



### **Fair Tax Mark Statement of VME Coop (June 2021)**

**This statement of Fair Tax compliance was compiled in partnership with the Fair Tax Foundation and certifies that VME Coop (“the Group”) meets the standards and requirements of the Fair Tax Foundation’s UK Business Standard.**

#### **Tax Policy**

The Group 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 during 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.

#### **Group Information**

The Group comprises of the parent company, VME Coop Limited (previously known as VME Systems Limited), which is a private company limited by shares, originally established in 2004 to act as a holding company for its only subsidiary: VME Retail Systems Limited, also a private company limited by shares originally established in 1988 for the design, marketing, and installation of specialised computer equipment for convenience stores and supermarkets.

The holding company, VME Coop Limited, was incorporated in Scotland and its registered office address is: Crook of Devon House, Main Street, Crook Of Devon, Perth & Kinross, United Kingdom, KY13 0UQ. The trading company, VME Retail Systems Limited, was incorporated in Northern Ireland, and its registered office address is: 11 Carnbeg Avenue, Antrim, Northern Ireland, BT41 4RA. The Group’s main trading address is Crook of Devon House, Main Street, Crook of Devon, KY13 0UQ, United Kingdom.



### **Malta Branch**

The Group operates a branch that is tax resident in Malta (CRN: OC 1042). This branch does not generate any income – it exists as a development centre of excellence, where the VME technical team develop further technology for retail.

In line with our tax policy, we do not route any income through low tax jurisdictions in order to artificially reduce our tax liabilities – all of the Group’s profits are booked in the UK – which is the place of their economic substance. Copies of our Malta branch accounts are available to download via the Malta Business Registry: <https://registry.mbr.mt/ROC/index.jsp>

In 2019, the Malta branch had: no turnover; made a loss before tax of £470,985; paid no foreign taxes; had net assets of £775,620; and had an average of 18 employees.

### **Ownership and Control**

Since 28<sup>th</sup> September 2020, the shares in the parent company, VME Coop Limited, were held in a fiduciary capacity by VME Trustees Limited – a Trust Company, which acts as a corporate trustee of the Group’s Employee Ownership Trust (“EOT”). The EOT is a UK Trust for the sole benefit of the employees within the Group – and which makes distributions on an equal basis – regardless of pay grade or title. The directors of the Group (Stephen Gill and Richard Coyle) have been specifically excluded as beneficiaries of the EOT.

The VME Employee Ownership Council, which is made up of and elected by its beneficiaries, have the power to change the trustee and replace it with a different one of their choosing.

The current directors of VME Trustees Limited are: Stephen Gill; Richard Coyle; and Aaron Stewart – who are to act in the best interests of the EOT’s beneficiaries’.

### **Financial Reporting**

VME Coop Limited acts as a holding company and does not trade; therefore, the Group’s profits and taxes come via its trading company VME Retail Systems Limited. VME Retail Systems Limited had an accounting current tax *credit* of £105,677 (2018: £256,661) despite having profits before tax of £411,424 (2018: £203,454); and the reasons for this are expanded upon in the following tax reconciliations with accompanying narratives:



# Fair Tax

## VME Retail Systems Limited

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
<b><u>Income Statement</u></b>		
Turnover	3,389,918	2,237,603
Direct costs	<u>(1,072,209)</u>	<u>(591,586)</u>
Gross profit	2,317,709	1,646,017
Operating costs and interest payable	<u>(1,906,285)</u>	<u>(1,442,563)</u>
<b>Profit before tax</b>	<b>411,424</b>	<b>203,454</b>
<b>Tax credit</b>	<b>84,073</b>	<b>253,520</b>
Net profit	<u>495,497</u>	<u>456,974</u>

## **Current tax and total tax reconciliation**

<b>Expected current tax charge (19%)</b>	<b><u>(78,171)</u></b>	<b><u>(38,656)</u></b>
1. R&D relief	167,887	116,467
2. Disallowable expenditure	(492)	(1,572)
3. Depreciation vs capital allowances	24,145	(6,162)
4. Charitable donations	-	<u>(458)</u>
<b>Actual current tax credit</b>	<b>113,370</b>	<b>69,619</b>
5. Prior period and other adjustments	<u>(7,693)</u>	<u>187,042</u>
<b>Current tax credit per the accounts</b>	<b>105,677</b>	<b>256,661</b>
Deferred tax: accelerated capital allowances	<u>(21,604)</u>	<u>(3,141)</u>
<b>Total tax credit</b>	<b><u>84,073</u></b>	<b><u>253,520</u></b>

- R&D relief** – Research and Development (R&D) tax reliefs support 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. VME Retail Systems Limited is classed as a 'Small and Medium sized Enterprise' and therefore can claim an extra 130% deduction on qualifying costs; and if the company is loss making, claim a tax credit worth up to 14.5% of the surrenderable loss.
- Disallowable expenditure** – some business expenses, although entirely appropriate for inclusion in the accounts, are not allowed as a deduction against taxable income when calculating the company's tax liability. Examples of such expenses are: client entertaining; fines and penalties; and capital expenditure (which is subject to capital allowances instead).
- Depreciation vs capital allowances** – The accounting treatment of capital assets is usually different than the tax treatment allowable. This is because, in the accounts, an asset is depreciated over its useful economic life, whereas capital allowances are set rules in tax law applied to the type of asset. The differences, however, between the depreciation rate in the accounts and capital allowances claimed in the corporation tax return – are only timing differences – as eventually, the accumulative depreciation and the capital allowances claimed will equal one another. With timing differences comes deferred tax, which is expanded upon below.
- Charitable donations** – can only be deducted up to an amount that reduces the company's profits to zero. Charitable donations cannot create or increase a loss for taxation purposes.



5. **Prior period and other adjustments** – adjustments to tax charges in prior periods are quite common and can arise for a number of reasons. Sometimes the tax charge for the previous year was calculated for the accounts before the corporation tax return had been finalised and submitted to HMRC, due to the different deadlines for both the accounts and the tax return. This is then updated the year after to reflect any changes between the tax in the accounts and the actual tax charge that was submitted. Other times, either the reporting entity, or HMRC, may correct a mistake from the previous year(s) and then this is adjusted for in the current year tax charge.

As at 31 December 2019, VME Coop Limited has no deferred tax provisions on its balance sheet (2018: £NIL). In its 2019 accounts, VME Retail Systems Limited had a deferred tax liability of £36,945 (2018: £15,341) in relation to accelerated capital allowances – a movement of £21,604 (2018: £3,141) was charged to the profit and loss account.

Accelerated capital allowances arise when there are fixed asset temporary differences between the net book value of qualifying assets in the accounts and their equivalent tax written down values (see depreciation vs capital allowances above). This deferred tax movement will be recognised in annual instalments over the useful economic lives of the assets.

### **Related Party Transactions**

In addition to his role as director in the Group, Mr Stephen Gill is also on the board of directors for Revolver Co-operative Limited – a co-operative society in which VME Retail Systems Limited invested £4,000 into during 2018. VME Retail Systems Limited is one of over 300 members of the Revolver Co-operative Limited; and Stephen is one of 13 directors on the board. Therefore, VME Retail Systems Limited is not deemed to have any significant control over its investment Society.

Mr Stephen Gill is also a member and one of five directors of the not-for-profit entity Kandoroo CIC. Kandoroo CIC is a community interest company with cooperative articles that seeks to use technology so that foodbank users can shop with dignity in local grocery stores via a mobile app. VME Retail Systems Limited does not hold any investment in Kandoroo CIC but has provided research and early-stage technology support to Kandoroo CIC. VME Retail Systems Limited is not in a position to control Kandoroo CIC.

Mr Stephen Gill and Mr Richard Coyle are shareholders in, and Mr Stephen Gill is one of five directors of, Coop Exchange Limited. Coop Exchange Limited is an early stage/start-up technology platform which aims to connect would-be investors/supporters of cooperative enterprises with early-stage cooperatives in need of investment. VME Retail Systems Limited has agreed, on a reimbursement basis, to provide early stage shared service support to Coop Exchange Limited. The VME Group does not hold any investment in Coop Exchange Limited and is not in a position to control it.

There are no other transactions between the Group and any other entities which the directors' have interests in.