Fair Tax Mark Statement of Ethical Investors (UK) Limited (October 2020)

This statement of Fair Tax compliance was compiled in partnership with the Fair Tax Mark and certifies that Ethical Investors (UK) Limited ("the Company") meets the standards and requirements of the Fair Tax Mark's UK Small Business Standard.

Tax Policy

The Company is committed to paying all the taxes that we owe in accordance with the spirit of all tax laws that apply to our operations. We believe that paying our taxes in this way is the clearest indication we can give of being responsible participants in society. We will fulfil our commitment to paying the appropriate taxes that we owe by seeking to pay the right amount of tax, in the right place, and at the right time. We aim to do this by ensuring that we report our tax affairs in ways that reflect the economic reality of the transactions that we undertake in the course of our trade.

We will not seek to use those options made available in tax law, or the allowances and reliefs that it provides, in ways that are contrary to the spirit of the law. Nor will we undertake specific transactions with the sole or main aim of securing tax advantages that would otherwise not be available to us based on the reality of the trade that we undertake. The company will never undertake transactions that would require notification to HM Revenue & Customs under the Disclosure of Tax Avoidance Schemes Regulations or participate in any arrangement to which it might be reasonably anticipated that the UK's General Anti-Abuse Rule might apply.

We believe tax havens undermine the UK's tax system. As a result, whilst we may trade with customers and suppliers genuinely located in places considered to be tax havens, we will not make use of those places to secure a tax advantage, and nor will we take advantage of the secrecy that many such jurisdictions provide for transactions recorded within them. Our accounts will be prepared in compliance with this policy and will seek to provide all the information that users, including HM Revenue & Customs, might need to properly appraise our tax position.

Reporting

The Company is a private limited company, incorporated in 1993, with the principle activity of providing ethical independent financial planning advice – to those who wish to combine their investment needs and personal values when investing their money.

The owners of the Company, with more than 10% shareholding, are as follows:

Lee Coates – 50.0% with 100 Ordinary shares; and
Michael Head – 19.5% with 39 Ordinary B shares.

In 2019, directors' remuneration – which includes gross salaries, employer's national insurance contributions, and employer's pension contributions – amounted to £97,129.

Reporting (continued)

The registered office address of the Company is Formal House, Third Floor, 60 St Georges Place, Cheltenham, Gloucestershire, GL50 3PN, which is also the trading address.

The average net profit before tax over the three years 2017 to 2019 was £170,155. The average current tax charge over the three years 2017 to 2019 was £35,146 (20.66%). The average expected current tax charge over the three years 2017 to 2019 was £32,637 (19.18%). The reason that the current tax charge for the Company is more than what would be expected, is explained below in the following current tax and total tax reconciliation with accompanying narratives:

	£
Average profit before tax	170,155
Average expected corporation tax (19.18%)	**32,637**
1. Depreciation in excess of capital allowances	1,915
2. Disallowable expenses	381
3. Chargeable gains	213
Average current tax charge (20.66%)	**35,146**
Average deferred tax credit	(18)
Average total tax charge	**35,128**

As at 30 September 2019, the Company had no deferred tax assets or liabilities on the balance sheet. The average deferred tax credit to the income statement, relates to the year ended 30 September 2017. In 2018 and 2019, there were no movements in deferred tax expensed or credited to the income statement.

1. **Depreciation in excess of capital allowances** – The accounting treatment of capital assets is that they are depreciated over the asset's useful economic life. This depreciation is expensed in the accounts and usually does not agree with what the tax treatment on those assets should be. This is because each asset should be depreciated according to its useful economic life (which can vary between assets) whereas capital allowances – are set rules in tax law – applied to the type of asset rather than the economic life of the asset (generally speaking). However, these differences between depreciation and capital allowances are only timing differences, as eventually, the accumulative depreciation and the capital allowances claimed will equal one another.

2. **Disallowable expenses** – some business expenses, although entirely appropriate for inclusion in the reporting entity's accounts, are not allowed as a deduction against taxable income when calculating the tax liability. Examples of such expenses are: client entertaining; fines and penalties; and capital expenditure (which is subject to capital allowances instead).

3. **Chargeable gains** – similarly with depreciation, the accounting treatment of the disposal of assets, is calculated and presented differently than the tax treatment. Any gains or losses in the accounts are usually based on the sale amount less the value of the asset in the accounts. The value of the asset in the accounts can be influenced by depreciation etc. – which is ignored (as above) by the tax treatment and instead replaced by capital allowances. In general, capital allowances would cover any gains or losses up to the original cost of the asset. If, however, the sale proceeds for the asset exceeded the original cost, then this would be taxed as a chargeable gain – separate to trading profits.