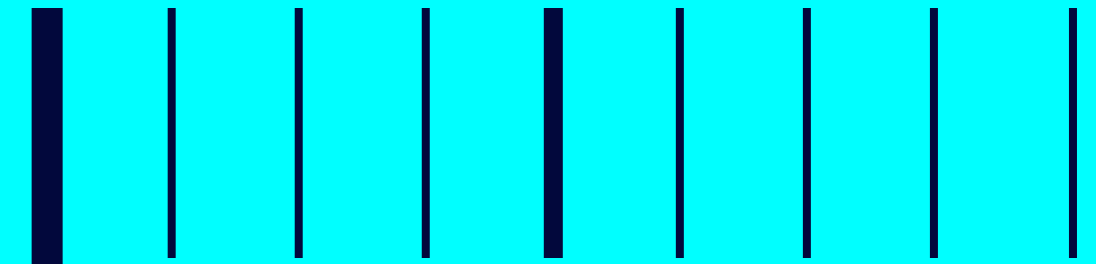


Country-by-country taxation report

For the accounting period ended 31 December 2022 (FY2022)





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About Capita

Capita is a leading provider of business process services, driven by data, technology and people. Every day our colleagues help millions of people by delivering innovative, digitally enabled solutions to transform and simplify the connections between government and citizens, businesses and customers.

We partner with our clients and provide the insight and technologies that give time back, allowing them to focus on what they do best and making people's lives easier and simpler. We operate across two divisions – Capita Public Service and Capita Experience – in the UK, Europe, India and South Africa.



Our divisions

Capita is split into two core growth divisions focused on distinct market and client needs:

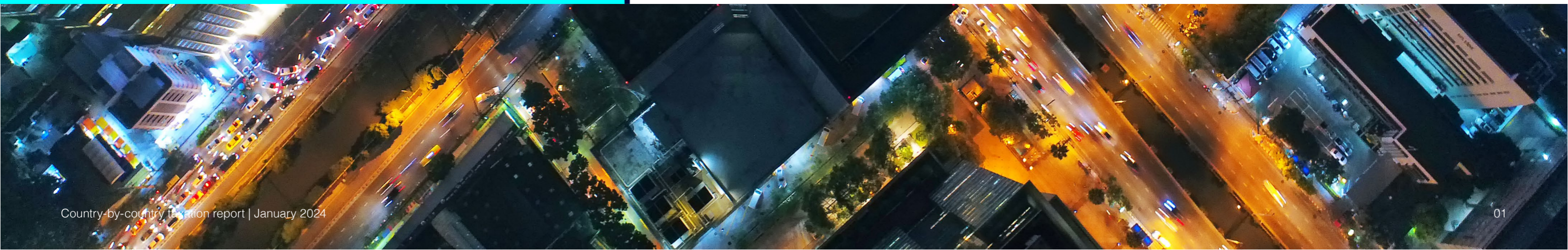
- **Public service** – the number one strategic supplier of business process services (BPS) and technology services to the UK Government. Main verticals: Education & Learning; Local Public Services; Health & Welfare; Defence, Security & Fire; Justice, Central Government and Transport.
- **Experience** – the UK's leading customer experience business with a blue-chip client base designing, transforming and delivering high-quality customer service. Main verticals: Telecoms, Media & Technology; Multi-industry; Financial Services.



Our geography

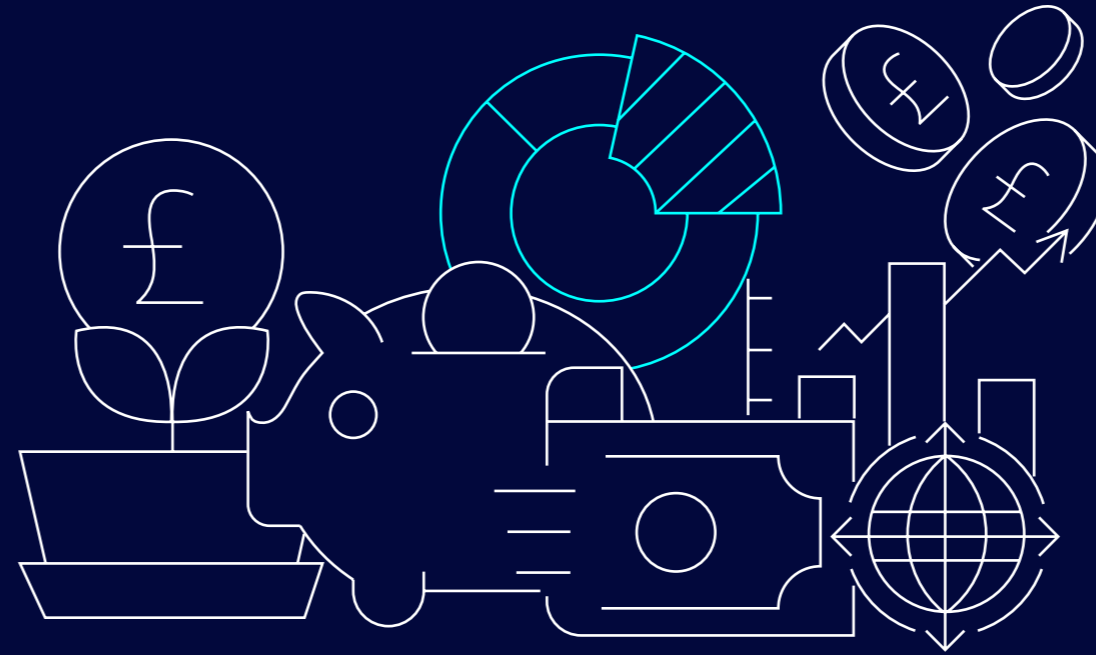
Capita is predominantly a UK-based group, with all main operations and trading in the UK. Outside of the UK, Capita has trading operations mostly in Ireland, Switzerland, Isle of Man and Germany. Capita also operates through a number of global delivery centres (GDC) based in Poland, South Africa, India and Bulgaria. These are primarily intragroup services providing entities with minimal third-party trading.

The group has around 100 trading legal entities, which are mostly self-contained and came to be through a significant historic period of acquisition activity. This was countered by the group's recent Portfolio division divestment programme. The sale of Fera Science Limited marks the successful end of non-core disposals from Capita's Portfolio division as part of a strategy to simplify and strengthen the business around two core markets. We are conducting an ongoing legal entity rationalisation exercise to further simplify the group structure around the two remaining trading divisions. The trading entities generally employ their own staff and contract with customers and suppliers on their own account. As such, these entities undertake their own activities, use their own IP and assets, assume and take their own risk.



Our headline group reported figures

Accounting period to 31 December 2022



£3,014.6m

Reported revenue



£2,953.2m

Expenditure



£61.4m

Reported profit before tax



£(14.6)m

Total reported corporate tax credit

This differs from the CBCR table below (page 3) as it includes deferred tax and prior year adjustments



£7.9m

Corporate income taxes paid

Corporation tax paid includes £2.9m taxes withheld on cross-border trading receipts



(23.8)%

Effective tax rate

Explanations of the ETR are included in the tax notes (2.6) of FY2022 annual report

Our tax strategy

Our published responsible tax strategy document covers our global approach to taxation.

We regularly review our tax strategy to ensure it delivers better outcomes for society and our stakeholders while maintaining transparency, fairness and ethical conduct. Our detailed tax strategy can be found on our website: **Tax Strategy (capita.com).**

We complied with this strategy throughout FY2022.



Capita values are aligned to the Fair Tax principles of corporate tax fairness, ethics and transparency. Therefore, we work towards retaining our Fair Tax certification for recognition that we are proud to pay our fair share of corporation tax.

FY2022 country-by-country reporting

This is the third year in which we have published our country-by-country reporting which shows the income tax we have paid globally.

The table provides a jurisdictional split of our consolidated accounting numbers under IFRS, on an aggregated basis.

Country	Third-party revenue	Intragroup revenue	Total revenue	PBT/(LBT) ¹	Current tax charge / (credit)	Corporate income tax paid / (received)	Indirect tax paid / (received) ²	Employment tax paid / (received) ³	Average no. of employees ⁴
UK ⁵	2,705.4	544.3	3,249.3	(53.8)	7.2	(0.6)	330.1	403.3	32,560
Germany	130.3	(1.2)	129.1	(7.5)	0.2	0.2	18.7	43.2	4,187
Ireland	71.2	3.0	74.7	87.4	0.4	2.2	8.4	8.5	1,209
USA	2.2	0.1	2.4	0.8	0.2	0.2	0.0	0.3	9
Isle of Man	13.2	0.0	13.2	3.9	0.0	0.0	0.0	0.4	54
Switzerland	81.9	0.0	82.0	6.3	0.7	1.2	4.8	8.5	1,076
UAE	0.4	4.0	4.4	1.0	0.0	0.0	0.0	0.0	101
India	9.8	74.9	84.6	13.1	3.5	3.3	(1.0)	9.9	6,443
South Africa	0.2	46.9	47.1	7.4	1.8	1.5	(0.7)	3.7	4,892
Poland	0.0	12.9	12.9	1.7	0.1	0.1	(0.3)	3.4	651
Bulgaria	0.0	0.6	0.6	0.1	0.0	0.0	(0.0)	0.1	18
Cyprus	0.0	0.0	0.0	1.1	0.2	0.1	0.0	0.0	0
Group total⁶	3,014.6	685.6	3,700.2	61.4	14.1	8.0	360.1	481.3	51,200

¹ PBT excludes discontinued operations but includes specific items such as impairment charges and significant restructuring expenditure.

² Net input and output taxes paid, including irrecoverable VAT. GDCs are in a VAT-recoverable position due to the offshore services being 0% VAT exports.

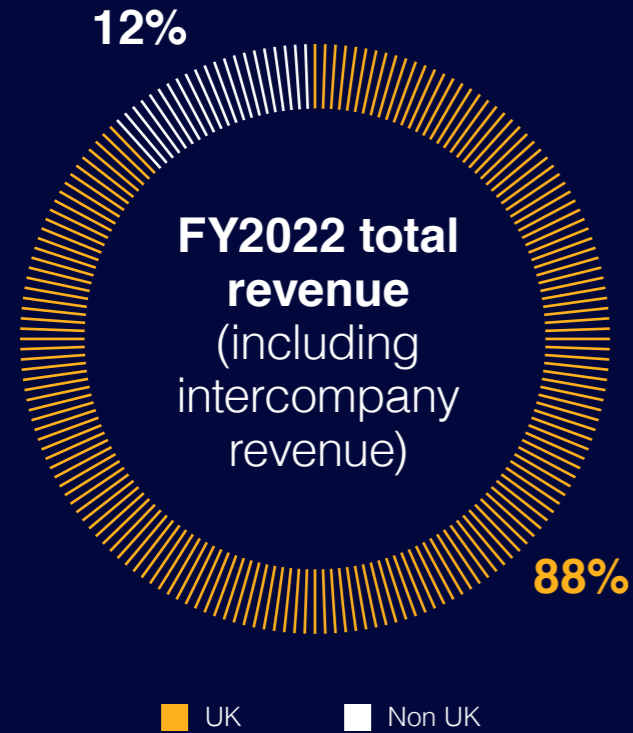
³ Difference in proportion of employment taxes driven by either higher/lower social security rates (Germany and Isle of Man) or salary levels (US, South Africa and India).

⁴ The average number of employees above reflects continuing operations. It excludes those employees relating to discontinued operations.

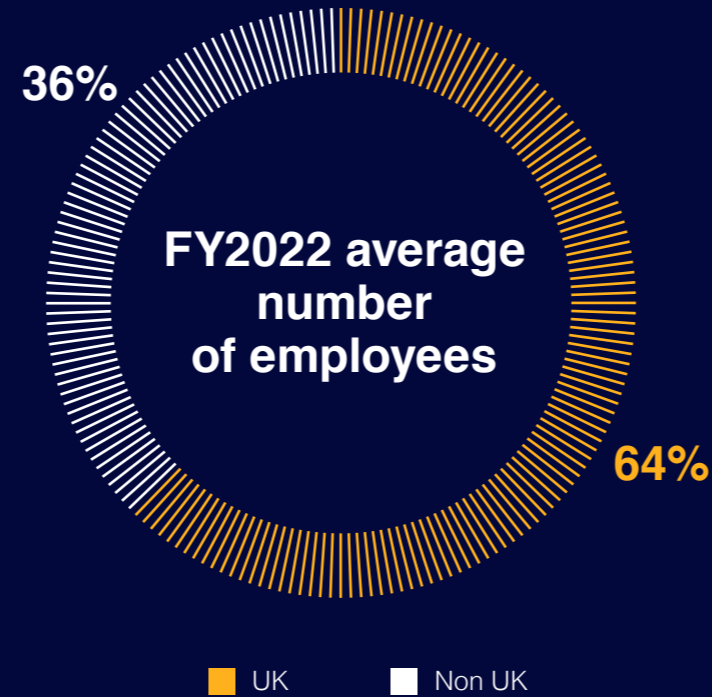
⁵ Group consolidation adjustments are generally included in the UK balances, as these adjustments are mainly for UK group reporting purposes.

⁶ We conduct no material activity in other jurisdictions, with many being wound down or considered for closure, further details can be found below (page 13).

FY2022 country-by-country reporting

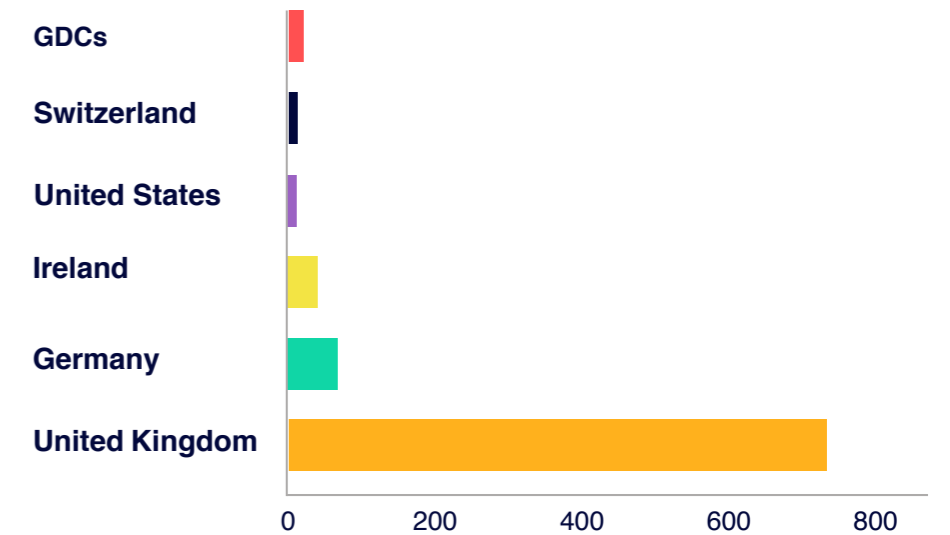


We continue to generate the majority of our external revenue in the UK; **90% in FY2022.**



We are a people-focused business, built around **50,000 skilled and committed employees** who have a deep understanding of our clients' markets and needs. Most of Capita's employees are located in the UK.

FY2022 total tax paid – £m



Most of the taxes we paid arose in respect of **operations in the UK** (c. 86%), with the remainder relating to our other countries of operation.



Primary trading location (UK)

We are mostly a UK group, with our main operations and trading in the UK. Capita is part of the fabric of UK society. We are the UK's leading provider of business process management and integrated professional support service solutions, with over 32,000 employees across the country.

We believe we have a responsibility as a corporation to contribute our fair share to society, with a UK tax contribution of almost £760m for FY2022. This is made up of:



£152.8m

of taxes **borne**, paid to the UK Government funded from our profits and included in our financial results as they represent a cost: e.g., irrecoverable VAT, corporation tax, employer NICs.



£604.3m

of taxes **collected**, generated from business activity and collected on behalf of the UK Government.

These are not a cost to the company but generated by our commercial activity, e.g., PAYE and net VAT.

Notes:

While many UK colleagues work remotely, our primary UK trading address and registered office is 65 Gresham Street, London EC2V 7NQ.

Our Guernsey incorporated company is tax resident in the UK and is included in the UK data for the purposes of this CBCR data.

The statutory accounts for all actively trading UK entities are filed with companies' house and are publicly available.

People / Employment taxes		£m
PAYE settlement agreement	Borne	0.8
Employers NIC	Borne	124.8
Apprenticeship levy	Borne	5.8
PAYE	Collected	192.5
Employee NIC	Collected	80.5
		404.2

Employment taxes were the largest part of total taxes borne and collected for Capita UK companies in FY2022.

Production taxes		£m
Output VAT	Collected	633.3
COVID VAT deferral	Collected	14.9
Input VAT	Collected	(317.2)
Irrecoverable VAT	Borne	15.0
		346.0

Irrecoverable VAT arises when input VAT cannot be reclaimed by Capita companies that provide services or products that are exempt from VAT.

We considered the Covid support measures offered by the UK Government, utilising the Job Retention Scheme and the VAT payment deferral scheme which benefitted the Group by £119m in FY2020. This VAT was paid during FY2021 and FY2022.

Profit taxes		£m
UK corporation tax	Borne	(2.6)
		(2.6)

In complying with accounting changes that arose on adoption of the revenue recognition accounting standard, Capita suffered significant tax losses in FY2017 and FY2018, which impacted future years' tax payments.

In FY2022 Capita received net tax refunds mainly in respect of R&D expenditure credit claims.

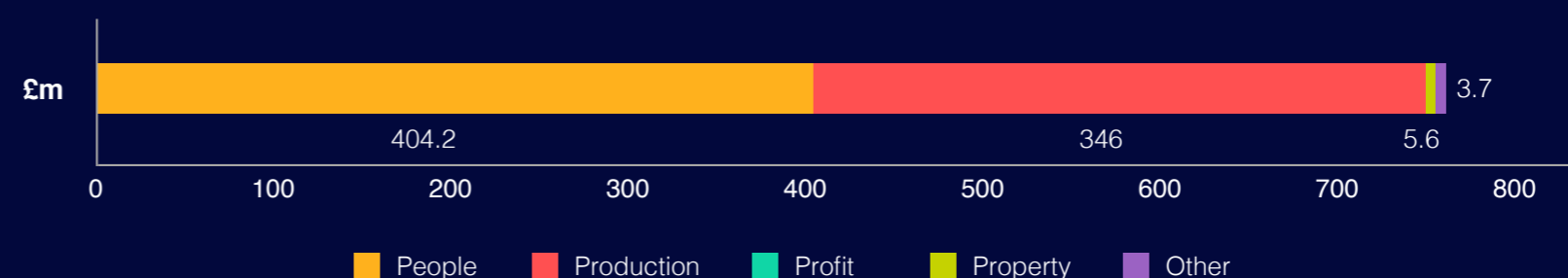
Property taxes		£m
Business rates	Borne	5.4
Stamp duty land tax	Borne	0.2
		5.6

Business rates are paid on ownership of property based on the rateable value of the property and a specific multiplier.

Capita continues to simplify our property footprint with further consolidation during FY2022 with 19 locations closed globally; as such we would expect business rates to continue to decrease.

Other taxes		£m
Insurance premium tax collected	Collected	0.3
IPT borne on insurance contracts	Borne	1.7
Fuel duty	Borne	0.9
Vehicle excise duty	Borne	0.2
Climate change levy	Borne	0.6
		3.7

FY2022 UK tax contribution





Other trading locations

We also have trading operations in other jurisdictions. Our companies in these countries are supported by both onshore and nearshore delivery centres. Capita group trading companies, with assistance from UK Group Support Services, are primarily responsible for identifying prospective customers by undertaking market research and utilising leads.

In addition to being responsible for identifying potential/prospective customers, Capita group trading companies are also responsible for identifying business opportunities, contacting the potential /prospective customers, making presentations before potential customers and convincing them of the strengths and capabilities of Capita group. Capita group trading companies are also responsible for negotiating, concluding and executing contracts with customers in their own names. On conclusion of such contracts, part of the delivery of services may be subcontracted to Capita global delivery centres.



Germany

- Capita has a solid foothold in the customer experience market in Germany, with over **4,000 employees** operating out of three legal entities.
- In FY2022 our Experience business was one of western **Europe's leading** customer experience businesses, ranking fifth in Germany.
- German companies are subject to both corporation and trade tax. Corporation tax is levied at 15% and subject to solidarity surcharge of 5.5%; the trade tax rate is a combination of base rate 3.5% and a municipal tax rate. The German tax rate can therefore be **up to 33%**.
- While we have tax losses in Germany from historic trading, German companies are subject to a loss utilisation restriction rule, whereby 40% of profit in excess of €1m can't be **sheltered by tax loss carry-forwards** and is subject to taxation at regular rates.
- Operating entities: Capita West GmbH, Capita Customer Services (Germany) GmbH, Capita Energie Services GmbH (Capita owns 50.1%)



USA

- Capita has **diminishing trading activity** in the US, with recent divestment activity.
- The US has a federal and a state tax system. The **federal tax rate is 21%**, while tax rates vary from state to state from 1% to 12%. State taxes are deductible for federal tax purposes.
- US payroll taxes only relate to ThirtyThree USA Inc
- Capita has the following companies in the US:
 - Capita (USA) Holdings Inc.
 - Capita Retain (USA) LLC (disposed in July 2023)
 - ThirtyThree USA Inc (disposed in May 2023)

Capita CTI (USA) LLC and CAS Services US Inc are dormant entities in scope for liquidation. Clinical Solutions Group (International) LLC was dissolved in September 2023.

Optilead Inc is shown as in liquidation in the FY2022 annual report but the company was dissolved in 2021.





Low-tax jurisdictions

Capita also has some trading activity in jurisdictions considered to be tax havens, based on their inclusion in the Fair Tax Foundation: Tax Haven Listing.

We do not use tax havens for tax avoidance purposes and all presence in these areas is driven by commercial reasons. Capita does not operate in any of the jurisdictions deemed by the European Commission to be “non-cooperative”.



Ireland

- Capita is the **market-leading customer experience business in Ireland**, interacting with over 4.5m people across the country annually. Capita Experience serves a breadth of markets in Ireland – across financial services, telco, tech, media and multi-industry.
- Capita has seen reduced activity in Ireland since the sale of our AMT Sybex business in 2021 but in 2022 we appointed a new director to lead our Experience operations and growth strategy in Ireland.
- Our Irish companies are generally **taxable at 12.5% on their worldwide profits** but the CBCR table suggests a lower ETR due to the c£86m of Irish profit related to the accounting gain on disposal of the AMT Sybex business. This gain was exempt from tax due to the Irish participation exemption. C£1.4m of adjusted underlying profits of the Irish sub-group (excluding the gain) results in an Irish effective current tax rate of c28%. This is higher than the statutory rate due to non-deductible expenses adjusted from accounting profits (e.g., depreciation, amortisation and impairments) which are not equally matched by available tax relief on the fixed assets.
- Capita companies **suffer PSWT** in Ireland. Double tax relief is available.
- We currently operate out of four businesses in Ireland: Capita Business Support Services Ireland Ltd, Capita Ireland Ltd, Capita IB Solutions (Ireland) Ltd (disposed in July 2023), Capita Customer Solutions Ltd.

Capita (210568) Ltd is currently dormant and in scope for liquidation.



Switzerland

- Capita Swiss operations provide **third-party customer management services** out of two legal entities: Customer Services AG and Telag AG.
- The Swiss effective tax rate for Capita companies is between **13% and 19.7%**, depending on the canton.



Isle of Man

- Local employees deliver **back-office insurance administration services** to third parties via Capita Life & Pensions Services (Isle of Man) Limited.
- This primary client contract for the company ceased in March 2023, so we intend to put the company into **liquidation in the foreseeable future**.
- The Isle of Man has a **0% corporation tax rate**.



United Arab Emirates

- Capita trading in UAE was via a Dubai branch of a UK company which serviced the life and pensions administration business contract, which ceased in 2023. As such, we **expect to exit from the UAE** in the foreseeable future.
- A **branch exemption election** was applied from 1 January 2020 onwards.
- Capita Property and Infrastructure Consultants LLC is in liquidation.





Global delivery centres (GDCs)

We have an international delivery platform with approximately 12,000 people providing technology solutions and customer engagement services such as call centres and customer support, principally in Europe, India and South Africa. Our GDCs provide access to specific skills and expertise such as in languages or technology.

In 2022, as well as growing our operations in India and Durban, South Africa, we expanded into additional cities in Poland to support delivery of our services in 35 different languages with 24/7 support. These sites will be important strategic hubs for our future growth and further expansion of our multilingual capabilities.

These delivery centres generate a taxable profit in line with their functions and pay tax on those profits in each jurisdiction. The Capita Transfer Pricing policy establishes that these GDCs are remunerated at cost plus margin which may vary relative to the nature of the work. The Capita Group uses the cost-plus method to set the price for transactions with connected or associated parties. This reflects the allocation of risk between UK and Overseas Group entities. In most cases the service providers take on low levels of risk with mainly UK Group entities typically being the sole customers.



India

- India represents the **largest and most comprehensive** offshore operation for the UK life and pensions industry.
- India has a corporation tax rate of 25% and Capita suffers **10% TDS on dividend distributions** from India.
- Trading takes place in two local entities: Capita India Private Ltd and Ventura (India) Private Ltd.

Capita SIMS (India) Private Ltd is in liquidation. Capita Symonds India Private Ltd and CS Clinical Solutions India Private Ltd were dissolved in 2023.



South Africa

- Capita SA provides **contact centre services** to UK third party clients on behalf of Capita Customer Management Limited.
- South African employees are mainly **call centre operators** based in Cape Town.
- South Africa had a **tax rate of 28%** but there is no fiscal unity arrangement, such that there is no group relief available between Capita companies. The tax rate reduces to 27% for FY2023 onwards.
- Operating entities: Capita (South Africa) (Pty) Limited, Full Circle Contact Centre Services (Proprietary) Limited.



Poland

- Capita (Polska) Ap. Z.0.0. provides **GDC services with some multilingual customer services**; as well as providing back-office services to a few external customers.
- Poland has a tax rate of 19% but **Special Economic Zones** enable Capita to benefit from tax exemptions related to investment in the area.



Bulgaria

- Capita established a Bulgarian branch of a UK company in 2021, offering **customer contract centre services** and back office support services.
- We **applied for branch exemption** from 1 January 2024, such that Bulgarian profits are not taxed in the UK. The branch is subject to Bulgarian tax at a rate of 10%.

Other jurisdictions

We have minimal activity in a few other jurisdictions:

Cyprus, included in the CBCR table:

- One holding company which is being wound up, Capita Cyprus Holdings Ltd
- Profit during the year relates to intercompany interest received on a loan with a UK Capita company
- A CFC charge also arose in the UK in relation to this income
- We expect to be able to place the company into elimination proceedings in early 2024, with the liquidation process expected to take approximately 12 months

Hong Kong, no CBCR reportable activity, with two dormant companies:

- Capita IB Solutions (HK) Ltd was deregistered on 8 December 2023
- We are working with our advisers to execute final accounts for ThirtyThree APAC Ltd so that elimination of the company can progress in 2024

The following entities had no financial activity reportable for CBCR purposes in FY2022:

- **Brazil:** Eureka Assessoria Empresarial Ltda (dormant company disposed of in August 2023 – Capita owned 49.9% of this company)
- **Nigeria:** Capita Norman + Dawbarn Limited (in liquidation)
- **Saudi Arabia:** Capita Symonds Saudi Arabia Limited (dormant)

Note: Symonds Travers Morgan (Malaysia) SDN. BHD was struck off in 2019.



Entity rationalisation

In FY2022 Capita continued to build on the success of the initiative started in earlier years to reduce the number of entities within the group structure, seeking to:

- Ring-fence the two remaining divisions of the business into their own corporate structures
- Achieve efficiencies and cost savings through synergies
- Achieve corporate simplification by reducing the number of entities within the divisions

We engage in this exercise by elimination through a solvent liquidation process for companies across the group, including in low-tax jurisdictions where trading operations have ceased.

In FY2022 we put into liquidation or dissolved c30 companies in the UK and overseas, with a further 24 companies leaving the Capita group via divestment.

Terminology

Cost-plus method

This is a transfer pricing method using the costs incurred by the supplier of property (or services) in a controlled transaction. An appropriate cost plus markup is added to this cost to make an appropriate profit in light of the functions performed (taking into account assets used and risks assumed) and the market conditions.

Controlled foreign company (CFC)

The UK CFC regime applies to all companies resident outside of the UK that are controlled by UK resident companies. The rules can apply to tax the income of CFCs where that income passes through one of a number of “gateways”. However, the UK CFC regime includes five entity level exemptions and if any one of the exemptions applies to the CFC, the entire profits of the CFC will be excluded from the CFC charge irrespective of whether they would otherwise pass through the CFC charge gateways.

Country-by-country data

Country-by-country reporting (CbCR) was introduced for all large multinational enterprises (MNEs) as part of the OECD BEPS project.

The report should disclose aggregate data on income, profit, taxes paid and economic activity among tax jurisdictions in which the MNE operates. The report is filed with the main tax authority (typically the tax authority in the country in which the MNE has its head office) which can share it with tax authorities in other countries.

Fair Tax Foundation: Tax Haven Listing

The Fair Tax Foundation annually updates a list of tax havens, currently totalling 71 jurisdictions, to identify jurisdictions that offer favourable tax treatments to non-residents, e.g., with low corporate tax rates.

PBT/LBT

This refers to reported profit before tax or loss before tax. The Capita Annual Report also discloses an adjusted PBT/LBT which excludes a number of specific items so users of the consolidated financial statements can more clearly understand the financial performance of the Group. These items are separately disclosed and considered to be outside the underlying results of the Group.

PSWT

Professional Services Withholding Tax is a tax deducted from payments, at 20%, generally by Irish state bodies (e.g., local authorities and government departments) for certain professional services. The service provider can claim a refund of the tax suffered.


Special economic zone

A special economic zone is a separate, uninhabited part of Poland where business activity may be conducted under preferential conditions. The tax allowance consists of a corporate income tax exemption. The maximum income tax exemption is related to the value of state aid available to an individual investor for a particular investment project. This value depends on the investment location, the size of the enterprise and the amount of investment expenditure.

TDS

This is Tax Deducted at Source – any Indian company or person making a payment is required to deduct tax at source if the payment exceeds certain threshold limits. Capita pays TDS at 10% on dividend distributions from its Indian subsidiaries.





**Capita is a consulting, transformation
and digital services business.**

We are driven by our purpose:
to “create better outcomes” –
for our employees, clients and
customers, suppliers and partners,
investors and society.