play an active role on behalf of our stakeholders to ensure developments are sustainable, proportionate and do not create an administrative burden that is disproportionate to the intended aims.



# Our governance of tax

**A strong governance framework is important to enable us to manage and control our tax risks. Ultimate responsibility for our tax strategy and compliance rests with the Board. Day to day management of our tax affairs is delegated to the Global Head of Tax by the Interim Chief Financial Officer who represents Finance at the Board.**

## Our governance framework

We have a separate tax risk policy which sets out how we manage and operate tax risk across our business. It is approved by our Board and reviewed annually and sets the operational standards by which we manage tax risk across the business. The tax risk policy is part of our enterprise risk management framework, the basis upon which we manage risk.

We have a 'three lines of defence' model for managing tax risk:

### First line of defence

Operationally, tax risk management and tax related compliance and control processes sit with the various regions and functions of the business, supported by our tax team.

Day to day responsibility for the oversight of the operation of our tax risk policy sits with the Global Head of Tax, supported by a wider team of tax specialists.

The tax department works closely with the businesses and other functions such as Human Resources and Finance, ensuring that our approach to tax is consistently applied throughout the organisation.

### Second line of defence

Our Risk & Compliance function designs and delivers the frameworks, tools, and standards necessary to support the business in managing its risks.

Our Tax Risk Policy, owned by the Global Head of Tax, is part of the Group Risk Policy Framework, maintained by the second line of defence to ensure a clear approach to establishing, communicating, and overseeing compliance with policies. Additionally, the enterprise risk management framework facilitates the holistic identification, assessment, management and monitoring of risks across abrdn to a common methodology.

Our Risk & Compliance teams oversee abrdn's management in their handling of risks and compliance obligations, and provide independent support and challenge as necessary.

### Third line of defence

abrdn plc has a Global Internal Audit function, which operates independently from the business and reports directly to the Group Audit Committee. The Committee reviews the terms of reference of Internal Audit on an annual basis to ensure that it remains fit for purpose.

The Internal Audit Function's risk-based audit plan reflects the global nature of the business and focuses on areas of higher risk to the organisation. Tax based risks are considered as part of this planning process. This plan is presented annually to the Group Audit Committee for approval and undergoes a quarterly refresh to adapt to emerging risks throughout the year.

The Group Audit Committee maintains oversight of matters relating to the public disclosure of tax information, such as analysis of the tax charge in our company's Annual Report and Accounts.



# Our attitude to managing tax risk

We make sure that the 'appetite' we define for accepting each of our tax risks is consistent with our company's overall approach to risk.

Tax risk	Our risk appetite	How we manage the risk
<p>We do not meet our tax compliance and tax reporting requirements.</p> <p>This can expose us to additional tax cost as well as interest and penalties. It may also lead to enhanced scrutiny from tax authorities.</p>	<p>We have no appetite for any activities that would breach the tax compliance rules and reporting obligations that apply to our business. We seek to manage our obligations in line with this approach.</p> <p>We recognise, however, that errors or omissions may happen from time to time due to the complexity of tax legislation and/or the business.</p>	<p>We have an in-house team that manages our company's tax activities. These activities include reporting our company's tax position, ensuring we understand and comply with our tax obligations in each of the countries we operate in, and ensuring that our clients and customers are provided with the information they need to meet their own tax obligations.</p> <p>We operate across a large number of jurisdictions. Where we do not have local teams, we engage with external tax specialists to help ensure that we are meeting our tax compliance obligations and paying the right amount of tax at the right time.</p>
<p>We do not take appropriate consideration of the tax consequences of our actions and transactions.</p> <p>This can lead to additional tax cost and increased compliance costs.</p>	<p>We recognise that tax risks exist in the overall commercial context of transactions and developments in our business. We are committed to assessing tax risks throughout the processes involved, in a way that is consistent with our overall framework for assessing risk.</p> <p>When determining the best approach to take, we need to consider how this will support fair outcomes for clients and customers, shareholders and other relevant stakeholders.</p> <p>Where issues or disputes arise, we also recognise that not all matters can be settled by agreement with the tax authorities and that we may have to resolve some through formal appeals or other proceedings.</p>	<p>Our tax team works closely with our different business areas so that we understand their operations, the products we offer to customers and how this is evolving. For material transactions or tax events, we may engage with HMRC and other relevant tax authorities while the transaction or tax event is taking place to agree or clarify that we are applying tax legislation correctly in the circumstances.</p> <p>Where tax laws require interpretation, or where tax regulations or codes are ambiguous or untested, we take reasonable steps to determine their applicability, including seeking tax advice where necessary.</p> <p>As a large business, we are subject to HMRC oversight under their Business Risk Review process. We engage with HMRC to discuss and agree the status of current, future and past tax risks.</p>
<p>Our approach and practice of tax could lead to reputational risk and/or financial loss for our business.</p>	<p>We have a low appetite for tax-related activities that could damage our reputation or cause financial loss.</p>	<p>Where breaches of our tax policy are identified, we ensure that these are resolved in a timely manner, taking into account the interests of clients, shareholders and other stakeholders. This may involve engaging with tax authorities, ensuring we remain transparent throughout.</p> <p>In line with our Global Code of Conduct, colleagues can raise concerns about unethical or unlawful behaviour directly with their local regulator or confidentially through our company's whistleblowing procedures.</p>

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