

Tax Insights

Large Business Compliance

Large businesses trading in the UK are now required to comply with three new regulations affecting their tax planning and strategy. These measures affect the reporting of all UK taxation matters, including VAT and PAYE.

New Regulation 1: Senior Accounting Officer Regulations

Affected businesses may be required to appoint a Senior Accounting Officer (SAO) who is ultimately responsible for establishing and maintaining the company's tax accounting arrangements.

Who needs to do it?

Any company (or combination of UK Group Companies) with turnover in excess of £200 million, and/or gross assets greater than £2 billion.

What are the SAO's responsibilities?

It is the primary responsibility of the SAO to take 'reasonable steps' to ensure the company has 'appropriate tax accounting arrangements in place' to correctly and accurately capture tax liabilities. This will most likely involve:

- Ensuring compliance with legal requirements
- Periodically checking systems and processes
- Ensuring staff are appropriately trained to carry out their functions
- Obtaining relevant facts and advice to allow the company to make tax sensitive judgements

Typically, SAOs will seek assurance that their tax arrangements are appropriate to the needs of their business through specialist Internal Audit processes.

What are the reporting requirements?

Every year, the company must provide HMRC with details of each individual who acted as the company's SAO during the financial year. The SAO must then certify to HMRC that the company had appropriate tax accounting arrangements throughout the financial year, or if not, identify the issues arising.

What are the deadlines?

The deadline is the statutory filing deadline of the company's accounts. If the SAO certificate covers a group that contains both PLCs and Limited companies, the earliest deadline applies.

New Regulation 2: Tax Strategy Publication

Qualifying large UK businesses will need to publish their tax strategy each year on the company website. Typically this will be included with the company's other CSR documentation.

Who needs to publish?

The regulation applies to all companies that are either within the SAO or CBCR regime.

What are the reporting requirements?

The legislation details that the tax strategy must set out:

- The entity's approach to risk management and corporate governance with respect to UK taxation
- The company's attitude to tax planning
- The level of risk that the entity is prepared to accept with respect to UK taxation
- The entity's approach to dealings with HMRC

What are the deadlines?

The company is required to publish its first tax strategy by the end of the first financial year starting on or after 15 September 2016. Subsequent strategies must be published annually before the end of the next financial year. The strategy must be published online and be free to access by the general public.

New Regulation 3: Country by country reporting (CBCR)

The OECD has long called for the development of rules for transfer pricing documentation to enhance transparency for tax administrations. To fall in line with OECD/G20 BEPS initiatives, the UK government issued the Taxes (Base Erosion and Profit Shifting) (Country-by-Country Reporting) Regulations 2016, which came into force on 18 March 2016.

Who is affected?

Multinationals with a UK presence, as members of groups with group turnover of €750 million, will need to file country-by-country reports for all accounting periods starting on or after 1 January 2016. In most cases the CBCR must be filed by the ultimate parent entity to its home tax jurisdiction. However, if all upstream entities are resident in jurisdictions that do not require CBCR, the top UK entity must file a CBCR with HMRC.

What are the reporting requirements?

An annual return will need to be prepared showing the following for each tax jurisdiction where business is carried out:

- The amount of revenue, profit before tax, and taxes paid and accrued
- The total employment, capital, retained earnings and tangible assets
- Details of business activities

What are the deadlines?

The CBCR needs to be filed within 12 months following the end of the accounting period. Penalties may apply for non-compliance and/or inaccurate filings.

How PKF Littlejohn can help

Failure to comply with these new requirements, or the submission of inaccurate disclosures, can lead to significant financial penalties and damage to a company's reputation. We strongly recommend that you seek advice at the earliest opportunity in order to achieve full compliance.

Our specialist team have valuable experience in dealing with the complex compliance requirements for multinational businesses, and are perfectly placed to offer practical solutions to the various challenges facing larger organisations. Where you already have systems in place, a specialist Tax Internal Audit is invaluable in giving confirmation that they operate in accordance with the new rules.

To find out more, please contact us.



Chris Riley
Tax Partner
t: +44 (0)20 7516 2427
e: criley@pkf-littlejohn.com



Catherine Heyes
Tax Partner
t: +44 (0)20 7516 2237
e: cheyes@pkf-littlejohn.com



Tom Gareze
Tax Partner
t: +44 (0)20 7516 2212
e: tgareze@pkf-littlejohn.com



Mimi Chan
Senior Corporate
Tax Manager
t: +44 (0)20 7516 2264
e: mchan@pkf-littlejohn.com



Philip Alexander
Head of Internal Audit
t: +44 (0)20 7516 2444
e: palexander@pkf-littlejohn.com

PKF Littlejohn LLP, 1 Westferry Circus, Canary Wharf, London E14 4HD
Tel: +44 (0)20 7516 2200 Fax: +44 (0)20 7516 2400

www.pkf-littlejohn.com

This document is prepared as a general guide. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the author or publisher. This information is in accordance with legislation in place at 1 January 2017.

PKF Littlejohn LLP, Chartered Accountants. A list of members' names is available at the above address. PKF Littlejohn LLP is a limited liability partnership registered in England and Wales No. OC342572. Registered office as above. PKF Littlejohn LLP is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

PKF International Limited administers a network of legally independent firms which carry on separate business under the PKF Name.

PKF International Limited is not responsible for the acts or omissions of individual member firms of the network.

May 2017 ©