Fair Tax Mark Statement for Freethought Internet Limited & Freethought Services Limited (December 2021)

This statement of Fair Tax compliance was compiled in partnership with the Fair Tax Foundation ("FTF") and certifies that Freethought Internet Limited and Freethought Services Limited ("the Group") meet the standards and requirements of the FTF's UK Small Business Standard for the Fair Tax Mark certification.

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 Group 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 consists of two companies limited by shares: Freethought Internet Limited ("the parent company"); and Freethought Services Limited ("the Subsidiary").

The parent company has been providing a wide variety of website hosting services for well over a decade.

The directors of the parent company have the following shareholdings:

- Mr Edward Dore – 1,514 ordinary shares; and 1 ordinary ‘A’ share – 50.8% control; and
- Mr Kieran Jones – 867 ordinary shares; and 1 ordinary ‘B’ share – 29.1% control.

All other shareholders of the parent company have less than 10% voting rights.

On the 27th of February 2020, the Subsidiary was incorporated for the business to meet the growing demands for high service managed IT.

The parent company owns and controls the Subsidiary through 75% of the issued share capital. Mr Nicholas Fothergill owns and controls another 24%.

The Group’s registered office and trading address is: Unit 5, Oak House, Witham Park, Waterside South, Lincoln, LN5 7FB.

Financial Reporting

The parent company is not required to prepare consolidated accounts; therefore, each company’s figures have been presented separately; and do not account for any consolidation adjustments.

The parent company

The average profit before tax over the last three accounting periods (30 June 2019 to 2021) was £37,689. The average current tax charge over the same period was £3,842 (10.2%). The tax charge expected on these profits would be £7,161 (19.0%). The reason that the average current tax charge for the parent company is less than what would be expected, is explained below in the following current tax reconciliation:

	£
Average profit before tax	37,689
Expected corporation tax charge (19.0%)	**7,161**
[i]Pension adjustments	4
[ii]Depreciation in excess/(shortfall) of capital allowances	(2,196)
[iii]Expenditure not eligible for tax relief	63
[iv]Research and Development (R&D) relief	(1,190)
Average current tax charge (10.2%)	**3,842**

As at 30th June 2021, the parent company had a deferred tax liability of £16,561 (2020: £9,899) on its balance sheet. During the period, the parent company charged £6,662 in deferred tax to its profit and loss account (2019: credited £33).

The Subsidiary

The average profit before tax over the two accounting periods it has been trading (30th June 2020 to 2021) was £11,220; and the average current tax charge was £1,454 (13.0%). The expected tax on these profits would be £2,132 (19.0%). The reason that the current tax charge for the Subsidiary is less than what would be expected, is shown in the below current tax reconciliation:

	£
Average profit before tax	11,220
Expected corporation tax charge (19.0%)	**2,132**
iiDepreciation in excess/(shortfall) of capital allowances	(681)
iiiExpenditure not eligible for tax relief	4
Average current tax charge (13.0%)	**1,454**

As at 30th June 2021, the Subsidiary had a deferred tax liability of £1,363 (2020: £325) on its balance sheet. During the period, the Subsidiary charged £1,038 in deferred tax to its profit and loss account (2020: £325).

The majority of the Group's deferred tax provisions relate to fixed asset temporary timing differences between the net book value of qualifying assets in the accounts and their equivalent tax written down values (see footnote ii). These temporary timing differences will unfold in annual instalments over the useful economic lives of the assets that they relate to.

Other disclosures

Mr Nicholas Fothergill is also the sole director and shareholder of XNC Limited.

The Group has on occasion supplied XNC Limited with goods and services – and these have all been carried out on an arm's length basis.

[i] **Pension adjustments** – tax relief is given on a paid basis. Therefore, if there is a pension creditor or accrual in the accounts (i.e., not yet paid), then this will be adjusted for in computing the taxable profits/losses.

[ii] **Depreciation in excess/(shortfall) of 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.

[iii] **Expenditure not eligible for tax relief** – some business expenses, although entirely appropriate for inclusion in the accounts, are not allowed as a deduction against taxable income when calculating the tax liability. Examples of such expenses are: client entertaining, fines and penalties.

[iv] **Research and Development (R&D) relief** – 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 advancement in their field. There are different types of R&D relief depending on the size of the organisation. The parent company is classed as a 'Small and Medium sized Enterprise' and therefore can claim an extra 130% deduction on qualifying costs.