



# Tax supplement 2023

Legal & General Group Plc



## Foreword from our Group Chief Financial Officer

**Our purpose is to make a positive difference to society while delivering value for our shareholders. We manage our business and our tax affairs in a sustainable and responsible way as part of this.**



This tax supplement sets out our tax strategy for the Group – what we will and will not do in relation to tax – and provides a more detailed review of how much tax we pay, where we pay it and of the numbers in the Annual report and accounts.

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**Annual report:**  
[group.legalandgeneral.com/reports](http://group.legalandgeneral.com/reports)

# Our approach to sustainability and tax

## A sustainable business

At Legal & General, being a sustainable business defines our role in society and the value we create.

Our purpose is to build a better society while creating value for our shareholders. We're conscious of the impact we have on the environment, the economy and society.

Our business divisions and our strategic growth drivers are aligned to environmental and social themes and we see the sustainability agenda as central to our business. We also see it as a source of commercial potential for the Group. The transition to net zero, the housing crisis and

the need to invest in healthcare and other infrastructure all present opportunities for the long-term investment of capital against our future pension liabilities. Further details can be found in our Annual report and accounts, see: [group.legalandgeneral.com/reports](https://group.legalandgeneral.com/reports).

We run our tax affairs in line with the same principles and aim to have a sustainable, well governed, fair and transparent approach to tax. This supplement provides more details on our approach to tax and sets out our total tax contribution.

## We aim to be:



### Sustainable in the long term

Our Group's tax rate depends on our business performance and not artificial tax planning.



### Well governed

We manage tax risk like any other risk in our business and invest in our people.



### Fair

We recognise the impact tax has on wider society and undertake to act responsibly in all tax matters.



### Transparent

We seek to explain the taxation of our business to all our stakeholders.



### Social impact report:

Our 2023 Social impact report is available on our Group website. See: [group.legalandgeneral.com/reports](https://group.legalandgeneral.com/reports)

## About Legal & General

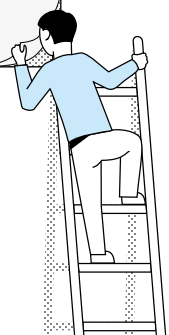
Established in 1836, we are one of the UK's leading financial services groups and benefit from scale in each of our businesses, which work together to deliver on our purpose.

In institutional retirement we take on pension scheme liabilities, 'de-risking' corporate pension schemes in both the UK and the USA.

We invest across specialist commercial real estate, clean energy, housing and SME finance, generating attractive returns from assets which benefit society.

We are one of the world's leading asset managers with £1.2 trillion of assets under management.

We help millions of people in the UK and the USA create brighter financial futures by supporting their savings, protection, mortgage and retirement needs through our retail and workplace businesses.



# Our tax strategy

Here we set out our strategy for a sustainable, well governed, fair, and transparent approach to tax.

## Our behaviours

We always consider the Group's reputation, and corporate and social responsibilities, when considering tax.

We work with HM Revenue & Customs (HMRC) and other tax authorities cooperatively, collaboratively and, where possible, on a real time basis.

We consider tax as part of every major business decision.

We contribute to the development of UK and international tax policy and legislation where we can.

Our approach to tax is consistent with our values. We manage tax risk consistently with the Group's three lines of defence risk management framework.

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## Our actions

Where possible, we meet all our legal requirements, making all appropriate tax returns and tax payments accurately and on time, in the territories in which we operate.

We do not undertake any transactions with the sole purpose of creating a tax benefit in excess of what is intended by relevant tax legislation, or what is outside of the Group's risk appetite, or is not in line with our Group Code of Ethics.

We operate appropriate tax risk governance processes, including Board oversight.



# Our tax strategy in action

Sustainable and responsible tax management is part of our approach to how we do business.



**Grace Stevens**  
Chief Tax Officer

Our tax strategy helps us meet our aims and is reviewed and approved annually by our Audit Committee on behalf of the Board. As Chief Tax Officer, I have day-to-day responsibility for our strategy and how we implement it in line with our values.

Jeff Davies, the Group Chief Financial Officer, is the named executive member of the Board with ultimate responsibility for our tax affairs.

The Group tax team at Legal & General is responsible for the development, management, and delivery of the tax strategy for the Group. This includes responsibility for the Group's tax policy, external engagement, risk management, advice, reporting and compliance, while providing tax insight across all parts of our business, and of course, making sure that we have the right people in the right roles.

## Tax commitments

- We recognise that our stakeholders in tax not only include our investors, tax authorities, customers, and employees, but also wider society.
- We aim to provide useful information to our stakeholders to help them understand how we manage our tax affairs and the contribution we make to society through the taxes we pay. This includes voluntarily disclosing additional information which we consider useful for our stakeholders to better understand our tax affairs.
- We aim to have an open, cooperative, and collaborative working relationship with HMRC, and other tax authorities where appropriate, across all our taxes.
- We believe that open consultation with Governments results in more informed and sustainable tax legislation.
- We work with Governments both directly and via industry trade bodies to respond to consultations and to explain the impact of proposals on our business, customers, and investors.
- We engage with a range of interested parties and non-governmental organisations to discuss concerns about the tax system and responsible and transparent tax practices of large companies.
- We recognise the expectations society, Governments and consumers have of large companies on tax responsibility and transparency.
- As a significant investor, we ensure we speak to the companies we invest in about their tax policy and management as part of our overall engagement with them on governance, and environmental and social impact.

# Our year in review

As part of our commitment to tax transparency, this Tax Supplement expands on the information given in our Annual report and accounts. This includes our total tax contribution, consolidated country-by-country data and an explanation of our tax charge.

## Our 2023 tax position

Our total tax contribution of £1,582 million is lower in 2023 than in prior years. This reduction is primarily due to a reduction in UK corporate income tax payable arising in 2023 as a result of both larger adverse investment variances in the year and the release of the tax credit arising on International Financial Reporting Standard (IFRS) 17 transition to be spread over 10 years.

We have a net tax credit for the year of £367m (2022 net tax expense of £86m (restated)), which includes a material one-off tax credit arising from the introduction of a new Bermuda corporate income tax regime. The net tax credit for the year excluding this one-off credit is £27m. Our net tax credit is discussed further on page 10.

We have included our year-on-year total tax contribution for the past six years in this report to provide easy context for our tax contribution.

## Changes to the global tax environment

With the global economic outlook remaining uncertain as people adapt to higher interest rates and inflation, Governments remain focused on both raising revenues and promoting growth across the economy and the tax regime has a role to play here. In the UK, we've seen a number of changes with these aims in mind including the 'super deduction' being replaced with 'full expensing' of qualifying plant and machinery, changes to the R&D regime, changes to the Lifetime Allowance Notification pension rules and reductions in the rate of National Insurance for employees. At the same time, the corporate income

tax rate has been held at 25% and personal income tax thresholds remain frozen. These changes have an impact across our businesses, our investments, our employees and our customers.

New accounting standards, regulations, tax legislation and tax reporting requirements continue to add to the complexities and compliance obligations that businesses face. During 2023, there are two significant changes which impact us: IFRS 17 and Organisation for Economic Co-operation and Development (OECD) global minimum tax rules.

IFRS 17 'for Insurance Contracts' is a new global accounting standard which came into effect on 1 January 2023. IFRS 17 changes the timing of recognition of insurance earnings, and results in more stable and predictable earnings from our insurance products. This change has impacted the tax profile of our annuity and life insurance business, with no changes to the tax profile of our asset management business. The new accounting standard impacts the tax we pay in the UK due to the transition adjustments between IFRS 4 and IFRS 17 to ensure the Group does not pay tax on the same profits twice.

During the year, the UK Government enacted legislation to implement both a global minimum tax regime and a UK domestic minimum tax regime at 15% in line with the Model Rules agreed by the OECD. These rules apply from 1 January 2024 and will apply to all of the Group's businesses globally. In line with accounting standards, no deferred tax has been recognised in respect of these new rules.



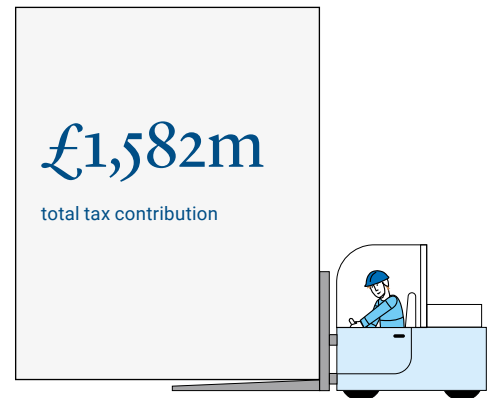
In December 2023 the Bermudan Government legislated for a corporate income tax regime which will be effective from 1 January 2025. From 2025, the Group will be liable for Bermudan local corporate income tax, at a rate of 15%, in respect of profits arising in our global reinsurance hub in Bermuda. Accordingly, in 2023 we have recognised a deferred tax asset on temporary differences relating to the new regime valued at 15%.

Both the UK and Bermuda rules are newly enacted and additional guidance on their respective implementation and any interaction is expected and will be kept under review

## Our purpose and tax

Our purpose is to build a better society and make a positive difference to people's lives while delivering value for our shareholders. We believe that paying tax is part of the impact we have on the economy and society and that the tax regime should endeavour to balance the needs of all stakeholders across society, whilst ensuring that policies do not create unintended consequences.

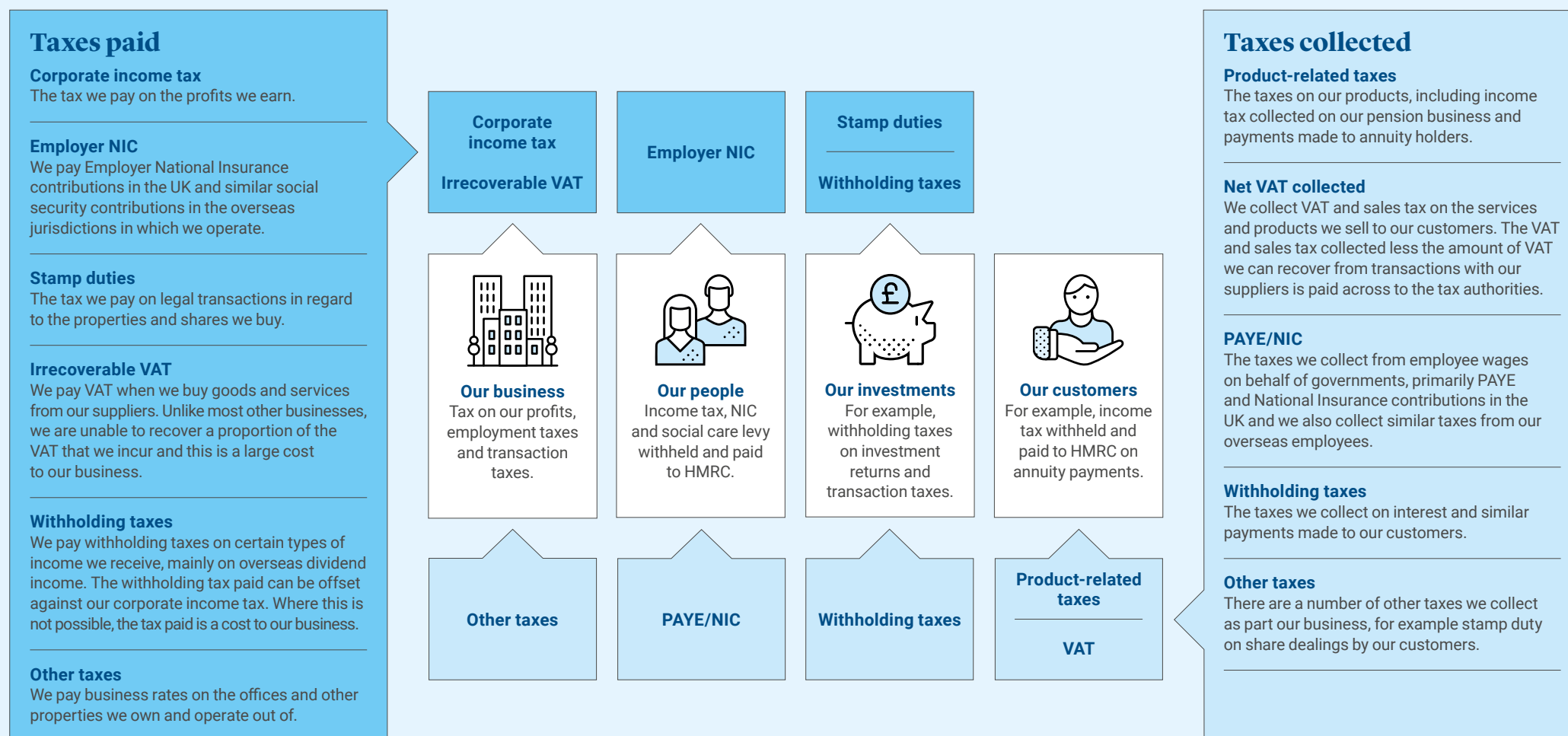
We monitor risks and complexities across all the territories in which we operate, to ensure we pay the right tax, at the right time, in the right place, consistent with our tax strategy.



# Our tax universe

Tax encompasses more than just a charge on a company's profits. We pay and collect taxes at all parts of our business cycle, from the premiums we invest to the tax we pay on our profits.

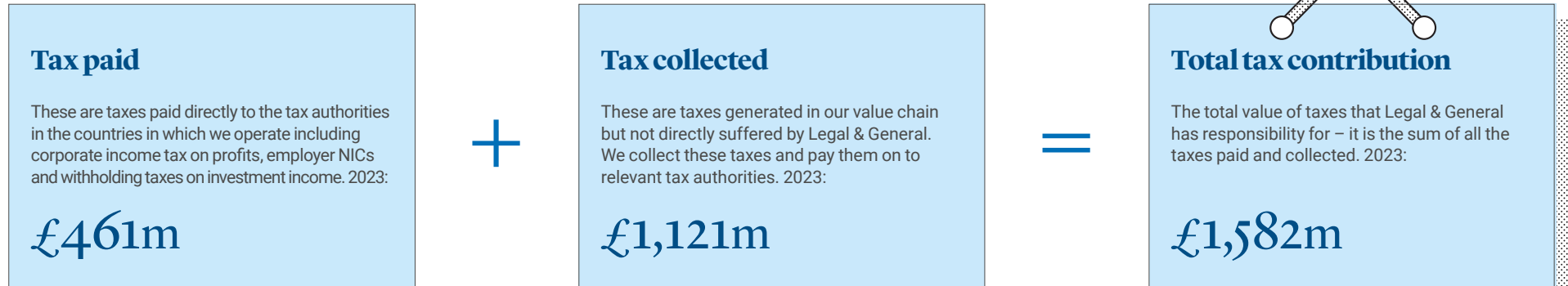
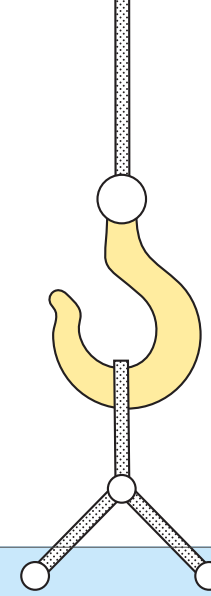
The taxes we pay primarily arise where our business assets, capital, people, and customers are located – where we have real economic substance.



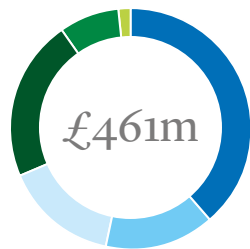
# Our total tax contribution

At Legal & General we pay and collect a number of taxes – for our business, our people, our customers, and our investments. We pay and collect various taxes in the countries in which we operate.

Our total tax contribution of £1,582 million is lower in 2023 than in prior years. This reduction is primarily due to a reduction in UK corporate income tax payable in 2023 as a result of both larger adverse investment variances in the year and the impact of the IFRS 17 tax credit spreading arising from the transition to IFRS 17.

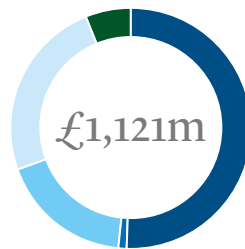


Total taxes paid



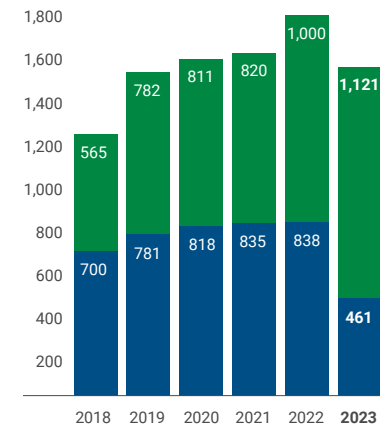
- £0m Profit taxes
- £178m Withholding taxes suffered in the UK
- £69m UK property and other taxes
- £70m UK irrecoverable VAT and premium taxes
- £100m UK payroll taxes
- £37m Other overseas taxes
- £7m Overseas profit tax

Total taxes collected



- £568m UK PAYE deducted from policyholders
- £13m UK property and other taxes
- £199m UK VAT and premium tax
- £274m UK payroll taxes
- £67m Overseas taxes

Total tax contribution (£m)



- Total taxes paid
- Total taxes collected



# Our global tax footprint

Our consolidated Group includes approximately 450 entities, including companies, branches, funds, trusts, and partnerships operating across the globe.

We have corporate offices in the UK, USA, Bermuda, Hong Kong, Ireland, Japan, Singapore and China, together with branches in a number of European territories. Our global investing footprint covers most of the world.

Our Group's asset management, insurance and savings activities can be complex and involve significant transactional volumes and values as well as cross-border transactions. Where we suffer and pay tax reflects the reality of the global nature of our business.

The taxes we pay in future years will be impacted by changes to tax and accounting rules, in particular IFRS 17 and the introduction of a global minimum tax regime. These are explained in the following sections.

## Reinsurance

Legal & General operates a global reinsurance business in Bermuda which acts as the internal reinsurance hub for the Group and supports the growth of our international pension risk transfer business.

Bermuda is one of the largest reinsurance markets in the world with a highly qualified and experienced local workforce; a robust, Solvency II equivalent, regulatory framework and the Bermuda Monetary Authority (BMA) is a well-established regulator.

Our Bermudan operations are staffed by our dedicated team of insurance and finance professionals. As there were no profit taxes in Bermuda during the year, the taxes we paid in Bermuda in 2023 were on our people and property. The Bermudan Government is introducing a local corporate income tax regime with effect from 1 January 2025, as a result of the new global minimum tax regime. The section on page 9 explains the impact of this on the Group.

## Investment funds

We have established collective investment schemes, which are investment funds or entities, in the UK, USA, Jersey, Ireland and Luxembourg. It is common to set up funds in jurisdictions like these that generally do not impose an additional layer of tax on the fund itself, as well as for operational reasons.

Regardless of what territory the fund is established in, investors will pay tax on their returns in line with the tax rules of the jurisdiction they are resident in. In some situations, investors may also pay tax in the jurisdiction in which the fund is located; for example, overseas investors may pay UK tax on rental income from UK properties.

Where our Group companies invest in these funds, they pay corporate income tax in their country of residence (usually the UK) on any investment return.

Although the funds do not typically pay additional tax in the territory in which they are resident, funds may receive some investment return, such as dividends, net of withholding taxes which are imposed by other territories.

It is sometimes possible to reclaim these taxes depending on the tax agreements in place between the relevant jurisdictions. We routinely undertake tax reclaims on behalf of our funds where this is in line with local law and industry practice. This reclaim process is typically undertaken by our custodians with oversight from Group Tax.

Where we feel that the application of withholding tax is contrary to the law, we file claims with the respective tax authorities, for example where withholding taxes are suffered on certain investments in EU territories. These claims may result in litigation against the respective tax authority. Where claims are made on behalf of the funds, the net proceeds of successful claims are paid to the relevant funds.

## Our global tax footprint continued

### Our global tax contribution can be broken down as:

Country	2023 profit <sup>1</sup>	2023 total corporate income tax charge	Profit taxes paid <sup>2</sup>	Other taxes paid	Taxes collected	2023 total tax contribution	2022 profit <sup>1,4</sup>	2022 total tax contribution
UK	(221)	(44)	179	238	1,054	1,471	967	1,735
USA	(11)	6	5	34	62	101	(1)	94
Bermuda	309	(329)	–	1	1	2	(99)	2
Ireland	1	–	–	1	2	3	5	5
Other <sup>3</sup>	(2)	–	2	1	2	5	(4)	2
<b>Total</b>	<b>76</b>	<b>(367)</b>	<b>186</b>	<b>275</b>	<b>1,121</b>	<b>1,582</b>	<b>868</b>	<b>1,838</b>

All figures in £million

1. IFRS profit before tax.

2. Includes withholding taxes suffered on our overseas investments.

3. This covers the other territories in which we operate, none of which are individually material.

4. 2022 profits restated.

### Global minimum tax regime

During the year, the UK Government enacted legislation to apply a global minimum tax rate of 15% to multinational businesses headquartered in the UK, under the Model Rules agreed by the OECD. These rules apply from 1 January 2024 to all of our businesses globally.

The Group is expected to be liable to UK top-up tax in 2024 in respect of profits arising in our global reinsurance hub in Bermuda.

During 2023, the Bermudan Government consulted on introducing a local corporate income tax regime with effect from 1 January 2025, which would apply to our Bermudan reinsurance businesses. This has been substantively enacted as at 31 December 2023 and deferred tax on temporary differences has been recognised at 15%.

This has resulted in a deferred tax asset of £340m as at 31 December 2023. The deferred tax asset relates to tax reliefs permitted under the Bermuda corporate income tax regime which give rise to deductible temporary differences associated with the valuation of insurance contracts. The Group expects to have sufficient future taxable profits against which the reversal of these deductible temporary differences can be offset.

The deferred tax asset of £340m is included within the deferred tax disclosure in note 28 within the line item 'difference between tax and accounting value of insurance contracts.'

We do not anticipate any other significant liabilities under the global minimum tax rules based on the Group's current profile. This will be kept under review as the Group's activities continue to evolve.



# Tax in our financial statements

## Our tax expense

We publish information about the Group's tax expense in Note 28 to our financial statements. In 2023, we have a net tax credit for the year of £367m, which includes a material one-off tax credit arising from the introduction of a new Bermuda corporate income tax regime. This relates to the recognition of a deferred tax asset on inception of the new tax regime and will unwind against future taxable profits in Bermuda.

The net tax credit for the year excluding this one-off credit is £27m. This is explained by the varying rates of tax that we pay on our businesses in different territories and the mixture of profits and losses across those territories.

## Components of our tax expense

Our tax expense is made up of current and deferred tax.

Current tax is an estimate of the cash tax to be paid to tax authorities in respect of our profits for the year.

Deferred tax is an accounting balance which represents timing differences between when income and expenses are recognised for accounting purposes, and when they are brought into tax.

Deferred tax can be shown as either an asset or a liability. A deferred tax asset represents a future tax credit and a deferred tax liability represents a future tax charge.

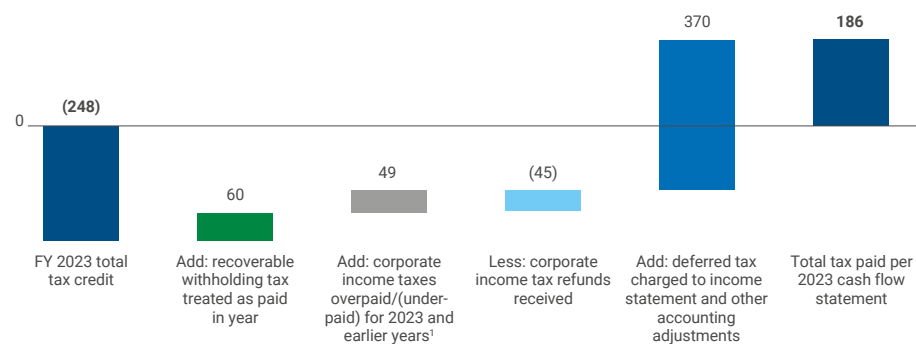
Deferred tax also arises on unused tax losses to the extent it is probable that future taxable profits will arise against which the losses can be utilised, such deferred tax will be shown as a deferred tax asset on the balance sheet.

Where we do not expect to obtain the benefit of deferred tax assets, these are not recognised. Unrecognised deferred tax assets are disclosed in the accounts. At 31 December 2023, the Group has unrecognised deferred tax assets of £513m relating primarily to trading and capital losses.

## Cash flow reconciliation

The chart below reconciles the tax charge/(credit) in the income statement (£(248)m) to the tax paid in the statement of cash flows £186m).

### Financial Year 2023 reconciliation from total tax charge to total tax paid (£m)



1. We make payments in advance to HMRC based on our forecast profits and we pay/receive the difference following finalisation of our corporate income tax returns.



## Tax in our financial statements continued

### Our tax rate reconciliation

As a UK-headquartered Group, we explain how our total tax expense attributable to equity holders reconciles to the expense we would incur by simply applying the UK corporation tax rate of 23.5% to our accounting profits.

We split this reconciliation between recurring adjustments and non-recurring adjustments. Recurring adjustments are expected every year, driven by the structure of our business. Non-recurring adjustments are caused by one-off events.

### (Lower)/higher rate of tax on profits taxed overseas

Different countries tax profits at different rates. Legal & General's principal activities are in the UK, USA, and Bermuda, and we pay tax at different rates on the profits arising in each of these countries.

### Income not subject to tax

UK tax law exempts qualifying foreign and UK non-group dividends received from corporate income tax.

### Non-deductible expenses

UK tax law does not allow companies to claim tax relief for some expenses incurred in the normal course of their business activities. This can include expenses relating to projects (such as acquisitions and disposals) and customer entertaining.

### Differences between taxable and accounting investment gains

There can be differences in how tax is calculated on gains and losses on investments, compared to accounting profits. For example, under UK tax law, gains and losses on the sale of subsidiary businesses may be exempt from tax.

### Other property and foreign taxes

In addition to the standard rate of corporate income tax in the UK, the Group pays Residential Property Developer Tax (RPDT). This is an additional tax on the trading profits of residential property developers.

The RPDT estimate of tax charge is included in this reconciling item along with foreign taxes suffered.

### Unrecognised tax losses

Most jurisdictions allow a taxpayer to offset a loss incurred one year against a profit arising in a future year, or against profits arising elsewhere in the Group. However, it may not be possible to obtain relief for losses in certain situations depending on expectations of future profits and the requirements of tax law.

### Double tax relief

We are taxed on our foreign income both in the UK and in the country in which the income arose. UK tax law allows us to claim some or all of the foreign tax suffered back as double tax relief against our UK tax charge.

### Prior year adjustments

The tax charge included in the accounts is management's best estimate of the tax we will pay on our 2023 results based on the information available at the time. When we come to file our tax returns, there may be differences between the expense in the accounts and what we owe to HMRC and other tax authorities. This true-up is reflected in the subsequent period's accounts as a prior year adjustment.

### Impact of the revaluation of deferred tax balances

Deferred tax assets and liabilities are revalued each year based on the tax rates that are expected to apply in the future when the tax is paid, or when the tax relief is given. There has been no change in the headline rate of UK corporate income tax since the UK Government announced the 25% corporation tax rate to be applied from 1 April 2023.

The impact on the revaluation of the deferred tax balances arises on the differences between the current year tax rates (23.5% in the UK and 0% in Bermuda) and future tax rates (25% in the UK and 15% in Bermuda) on temporary differences.

### Impact of law changes on deferred tax balances

During the year, the Bermudan Government consulted on the introduction of a local corporate income tax regime that would apply to profits arising in Bermuda. These rules were substantially enacted in 2023 with effect from 1 January 2025. Due to the law change, we have revalued the deferred tax on temporary differences and unused tax losses relating to our Bermudan business from 0% to 15%.

### Tax expense in the consolidated income statement

The tax expense attributable to equity holders differs from the tax calculated on profit before tax at the standard UK corporate income tax rate as follows:

	2023 £m
Profit before tax attributable to equity holders	76
Tax calculated at 23.5%	18
Adjusted for the effects of:	
<b>Recurring reconciling items:</b>	
(Lower)/higher rate of tax on profits taxed overseas	(68)
Income not subject to tax	(4)
Non-deductible expenses	27
Differences between taxable and accounting investment gains	(9)
Other property and foreign taxes	4
Unrecognised tax losses	19
Double tax relief	(2)
<b>Non-recurring reconciling items:</b>	
Adjustments in respect of prior years	(11)
Impact of the revaluation of deferred tax balances	(1)
Impact of law changes on deferred tax balances	(340)
<b>Tax attributable to equity holders</b>	<b>(367)</b>
<b>Equity holders' effective tax rate</b>	<b>(482.9)%</b>

## Tax in our financial statements continued

### Uncertain tax positions

We may provide for uncertain tax positions, where there is an amount which may become payable to tax authorities. We report these uncertain tax positions in accordance with the relevant IFRS standards.

These provisions are subject to internal review by the Tax Risk Committee and are subject to audit by our Auditors. We may seek third-party validation, in particular where these amounts are material, or there is significant uncertainty.

Where these amounts are material, they are agreed with the Board, disclosed in our Annual report and accounts, and, as required, in relevant tax returns.

### Transfer pricing

We apply arm's length transfer pricing principles to payments between Group companies, ensuring the prices applied are representative of the prices that would have been applied between two independent parties.

The arm's length pricing we apply is in line with our Group transfer pricing approach and from globally accepted standards such as the OECD Transfer Pricing Guidelines, which are applied consistently across all countries we operate in.

Where these transactions arise between two companies in different territories, in addition to applying the local tax laws of the jurisdiction, we may seek third-party advice to ensure those payments are priced correctly.

### Changes to accounting standards impacting the tax we pay

On 1 January 2023, a new global accounting standard, IFRS 17 Insurance Contracts, came into effect. IFRS 17 is an accounting change only, it does not change the underlying economics of our insurance contracts. It does not change strategy, capital generation, solvency or dividends.

Further information on the impact of the introduction of IFRS 17 can be found on our Investor Reporting webpage: <https://group.legalandgeneral.com/en/investors/results-reports-and-presentations>.

IFRS 17 changes the timing of recognition of insurance earnings, and results in more stable and predictable earnings for our insurance products. This impacts the financial reporting and therefore the tax profile of our annuity and life insurance business; there is no change to the financial reporting or tax profile of our asset management businesses.

The new insurance accounting standard delays the timing of profit recognition, particularly on our annuities business, so that profits materialise gradually over the duration of the insurance contract. We are required to apply IFRS 17 to all existing in-force contracts, and the difference between the valuation of insurance contracts under IFRS 17 and the previous insurance accounting standard, IFRS 4, is recognised as a change to shareholders' equity.

At transition on 1 January 2022, shareholders' equity reduced by c.£5.5bn. This primarily reflects the value taken to the balance sheet under IFRS 17 and which is expected to emerge as future profit.

The introduction of this new accounting standard also impacts the tax we pay in the UK. This is because the UK tax regime is based on the IFRS results for the companies in our Group. There is no impact on our USA insurance businesses as the USA tax regime follows different rules.

Our UK businesses have already paid tax on profits that were recognised under the previous accounting standard. This is effectively tax paid 'in advance' because these profits have not yet been recognised under the new accounting standard. We will pay tax on these profits again when they are recognised in future years under IFRS 17.

HMRC consulted widely on how the introduction of IFRS 17 should be treated for tax purposes. The tax regime requires the reduction in equity on transition to IFRS 17 to be treated as a tax credit, which is spread over 10 years. This tax credit has been recognised as a deferred tax asset on the Group's balance sheet at 2023, valued at c.£1.1bn.

This tax credit ensures that we pay tax once, and once only, on the economic profits we make on our insurance businesses. It gives us credit for the tax that has effectively been paid in advance, against our future corporate income tax payments. As a result of this tax paid in advance, the tax credit will reduce our tax payments reported in our Total Tax Contribution over the next 10 years.

# Our tax governance framework



Responsibility for our Group's management of tax risk ultimately rests with the Board, with day to day responsibilities for the implementation of the Group's tax strategy and supporting tax policies resting with the Chief Tax Officer.

Our Tax risk management policy is aligned with the Group's three lines of defence risk governance model, which includes a formal assessment of tax-related risks and a reporting process to ensure that tax risk in the business is managed in line with tax risk appetite. The risk rating of an issue will determine how far it is escalated through the risk governance structure, including ultimately to the Board.

#### How we measure tax risk

Group-wide tax risks are monitored by the Tax Risk Management Committee. This consists of the relevant Tax senior management and the Chief Tax Officer who meet regularly to assess existing and emerging tax risks across the business, covering all taxes. The measurement of tax risk can be both qualitative and quantitative, and is based on the view of qualified and experienced tax professionals within Group Tax. We may seek an external view for any potentially significant risks.

The Committee assess tax risks against a scale, aiming to ensure that all tax risks are well understood and appropriately monitored and managed. The appropriate level of control is determined by the likelihood of the risk event occurring, and the materiality of the risk.

#### How we manage tax risk

Legal & General operates a 'three lines of defence' policy for managing all operational risk, and tax is managed consistently with this. The first line of defence is the operational management of tax risks and the day-to-day management of tax processes. Responsibility for these lies both with our businesses and with Group Tax, where certain obligations are managed centrally. Tax risk is managed by employing appropriately qualified and experienced people in key tax-related roles, with specific tax responsibilities and accountabilities included in their job descriptions, acting under appropriate delegated authorities.

Group Risk provides a second line of defence by providing the tax function, with expert advice in the design and testing of tax-related control frameworks, and risk reporting. Group Tax work closely with Group Risk to ensure an appropriate risk framework is in place for tax matters across the Group, including those operated by our business functions.

Group Internal Audit acts with independence for the last line of assurance and Group Tax can act in support if there is no conflict of interest with Group Tax. Group Financial Crime have responsibility for whistleblowing and reporting procedures related to the facilitation of tax evasion under the corporate criminal offence legislation.

## Our tax governance framework continued

### Our tax risks explained

The key tax risks for the Group, together with acceptable risk level and approach to risk management, are stated below:

Our tax risks	Tax risks explained	Our risk appetite	Our risk management
<b>Tax legislation and other regulations</b>	<p>New tax legislation, changes in interpretation or application of existing tax legislation, changes in tax rates and changes in accounting standards or other regulations, including tax policy, can generate significant tax risks.</p> <p>These changes may result in additional tax costs for the Group and additional complexity in complying with new legislation or regulation.</p>	<p>We may accept and manage tax risk where the Group's interpretation of the application of specific tax legislation differs from a tax authority's, but will not seek to apply an aggressive interpretation of tax legislation outside of what is understood to be intended.</p> <p>For high-value tax risks based on technical interpretation, Group Tax will typically obtain a pre-transaction validation of its technical position from reputable professional tax advisors.</p>	<p>We actively monitor new or changing tax legislation and where appropriate participate in consultations over proposed legislation, either directly or through trade bodies.</p> <p>We actively engage with tax authorities to understand changes in their interpretation of existing tax legislation and seek tax authority clearances on our interpretation where we can.</p> <p>If new legislation is not clear and potentially material to the Group, we will engage with reputable professional advisors to help us gain clarity.</p>
<b>Reputational</b>	<p>Our tax strategy aims to balance the needs of our key stakeholders. However, our stakeholders' expectations on our tax behaviours and those of large corporates generally, are going through a period of unprecedented change.</p> <p>We need to understand these changes and where necessary adapt our tax behaviours to manage any impact on our reputation within our overall Group risk appetite.</p>	<p>We have a very low risk appetite for suffering any detriment to our reputation that may be caused by our approach to, or decisions taken in respect of, taxation. We might take a stronger view with a tax authority to ensure the right outcome for our customers.</p>	<p>We actively work to understand our stakeholders' expectations of us on tax, for example through constructive co-operative working with HMRC, our Investor Relations teams' interaction with shareholders and our discussions with a range of non-governmental organisations, to understand our stakeholders' perspective on tax.</p> <p>Stakeholder influence is factored into the tax decision-making process to ensure we adopt a suitable approach to reputational risk.</p>
<b>Compliance and reporting</b>	<p>Ineffective management of our tax affairs could result in the Group incurring excessive tax costs disproportionate to the Group's results. Errors could be made, resulting in interest and penalty costs, as well as any payments of historical tax due. As well as cash tax due, we may be subject to additional costs related to increased audit activity from tax authorities.</p>	<p>All significant tax risks are reported and monitored in the Group's risk management systems.</p> <p>Accepted tax risks are reported to relevant local risk and compliance committees, and if appropriate, will be passed up to the Audit and Group Risk Committees in line with Group procedures.</p> <p>We have low tolerance for tax risk arising from errors or omissions, late submission of tax returns or late tax payments for routine and established tax compliance obligations.</p>	<p>We actively manage tax risks associated with tax compliance and reporting processes by devoting considerable effort to ensuring that our compliance and reporting obligations are fulfilled using well-designed and controlled processes.</p> <p>We employ appropriately qualified and experienced people in key tax-related roles, with specific tax responsibilities and accountabilities included in their job descriptions.</p> <p>We act quickly to remediate omissions and where applicable disclose adjustments to the relevant stakeholders.</p>
<b>Transactional</b>	<p>Transactional tax risks can be generated through new product releases, corporate transactions or expanding operations into new countries.</p> <p>Failure to understand and effectively manage transactional tax risks could result in additional tax-related costs.</p>	<p>Tax risks for material transactions will usually only be accepted on the basis of full disclosure to, or clearances from, the tax authorities, where possible.</p> <p>We may accept greater levels of tax risk if it is determined as acceptable as part of the overall commercial risk assessment of a transaction.</p>	<p>We actively manage tax risks associated with new transactions, products and countries. We work in partnership with the relevant business areas to understand risk exposures.</p> <p>We mitigate our transactional tax risks by full disclosure to the tax authorities on a real-time basis.</p> <p>Where there is a particularly complicated or significant transaction, we will validate our assessment with appropriate tax advisors.</p>

## Our attitude to tax planning and the use of tax advisors

### Tax planning

Tax law contains claims and elections and a wide variety of options whereby tax matters can be managed efficiently, and where such outcomes are expected and are widely regarded as within the spirit of the law. We will make use of government-endorsed tax claims and elections, or seek to benefit from exemptions or similar mechanisms available within the tax legislation, but we will not undertake transactions whose sole purpose is to create a tax benefit which is in excess of what is generally understood to be intended by tax legislation.

We will undertake tax planning only in the context of wider business activity with a real and commercial basis. Where we have a choice in how to structure a particular transaction, investment, or business, we will structure it in a tax-efficient manner where we have concluded that it is a responsible and sustainable choice which fits with our business and tax strategy, in line with what we understand the intentions of the legislation to be for us, our policyholders and our investors. We do not base our decision on aggressive interpretations of the tax law.

### Engagement with advisors

Legal & General is evolving in an ever-changing economic and regulatory environment. As a result, we engage appropriate external tax advisors to discuss and validate our understanding of the legislation on significant transactions or to provide insight or specialist advice on specific legislation, wider industry practice, or tax authority approach. We also use advisors for compliance or routine activity in some cases or locations where this is more cost-effective or operationally sensible.

Group Tax may receive tax advice from third parties, and we seek to engage appropriately qualified and experienced advisors; we will not engage advisors whose principal business involves the production or distribution of tax-avoidance schemes. We are fully compliant with UK legislation for the Disclosure of Tax Avoidance Schemes (DOTAS), the VAT Disclosure Regime (VADR) and the Directive on Administrative Cooperation (DAC) framework.

## Our interaction with tax authorities and other third parties

### Tax authorities

Legal & General principally operates in the UK; however, an increasing proportion of our business is conducted overseas, particularly with the growth of our USA business. We undertake to apply the same rigorous principles of transparency wherever we do business.

Where possible and practical, for example where a co-operative compliance regime is in place, we will discuss new and complex tax positions with relevant tax authorities in real-time.

For material issues, this is often in advance of the transaction, or for other matters this would generally be before submission of the relevant tax returns. We may request generally available statutory or non-statutory clearances from relevant tax authorities in respect of specific transactions where there is material uncertainty or where the transaction is material to the Group company involved. The complexity of tax law means that we may occasionally disagree with tax authorities on the technical interpretation of a particular area of tax law. We seek to resolve any differences of interpretation with tax authorities in a cooperative manner. In exceptional cases, we may resolve disputes through formal proceedings.

Tax authorities understand that businesses come in different shapes and sizes, and due to the intricacies of existing legislation, new legislation may have unintended consequences. Consultations on legislation with businesses and business groups allows HMRC to shift the burden of considering detailed implications to taxpayers.

We actively participate in these consultations to the extent they impact our business or our customers, either alone or as part of a wider business forum, with the view to improving the quality and relevance of the legislation. By responding to consultations and taking part in business groups, we seek to mitigate any outcomes which we consider to be inconsistent with the policy objective, or to alert tax authorities to unintended consequences.

### Other third parties

Countries' approaches to taxation is increasingly undertaken on a joined-up basis, with harmonisation of requirements facilitated by organisations and bodies, like the OECD. A need for greater tax transparency on a multinational level has led to the OECD Base Erosion and Profit Shifting (BEPS) framework and the EU Directive on Administrative Cooperation (DAC) framework.

We actively monitor developments as recommendations made by these groups are often adopted by tax authorities. Where appropriate, we will respond to consultations on future principles in so far as these could impact us, with the aim of clarifying areas of uncertainty ahead of local implementation.

In preparing this report, we look at various reporting standards, published by investor bodies relating to tax transparency, to ensure our disclosures remain aligned with the expectations of our shareholders, investors and the wider public, for large corporate groups. We may take part in investor surveys where these relate to tax transparency or wider Environmental, Social and Governance (ESG) objectives.



# Demystifying tax – useful terms

## Corporate income tax (paid)

The tax we pay on the profits we earn.

## Withholding tax (paid)

The tax we pay on our overseas investment income.

## Property taxes (paid)

The taxes we pay on properties and infrastructure we hold as investments and use in our businesses, including business rates, and taxes on transactions when properties are bought and sold.

## VAT (paid and collected)

The tax charged on the services we provide, less VAT we can recover on the goods and services we buy.

## Payroll taxes (paid and collected)

The taxes we pay on wages earned by employees and collect from employee wages on behalf of Governments – primarily PAYE and National Insurance contributions (NIC) in the UK.

## Product-related taxes (paid and collected)

The taxes on our products, including income tax collected on pension business and payments to annuity holders.

## Transactional (stamp) taxes (paid)

The tax paid on legal transactions in regard to the properties and shares we buy.

## Deferred tax

Deferred tax is a tax which is or may become payable in the future and arises on differences between our taxable profits and accounting profits.

## Cash tax

The amount of tax we pay to the tax authorities based on what is reported in the corporate income tax computation both in the UK and overseas.

## Co-operative compliance

The continued development of our relationship with tax authorities, primarily HMRC in the UK, and the overseas tax authorities where we have a tax presence.

## Transfer pricing

The determination of prices charged for transactions performed between our related companies in the Group.

## Global minimum tax – top up tax

The rules applying from 1 January 2024 to all our businesses globally to ensure we pay a minimum effective tax rate of 15% in each jurisdiction we operate in.

This document, published by Legal & General Group Plc on 15 March 2024, complies with its duty under paragraph 16(2) of Schedule 19 of Finance Act 2016 to publish a group tax strategy for the year ended 31 December 2023.

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