Additional Tax Information Note

Scottish Widows Schroder Wealth Holdings Limited

Year Ended 31 December 2022

The audited statutory accounts for Scottish Widows Schroder Wealth Holdings Limited are available at Companies House. The statutory accounts include detailed tax disclosures for the group. This additional tax information note provides an enhanced reconciliation of current and deferred tax for Scottish Widows Schroder Wealth Holdings Limited and its subsidiaries ("the Group").

Consolidated Income Statement (per statutory accounts)	31-Dec-22 £'000	31-Dec-21 £'000
Revenue	138,485	138,353
Cost of sales	(12,833)	(16,526)
Gross Profit	**125,652**	**121,827**
Other income	0	12,395
Administrative expenses	(123,781)	(116,388)
Exceptional income	0	881
Net interest expense	(435)	(643)
Profit before tax	**1,436**	**18,072**
Taxation charge	(110)	(1,716)
Profit after tax	**1,326**	**16,356**

Tax Reconciliation	31-Dec-22 £'000	31-Dec-21 £'000
Profit before tax per accounts	1,436	18,072
Expected tax charge (19.0%)	**273**	**3,434**
Expenses not deductible for tax purposes	29	39
Depreciation in excess of capital allowances	90	132
Amortisation not deductible for tax purposes	1,187	1,229
Non-taxable income	0	(2,355)
Transfer pricing adjustment for services received	0	(4,085)
Movement in provisions utilised	(386)	(780)
Fair value movements	(9)	0
Chargeable gain/(loss) on disposals	(3)	4
Trading losses carried forward as DTA	0	2,382
Current Tax Current Year	1,181	(0)
R&D tax credits	54	(247)
Prior year adjustment to loss utilisation	1,848	370
Total Current Tax charge per accounts	**3,083**	**123**
Movements in deferred tax current year	(961)	4,406
Prior year adjustments to deferred tax for loss utilisation	(2,012)	(2,814)
Total Current and Deferred Tax charge per accounts	**110**	**1,715**

We provide this additional information to meet the standards and requirements for the Fair Tax Mark certification provided by the Fair Tax Foundation. We are extremely proud to be a member of the Fair Tax Foundation. One of the key principles of which is adequate and open disclosures. The requirements of the Fair Tax Foundation are more extensive than those for the tax disclosures in statutory accounts; our statutory accounts meet a statutory standard and are approved by our auditors.

The consolidated profit before tax for the year ended 31 December 2022 was £1,435,279 (2021: £18,072,000), while the total tax charge for the year was £110,000 (2021: £1,716,000). This comprised of a current tax charge of £3,082,999 and a deferred tax credit of £2,973,001.

The expected current tax charge for the year at a UK headline tax rate of 19.0% was £272,703. The reason that the actual current tax charge for the Group varies from what would be expected is explained in the tax reconciliation above with accompanying narrative:

Explanatory notes:

In 2022, the most significant reasons for the current tax charge being more than expected were;

- A non-deductible amortisation expense for client intangibles. Similar to depreciation, the accounting treatment of intangible assets can differ from the rules set out in tax law. SPW amortises it's client intangible asset in accordance with its useful economic life. When it comes to calculating taxable profits, however, the amortisation expense may be disregarded and replaced by tax law – which can depend on a variety of factors, such as: the type of intangible asset; when it arose; whether it was internally generated or acquired through an acquisition, etc.
- Depreciation in excess of capital allowances – the accounting treatment of fixed assets differs from the tax treatment. For accounting purposes, fixed assets are depreciated over their useful economic lives. For tax purposes, there are specific rules to what can, or should, be claimed. The differences between these treatments creates a tax adjustment.
- Movement in provisions utilised – tax relief for certain expenses is given on a paid or utilised basis so if there is an accrual in the accounts for these expenses that is not yet paid or utilised this will be adjusted for in computing the taxable profits/losses of a company.
- Research and Development (R&D) tax credits – R&D tax relief supports companies that work on innovative projects in science and technology. It can be claimed by a range of companies that seek to research or develop an advance in their field. There are different types of R&D relief, depending on the size of the organisation. SPW is classed as a large company and therefore can claim a 13% tax credit on qualifying costs.
- A prior year adjustment relates to the utilisation of losses and a corresponding balancing payments to joint venture shareholders which arose between when the statutory provisions were prepared and when the returns were filed for the year ended 31 Dec 2021.

In 2021, the most significant reasons for the current tax charge being less than expected was non-taxable income and transfer pricing adjustments for services received. The non-taxable income was capital in nature and was entirely appropriate for inclusion in the accounts, but is not regarded as taxable income. Compensating transfer pricing adjustments were deductible expenses and reflect an arm's length transaction prices for services received from a related UK parent company.