



Clarity

Gain a precise view of the Budget



Tax Accounting Arrangements: Taking Reasonable Steps

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Agenda

- Welcome and Introduction 8.30
- Overview of the legislation and consultation 8.45
- Significant uncertainties 9.00
- Coffee Break 9.30
- What next? 9.45
- Questions for panel 10.10
- Close 10.30

Copies of the presentation will be available on our dedicated SAO website at:

www.deloitte.co.uk/SAO

What does the legislation require?

Para 1(1), Sch 46 FB 2009

“The Senior Accounting Officer (SAO) of a large company must take reasonable steps to ensure that the company and each of its subsidiaries ... establishes and maintains appropriate tax accounting arrangements”

What does the legislation require?

Other aspects of Schedule 46

- Taxes in scope
- Periods/returns impacted
- Reporting requirements
 - Explanation to auditors – to be removed
 - Certificate for commissioners – to be changed
 - Notification of name of SAO
- Penalties – for the SAO and company
- Mitigation, assessment and appeals

Duties of SAOs of Large Companies

Current position

- Measures debated in the whole House 13 May
- Opposition requested deferral of start date by 12 months but this was rejected
- Other key changes were:
 - New definition of large company to capture those with CRMs
 - Removal of auditor notification
 - Only one type of certificate
- We will contribute to the expected guidance to try, as far as possible, to address existing uncertainties and clarify practical application
- Must not impose significant burden on businesses

What will this mean in practice?

Our understanding from consultation

- Ministerially driven – won't go away or be deferred
- Transition to be managed through 'reasonable steps'
- Large UK companies and their subsidiaries
- Personal liability to remain - tax on the Boardroom agenda
- Scope of tax accounting arrangements is wide – from record to report
- Significant uncertainty remains regarding numerous areas – draft guidance due by mid June 2009

If you could influence the legislation, what change would you most like to see on the implementation of the measure?

- ① Deferral of implementation**
- ② Use of appropriate materiality**
- ③ Clearance procedure**
- ④ Other**

If you could influence the legislation, what change would you most like to see on the implementation of the measure?

① Deferral of implementation



② Use of appropriate materiality



③ Clearance procedure



④ Other



Significant uncertainties

Significant uncertainties

Who is (are) the SAO(s)?

- Means “the director or officer who has overall responsibility for the company’s financial accounting arrangements”
- Likely to be the Finance Director of the ‘large company’
- Specific rules where change in SAO

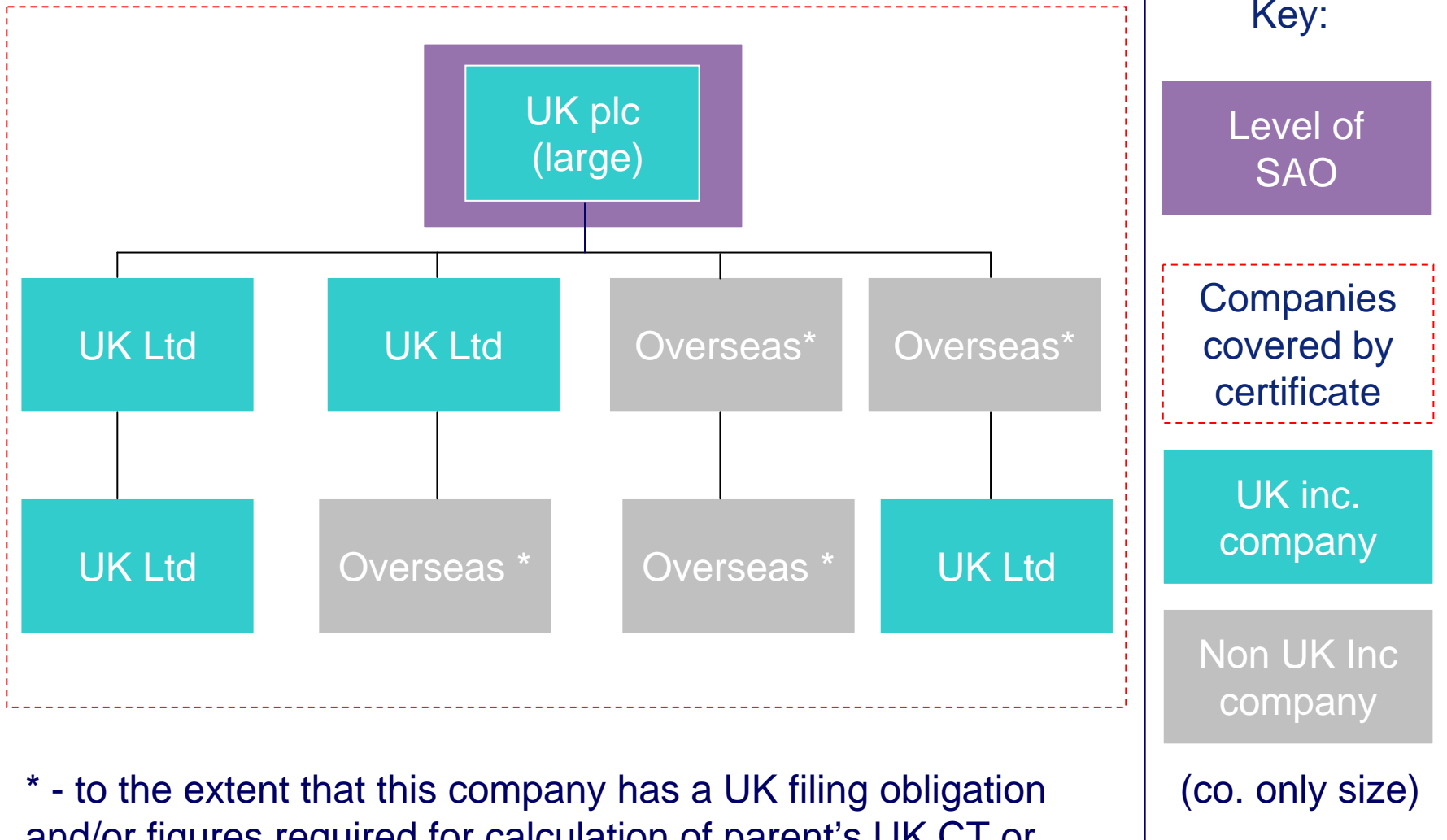
Significant uncertainties

Are we in scope?

- As currently drafted, based on 'large companies' (CA2006 s1, 465 and 466) and their subsidiaries. Therefore:
 - Branches of non UK inc are not 'large companies'
 - Non UK inc but UK Tax R are not 'large companies'
 - Pure definition of company, i.e. not LLP, I & P societies etc
 - Subs = any body corporate
- Large company limits will be redefined (probably on turnover/asset basis) following House of Commons debate to capture companies with 'a large business relationship with HMRC, and a CRM reflecting that'
- HMRC considering application to branches of non UK inc; and non UK inc but UK Tax R

Example structures

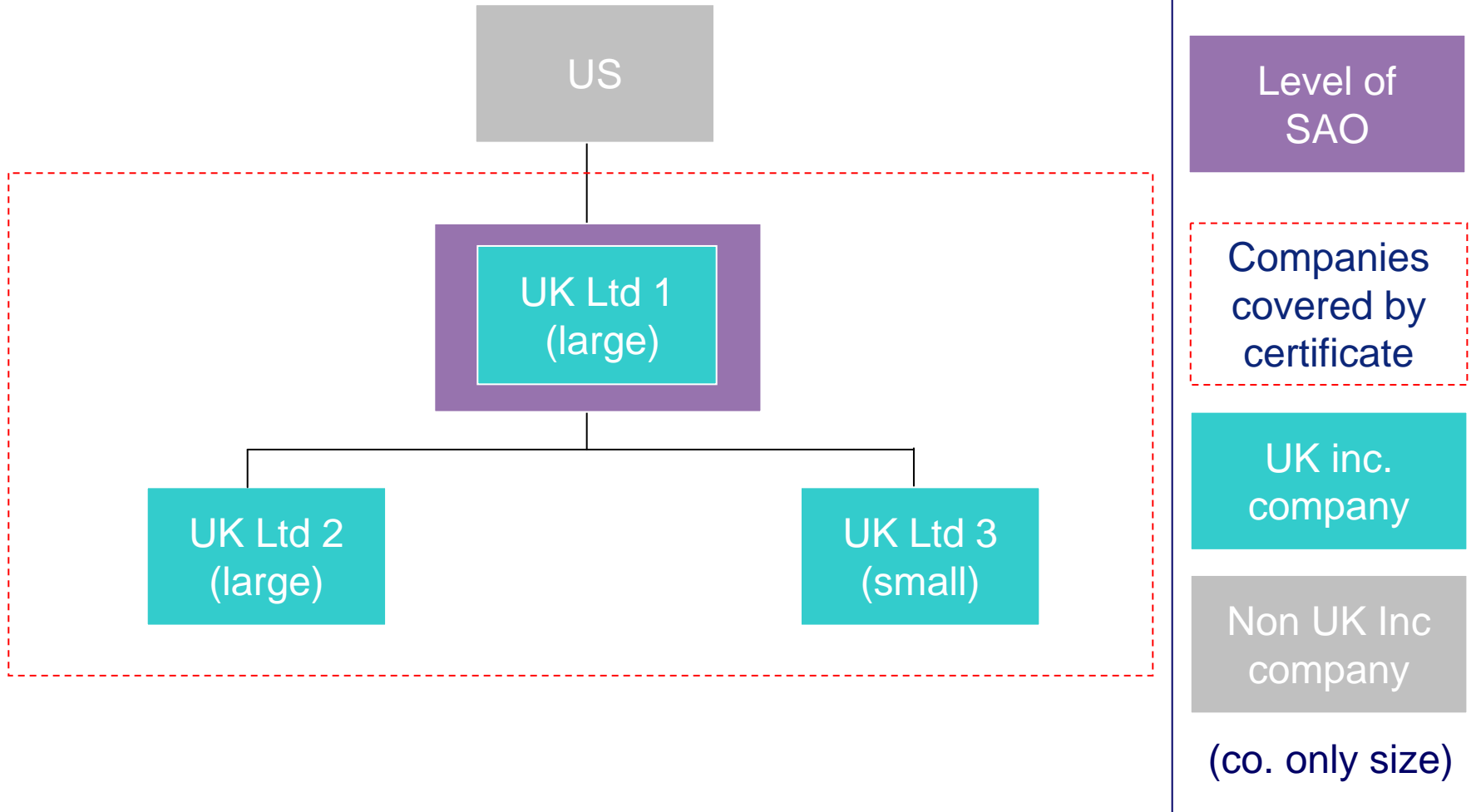
(1) plc group



* - to the extent that this company has a UK filing obligation and/or figures required for calculation of parent's UK CT or other tax liability

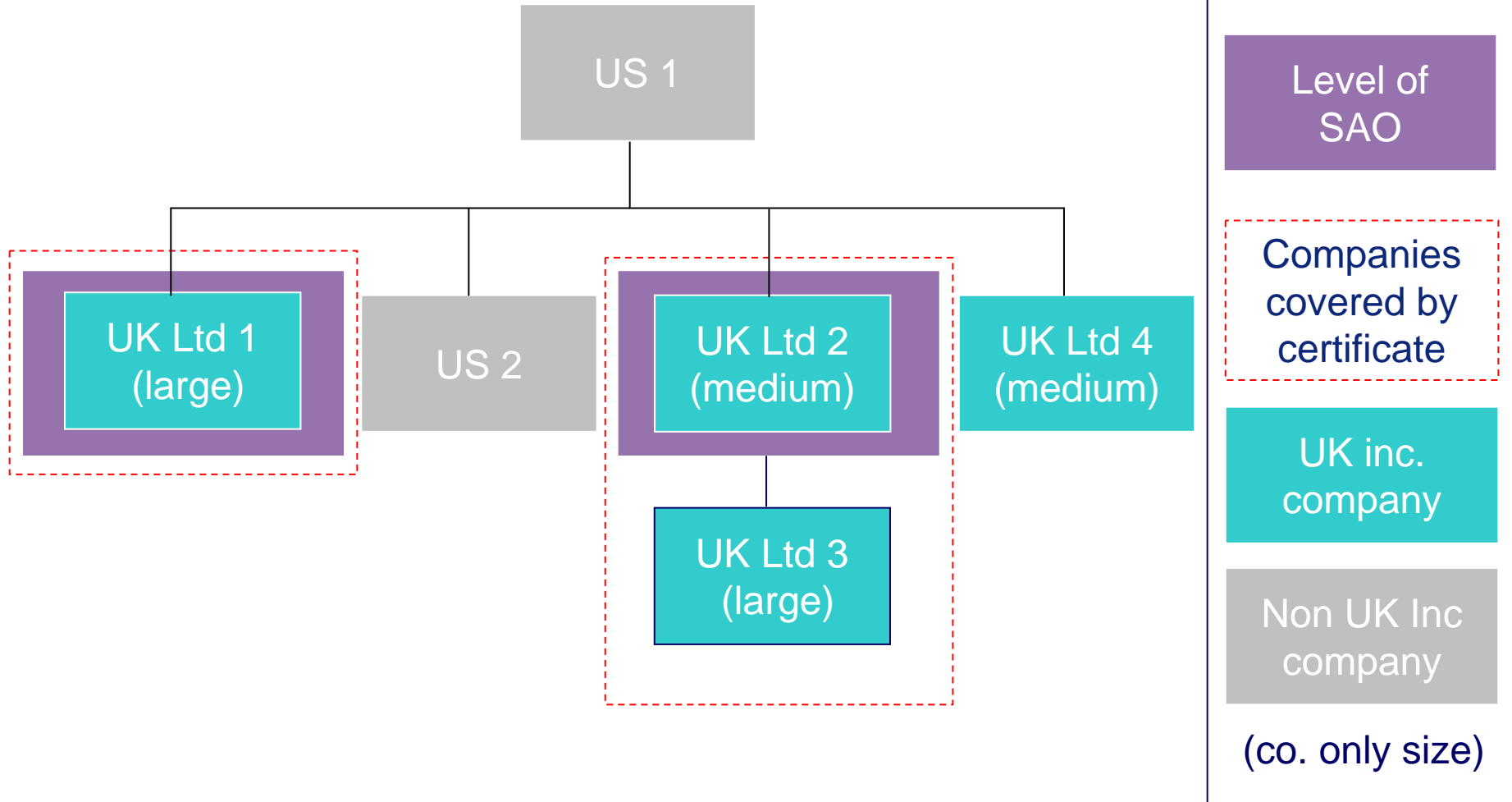
Example structures

(2) Inbound groups (i)



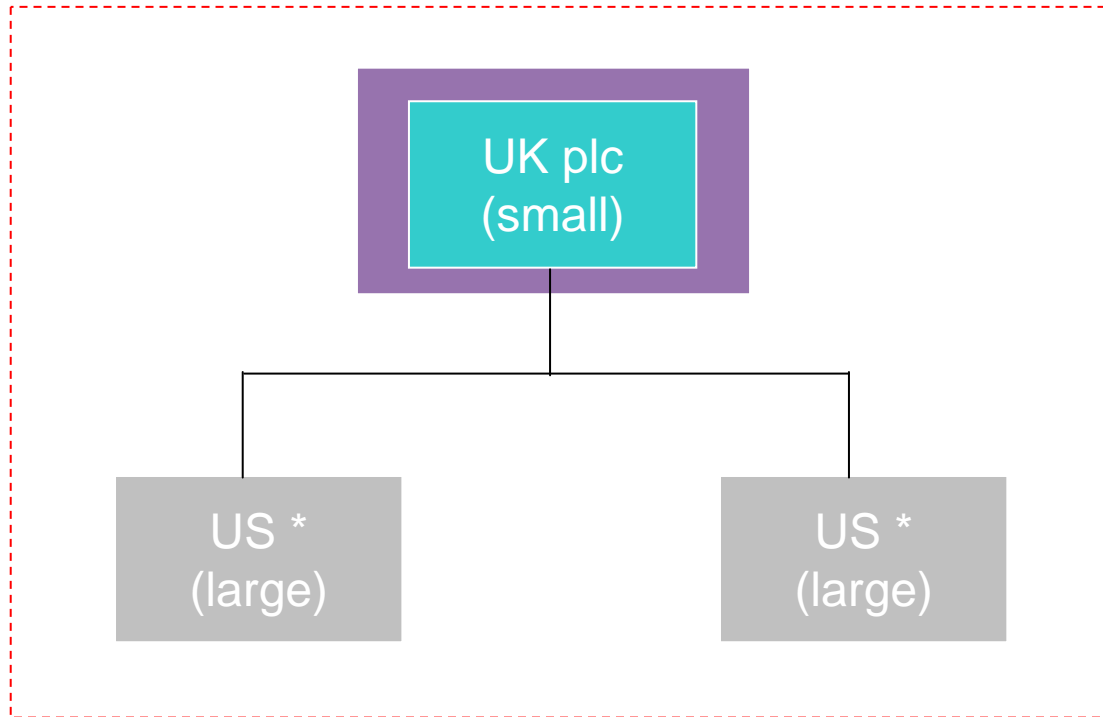
Example structures

(3) Inbound groups (ii)



Example structures

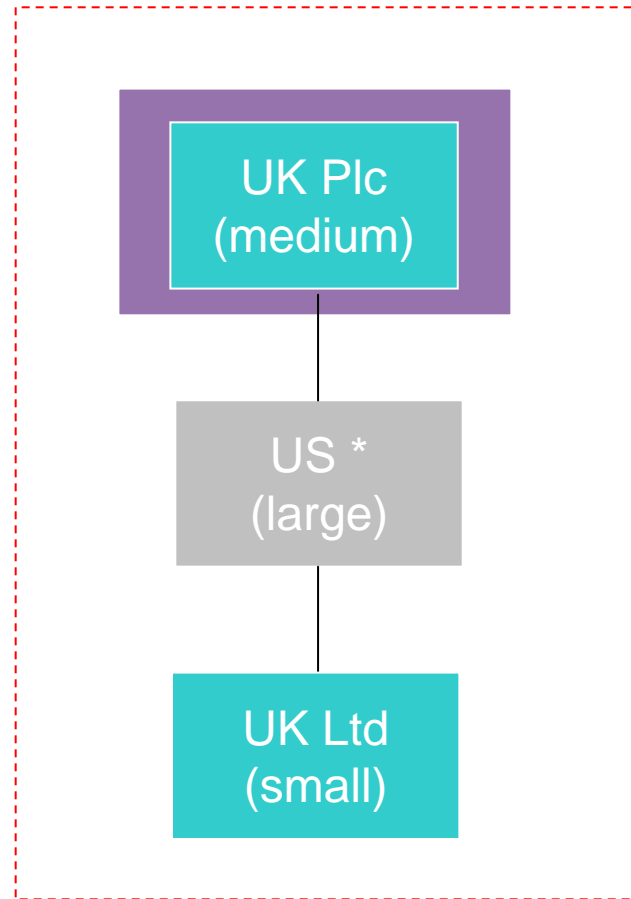
(4) Outbound groups (i)



* - to the extent that this company has a UK filing obligation and/or figures required for calculation of parent's UK CT or other tax liability

Example structures

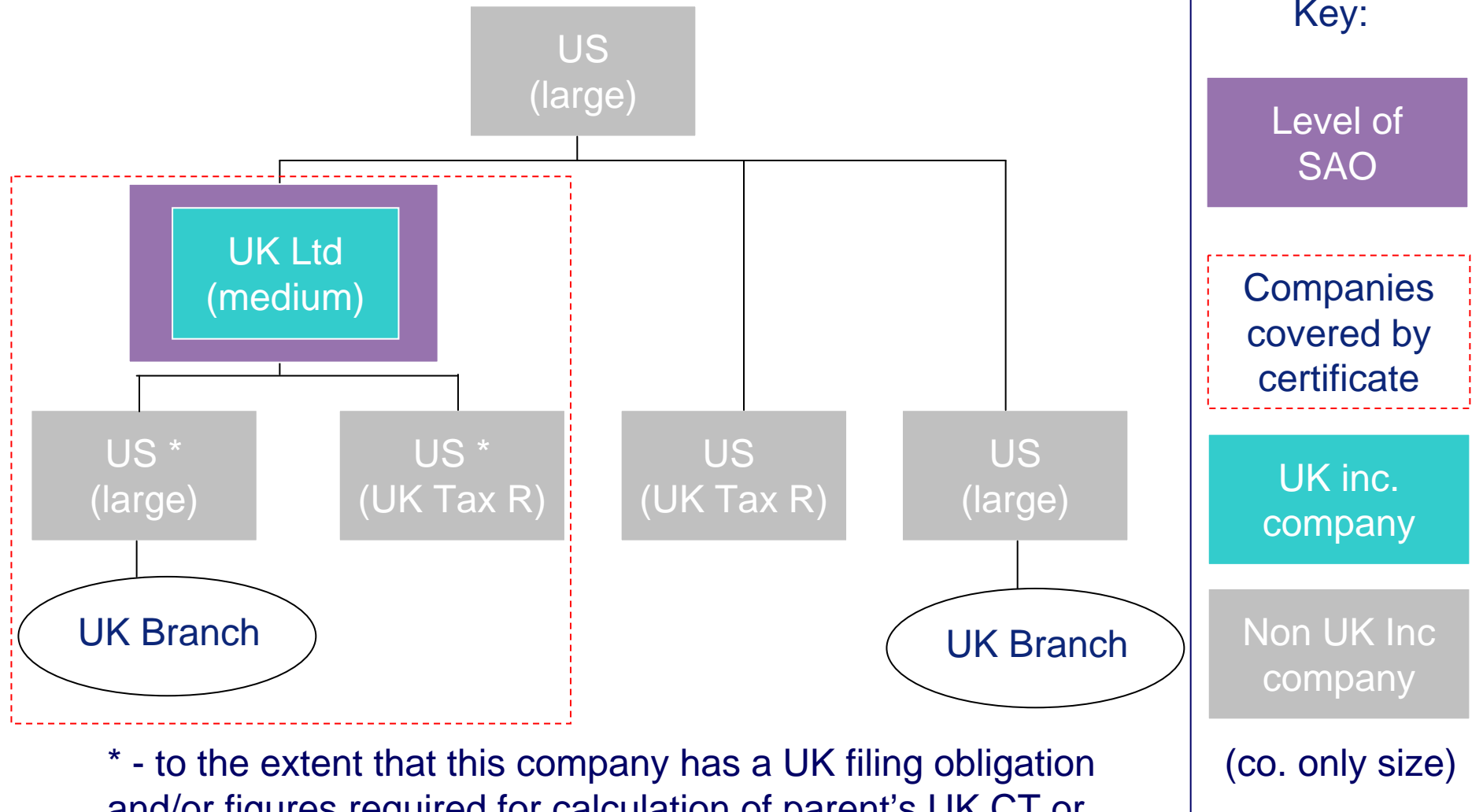
(5) Outbound groups (ii)



* - to the extent that this company has a UK filing obligation and/or figures required for calculation of parent's UK CT or other tax liability

Example structures

(6) UK Branch and Non UK Inc (but UK Tax R)



* - to the extent that this company has a UK filing obligation and/or figures required for calculation of parent's UK CT or other tax liability

Personal liability aside, if you could influence the legislation, what change would you most like to see to the scope of the measure?

- ① Only companies/groups with assigned CRMs**
- ② Removal of auditor reporting requirement**
- ③ Size of Company**
- ④ Taxes covered**
- ⑤ Types of certificate that can be provided**

Personal liability aside, if you could influence the legislation, what change would you most like to see to the scope of the measure?

① Only companies/groups with assigned CRMs

22%

② Removal of auditor reporting requirement

35%

③ Size of Company

20%

④ Taxes covered

19%

⑤ Types of certificate that can be provided

4%

If your SAO was penalised, what would happen?

- ① **The SAO would pay for the fine personally**
- ② **The company would pay the fine**
- ③ **I don't know**

If your SAO was penalised, what would happen?

① The SAO would pay for the fine personally



② The company would pay the fine



③ I don't know



Do you think being penalised would have a personal impact on an SAO's career and reputation?

① Yes

② No

Do you think being penalised would have a personal impact on an SAO's career and reputation?

① Yes



② No



Significant uncertainties

What is 'reasonable'? What is 'appropriate'?

- SAO guidance due in draft (mid-June) and final (end July)
- Consultation suggests:
 - Won't be prescriptive
 - Will depend on scale/complexity of business and tax affairs
 - Will acknowledge circumstances in the period
- Existing case law and guidance for 'reasonable care'
 - Able to calculate tax accurately
 - Includes consideration of people, process and systems
 - Mistakes – infrequent, insignificant, non-recurring

Significant uncertainties

Existing guidance - examples

Reasonable?

“....‘reasonable care’ cannot be identified without consideration of the particular person’s abilities and circumstances. ...[W]e would not expect the same level of knowledge or expertise from a self- employed un-represented individual as we would from a large multinational company....”

*HMRC Compliance Handbook
CH81120*

Deliberate?

“A&B Ltd, a large company with a substantial advertising budget, does not have procedures to identify the entertaining element of advertising costs. So any expenditure on advertising is included in full in the advertising account, with no way of cross-checking how much of the expense relates to disallowable entertaining.”

*HMRC Compliance Handbook
CH81145*

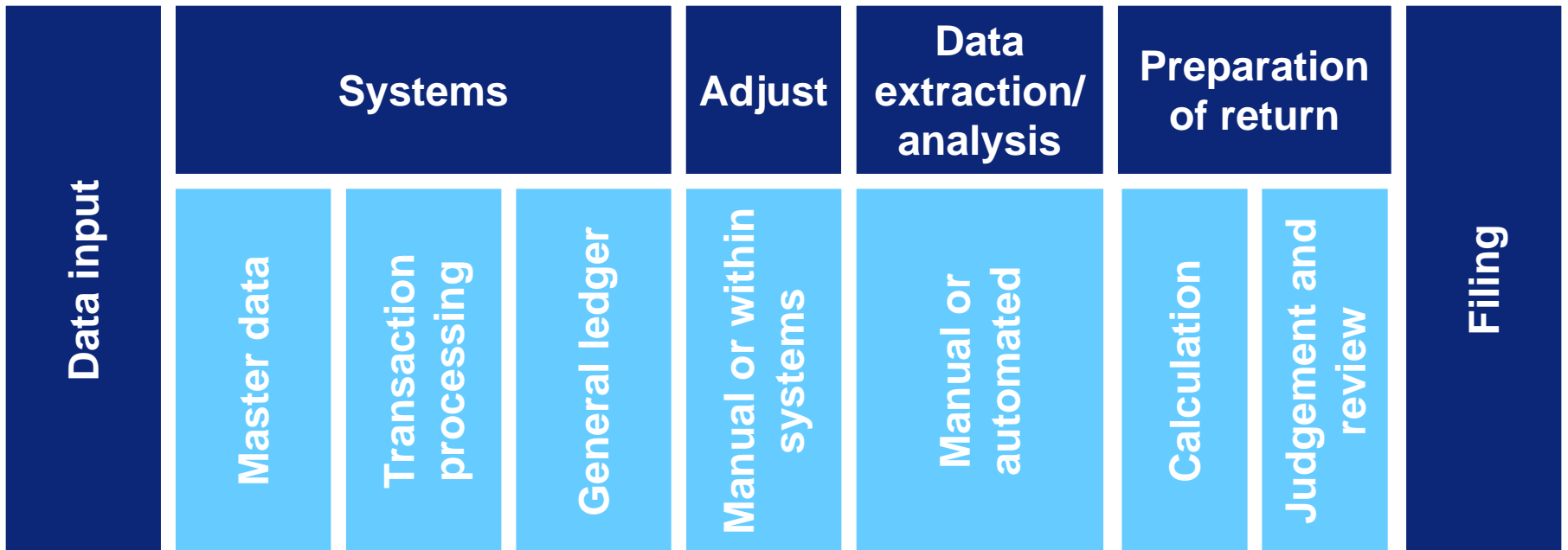
Definition of ‘reasonable care’ is specific to each taxpayer’s circumstance

Indicates failure to take reasonable care and could be shown to be deliberate

Significant uncertainties

What are 'tax accounting arrangements'?

From record to report ...



Adapted from: Annex K of HMRC's Tax Compliance Risk Management Process Manual

How confident are you that your organisation could provide the necessary sign-off, given your current arrangements?

- ① **Completely comfortable**
- ② **More or less comfortable**
- ③ **Some work required**
- ④ **Not at all comfortable**

How confident are you that your organisation could provide the necessary sign-off, given your current arrangements?

① **Completely comfortable**



② **More or less comfortable**



③ **Some work required**



④ **Not at all comfortable**



Other definitions

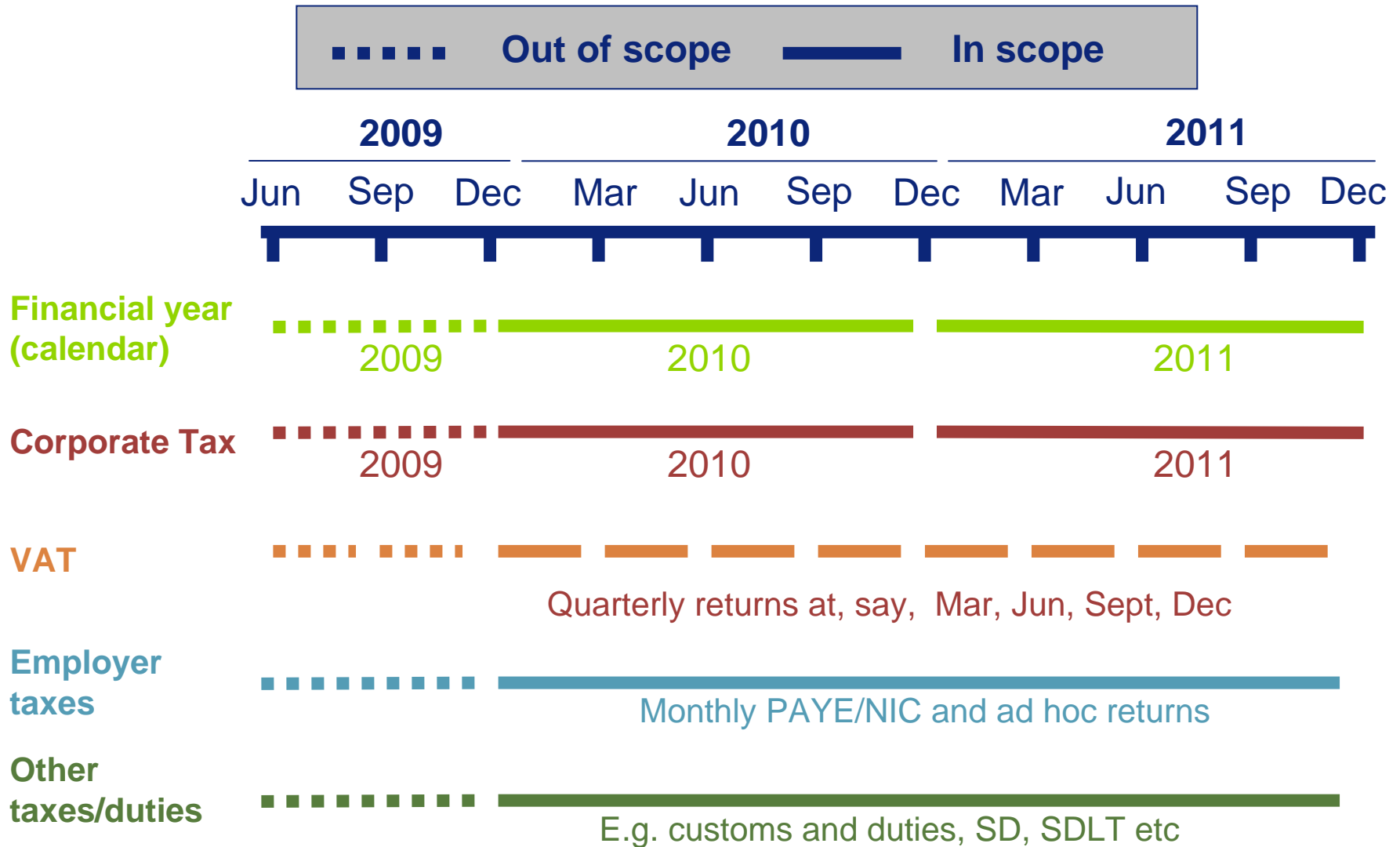
Other definitions

What taxes are in scope?

- Corporation Tax (including DTR for royalties, non exempt dividends etc.)
- Supplementary Charge to Corporation Tax
- Petroleum Revenue Tax
- Value Added Tax
- National Insurance Contributions
- PAYE
- Income tax
- Stamp Duty, Stamp Duty Land Tax and Stamp Duty Reserve Tax
- Climate Change Levy, Aggregates Levy and Landfill Tax
- Other excise and duties (including air passenger duty, alcohol duty, gambling duties, insurance premium tax, oil tax and tobacco tax)

Significant uncertainties

What periods/returns will this cover?



Other definitions

What are the notifications required and potential penalties?

Requirement	Due date	Penalty	Falling on
Main duty – appropriate accounting arrangements	For financial year	£5,000	Last SAO in the Financial Year
Certificate	By filing deadline for accounts	£5,000 for late or inaccurate	Person who complies; if not SAO on the last day for compliance
Notification of SAOs	By filing deadline for accounts	£5,000	‘Large company’

What next?

What next?

Overview for the next 12 months



**Education/
impact in market**

Risk Assessment

Compliance

Improvement

Sustainability



What next?

How much could all this cost?



Key:

Ongoing cost

One-off cost

Potential saving

Size of bubble reflects scale of cost/saving

How much do you think achieving compliance will cost your organisation?

- ① £0
- ② £50,000
- ③ £100,000
- ④ £250,000
- ⑤ £500,000
- ⑥ £1m+

How much do you think achieving compliance will cost your organisation?

① £0



② £50,000



③ £100,000



④ £250,000



⑤ £500,000



⑥ £1m+

0%

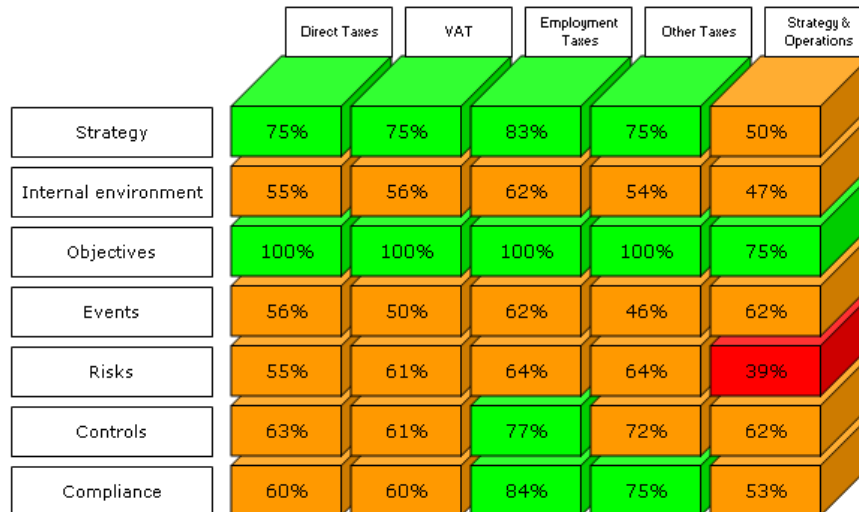
Engaging with clients

Using the Cube

Deloitte.
The Cube

Preparer:
Client:

Start the test Reset Print Send Results



Overall Score: 65%

- Indicative assessment of readiness
- Should constitute *starting* to take 'reasonable steps'
- Highlights next steps

Which areas of tax will cause you the most concern?

- ① **Corporation tax**
- ② **VAT**
- ③ **NIC/PAYE**
- ④ **Operational taxes**
- ⑤ **Stamp taxes**
- ⑥ **Environmental taxes**
- ⑦ **Other excise and duties**

Which areas of tax will cause you the most concern?

① Corporation tax



② VAT



③ NIC/PAYE



④ Operational taxes



⑤ Stamp taxes

0%

⑥ Environmental taxes

0%

⑦ Other excise and duties



Q&A for panel

Close

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