

Tax Strategy - Your disclosure requirements



Are you prepared?

Following the publication of the Finance Bill 2016, large companies have to disclose their tax strategy on their websites. This guide provides an overview of what is required and when.

Why is this happening?

HMRC have seen large companies as a significant risk in terms of tax avoidance in recent years. New legislation is aimed at the minority who have followed aggressive tax planning strategies. Unfortunately, it also hits previously law-abiding companies.

Who is affected?

Individual companies or groups whose last set of annual accounts show either:-

Turnover > £200m; or
Balance sheet total > £2bn.

When do you have to comply?

Accounting periods ending after the date the Finance Bill 2016 was published (15 September 2016), so effectively 30 September 2017 year ends onwards.

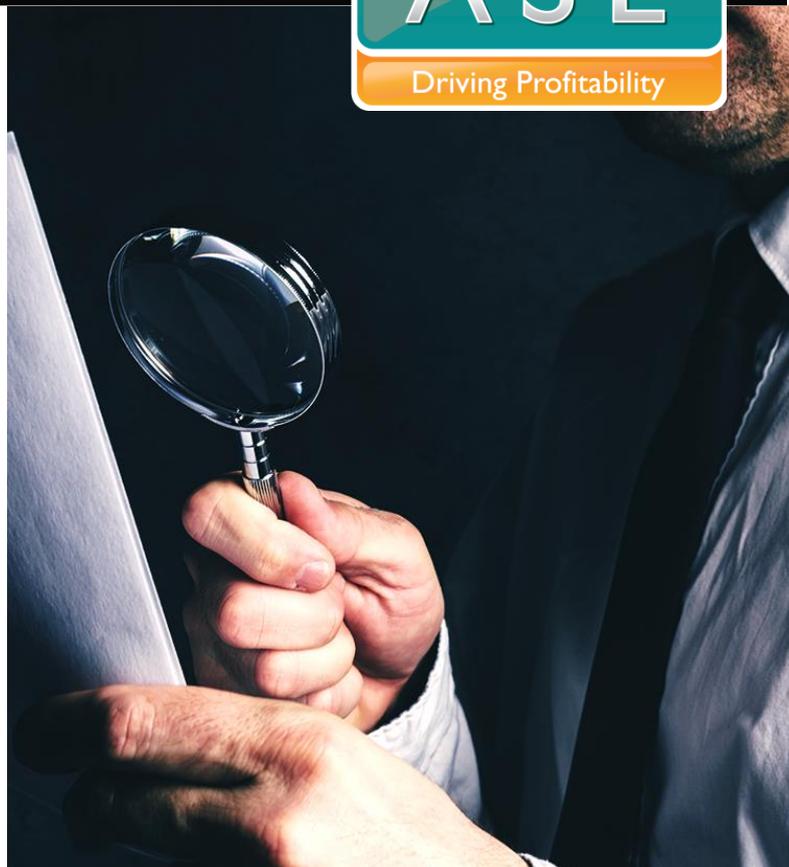
The Tax Strategy covers the period of the last signed annual accounts and needs to be published before the end of the current accounting year.

Thereafter the Tax Strategy is updated annually (no later than 15 months after the previous one).

How do you publish your Tax Strategy?

It needs to be published on your website as either:

- Standalone document/page; or
- Self-contained in a larger section/page of the website.



You cannot charge the public for accessing your current Tax Strategy.

You do not even have to call it a Strategy!

What is in it?

The mandatory requirements are:

- Your UK tax strategy
- Your framework for co-operation and compliance with HMRC
- Your governance arrangements
- Your attitude to tax planning
- Your tax risks and how they are influenced by your stakeholders

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Looking at these in more detail

Your UK Tax Strategy

You need to:

- explain your business' tax arrangements
- work out and disclose the tax risks linked to the size or complexity of your business, particularly if there are any changes to the business in the year
- give details on how you manage these tax risks
- give details of the staff who look after your tax affairs and what their responsibilities are
- give information on the systems and controls which are in place to manage tax risk
- disclose why you might need to seek external tax advice
- give an outline of your tax planning motives and their importance to your overall Tax Strategy
- say how your business works (or has worked) with HMRC on tax events, tax risks, and interpreting tax law (see next section "Your Framework for Co-operation and Compliance with HMRC" for guidance)
- disclose your governance arrangements (see section "Your Governance Arrangements" for guidance)

You do not need to disclose:

- any sensitive information
- your tax rates (effective or actual)
- tax paid or your tax liability
- anything in relation to overseas tax

Your Framework for Co-operation and Compliance with HMRC

Both you and HMRC are expected to:

- adopt an open and collaborative professional relationship
- engage in early and open dialogue on tax planning strategy and risks

- respond to queries and information requests on a timely basis
- solve issues in real time, before tax returns are filed if possible

You are expected to:

- be open and transparent about decision making and tax planning
- reasonably believe that transactions are structured to give a tax result which is not contrary to what HMRC expect
- interpret tax law in a reasonable way
- to escalate the issue through to an HMRC Deputy Director where a reasonable solution cannot be found

HMRC is expected to:

- apply an "Openness and Early Dialogue" approach to set out specific tax risks identified and avoid unnecessary wide-ranging enquiries
- prioritise resources in areas of genuine uncertainty, commercial urgency and/or absolute risk
- use the framework as part of existing risk management approach



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Your Governance Arrangements

This will include:

- disclosure of what oversight the Board has over your tax affairs
- publication of your code of conduct (if you have one)
- statement if your business's internal governance has rigid levels of acceptable tax risk. If so, you should explain how it is influenced by stakeholders

Penalties for non-compliance

If you do not publish your Strategy on time, you are liable to a penalty of:

- first 6 months - £7,500
- 6 – 12 months – a further £7,500
- More than 12 months – a further £7,500 per month

HMRC will give you a 30-day warning to publish.

If you believe you are not due a penalty, you can appeal it.

How can ASE help?

Our in-house tax experts are ideally positioned to help you and your business meet the requirements of this new legislation.

To ensure you meet the requirements, we can help you to draft your Tax Strategy. We can ensure that document ticks all of your boxes, doesn't give away your trade secrets or USP's.

If you are preparing your own Tax strategy documentation, we can review it for compliance with the legislation and provide an action plan based upon our knowledge and experience in this area.

Whatever your requirements, we are here to help you and your business.

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