Virgin Group

Tax Strategy Statement

Financial Year: 1 January 2017 to 31 December 2017
Date Published: 18 December 2017

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1. Introduction

This document sets out the tax policy for Virgin Group Holdings Limited ("VGHL") and its Group undertakings ("the Virgin Group" or "the Group"). VGHL is the ultimate holding company of the Virgin Group and is wholly owned by Sir Richard Branson.

2. Ownership and approval

The Chief Financial Officer of the Virgin Group owns this document and the boards of VGHL and the boards of the entities listed at paragraph 10 have approved this tax policy. Each relevant company regards publication of this document as complying with the publication duty in Part 2 Schedule 19 Finance Act 2016.

3. Context

The Group is a family owned growth capital investor with a globally recognised and respected brand. The core consumer sectors include Travel & Leisure, Telecoms & Media, Music & Entertainment, Financial Services and Health & Wellness.

The Group aims to deliver long term capital appreciation through investment in these sectors. We provide value to our investments in three ways:

(i) Sector expertise and track record across our five core sectors

(ii) Experience and understanding of consumer behaviour, brands and marketing

(iii) Strong network of investors, management teams and alumni

The Group is also an active technology-focused venture investor with a portfolio of over 35 companies spanning the consumer internet, fintech and sharing economy sectors. We love discovering what is coming next and helping to make it happen. The Group operates mainly in the UK but also has operations in the USA, South Africa, Australia, Spain, Switzerland, Morocco, Jamaica, BVI and Asia.

Philanthropic Goals

Alongside its commercial activities, the Virgin Group actively promotes philanthropic goals through its support for the entrepreneurial foundation, Virgin Unite and the not for profit company, Virgin StartUp.

Leveraging Virgin's early financial support and development skills, Unite has incubated a number of independent groups such as the Elders, the B Team and the Carbon War Room as well as supporting specific charitable activities.

Virgin StartUp has helped to find, nurture and arrange almost 2,000 loans for young businesses in the UK, with the help of its dedicated team and support from Virgin companies such as Virgin Trains, Virgin Atlantic and Virgin Money.

In addition, Virgin Group companies such as Virgin Care provide training to increase the skills of its carers; while Virgin Galactic is providing training for young people in science, technology and space travel and Virgin Sport is supporting local communities to get active and run for charity.

Tax

In our view, business has a wider responsibility to promote good and should not exist purely for commercial profit. We understand that the tax we pay is an important part of our wider economic and social impact and plays a key role in development, both inside and outside the UK. We regard it as a critical element of our commitment to grow in a sustainable, responsible and socially inclusive way.

The Virgin Group tax policy is based on four key tax principles:

(i) Compliance
To ensure that the Group fulfils its tax compliance obligations, both in the payment and administration of all taxes.

(ii) Risk Management
To ensure that the Virgin Group puts in place robust controls and procedures to manage tax risk.

(iii) Transparency
To ensure that the Virgin Group is transparent about its tax strategy, and deals with all relevant tax authorities in an open, regular and transparent manner.

(iv) Commerciality
To arrange the Virgin Group's affairs in a tax efficient manner by claiming any legitimate tax incentives or reliefs which may be offered by governments, where claiming the incentive or relief is in line with the relevant legislation. We do not enter into arrangements which are against the clear intentions of Parliament and we do not use artificial tax structures that are intended for tax avoidance.

4. Content

The Virgin Group tax policy is based on four key tax principles:

(a) the approach of the Virgin Group to risk management and governance arrangements in relation to UK taxation

(b) the attitude of the Virgin Group towards tax planning (so far as affecting UK taxation),

(c) the level of risk in relation to UK taxation that the Virgin Group is prepared to accept, and

(d) the approach of the Virgin Group towards its dealings with HMRC.

This tax policy applies to:

- corporate taxes,
- indirect taxes (including Air Passenger Duty),
- employment related taxes,
- stamp taxes; and
- customs and excise duties.

5. Tax Risk Management & Governance Arrangements

Tax Risk

The Virgin Group wants to pay the right amount of tax. Tax risk is the risk that we may either overstate or understate the tax that we believe is due to HMRC. We recognise that as a large multi-national Group, tax risk tends to be higher because of size, complexity and the pace of business change. Given that tax is inherently complex, we invest significant resources in managing and monitoring our tax risk to ensure that we pay the right amount of tax.

Governance Arrangements

For corporate governance and tax governance purposes, the Virgin Group is divided between head office companies and operating companies, held separately within "Opco" Groups. The operating companies carry on the various lines of business whereas the head office companies are responsible for providing recommendations on the strategic management and development of the Virgin Group and are responsible for the development and custody of the Virgin brand.

The main “Opco” Groups and head office companies are set out below.

Entity/Group	Business Activity	Opco Group
Virgin Group Holdings Ltd	Ultimate Group holding company	
Virgin UK Holdings Ltd	Investment holding	
Virgin Atlantic Group	Airline operations	Y
Virgin Galactic Group	Aerospace	Y
Virgin Holdings Ltd	Treasury / Investment holding	
Virgin Healthcare Group	Healthcare services	Y
Virgin Rail Group	Rail operations	Y
Virgin Hotels Group	Hotels operations	Y
Virgin Management companies	Management services	
Virgin Enterprises Ltd	Brand	
Virgin Sport Group	Sports events	Y
Virgin Hotels LLC (USA)	Hotels services	Y
BMR Energy Ltd (BVI)	Renewable energy	Y
Virgin Start Up Limited	Not for profit	Y

The Chief Financial Officer of the Virgin Group is also the Senior Accounting Officer (“SAO”) for the UK head office group of companies and is ultimately responsible for managing the tax compliance affairs of the head office group.

Each Opco group appoints its own SAO to manage the tax risk for the relevant Opco Group. All SAO’s are responsible for the operation and management of tax accounting systems, identifying weaknesses in systems and making them more robust to ensure accurate reporting of UK tax liabilities, where required.

Delegation of tax risk management

The SAO’s delegate responsibility for management of tax risk to either in-house head office tax teams and/or external tax agents. Where material tax risks are identified, external tax advice is always obtained.

Experience and expertise

The Group employs a team of in-house tax professionals and external tax agents to manage the UK tax compliance affairs of the Group. The team have significant experience, professional expertise and receive technical training, as required.

Identification and mitigation of risk

The main areas of tax risk and mitigation procedures are set out below:

Risk Area	Mitigation
Transfer pricing	Use of CUP (Comparable Uncontrolled Price) where possible. Benchmarking of transactions – preparation of TP reports by third party advisers, Country by Country reporting and analysis
Withholding tax	Periodic review of treaties – verification of treatment by third party advisers
VAT	Internal audits; use of external advisers for areas of complexity
Financing	Preparation of detailed schedules for HMRC review
Employer Tax	Delegation of responsibility to third party payroll agents and/or or in-house payroll specialists
Corporation tax	Internal and/or independent checking and review process; use of third party advisers for areas of complexity

The VGHL Board has oversight of all the commercial, financial and legal affairs of the Group through director representation on the boards of the various entities. Matters giving rise to material tax risk are identified and escalated through SAO's to VGHL Board for resolution.

6. Attitude of the Group to tax planning

Legitimate tax planning

The Group generally seeks to structure commercial transactions in a tax efficient manner in order to maximise shareholder value. Therefore, the Virgin Group seeks to optimise its commercial position by claiming tax reliefs and incentives which are available under UK tax law (and not against the clear intentions of Parliament) and Double Taxation Agreements that HMRC has signed with tax authorities in overseas tax jurisdictions. For example, such reliefs might include statutory reliefs to claim capital allowances, relief for tax suffered overseas, group relief claims or a claim to exempt a capital gain under the Substantial Shareholding Exemption. We understand that HMRC regard claims for such reliefs as legitimate and mainstream tax planning.

Where we are uncertain as to HMRC's view on more complex tax matters, we take external advice and seek to validate HMRC's position by notification and/or obtaining pre-transaction clearance if possible.

The VGHL Board does not set objectives that target a particular effective tax rate but sees the tax rate as a consequence of the commercial activities undertaken in the UK and other overseas jurisdictions.

Tax Avoidance

The Virgin Group always considers its reputation, brand, corporate and social responsibilities when evaluating tax matters and seeks to avoid any tax controversy which may bring the brand into disrepute. Accordingly, the Group does not devise or implement UK tax avoidance schemes.

We focus on building shareholder value through commercial business activity.

7. Level of tax risk– what is acceptable?

The Virgin Group pays the right amount of tax and has a low tolerance to tax risk. This is reflected by the fact that:

(i) the Group incurs significant expenditure (internal and external) to ensure that it complies with its tax obligations

(ii) the Group will not undertake any transactions which aim to secure tax advantages rather than any commercial objective.

(iii) the Group ensures that sufficient and knowledgeable resources are available to undertake the Virgin Group's tax compliance obligations in all jurisdictions
(iv) the Board directs its tax advisers and in house tax team to take a prudent approach in dealing with the Group's tax affairs

UK tax law and its interaction with international tax law remains complex and tax outcomes can sometimes be uncertain. Accordingly, the Group frequently seeks an opinion from external advisers to confirm its understanding of how complex tax law is likely to operate to ensure it is complying with both the letter and spirit of the UK tax law. The Virgin Group also seeks guidance from advisers to keep up to date with new legislation and HMRC policy particularly where the application of tax principles may be new and/or uncertain.

The Virgin Group does not use prescribed tax evaluation criteria to quantify tax risk.

8. Dealings with HMRC

The Virgin Group is a large business and has a dedicated Customer Relationship Manager ("CRM") at HMRC to monitor its tax compliance obligations. We have a good working relationship with our CRM and aim to resolve any tax issues that may arise through co-operation, full disclosure and dialogue with HMRC. In certain circumstances, it is necessary for the CRM and the Group to work together with external advisers and HMRC specialists to resolve tax technical issues of high complexity, in line with HMRC's Litigation and Settlement Strategy.

We are in regular contact with HMRC throughout the year including several face to face meetings to discuss changes to the Group, business developments, material transactions in our tax returns, how we have applied any new tax legislation and any on-going tax compliance matters.

Where appropriate, the Group deals with HMRC on a real time basis to resolve areas of tax risk, in advance of tax filings. The Group seeks to disclose unforeseen tax liabilities through voluntary disclosure to HMRC as soon as possible. Where appropriate, tax clearances are sought from HMRC with full disclosure of relevant information.

9. Date of publication

This Group tax policy relates to the financial year from January 1st to December 31st 2017 and was published on this website (the virgin.com website) on 18 December 2017.

The public is able to access this Group tax policy document, free of charge. This Group tax policy document will remain on the virgin.com website until the Group publishes its policy for the year ending 31 December 2018.

10. List of entities

This Group tax policy has been adopted for the financial year from January 1st, 2017 to 31 December 2017 by the following entities:

UK sub groups

(i) Virgin UK Holdings and its subsidiaries

(ii) Virgin Atlantic Limited and its subsidiaries

(iii) Virgin Sport Group Ltd and its subsidiaries

(iv) Virgin Pulse (UK) Ltd and its subsidiaries

(v) Virgin Entertainment Asia Ltd and its subsidiaries (in liquidation/strike off process)

(vi) Virgin Properties Ltd and its subsidiaries (in liquidation/strike off process)

UK companies

(i) Virgin Entertainment Europe Ltd (in liquidation/strike off process)

(ii) Virgin Galactic Ltd