University of Southampton Group

Tax Strategy

Updated June 2026

1. Purpose

This document records the University's Strategy regarding UK and overseas taxation in accordance with paragraph 16(4) of Schedule 19 of the Finance Act 2016. This strategy applies to Income Tax, Corporation Tax, Pay As You Earn (PAYE), National Insurance Contributions (NIC), Value Added Tax (VAT), Insurance Premium Tax (IPT) and Stamp Duty Land Tax (SDLT) and all other taxes as set out in paragraph 15(1) of Schedule 19 of the Finance Act 2016 and to all corresponding worldwide taxes and similar duties in respect of which the University and all its related subsidiary entities have legal responsibility. In this strategy, references to the "University" are to the University of Southampton Group.

2. Taxation Status

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Paragraph 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. The University's subsidiaries are liable to Corporation Tax and VAT in the same way as any other commercial organisation.

The University is partially exempt for VAT purposes as the provision of education by an 'eligible body' is a core exempt supply in relation to other supplies. The methods of attribution and accounting for VAT are defined in a Partial Exemption Special Method agreed with HM Revenue & Customs.

The University uses subsidiary entities where appropriate to undertake non-primary purpose trading activities, ensuring that the charitable status of the University is protected. Transactions between the University and its subsidiaries are conducted on an arm's length basis and in accordance with applicable tax legislation.

In the UK, the University operates in line with the Higher Education National Framework Agreement and participates in the Universities Superannuation Scheme. In overseas jurisdictions the University operates a range of different structures whose status derives from applicable local legislation.

The University monitors developments in international tax, including the OECD Pillar Two global minimum tax regime. While it is currently anticipated that the University will fall within excluded entity categories, developments are kept under review, including any potential group-level reporting or compliance obligations.

3. Managing Tax Risk

The University's approach to conducting its tax affairs is aligned with its overall strategic plan. The Tax team has a tax risk register which feeds into the finance risk register and forms part of the University's approach to risk management and reporting, which includes risk appetite. The University's tax risk appetite is low, driven by an acknowledgement that, while progression of its overall vision and strategy is key, tax is also a legal obligation and a part of the University's commitment to sustainability. The Executive Director of Finance will determine the degree of risk in any activity, consulting colleagues, members of Council and external advisers as appropriate.

The University is committed to conducting its tax affairs consistent with the following principles:

i. Comply with all relevant laws, rules, regulations, statutory reporting, and disclosure requirements wherever it operates.

ii. Ensure that the tax strategy is consistent with the University's overall strategic plan, its approach to risk and its values.

iii. Apply professional diligence and care in the proactive management of all risks associated with tax matters, achieve certainty of tax treatment wherever possible, and ensure that governance and assurance procedures are appropriate. All officers should observe the Nolan Principles of Conduct in Public Office.

iv. Foster constructive, professional, and transparent relationships with tax authorities, based on principles of integrity, and collaboration.

v. Take advantage of available reliefs, exemptions, and incentives to optimise its tax position in the conduct of its activities but will not use them for purposes which are knowingly contradictory to the intent of Parliament and the spirit of the relevant legislation.

vi. Meeting contractual and fiduciary responsibilities whilst observing its ethical duty to make prudent and appropriate use of public funding and support the University's Charitable aims.

4. Tax Control Framework and assurance

The University maintains appropriate systems, processes, and controls to ensure the accurate and timely reporting of all tax obligations. These include documented procedures, segregation of duties, review processes, and the use of specialist systems where appropriate.

Internal and external assurance is obtained where necessary, including periodic internal audit review of taxation controls and processes as part of wider key financial controls audits. The University is committed to continuous improvement of its tax control environment and maintaining appropriate levels of documented evidence to support its filings and positions.

5. Attitude to tax planning

The University prioritises mitigating reputational risk over aggressive cost-saving tax planning. It balances effective tax planning with potential financial consequences, ensuring decisions consider both financial penalties and reputational risks. The University focuses on compliance with local tax requirements. It aims to manage tax risks in daily operations, including new activities and expansions, and promptly remedies any reporting errors.

The University engages external tax advisers where appropriate, particularly in relation to complex, unusual, or high-risk transactions, to support compliance and ensure that positions taken are robust and sustainable.

The University seeks to fully comply with all of its obligations under current legislation, including the Criminal Finances Act 2017. The risk assessment conducted as part of this legislation is reviewed periodically and acts as a guide in determining what and where the University's main risks of tax evasion lie. Reasonable and proportionate risk-based prevention procedures are put into place to manage these risks.

6. Tax Governance

The University operates in accordance with its Statutes and Ordinances. The Council of the University of Southampton is responsible for the administration and management of the affairs of the University.

Authority is delegated to key executives for day-to day operation of the University's affairs in accordance with an agreed Scheme of Council Delegation. The University's tax affairs are under the responsibility of the Finance Committee. The Audit and Risk Committee has responsibility for overseeing the University's overall risk management and systems of internal control.

The ultimate responsibility for day-to-day operation of the University's tax affairs rests with the Executive Director of Finance as the Senior Accounting Officer.

7. Tax authority relationship management

The University's intention is to have constructive, professional, and transparent relationships with UK and overseas tax authorities, based on concepts of integrity, collaboration, and mutual trust. To this end the University, its employees and representatives will:

- Conduct all dealings with tax authorities in a courteous and timely manner, with openness and honesty, maintaining the University's standard policies on integrity and ethics.
- Engage in open and early dialogue to discuss tax planning, strategy, risks, and significant transactions. Aim to minimise the risk of future challenge and gain certainty in our tax affairs by proactive dialogue with HMRC in real time regarding issues where the correct treatment is uncertain.
- Where disagreements arise, work together to resolve issues by agreement.
- Respond to Consultations as appropriate, either directly with HMRC or via the University Sector representative association, British University Finance Directors Group (BUFDG). This latter route will continue to be used for issues pertaining to the University Sector on an ongoing basis.