

Unity Trust Bank – Taxation Transparency

2023 marked a period of significant progress for Unity. Profit before tax for the year more than doubled to £63.9m (2022: £27.4m), increasing the CET1 capital ratio to 19.7%. Unity believes in delivering impact, not simply maximising profits. The Bank has increased lending to socially minded organisations across the UK in 2023, to £1,013.6m (2022: £836.6m) enabling us to deliver greater positive impact.

The results for the year, before taxation, amounted to a profit of £63.9m (2022: £27.4m). The Directors recommend a final dividend for 2023 of 7.00p per share to be paid in 2024 (2022: 5.50p per share).

The Bank participates in the Community Investment Tax Relief (CITR) scheme which encourages investment in disadvantaged communities by giving tax relief to companies who invest in Community Development Finance Institutions (CDFIs). Deductions from Corporation Tax totalling £921k (2022: £752k) were made regarding the CITR scheme. Expenditure on research and development (R&D) activities is recognised as an expense in the period in which it is incurred apart from capital expenditure which is spread across the life of the development. R&D relief is claimed for qualifying expenditure, relating to technology investment.

The following table shows a breakdown of the Bank's tax contributions:

£'000	2023	2022
Corporation tax	8,698	3,180
VAT	1,459	1,034
Employment tax		
Employer NIC	1,319	949
Total taxes paid	11,476	5,173
Employment taxes collected		
Employee PAYE and NIC	3,304	2,361
Total tax contributions	14,780	7,534

All amounts in £'000	2023	2022
Tax reconciliation		
Profit for the period – Extended Entity	63,862	27,352
Consolidation adjustment ¹	–	–
Profit for the period – Unity Trust Bank plc	63,862	27,352
Tax on profit at standard UK tax rate of 23.52% (2022: 19.00%)	15,021	5,197
Adjustments to tax charge in respect of prior periods	18	–
Expenses not deductible for tax purposes	40	9
Community Investment Relief Scheme ²	-921	-752
R&D expenditure ³	-8	-68

Share options ⁴	-13	-28
Impact of capital allowances in excess of depreciation	-7	-2
IFRS 9 transitional adjustment	-8	-6
Defined benefit pension adjustment ⁵	32	26
Banking surcharge ⁶	753	159
Current tax charge for the year	14,909	4,535
Current year deferred tax	-24	-20
Deferred tax adjustment in respect of previous periods	120	-
Effect of changes in tax rates on deferred tax	-1	-6
Total tax charge for the year	15,004	-26

1 Consolidation adjustment – The result and position of the Bank are presented on an extended entity basis as explained in note 1 to the 2023 Annual Report and Accounts.

2 The Bank participates in the Community Investment Tax Relief scheme which encourages investment in disadvantaged communities by giving tax relief to companies who invest in Community Development Finance Institutions.

3 Research and Development (R&D) tax relief supports companies that work on innovative projects in science and technology.

4 Share options – Deduction for the market value of SIP free and matching shares under Section 994 of CTA 2009.

5 Tax on amounts recognised in the income statement for the year in respect of the defined benefit pension scheme.

6 The bank corporation tax surcharge is an additional tax on banking profits calculated on the same basis as corporation tax. It was introduced in 2016 at a rate of 8% on profits over £25 million. From 1 April 2023, the banking surcharge rate was reduced from 8% to 3% and the allowance increased to £100m.

Our trading address is Four Brindley Place, Birmingham, B1 2JB.

Registered in England and Wales no. 1713124