

# Britvic plc Tax Strategy

## Introduction

This document, approved by the Britvic plc Board of Directors, sets out Britvic's policy and approach to conducting its tax affairs and dealing with tax risk. The publication of this strategy statement is regarded as satisfying the statutory obligation under Para 16(2), Schedule 19, Finance Act 2016.

This document is publicly available via Britvic's website and will be periodically reviewed by the Group's Tax Committee. Any amendments will require approval by the Britvic plc Board of Directors. It is effective for the year ending 30 September 2020 and remains in place.

## About Britvic

Britvic is a leading soft drinks company, with brand owning and manufacturing operations in Great Britain, Ireland, France and Brazil.

Across these four markets, the company has developed a strong portfolio of its own brands as well as producing and selling a number of PepsiCo's soft drinks brands, under exclusive agreements with PepsiCo, in Great Britain and Ireland.

Through franchising, export and licensing, Britvic has also been growing its reach into other territories, particularly the United States and Northern Europe.

Britvic currently employs c.3,900 people and has offices in the UK, France, Ireland, and Brazil as well as Holland, America and Singapore where the group has sales, distribution operations and service activities.

## Britvic Group Tax Position

Britvic is a UK company listed on the London stock exchange. The group's total tax rate is a result of the reported profits of our various subsidiaries and the effective corporate tax rates in each country, which varies from country to country.

Britvic's total effective tax rate in the 52 weeks to 30 September 2019 was 26.7% [2018 19.7%], this increase from prior year being predominantly as a result of an impairment in our French business which is not tax deductible.

The effective rate on adjusted profits was 19.9% down from 21.6% in 2018. The reduction from the 2018 rate reflects the benefit on deferred tax liabilities as a result of lower future UK corporation tax rates, as well as the release of uncertain tax provisions. This rate is higher than the standard rate of corporation tax in the UK of 19.0% mainly due to the impact of profits being earned in territories with higher tax rates.

Britvic's future effective tax rate will be impacted by the proportion of profit we make in each country we operate in and changes to tax rates in those jurisdictions, including the UK corporation tax rate remaining at 19%. The Group's effective tax rate in the

year-ending 30 September 2020 will reflect the reversal of the deferred tax benefit taken in FY19 from the expected reduction in the UK corporation tax rate.

Britvic operates a number of central functions and the costs of these functions are recharged on an arms-length basis to the business areas that they support. Additionally, in utilising its supply chain efficiently across the Group, there are some sales of product between companies in different tax jurisdictions. Where these transactions take place they comply with the Group's transfer pricing policy and are not currently at material levels.

## **Tax Principles**

- Britvic believes that its tax activities should adhere to both the letter and spirit of the law.
- Britvic believes in being open and constructive in all dealings with tax authorities and, where we disagree with a tax authorities' assessment in relation to the technical application or commercial substance, we will defend our position in accordance with the law of that jurisdiction.
- Britvic believes that it should pay taxes due in each country at the right time in accordance with all relevant laws and regulations in the territories in which we operate. This is supported by the Group's Transfer Pricing policy which ensures that transactions between companies within the group are undertaken on an arm's length basis.
- Britvic believes it is right to claim the proper statutory reliefs offered by tax authorities in the countries in which we operate to support the growth of our business.

## **Tax Governance**

Britvic's tax governance is delivered through four key areas of internal control which input into the Group's Audit Committee and Board as follows:

- Group Tax Committee
- Central tax function with the appropriate level of resource and capability
- Internal Audit Function
- Group wide risk registers

The Group Tax Committee, which is a sub-committee of the Britvic plc Board, regularly convenes to review tax strategy and policies, relevant tax matters and to monitor governance and status of tax risks throughout the group. Members of this group include a number of senior employees and is chaired by the Chief Financial Officer.

Additionally, Britvic operates a central tax function which reports into the Chief Financial Officer ensuring that tax activity is conducted efficiently and accurately and

within the law to ensure that the tax strategy and policies are adopted and followed consistently across the Group.

Britvic also maintains an internal audit department which conducts regular audits to review key business processes, governance and controls, including tax, and reports to the Britvic plc Audit Committee.

Tax risks can arise as a result of operating in new or multiple jurisdictions, interpretation differences, changes in business operations, tax laws and regulations. For new jurisdictions or where tax regimes are potentially more uncertain or complex Britvic will obtain external specialist advice as required. A framework is in place to ensure that processes and controls are in place for managing and monitoring these risks with any material issues reported and a process for resolution agreed promptly with HMRC or other relevant tax authority.

There is also a robust risk management framework within Britvic to ensure that there is a clear owner for all business risks with major risks being reported to the Board at least twice a year. Britvic maintains an overall risk register, including a tax risk register, which is regularly reviewed and updated to support the proactive management of risk.

### **Engaging with tax authorities**

Britvic seeks to maintain open, constructive and professional relationships with the various tax authorities.

Britvic complies with local rules and regulations on documentation retention and provides any relevant information requested by the relevant tax authority promptly, to help accurately establish the company's tax liabilities.

Britvic engages in timely conversations with tax authorities where there are significant changes in the group's business, major transactions, systems and processes or any other operations that might have a material impact on the tax characteristics of the group or where the interpretation of the law or practical application thereof is unclear.

In the UK, Britvic has a 'low' risk rating assigned to it by HMRC.

### **Use of external advisors and tax planning**

Where appropriate, Britvic uses external tax advisors to support the Group's tax compliance requirements, particularly in new jurisdictions or to understand complex rules or new tax regulations. In addition, tax advice is obtained where required to support the business's commercial activities.

Britvic engages in tax mitigation planning to:

- Legitimately manage tax risks arising from expanding global operations, commercial and business evolution and changing tax rates and regulations, including mitigating the risk of double taxation
- Minimise the risk of non-deduction of interest for working capital, acquisitions, movement of capital within the group and return of capital to shareholders

- Implement legitimate tax efficient ownership for acquisition, re-organization or disposal of investments.

Britvic does not engage in aggressive tax planning or the utilisation of artificial structures to avoid tax or circumvent the normal operation of the tax system.

### **Britvic's overall tax contribution**

Britvic pays corporate income tax on its profits in whichever jurisdiction they arise which includes, but is not limited to, the UK, France, Ireland, Brazil and America. Through job creation, Britvic also contributes to the economies it operates in through income tax and social security contributions. Additionally, Britvic pays indirect tax revenues including VAT, sales taxes, import and export duties and environmental levies in countries where applicable. Since 2018 Britvic has been making payments for the Soft Drinks Industry Levy in the United Kingdom and the Sugar Sweetened Drinks Tax in the Republic of Ireland.

### ***Covid-19 & Brexit***

Britvic has maintained regular contact with HMRC in the UK and responded to consultation requests for information.

Britvic did not access any funding from the Job Retention Scheme in the UK despite a number of employees being placed on furlough. A number of VAT payments were deferred, as permitted under the Covid-19 support announced in March 2020, to help manage cash flow and liquidity at a time of uncertainty over future cash flows.