



Do your current tax governance and compliance processes meet the new HMRC requirements?

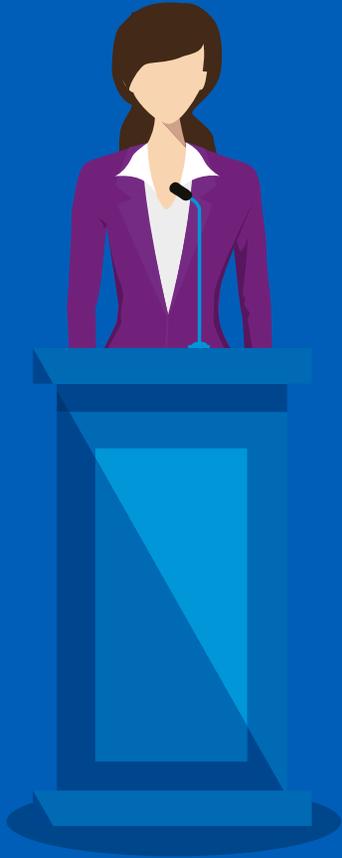
Webinar

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With you today



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Agenda

01

Overview

02

HMRC Business
Risk Review

03

Managing Tax
Compliance

04

Questions?





Overview



Trends impacting the finance and tax functions



Political

- Global tax reform
- Globalisation versus localisation
- Tax transparency

Technology

- Cloud
- Intelligent automation
- Enterprise data strategies
- Blockchain
- Cross function business digitisation

Economic

- GE transaction
- Budget constraints
- Access to Big Four scale
- Labour arbitrage in remote locations
- Outsourcing
- Transformation
- Data access

Social

- Digital versus human labour
- Evolving workforce skills and desires
- Gig economy
- Alternative workforce solutions

Regulator

- Use of technology
- Direct access to data and use of data analytics
- Cost of non-compliance

Impact on the UK environment

01 Increased government focus on regional businesses, economies and real-time reporting



02 Post-Brexit industrial strategy

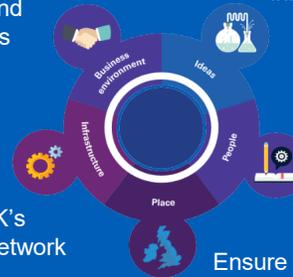
Become the best place to start and grow a business

Become the world's most innovative economy

Upgrade the UK's infrastructure network

Create good jobs and greater earning power

Ensure prosperous communities across the UK



04 Requirement to improve efficiency and reduce the cost of tax compliance through modern ways of managing tax



05 The rate at which companies grow from start-up to significant continues to increase, creating demand for greater focus on tax's role within the business



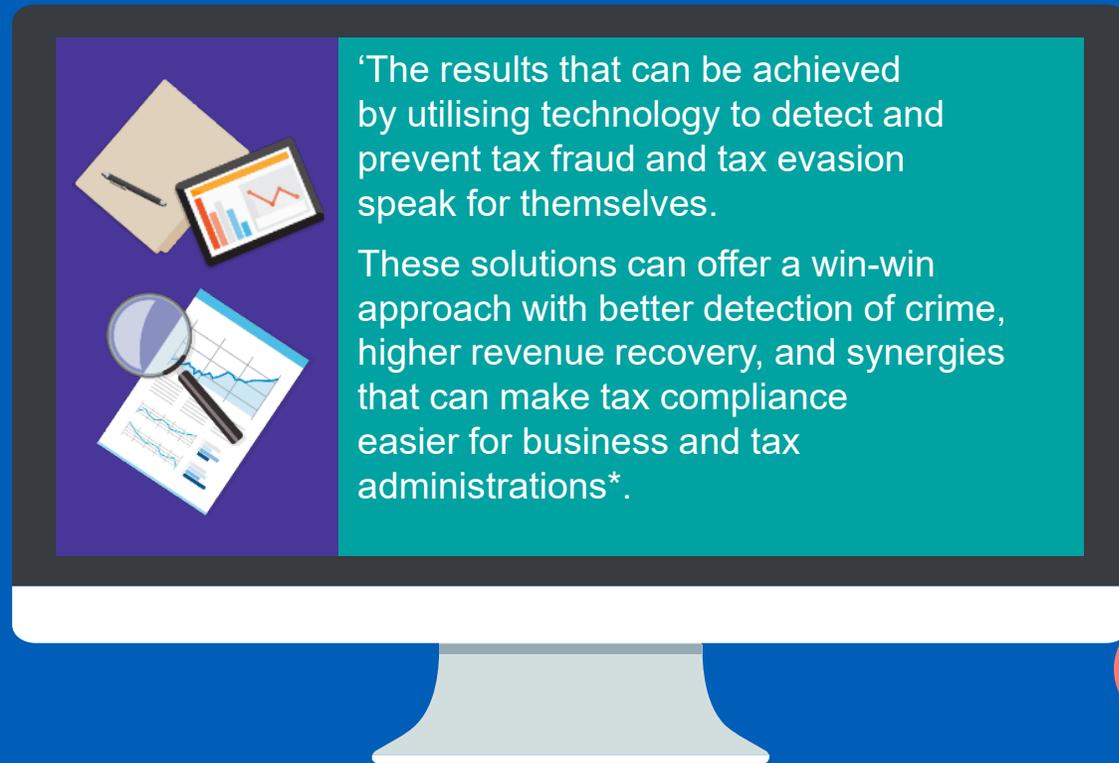
03 Fast paced adoption of new technology by both our clients and competitors



06 Digital versus human labour, evolving workforce skills and requirement for flexible work environments

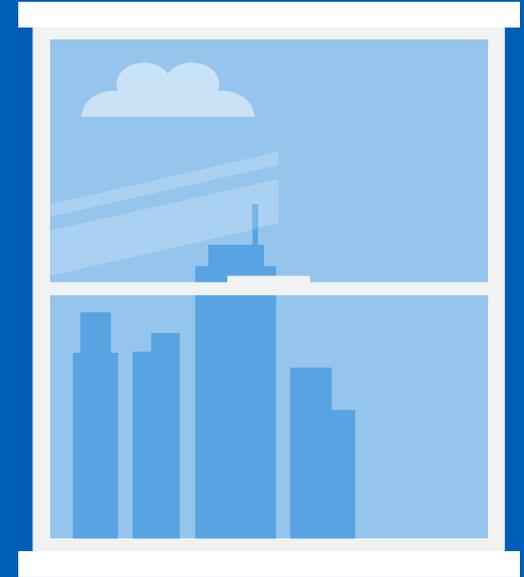


The role of technology



‘The results that can be achieved by utilising technology to detect and prevent tax fraud and tax evasion speak for themselves.

These solutions can offer a win-win approach with better detection of crime, higher revenue recovery, and synergies that can make tax compliance easier for business and tax administrations*.



Source: *OECD (2017) Technology Tools to Tackle Tax Evasion and Tax Fraud

More specifically the HMRC environment

HMRC are increasingly using technology to identify potential issues and assess the integrity of data. Now Making Tax Digital (MTD) for VAT has been implemented, MTD for corporation tax is likely to follow



What's going to be different?



HMRC is introducing a revised **Business Risk Review (BRR)** with a concentration on the integrity of data and governance of tax, including a focus on risk registers, tax policies and real-time communication



There is **greater emphasis** on a business's obligations regarding the **Senior Accounting Officer (SAO)** requirements, country by country reporting and the tax strategy publication



HMRC, like other tax authorities, is moving to a future state where tax sensitive financial data is extracted directly from a business's core financial systems, with minimal manual adjustments, e.g. MTD



HMRC Business Risk Review



BRR + Template - General

| | |
|-------------------------|--|
| Customer Name | |
| Period of Review | |
| Overall Rating | |

| Overall Risk Rating (to be completed by the CCM) | | | | |
|---|--------------------------------|-------------------------------------|--|---------------------------------|
| | Rating 1 (Low risk) | Rating 2 (Moderate risk) | Rating 3 (Moderate – High risk) | Rating 4 (High risk) |
| Systems and Delivery | | | | |
| Governance | | | | |
| Approach to Tax Compliance | | | | |

| Overall summary (to be completed by the CCM) |
|---|
| Systems: <i>Add Comments here</i> |
| Governance: <i>Add Comments here</i> |
| Approach to tax compliance: <i>Add Comments here</i> |
| Overall Comments: <i>Add Comments here including questions to ask at the customer BRR</i> |

| Business Landscape (to be completed by the CCM) |
|--|
| Business Landscape – Review Commenting on the following aspects: <ol style="list-style-type: none"> 1. The size, scope and depth of business and tax interests 2. The complexity of international structures and financing 3. The degree and pace of change within the business |

Systems and Delivery

Low Risk

1. Systems and Processes: The customer employs sufficient resource to deliver timely and accurate returns, declarations, payments and claims, including accounting systems and processes that are suitable for the size and complexity of the business
2. Sufficiently Resourced Tax Team: The customer employs sufficient resource to deliver timely and accurate returns, declarations, payments and claims, including sufficiently skilled and experienced resource in the Finance/Tax teams
3. All returns and payments are made on time
4. HMRC interventions have not identified significant errors
5. The customer maintains a tax risk and controls matrix and shares this on request from HMRC
6. The customer maintains documented tax policies and procedures and shares these on request from HMRC
7. The customer undertakes assurance checks and testing of its policies and procedures on a regular/timetabled basis
8. Where key fiscal areas are outsourced, reasonable steps are taken to ensure the provider is suitably competent, qualified or controlled in order that transactions which impact on tax are properly accounted for

Note: Providing Indicators 1 and 2 are met, if only one other indicator is not met a low risk rating can still be achieved

Moderate Risk

- A customer would be expected to be rated moderate risk if it meets indicator 1 and 2 above and all but 2 of the other indicators, but is taking clear action to resolve these failures

Moderate – High Risk

- A customer would be expected to be rated moderate-high risk if it fails to meet either indicator 1 or 2 above and/or fails to meet more than 2 of the other indicators

High Risk

- The customer fails to meet indicators 1 and 2

Note: In the event of serious failure of one or more indicators the CCM may determine that the failure has additional weighting and determine the level of risk accordingly

Internal governance indicators

Low Risk

1. The customer has clear accountabilities up to and including the Board for the management of tax compliance risk and tax planning
2. The customer has appropriate tax accounting arrangements so as to enable accurate tax reporting.
3. The customer keeps HMRC informed of how the business is structured and where different parts of the business are located
4. The customer has fulfilled its filing, notification, due diligence, reporting and/or publication obligations regarding Senior Accounting Officer legislation, Country by Country Reporting, Tax strategy publication and Automatic Exchange of Information under the Common Reporting Standard or FACTA (if appropriate).
5. The customer appreciates its potential liability under the Corporate Criminal Offence legislation and steps have been taken to profile and manage the risk of failing to prevent the facilitation of tax evasion.
6. Any significant uncertainties or irregularities identified by the customer are communicated to HMRC promptly.
7. Transactions or issues with significant tax implications are discussed in real time and communications with HMRC are managed collaboratively
8. Prompt, accurate and helpful answers are provided in response to HMRC's queries and requests for information

Moderate Risk

- The customer would be expected to be rated moderate risk if it meets the low risk definition except for one indicator

Moderate – High Risk

- A customer would be expected to be rated moderate-high risk if it meets the low risk definition except for two or three indicators

High Risk

- A customer would be expected to be rated high risk if it does not meet four or more of the low risk indicators

- Note:
- (1) In the event of serious failure of one or more indicators the CCM may determine that the failure has additional weighting and determine the level of risk accordingly
 - (2) For banking customers – where HMRC has initial or interim concerns regarding compliance with the Code of Practice on Taxation for Banks the customer cannot be regarded as either Low or Moderate Risk. Where HMRC has concluded that a bank has breached the Code they will be regarded as High Risk
 - (3) Where a customer fails to meet the Corporate Criminal Offence Legislation indicator it will be regarded as High Risk in respect of Internal Governance

Approach to Tax compliance indicators

Low Risk

1. The customer maintains an open and transparent relationship with HMRC
2. The customer has a documented tax strategy that is used to steer all tax considerations
3. This tax strategy is regularly reviewed and updated when appropriate
4. The customer is open with HMRC in real time about how tax compliance risk is managed across all relevant taxes and duties
5. The customer is not involved in tax planning other than that which supports genuine commercial activity and they fully disclose the facts any legal uncertainty of relevant transactions
6. The customer does not structure transactions in a way which gives a tax result contrary to the intentions of Parliament
7. The customer is not directly involved with illicit trades and is active in mitigating illicit trades within their supply chain
8. The customer has not incurred an inaccuracy penalty, including any penalties that may have been suspended.

Moderate Risk

- A customer would be expected to be rated moderate risk if it meets the low risk definition except for one or two indicators

Moderate – High Risk

- A customer would be expected to be rated moderate-high if it meets low risk definition except for two or three indicators

High Risk

- The customer would be expected to be rated high risk if it does not meet four or more of the low risk indicators

Note: (a) In the event of serious failure of one or more indicators the CCM may determine that the failure has additional weighting and determine the level of risk accordingly

Request from HMRC at the outset of a tax governance review

'As you will note from these documents and the revised guidance at [TCRM3360](#), the BRR+ process requires HMRC to specifically consider certain aspects of our customers systems and governance processes perhaps in more detail than might have routinely been the case previously in order to determine risk markings. With that in mind I would be grateful if you could provide the following information and documents when convenient (for ease of reference I refer to the numbering used at TCRM3360):

- 1.2 The number of individuals in the finance and tax teams and their respective roles/responsibilities.
- 1.5 A copy of any tax risk and controls matrix or similar document maintained by the business.
- 1.6 Details of what tax policies and procedures are maintained by the business, along with one copy example of same.
- 1.7 Details of the assurance checks and tests carried out in respect of those policies and procedures at 1.6 above, and the frequency of such checks.
- 1.8 Details of all fiscal areas that are outsourced, the name of each service provider, and an overview of how such outsourcing is monitored by yourselves.
- 2.1 Please can you explain how tax issues are escalated through your business and to what extent the Board has a line of sight on tax compliance and risk planning. If a brief example could be provided to illustrate how this has worked in practice in the context of a significant business event which potentially impacted on tax, this would be appreciated.
- 2.5 Details of when the latest internal risk assessment was carried out for the purposes of profiling and managing the risk of failing to prevent the facilitation of tax evasion under the Corporate Criminal Offence legislation. If possible could you please also provide a copy of the current policy or procedure in place to train staff about such risks, along with a copy of, or link to, any document that demonstrates that there is top-level commitment within the business to preventing potential liability under the CCO legislation.'





Managing Tax Compliance





What we hear

1

The people in our finance team spend a lot of time doing **manually oriented tasks** to support our tax compliance process – how do we reduce that?

2

Our organisation has **trouble obtaining the data** we need to prepare our tax filings – the data often has to come in from many different sources – Is there a better way?

3

We need to spend a lot of time each month **checking, adjusting and/or reconciling data** to ensure the accuracy of our tax returns, and even then, we are never really sure it is correct?

4

As a Tax Manager, I struggle to have **visibility over the activities or transactions** being carried out by the business. Is there a way to help me with this?

5

I've heard the **tax authorities** are **investing heavily in technology** so that they can carry out data and analytics testing. I don't know what they may find with my organisation.

6

I spend most of my day trying to get the information from the business, in managing **tax problems** for transactions **which have already happened** – how do I prevent problems from arising?

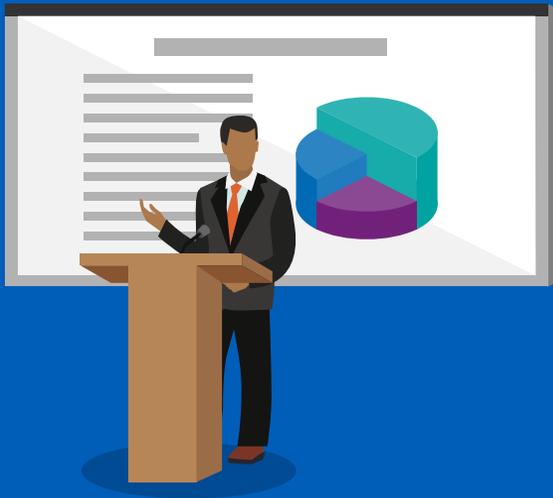
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The **budget** in my organisation **will not be sufficient** to allow me to hire new people, or to invest in technology to help me fix some of our existing problems.

Making technology work for you

Data management is at the heart of successfully automating the delivery of tax compliance

We can help to try and ease the pain of getting to grip with your data



Let's look at what you should be doing now, what is possible once that is in place and then looking a bit further into the future

Now

Three simple steps for data management:

1. Understand what you have and where it is
2. Resolve any data integrity issues
3. Automate processes

Next

Once you have control of you data then it opens up new opportunities:

- Risk analysis
- Business Insights

Later

AI is coming. We can see some practical implementations that will impact tax:

- Translation and the impact on operating models
- Natural language interpretation

How we'll get you there - KPMG tax connect



Online portal

Tax Connect is a web application which offers a secure, centralised area for sharing tax related information. It's a one-stop shop that brings together our information, tools and services in a single place

Benefits

- Efficient capture of baseline data
- Track progress throughout the year
- Share and view all required documentation and data

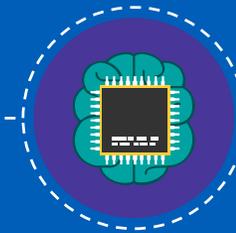


Source data

To minimise the time it takes to complete the compliance process, our starting point is to use your core financial and fixed asset data. This is typically much quicker than completing a traditional tax data pack

Benefits

- You can supply your core compliance data in any format, e.g. Excel, Asset registers, TB
- In the near term there will be an option for trial balance data to be extracted straight from your financial records



Machine learning

The key advantage of KPMG Tax Connect for corporation tax compliance is the way we use machine learning technology to process your trial balance data. The standard computation has been created with Making Tax Digital in mind, to make sure you are well prepared for the future

Benefits

- Accurate categorisation of your core financial data to our standard computation
- The opportunity for enhanced data analytics, benchmarking and real time reporting

The tax connect process (cont.)



Tailored questions

Once categorised, we will ask you a set of tailored questions based on the data you've provided. Questionnaires will be placed and stored on the secure online portal

Benefits

- User-friendly format
- A bespoke service from a standard process
- Share and view all required documentation and data

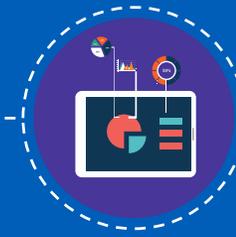


Tax for accounting

KPMG Tax Connect is able to handle multiple versions of your core financial data and track the changes throughout the year

Benefits

- A clear audit trail from start to finish
- Updates can be made in real time if your auditor makes changes



Approval and analytics

To complete the process and approve your tax return, you just need to log in to the portal. Along with your submission you will get a set of analytics on your data, including a risk assessment of the amounts included in your expenses

Benefits

- A quicker, better user experience
- Experience tailored to your specific profile and how you compare to your peers

Re-examining your approach to compliance and governance



Key triggers:

Governance and tax risk management

- Unable to evidence coherent tax risk management framework
- Few or no documented policies?
- Limited visibility of management of taxes across the organization
- No evidence of CCO risk assessment and follow up actions

Compliance

- Process is time consuming
- Pressure on finance to reduce costs
- Requirement to refocus team members to more value add activities
- Significant time spent extracting and sorting data
- Reliance on spreadsheets and numerous manual processes
- Little value derived from the process



Thank you
for listening





Any questions?





kpmg.com/uk



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