

Priory's approach to tax

Introduction

The Priory Group, which also incorporates the Partnerships in Care Group, is the leading independent provider of behavioural care in the UK and is part of the Acadia Group, one of the leading providers of behavioural care in the World

We organise ourselves into three divisions – healthcare, education and children's services, and adult care services – which together support the needs of more than 30,000 people every year.

Our primary purpose is to make a real and lasting difference for everyone we support. We also strive to be a responsible corporate citizen and a good employer.

Our business activities generate a substantial amount and variety of taxes. We pay taxes including corporate income tax, stamp duties, insurance premium tax and business rates. In addition we collect and pay Pay As You Earn income tax and National Insurance for our employees, as well as indirect taxes such as VAT.

Priory is committed to complying with tax laws in a responsible manner and to having open and transparent relationships with Her Majesty's Revenue and Customs (HMRC).

Priory's approach to tax has been endorsed at Board level and has approval from both the UK senior management team and the wider management team at Acadia in the USA. Our approach to tax, which applies to all UK entities in the Priory Group, can be summarised as follows:

Governance and Risk Management

We have robust internal policies and processes to ensure that we meet our tax obligations. Our approach to tax is owned by the Group Tax Director and is approved and overseen by both the UK Operating Board and the main Acadia Board in the USA.

We actively seek to identify, evaluate, monitor and manage tax risks. Where there is significant uncertainty or complexity in relation to a risk we may seek external advice. In addition, we may obtain advance clearance from HMRC, where appropriate, regarding the tax treatment of certain transactions.

The Group Tax Director and Group Finance Director (who is also the group's Senior Accounting Officer) are key to ensuring that the tax strategy is achieved and report to the Boards in the UK and the USA on the tax consequences of all significant commercial transactions.

As a UK business under the ownership of a publically listed American company, we are required to comply with the requirements of the Sarbanes-Oxley Act in respect of corporate governance. We work closely with both external advisers and internal audit teams in the UK and the USA to ensure that our approach to tax is embedded within this compliance process.

Priory's Attitude To Tax Planning

We ensure that our tax planning is efficient, aligned with our business activity and clearly within the boundaries of the UK tax legislation, with tax being one of the factors involved in making business decisions. Where appropriate, we take steps to reduce our tax liabilities by claiming available allowances, deductions and reliefs. We do not engage in artificial or contrived tax planning arrangements.

We may seek external advice to audit our systems and controls across all taxes, to provide advice on significant transactions and to help us to assess the impact of new tax legislation or changes to existing tax policy.

Tax Risk Management at Priory

We have a low tolerance towards tax risk. Our attitude is governed by the Board's objective of retaining our low risk rating with HMRC and with regard to the reputation, integrity and status of the group.

Priory is also committed to paying the right amount of taxation in the UK when it falls due; fulfilling the requirements of the Senior Accounting Officer regime to ensure we have appropriate tax accounting arrangements and ensuring that we meet all UK tax obligations.

We have dedicated in-house resource, within both the tax and finance functions to ensure that tax risk management is embedded within the wider risk management framework of the group.

Working with HMRC

We maintain an open, transparent and collaborative approach to our dealings with HMRC. As a large business in the UK, Priory is assigned a customer relationship manager (CRM) within HMRC. We engage with them on a real-time basis in order to minimise tax risk.

We meet with HMRC at least annually to discuss, in real-time, business performance and any transactions which may have a significant tax impact. This ensures HMRC have up-to-date information on the Group, without needing to wait for tax return submissions and gives Priory a degree of certainty over HMRC's interpretation of the tax submissions we make.

We also correspond regularly with HMRC by phone and e-mail on day-to-day tax issues, as and when they arise.

Summary

It has been a priority for Priory over recent years to build our tax strategy and risk management framework. We are committed to investing sufficiently in internal resource and external advice where appropriate, to ensure tax remains high on the corporate agenda for our group.

The UK Group covered by this statement is headed by PIC UK 1 Limited and includes the businesses of both the Priory Group and the Partnerships in Care Group.

The Group regards this publication as complying with the duty under para 19(2), Schedule 19, Finance Act 2016.

This statement is published in December 2017 and relates to the accounting period ended 31 December 2016.