

Lodha Developers UK Large Business Tax Strategy Year to 31 March 2022

Lodha Developers UK (henceforth LDUK) is the UK subsidiary Group of Lodha, an India-based residential property developer. The LDUK Group comprises 14 limited entities, all subject to the considerations within this tax strategy.

This tax strategy is reviewed annually by the Chief Financial Officer and was most recently signed off by the Directors of LDUK on 15th March 2021. References to “UK taxation” are to taxes and duties in the UK comprising all direct and indirect tax, employment taxes and other taxes applicable to a property development company.

In line with section 161 of the Finance Act 2016 the LDUK tax strategy considers the following requirements:

- 1) The Group's approach to risk management and governance arrangements in relation to UK taxation,
- 2) The attitude of the Group towards tax planning,
- 3) The level of risk in relation to taxation that the group is prepared to accept and,
- 4) The approach of the Group towards its dealings with HMRC.

Business Background

Founded in 1980, and after almost 40 years of growth, today Lodha is one of the world's most prolific property developers. We have a passion for design and handpick internationally renowned experts in their field in order to deliver developments of exceptional quality. Our tax strategy and strategic objectives are designed to establish a transparent approach to tax reporting and compliance with all laws in the jurisdiction in which we operate. Our strategy is to ensure that all tax obligations are complied with and that tax risks and taxes are managed consistently for any of our projects.

We have recently completed Lincoln Square and have been handing over units in Grosvenor Square. A further development is under construction in Kensington.

Approach to Risk Management and Governance Arrangements for UK Taxation

As a residential developer with a medium term investment time horizon LDUK has a low appetite for tax risk and does not engage in any tax avoidance schemes with either suppliers or customers. LDUK's view is that all tax risks must be consistently managed for all projects to ensure that tax obligations are complied with as they arise.

Day to day management of UK tax affairs is conducted by the UK finance team in conjunction with external advisers and the Group finance team. The UK finance team reports to the UK CFO who is responsible for LDUK's tax affairs and who in turn reports to the UK Board of Directors. LDUK seeks to accurately monitor the level of tax risk arising both from its ongoing operations and from new or amended legislation.

Appropriate internal processes have been implemented for the business units to follow to mitigate as far as possible the tax risks that can arise at an operational and transactional level for a residential developer.

Identified operational and transactional risks primarily consist of:

- Clarity on LDUK's primarily zero rated supplies for the purposes of VAT,
- The application of VAT legislation to supplier invoices as far as supplies relate to the minimal non-zero rated elements (primarily commercial units),
- Application of the CIS,
- Material local government levies through either s106 or CIL,
- Brexit related taxation considerations for EU supplies and,
- Any other new, evolving or relevant legislation.

LDUK employs third party specialists, principally (but not limited to) Lubbock Fine LLP, to advise its finance team on tax related affairs and where relevant liaise with HMRC on matters where specific taxation knowledge is required or there are multiple possible solutions from a taxation perspective. Lubbock Fine LLP also act as auditors to LDUK, reducing tax risk arising from mismatching accounting and taxation treatments.

Identified risks managed consistently by the UK finance team are primarily:

- Application of employee and employer taxes, insurances and levies,
- Business rates as applicable to any occupied commercial property,
- VAT returns, recoveries and liabilities,
- Management of payment agreements and liabilities,
- Corporation tax computations and liabilities,
- The application of Corporate Interest Restriction (CIR) legislation and the calculation of applicable group ratios and,
- Monitoring of new or evolving tax legislation and the general tax environment that potentially could impact LDUK.

Attitude of the Group towards tax planning

LDUK does not engage in artificial tax arrangements; outcomes are consistent with commercial realities. LDUK does not proactively consider aggressive tax planning and takes external advice for all matters. Tax matters that are part of the normal ongoing course of business are reviewed by our advisors once compiled and actioned only once any required changes are made. Tax matters outside the normal course of business are consulted on with external advisors in the first instance.

Our tax strategy is designed to establish a transparent approach to tax planning, focusing on ensuring compliance with all requirements and regulations whilst remaining aware of potential forthcoming changes to regulations as far as available information allows. The ultimate objective of the tax strategy is to support the business in delivering its projects by organising our tax affairs in a legally compliant, responsible and efficient manner that is as straight forward as possible to reduce risk of error.

LDUK conducts tax planning to ensure utilisation of all available tax reliefs and allowances to the fullest extent intended by HMRC and statute.

Acceptable Levels of Tax Risk

As noted above LDUK regularly reviews tax risks and controls as overseen by the CFO. Our policies and governance framework operate to ensure compliance with tax laws and regulations to ensure we identify and mitigate operational and computational tax risks.

The result of the LDUK tax strategy is that tax risk is reduced primarily to the level the Group is prepared to accept: tax rate risk.

There will be areas of taxation where judgment is required and choices are available. The uncertainty arising from the interpretation and application of complex taxation laws and regulations gives rise to further tax risk which the LDUK strategy seeks to mitigate through advice of professional advisors and transparency with HMRC where specific tax treatments require either engagement or clarification.

Our Approach to Dealings With HMRC

LDUK aims to be transparent and co-operative with HMRC. We have a positive and open relationship that has benefited from having a dedicated point of contact at HMRC in the form of a customer relationship manager. This open dialogue has significant benefits in clarity of communication as opposed to dialogues conducted through advisors.

Whilst we recognise that there may be differences of opinion with HMRC on legal interpretation, our aim is to engage positively to bring matters to a rapid and mutually agreed conclusion where possible.