



## LT In Focus

# Tax strategy disclosure in the UK

The government of the UK has introduced draft legislation that will require the largest taxpayers to disclose their identifiable tax strategies (the so-called "transparency rules"). Although the act is currently in hearings, it has already gone through the process of stakeholder consultation and hence we do not expect significant amendments to the published edition. These requirements will come into legal force after the date they receive the Royal Assent, which is expected in July 2016.

Below we summarize the new requirements set under the transparency rules:

### Who could be affected?

Should the legislation be passed in its current form, taxpayers satisfying the following criteria will be affected:

- UK registered businesses, if:
  - A. their turnover equals or exceeds £200 million;
  - B. the gross assets equal or exceed £2 billion.
- Multinational business with any operations carried out through UK companies or partnerships: consolidated turnover of €750 million or more.

The UK government roughly estimates the number of domestic and foreign taxpayers that will be affected by the legislation as 2,000.

### Information subject to disclosure

Entities that meet the size requirements must make publicly available the following information, at a minimum:

- The approach of the group to risk management and governance arrangements in relation to UK taxation;
- The attitude of the group towards tax planning so far as it is affected by UK taxation;
- The level of risk in relation to UK taxation that the group / entity is prepared to accept; and
- The approach of the group towards its dealings with the UK tax authority.

Failure to publish an identifiable tax strategy or the publication of an incomplete strategy based on the areas outlined above, could lead to a financial penalty. This penalty will be subject to the usual UK appeals process.

### What should be considered?

Provided that legislation comes into force in July 2016, the first disclosure date will be 31 December 2017. The tax strategy is expected to outline the company's long-term approach to UK taxation and the draft rules do not anticipate the need to update it regularly. Amendments would be expected only in certain cases, such as a change in the corporate investment policy.

The UK government notes that a number of these large businesses already have an existing well-articulated tax strategy in place, even if not in writing, and that some do publish their strategies. Nevertheless, multinational companies encountering the requirement of tax strategy disclosure may face practical difficulties, since unlike domestic companies, they were not previously faced with the need to formalize or implement these tax policies. As result, such strategies are either absent or are of a formal rather than a practical nature.

The forthcoming changes could affect the operations of the largest taxpayers in the UK. As such, the companies should begin the process of tax strategy elaboration, which would cover information on tax administration policy, including the division of tax planning and control functions, the approach to tax risk detection and mitigation, risk profile assessment and an elaboration of the approach to tailoring them in financial reports.

We hope that you will find the information outlined in the current issue interesting and practical. Our specialists are ready to answer all your questions related to this topic should you have any.

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## TaxSmart app



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