

FOCUS ON

Are you ready to publish your UK Tax Strategy?

New rules require large businesses in the UK to publish their tax strategy. The requirement is effective for all financial years commencing on or after 15 September 2016 and there are penalties for non-compliance. Over the next year, around 2,000 companies will need to begin publishing their tax strategies. So who is affected and what does it entail?

Background

Over the last few years big businesses have been facing increased criticism for paying low levels of corporate taxation as compared to their level of profits. Increasing press and public interest on tax transparency has placed pressure on the Government to address this issue. With HMRC facing heavy criticism for purported 'sweetheart deals' with the likes of Google, the decision was made to introduce legislation in a move that is hoped will encourage businesses to have 'ethical' taxation planning policies. The new requirements will sit alongside the existing Senior Accounting Officer regime and HMRC's Business Risk Review policy, as a further means of demonstrating good tax governance and risk management.

Who is required to publish a tax strategy?

Businesses that are within the scope of the legislation and have a requirement to publish a UK tax strategy include:

1. Multinational groups with a UK presence - that is groups with a global turnover exceeding €750 million;
2. Groups other than multinational groups whose UK turnover exceeds £200 million and/or have a balance sheet total of £2 billion (calculated by reference to the UK companies in the group); and
3. UK companies, UK partnerships and UK permanent establishments with turnover exceeding £200 million and/or having a balance sheet total of £2 billion.

In the first instance, for multinational groups with UK operations and global turnover exceeding €750 million, it is important to note that there is no de-minimis level in respect of the UK operations and even minimal activity in the UK imposes an obligation on a UK sub-group, UK company and/or UK PE of the foreign multinational group to publish a UK tax strategy.

The scope is not extended to open-ended investment companies or investment trusts.



When and where does it need to be published?

Businesses that are required to publish a tax strategy must do so before the end of the first financial year commencing on or after 15 September 2016.

For every subsequent year, the strategy must be published before the end of the financial year, but no more than 15 months after the day on which the last strategy was published.

The tax strategy must be accessible free of charge on the internet. It can be a separate document or a self-contained part of a wider document.

What should be covered in the Tax Strategy?

The tax strategy must explain the business's tax arrangements:

- How it approaches risk management and governance arrangements in relation to UK taxation;
- Attitude towards tax planning (so far as it affects UK taxation);
- The level of risk in relation to UK taxation that the entity is prepared to accept; and
- How it approaches its dealings with HMRC. It does not need to include details of amounts of tax paid or any commercially sensitive information.

Capital Gains Tax

The initial penalty for failing to publish a compliant tax strategy when required to do so and for failing to ensure it remains accessible on the internet for the full prescribed period is £7,500. Further penalties of £7,500 can be charged if a tax strategy has still not been published within six months of the due date and should the non compliance extend beyond 12 months - £7,500 per month!

Entities will not be required to publish evidence that the strategy is being applied; however, if their returns appear to be inconsistent with what they say in their strategy, this will raise a red flag for HMRC when it reviews risk.

Contact us

It is the responsibility of businesses to determine whether or not they are within the scope of the legislation. MHA MacIntyre Hudson can help you determine whether you will be required to publish your tax strategy. We can assist with drafting a tax strategy that meets HMRC's requirements. If you would like to discuss this requirement or any other related issues please contact one of our MHA MacIntyre Hudson experts below:



Alison Conley
Tax Partner

E: alison.conley@mhllp.co.uk
T: 020 7429 4100



Chris Denning
Tax Partner

E: chris.denning@mhllp.co.uk
T: 01189 503 895



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