TOLLEY SPOTLIGHT IN-HOUSE TAX

In this guide:

- The practical challenges: views from the market
- The key tax issues: a checklist
- How to build a successful team
- Business partnering: practical tips
- Evaluating recoverable VAT
- Global and local complexities
- Outsourcing and more...

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Challenging times for tax teams

Views from in-house professionals on some of the issues they have faced in 2020.

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In-house tax teams need to cope with all the tax issues that are thrown at their business, and right now those challenges are coming thick and fast: covid-19 secure workplace adjustments, government support schemes, industry-specific tax changes and Brexit are all in the mix.

I spoke to six tax managers or heads of tax working in a range of industries: construction, document logistics, aerospace, banking, insurance and personnel services. To encourage an The individuals have requested that their employers should not be identified.

Working remotely

Two of the interviewees had joined their employer shortly before or during the covid-19 restrictions, which meant they had to pick up the reigns of their new job with no face to face interaction with their new employer or colleagues. This was a challenge in itself, as they had to learn how the business works with no one at the next desk to check with.

This remoteness, as nearly all staff were working from home, has focused attention on the quality of internal communications for all tax teams. Ali, Head of Tax in an aerospace company, found that daily 'water cooler' meetings are vital to check in on how her staff are coping. She said that using cameras in those meetings is key to help the team feel connected to each other.

Practical issues around staff health and safety were also a priority at the beginning of the lockdown, such as making sure each team member had all the equipment they needed, including a comfortable office chair!

As childcare arrangements were disrupted by the pandemic, allowing staff to work flexible hours quickly became necessary to maintain productivity, so perhaps this is a silver lining to the covid-19 storm cloud.

Workplace adjustments

The construction industry continued to work right though the lockdowns, and Tax Manager Tania reported that this required a huge reorganisation of building sites and the offices to allow for social distancing. Some suppliers of building materials closed, which created pinch points, and she expects further problems with suppliers as the transition period for Brexit ends on 31 December.

Tim, a technical director for a document logistics company, had his workplace fitted out with plastic screens to protect those staff who wanted to work on site. He found that productivity was maintained when staff were given the choice as to where they could work.

Neal, Head of Employment Tax with a global bank, was in total awe of the IT department who managed to move 3000 people out of the UK offices to work at home in the space of a week, with no loss of productivity. A similar move of people was repeated across 97 countries on slightly different time scales.

Ian, Head of Tax for a global insurance business, also handed out high praise for the IT department who did a sterling job in moving thousands of people out of the London office within days, and the IT systems continued to work brilliantly.

Residence issues

The covid-19 restrictions have led to some employees working remotely in a different country to where their employment is based, to care for elderly relatives, or because travel back to the UK was impossible.

This meant the number of days present in a different jurisdiction could tick-up above a threshold that changes where the individual is tax resident for income tax and social security charges. In non-treaty countries, a social security liability can crystalise from day one.

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If the employee is making decisions or completing contracts on behalf of the business, this could create a permanent establishment for the business in that country.

Neal commented that these remote working issues have created better awareness within the bank that working from another jurisdiction is a minefield. Checks and balances need to be put in place to protect the business.

Technology

I asked the tax directors what changes they had implemented to handle tax information across the business during the pandemic. All the businesses already had secure electronic measures for handling tax data, but remote working for all staff had tested these systems as never before.

Catriona, Head of Tax for a human resources business, is investigating technological solutions to manage transfer pricing and tax compliance matters across 25 different countries.

Ian and Catriona are also both concerned about the final phase of MTD for VAT: the implementation of digital links throughout the accounting system. The insurance group is designing an in-house solution, while Catriona's business is looking at what tools are available in the market and how they could be adapted.

Government support

The interviewees did not want to disclose whether their employer had used the furlough scheme, as this is viewed as commercially sensitive information. It will be interesting to see how this perception affects the take-up of the third version of the furlough scheme (CJRS 3), which commenced on 1 November, as the legislation requires HMRC to publish details of all employers who use that scheme in December 2020 or January 2021.

Dealing with HMRC

Tim deals with all the tax compliance for his company, including R&D claims, but outsources the corporation tax computation to his accountants. He found the automatic deferral of VAT payments from 20 March to 30 June confusing, as on first reading it appear to cover two quarters of VAT, when in fact it only applied to one. HMRC's communications in this regard could have been clearer.

All tax directors reported that HMRC was very accommodating in putting tax reviews and queries on hold at the start of the pandemic, although tax return filing schedules still had to be met.

The tax team in the global bank prioritised tax compliance work across all the jurisdictions it operates in. The management felt it was right thing to do to submit all tax reports on time and ensure all taxes were paid on time, even if where filing or payment deadlines had been automatically extended.

The bank also provided a small bonus to every member of staff who earns up to a certain threshold. This bonus was exempt from tax in the USA, but not necessarily tax free in other jurisdictions. The time spent determining whether the bonus could be paid free of tax in each country generally outweighed the potential tax saving, so a decision was taken to deduct tax from all the payments other than in the US.

Outsourcing

The scope of outsourcing tax tasks did not increase significantly during the pandemic, in fact Catriona is bringing more of the UK tax compliance in-house.

Neal and Ian both reported using local external tax support to a greater degree for tax compliance tasks in order to increase capacity fort the in-house team to deal with other priorities.

Hot tax issues

Ian has several big tax issues vying for his attention, and top of the pile are the disclosures required under DAC6, the first of which will have to be submitted by the end of January 2021.

There are also two consultations which he wants to feed into:

- the OECD consultation on taxation of digital businesses, looking at the pillar one and pillar two solutions; and
- the HMRC consultation on MTD for corporation tax.

Although these proposals won't change tax policy or administration until 2024 to 2026, Ian feels it is important to make sure the needs of his sector are not ignored.

Tania is cross about the conflagration of three different tax changes scheduled to hit the construction industry in 2021, which are:

- the VAT domestic reverse charge from 1 March 2021;
- off-payroll working for the private sector from 6 April 2021; and
- changes to the construction industry scheme from 6 April 2021.

Brexit

Ian has been planning for Brexit for over two years, which has involved the transfer of a significant section of the business from London to Belgium. This alone was a huge systems challenge, but it also created tax problems such as the treatment of deferred tax in Belgium and whether investment losses are allowable deductions in that country.

For Neal and Catriona, the number one tax worry is the changes that Brexit will bring to international social security rules for employees and employers. Their businesses both have employees working in dozens of different jurisdictions.

Neal noted that the little HMRC guidance that does exist on social security charges post Brexit is totally at odds with the guidance from the EU. Neal hopes that clearer guidance will emerge in the next few weeks, but at present he concludes: 'It's a mess'.

Conclusion

I have a renewed admiration for tax directors who need to cope with such a large range of tax problems, that are often spread across international borders.

The director needs manage both the internal systems that pull in data from all parts of the business for the tax compliance process, and also attend to the morale and well-being of their tax team. They need to be masters of multi-tasking!

Reported by Rebecca Cave
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Key tax issues for in-house teams: a checklist

From covid-19 business support to the tax impact of working from home, from R&D claims to Brexit, experts at BDO set out the key issues that in-house tax teams should be addressing now.

Although some proposed tax measures have recently been deferred – including the deferral until 2022 of the proposals to inform HMRC of uncertain tax treatment – businesses still face many actions and decisions on tax issues. In this article, we highlight some key corporate and employer tax issues which in-house tax teams should be addressing now. These include issues arising from covid-19, Brexit, new legislation and new tax administration procedures.

Capital allowances: how best to maximise allowances?

Annual investment allowance (AIA)

The 100% AIA amount for expenditure on plant and machinery (temporarily increased from £200,000 to £1m per annum between 1 January 2019 and 31 December 2020, and due to revert back to £200,000 from 1 January 2021) will now remain at £1m for a further year, to 1 January 2022.

This extension is a welcome incentive to support and encourage businesses investing in plant and machinery, particularly during this uncertain period. Businesses can now plan their capital expenditure over the next year to maximise the 100% tax relief available for qualifying expenditure.

It should be remembered that groups of companies are only entitled to one AIA between them, so it may be necessary to review the expenditure of the whole group to determine how best to use the allowance.

Structures and buildings allowance (SBA)

Subject to meeting the qualifying conditions for SBA expenditure on the acquisition, construction or renovation of non-residential buildings or structures can only be claimed when the building or structure has been brought into use.

HMRC has confirmed that there will be no relaxation of this requirement, even though many buildings may not be brought into use as originally planned due to Covid-19 restrictions. This may result in claims being deferred (or pro-rated, if only a proportion of the annual allowance can be claimed).

If opening a building would only be marginally worthwhile in the current difficult conditions, the availability of a substantial SBA may be a factor.

It is important to note that there is a requirement to prepare and retain a physical written statement containing the identity of the building, the date of the earliest contract for the expenditure, the amount of qualifying expenditure incurred, and the date on which the building is first brought into non-residential use.

Have you reviewed your transfer pricing policies?

In light of the changed circumstances due to the covid-19 pandemic, questions to ask in a review of transfer pricing policies include:

- Are the comparables used to set transfer prices based on normal market conditions and pre-Covid-19 benchmarking data? Are these still applicable and appropriate in the changed circumstances? Is an alternative approach needed, for example including loss-making comparables, or using real time analyst and financial projections?
- How are businesses renegotiating terms and pricing with third parties - for example, deferring payments, changing contract terms and negotiating new pricing structures? Should these be reflected for intragroup transactions?
- Is the business model or supply chain changing, and does this present transfer pricing opportunities and challenges?

The areas in which action should be considered include:

- Reducing margins: fixed or cost-plus basis margins may now result in cash tax issues for limited risk sales and distribution, manufacturing and other entities. Affected businesses should consider reducing or temporarily eliminating margins, where this can be justified.
- Reviewing funding arrangements: there may be justification for changing interest rates, guarantee fees and cash pool terms, or agreeing interest deferrals, holidays or covenant relaxation.
- Payment deferrals: there may be economic or market justification for delaying payments in relation to goods, services or finance.
- Royalty holidays: a royalty holiday could be based on sales in a particular region or market recovering to an agreed level, or royalty rates could be linked to certain targets being met.
- Adjusting service fees: consideration should be given to adjusting the cost base where employees are furloughed, to reflect the fact that some services are not being delivered.

Important points to remember:

- Any changes should comply with the requirements of the authorities in all jurisdictions concerned.
- Well-supported evidence and documentation should be retained in relation to changes.
- Businesses need to be mindful of potential reputational risk issues and the cost of defending poorly conceived or executed policy changes.

Corporate/debt restructuring

At this time, company executives will be considering strategies to limit the immediate impact of covid-19 on the current trading environment, to take advantage of opportunities that present themselves at this time and to put the company in a position to move forward once the global economy starts to recover. In-house tax teams will need to work with executives to consider the potential tax implications to the company and its various stakeholders of such strategies, in order to ensure that decisions are fully informed.

In this respect, tax teams may need to consider a wide range of transactions, including mergers, demergers, group restructuring, share reorganisation, rights/bonus issues, debt consolidation/release and debt/equity swaps. Importantly, there is no silver bullet, and what is appropriate for one business or situation may be inappropriate for another. Each case is unique and should be considered on its own facts.

Such transactions tend to be technically complex, and specialist advice may be required. It will be important for the executives to understand the tax cost of any proposals, avoid any bear-traps and understand where structuring can make corporate transactions more cash and/or tax-efficient.

Some of the matters that should be considered include:

- Whether any loan releases are taxable on the borrower or tax-deductible for the lender.
- Will the target company become connected with the purchaser?
- 'One-sided' tax charges will need to be avoided. Is it possible to adopt strategies that avoid this taxable credit?
- Are there stamp duty costs to be factored in on a reorganisation or acquisition?

Have assets been moved around the target's group? If so, are there any inherent tax charges on changes of ownership, e.g. capital gains on de-grouping, or SDLT de-grouping charges?

Claims for research and development (R&D) tax relief

Claims for R&D tax relief must be made by including the claim in the company's tax return either in the original submitted return or through an amended return. The time limit for submission of the claim is the first anniversary of the filing date for the company's tax return for the accounting period for which the claim is being made. For example, if the accounting period was the year to 31 December 2019, a claim would need to be submitted to HMRC by 31 December 2021.

Claims can be supported by report as a PDF attachment to the return, or via HMRC's online template. Whichever option is used, it is important to demonstrate to HMRC that the company can, and has, distinguished between qualifying and non-qualifying activities when compiling the claim. It is also vital to include a sample of technical narratives detailing the technological advances sought and uncertainties the competent professionals attempted to resolve.

When claiming R&D relief, do make sure that the people actually involved in doing the work are involved in making the claim. As the recent First-tier Tribunal case of *Hadee Engineering Co v HMRC* (TC/2018/01111) highlights, an R&D claim can go badly wrong when a company does not fully explain the R&D undertaken, and has not maintained sufficient evidence to support its claim.

Working from home

Employees working from home overseas, including as a result of covid-19 restrictions, can create a range of tax issues, from payroll taxes and social security to corporate tax risks, as well as personal tax issues for the individuals.

The corporate tax risks include the inadvertent creation of a permanent establishment (PE), i.e. a taxable presence for corporate income tax purposes) in the host country. This could result in the employer having to attribute the associated profits to a branch in the host country, triggering a potential corporate tax liability and double taxation, as well as additional compliance obligations.

It should be noted that under the corporate criminal offences legislation, UK businesses can be considered to commit a criminal offence if they have not taken reasonable steps to ensure that they are preventing the facilitation of overseas tax evasion by anyone providing services for or on their behalf. This would include, for example, overseas contractors or agencies working for you who fail to be transparent about their income to relevant foreign tax authorities. This is exacerbated by an increasing number of remote workers based in multiple jurisdictions due to covid.

Employers will need to identify the tax, social security, legal compliance and immigration risks of proposed work arrangements, and maintain an oversight of the location of their employees.

Off-payroll labour (IR35) for the private sector

For all contracts in force on or after 6 April 2021, when engaging with off-payroll labour, employers must consider the IR35 rules as well as the intermediary rules and offshore host employer rules. This means that if your business engages workers who are paid off-payroll, via a personal service company (PSC) or other intermediary, it will have to assess whether the IR35 rules apply for all contracts in force on or after 6 April 2021, i.e. would the worker be treated as an employee if engaged directly. If they do, tax and NICs deductions may be required on payments made to the PSC, and there would be an employer's NICs and apprenticeship levy liability for the paying party.

The introduction of these rules was delayed by a year because of the pandemic, but businesses must now review their use of contractors and other labour very carefully, as well as ensuring that policies, processes and procedures are in place to demonstrate reasonable care in assessing whether the rules apply. If a contractor is engaged now on a six-month contract, part of the contract could fall within the new rules, potentially requiring tax and NIC deductions to be made from April 2021.

Share incentives: considerations regarding existing share options

Employers currently face many decisions regarding employee retention and remuneration.

With regard to existing share options, companies should review:

- The existing terms of options, to check if any amendments to the performance conditions are appropriate to deal with changed circumstances. Where options have an exercise price which is higher than the current market value of the shares due to depressed share prices, companies may consider re-pricing, particularly where an option is nearing the end of an exercise period and it is unlikely that the share price will recover in time. However, existing shareholders are generally averse to re-pricing, on the basis that they have no similar remedy, and the Investment Association considers that existing awards should not be adjusted to reflect falls in share prices since March.
- The impact of exercise or lapse clauses on furloughed employees, or those with reduced working hours.
- Participation in share plans that is linked to remuneration (share incentive plans, SAYE schemes, annual bonuses).
- How they deal with leavers (voluntary or enforced) and whether options lapse or can/should be exercised, including good/bad leaver provisions.

Particular implications for employees with enterprise management incentive (EMI) options include:

- Furloughing employees would ordinarily have been a disqualifying event, as employees are required to work 25 hours per week, or 75% of their working time, to qualify. However, the draft Finance Bill 2020 contains a clause introducing an exception for participants of EMI schemes who are not able to meet the necessary working time commitment as a result of the coronavirus pandemic. The exception will take effect retrospectively from 19 March 2020 and end on 5 April 2021.
  There is also a provision for HM Treasury to extend the exception for a further twelve months if the coronavirus pandemic has not ended by April 2021. This welcome measure, if enacted, will ensure that such employees do not lose EMI scheme tax advantages as a result

of being furloughed because of coronavirus, and that they are not forced to exercise their EMI options earlier than planned due to the epidemic.
- HMRC has extended the usual 90-day valuation window for granting options to 120 days, and many companies are reverting to HMRC and agreeing new valuations for options not yet granted.
- The 90-day deadline for submission of EMI notifications remains, but HMRC may now accept that a delay to notify related to coronavirus could constitute a reasonable excuse for missing that deadline.

Coronavirus job retention scheme (CJRS) errors

Our experience suggests that many businesses implemented CJRS claims in a rush at the start of lockdown, and as the rules have also changed over the period of the scheme, they should now check and double-check that the amounts they claimed were right, as claims can be complex to calculate correctly. Making sure the paperwork is accurate and government guidelines are adhered to is key.

Where a business or individual is aware they received or retained any government support payment in error, this must be notified to HMRC by the later of 90 days from royal assent (i.e. 20 October 2020), 90 days from receipt of the payment, or 90 days from loss of entitlement to the payment. Then overpayments must be repaid, often by adjusting the next claim (although this facility will not apply for old overpayments, once the new version of the scheme starts in December).

The new clawback legislation treats such overpayments as tax, so they are due on the usual tax payment dates for individuals and companies (although, for large companies, tax on payments to which the companies were not entitled will not affect quarterly instalment payments). However, HMRC has the right to raise an assessment to claw back such excess payments at any time. If it does, payment is then due 30 days after assessment (unless there is an appeal, with postponement or a time to pay agreement). If the excess payments are repaid or assessed, they do not need to be put on the recipient's personal or business tax return.

Getting on top of CJRS claims is an important issue – especially as most companies come up to their year-end and need to identify financial discrepancies and prospective liabilities, as well as the fact that penalties for incorrect claims can include public naming by HMRC of incorrect claimants.

Cross-border payment to group companies in the EU

If withholding tax (WHT) is likely to be payable on cross-border payments within your group after Brexit, groups should consider bringing forward any final dividend, loan interest/capital payments and royalty payments to benefit from the existing rules before 1 January.

Brexit

Customs duty changes

From 1 January, the UK will have new border controls on goods coming into the UK from the EU and out of the UK to the EU. In preparation for this, UK companies should as a minimum:
- have a GB economic operator registration and identification (EORI) number;
- appoint a customs intermediary such as a freight forwarder/clearing agent/fast parcel operator etc. to submit a customs declarations on the company's behalf;
- be able to classify their goods correctly using the UK tariff;
- understand and apply customs origin rules; and
- understand the impact of incoterms on EU supply chains and where, in particular these confer an obligation to complete customs declarations.

In many cases, companies will need to have trained their teams on the customs declarations (where the EU is the main import or export location) as well as the new procedures. Fortunately, grants are still available to cover the cost of customs declarations training so, if you have not done so already, companies should apply now at www.customsintermediarygrant.co.uk/.

Exporting to the EU: do you need an EU EORI and/or an EU established representative?

Exporters should remember that the business or person you are exporting to within the EU may need a local licence or permit to import some types of goods, and they will need to make import declarations in that country. It is therefore wise to check that regular customers are also ready for the 1 January 2021 changes.

If your customer does not wish to be the importer of record, you may need to appoint an EU established customs intermediary such as a freight company to take that role (an 'indirect representative'); this may be difficult/expensive to achieve if you do not already have a long established relationship with a freight company

An alternative is to establish yourself in the EU and obtain an EU EORI so that you can be the importer of record in that country. Note that an EU EORI number is normally not enough; EU customs law require you to have an EU 'fixed place of business, where both the necessary human and technical resources are permanently present and through which a person's customs-related operations are wholly or partly carried out'. Of course, creating a new establishment in an EU country will clearly have many practical as well as direct tax implications.

VAT

Revised lease terms

During 2020, many struggling businesses have sought rent holidays, rent reductions and new lease terms from their landlords. Where the landlord is simply agreeing to defer the rent payments, or gives the tenant a rent-free period without anything in return, there are unlikely to be any VAT consequences. However, most landlords will be seeking something in return, and for VAT purposes consideration does not always have to be monetary.

HMRC issued *Revenue & Customs Brief 11/2020* clarifying its view on certain transaction that could be regarded as barters, and others that would not. Very broadly speaking, HMRC's view is that if the landlord grants a rent-free period in return for the tenant doing something, then both parties have potentially made a supply for VAT purposes. Clearly, all businesses that have been involved in rent negotiations should check the VAT position carefully.

VAT on compensation for contact terminations

On 2 September 2020, HMRC revised the VAT treatment of early termination fees and similar compensation payments, following recent CJEU judgments. Its new guidance says that many payments previously treated as outside the scope of VAT are, in fact, subject to VAT. It has also confirmed that the change was retrospective (i.e. businesses should revisit all affected payments in the prior four years) and that companies must amend their VAT returns as necessary.

HMRC stated that this will impact anyone who charged their customers to withdraw from agreements to supply goods or services, although the impact is likely to be more extensive. Companies who have taken termination or compensation payments from customers (quite a common occurrence in the current economic climate) should be revisiting the way they have dealt with these payments and making the appropriate VAT adjustments.

VAT: digital linking for MTD

Although the implementation of MTD for VAT has been delayed at many stages, businesses should now be submitting VAT returns through MTD. The next step is for all VAT data underlying the return to be 'digitally linked' so that it automatically reads through to the VAT return without human intervention. Companies must be ready for this by April 2021, and despite all the difficulties that businesses have faced during 2020, it is thought unlikely that the deadline for digital linking will be extended again.

All relevant items of software must be digitally linked to other pieces of software to create a 'digital journey'. There should be a clear digital audit trail from the transactional data recorded in your accounting systems, all the way through to the VAT return numbers submitted to HMRC. However, this does not automatically mean that you have to buy expensive new software; in some cases, existing Excel solutions can be incorporated, provided no manual intervention is needed. Companies that have not already automated their VAT data capture should seek help to start that process now.

VAT on construction services

From 1 March 2021, a VAT-registered business which supplies certain construction services to another VAT-registered business for onward sale will be required to issue a VAT invoice stating that the service is subject to the domestic reverse charge. However, it is the recipient that must account for the VAT due on that supply through its VAT return, instead of paying the VAT amount to the supplier. The recipient may recover that VAT amount as input tax, subject to the normal rules.

This measure is intended to prevent missing trader VAT fraud and, although it has been delayed twice already, it will be a major change for businesses in the construction sector both in terms of administration and the likely impact on cashflow and working capital when it takes effect. Businesses should be preparing their systems now so that they are ready to comply, and their supply chains are robust, from 1 March onwards.

Paying VAT when deferrals end

Businesses need to address how they plan to pay deferred taxes. The government will give taxpayers who deferred VAT payments between 20 March 2020 and 30 June 2020 the option to spread their payments over 11 interest free payments in 2021/22. This means that VAT liabilities due between 20 March and 30 June 2020 will now need to be paid by 31 March 2022. All taxpayers who took advantage of the VAT deferral are eligible to use the new payment scheme, but taxpayers will need to opt in. HMRC has announced that it will put in place an opt-in process in early 2021.

Supplies of digital services

Businesses that supply digital services should check that they are compliant with UK and international rules. They may be subject to the UK's digital services tax (DST), which came into effect on 1 April 2020, and potentially also one or more of the digital services taxes introduced by many other counties.

The UK DST is charged at a rate of 2% on UK digital services revenues arising in connection with certain types of digital services activities (i.e. social media services, internet search engines and online marketplaces) that are attributable to UK users. A group will be liable to the DST when its annual worldwide revenues arising from digital services activity exceed £500m, and more than £25m of these annual digital services revenues are attributable to UK users. DST applies at group level, but a group's first £25m of revenues derived from UK users will be exempt.

In the first instance, in-scope businesses need to register for DST within 90 days of the end of their first DST accounting period, and then work out their liability, submit DST returns, and pay DST.

Due to delays in getting international agreement to the OECD's proposed global solution, many other countries have introduced (or are planning) their own digital service taxes.

Fraud and corporate criminal Offences

Fraud increases in an economic downturn, and it is no different this time round. However, this time, as well as facing financial losses, businesses have to manage the additional risk of committing a corporate criminal offence (CCO) by failing to take reasonable care to prevent anyone who provides services for or on their behalf fraudulently evading tax.

Research carried out by HMRC in 2018 showed that at that time only a third of businesses had taken sufficient action to protect themselves from committing an offence under the Criminal Finances Act 2017. More recently, in our joint CCO webinar with HMRC, we found that number had not changed much, with a third not having carried out a risk assessment, and over 50% not yet having implemented CCO defence procedures. With dozens of HMRC investigations and prosecutions in the pipeline, companies should have a CCO defence in place and demonstrate a culture of anti-tax-fraud in the business. This is through the development of policies, procedures and training to both protect themselves from future prosecution by HMRC under the Act, and to protect their own cashflow from potential fraud.

This checklist was first published in Tax Journal, 27 November, and is republished here with permission.

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How do you build a successful in-house tax team?

Andrew Vinell (AVTR, CEO) discusses this topic with Chatan Patel (GFG, Head of Tax)

Having worked in the Industry for many years as a tax recruiter, I have partnered with multiple in-house tax teams, from established teams within FTSE 100's/250's, through to start ups who are looking to establish their first in-house tax hire. As such, In-house tax is such an interesting area for me as a recruiter, as no one team is the same.

When I was asked to comment on what makes a successful in-house tax team, I thought it would be an excellent area to explore, and I asked Chatan Patel; Head of Tax at Global Fashion Group, to add some further insight into this topic. Chatan has worked in-house as Head of Tax for over 10 years now, in groups of various sizes so has an excellent grasp of what is needed!

Given the variety of industries that house tax teams, it's obvious that agendas across these industries may differ, but they have a commonality when running an in-house team. I asked Chatan:

What do you believe are the priorities for an in-house team?

"1. Manage Tax Risk, 2. Make sure there are no surprises for the CFO of the board and 3. Support the business. And the ingredients to achieve this are to be adaptable, to understand commerciality and its impact, to be focused, and to be able to build good relationships. Soft skills are what make us successful, tax is a given."

What is the ideal team?

When Chatan and I discussed what an ideal team would look like, we broke it down into a few key areas. First, you need your Head Of Tax, and that will typically be someone who has experience of working In-house previously. Reason being that the skill set required to communicate and operate in an in-house team is very different to that of practice so you would be more likely to succeed having had some prior in-house experience. And again – your tax expertise is a given!

An absolute must, especially given the nature of our tax environment now, is a Tax Reporting manager. "A tax reporting role is mandatory to me, it's an automatic hire". Especially if the company is listed, there will be accounting obligations and so having this in-house resource is vital to manage your tax risk – which is what most businesses are concerned about these days.

Next up would be a tax advisory role. This would be dependent on the nature of the business and its corporate strategy is likely to influence the need for a resource. The more complex the business, the more need there is for an advisor in the team.

Finally, you would then look to hire in specialist advisors, such as Transfer Pricing, VAT or employment taxes. And much larger, international corporates are likely to have these hires in their teams – with the purpose of managing tax risk.

People play a big part in the success of an in-house team from its inception through to new hires in an established team.

Who to hire?

The profile of a candidate very much depends on what role you are looking to hire for, and some levels will come with expectations of relevant experience more than others. Where the role is quite junior, or you have the time and resource to train and up-skill, you are likely to want to hire from a Big 4 firm or practice generally, as long as they have the relevant tax experience

For business critical roles, in-house experience is preferred. As a recruiter, this has always been a challenge as I work with many candidates who are very experienced and have excellent credentials, but if they haven't worked in-house previously, the competition is fierce. I asked Chatan why this is the case, and it made sense: "we need people who can hit the ground running – they know what to do, where to go and what technology to use. They have developed the skill set of adaptability, and have typically had to use multiple systems and had exposure to colleagues of varying backgrounds.

However, it does depend on timeframes.

If I and the team have the time to train someone, then we would of course expand our remit and look to hire from practice".

It is clear that it's very much dependent on what is happening in the business at the time they look to hire, so there definitely isn't a one size fits all approach.

What's the key to keeping a successful team?

Tools and training: IT systems are a big part of running a successful team, and these tools are used on such a regular basis that it's a fundamental part of the role. You have to be flexible and adaptable to understand the IT technology within a business – this is a skill set that is required.

Technical training is not so readily available in-house as it is in practice, especially in the Big 4, so businesses really must invest in suitable software that enables their experts to access

information as and when they need it. By having this software, it helps the confidence of the professionals by knowing they have a resource.

Budgets are also required to make sure that teams obtain sufficient training whether that be online or external courses. There is also an element that the individual takes responsibility for their own learning too, but having the budgets to allow them to develop professionally is really important.

Culture: As a recruiter, you are constantly asked what the culture is like in a business when discussing an opportunity. It's become far more important to people as time has moved on. Chatan and I had a really interesting discussion on culture in-house and it became clear that the culture of these teams isn't just solely on the tax team, it's about the business as a whole, and the overall in-house team. You are likely to be working closely with finance, legal, treasury, HR and International teams in some cases. As such, you are working with people from very different backgrounds. "This cultivates a really refreshing and enriching diverse culture."

Professional development: It's safe to say that most tax professionals understand that progression in-house is quite different to practice. There is no clear path, so how is this managed? "Being honest! Progression is limited in-house, so I'm honest about that and allow them to use the role as a stepping stone to learn. And instead of it being a negative, let's make it an opportunity to get the experience they want, make their role as exciting and enhancing as possible to make their time in the team worthwhile for them. I find this approach really motivates and engages my team".

Technology and its role

I'm an advocate for technology and I use it to my working advantage, so I was keen to understand how technology influences in-house teams and how it contributes to their success.

With the tax environment becoming more and more focused on tax governance, businesses must take the time to ensure they are compliant and not exposing themselves to any tax risk. This is true not just of HMRC, but of authorities internationally. Technology is such a benefit to an in-house team. Tax authorities will request tax data and we need to be able to provide them with it, and technology enables this. I really feel that technology should be embraced and not something to fear. The role of an in-house tax team has evolved, and it's no longer just about the ETR (effective tax rate), it's about managing tax risk, and technology helps us do that.

However, you must make sure that your tax technology compliments your existing technology and systems, and use it as an opportunity for people to enhance their skills.

Challenges

Finally, we discussed the challenges that in-house teams face and how these are managed.

Tax evolution and transparency: As mentioned above, a priority for a tax team is managing tax risks, reporting and transparency disclosures. This is a result of the environment in which we live now and businesses have had to adapt. Tax reporting can be a labouring task, however, it's a must and teams have to ensure they have the expertise to deliver on this.

Resources: An in-house tax team is like any other headcount and sometimes trying to get resource can be difficult for many heads of tax I work with. Sometimes it can be because of cost cutting, but most of the time, it can be due to a genuine lack of understanding. The key to managing this is to be articulate and clear about the business needs.

Support: In practice, you are surrounded with like minded colleagues who are in the same position as you, and there is a massive support network for your learning and development and general day to day decisions. However, In-house, many people have said they can feel isolated at times and therefore the onus is on them as individuals to reach out and stay in touch technically, and be quite self-motivated to do so.

Andrew Vinell

After spending many years as a tax professional himself, Andrew Vinell moved into the world of tax recruitment, and worked at two well regarded tax recruitment agencies in London. His passion for the field is limitless, and eventually lead him to found AVTR back in 2018.

Chatan Patel

Chatan Patel began his journey as a tax professional at KPMG back in 1998. He then moved in house in 2010 to work for a number of international companies as Head of Tax, which includes his current position at GFG, London.

Practical issues facing in-house tax professionals

Some practical tips from a former in-house tax director

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It's been difficult for everyone over the last eight or nine months, and in-house tax professionals have obviously not escaped the work pressures of the pandemic and the changes in working models necessitated by the lockdowns. In this article, I offer some insight into the unprecedented challenges that in-house teams are facing and highlight some practical solutions for overcoming these problems. It should be noted that this is snapshot of a specific point in time. Some priorities will inevitably change depending upon the longevity of the pandemic and the macro-economic backdrop.

The major challenge in reacting to the pandemic was that everything happened so very quickly. New ways of working couldn't be planned– they simply became. Tax professionals often like to plan meticulously, so a sudden change to working patterns has meant that we have had to adapt quickly with some risks – and perhaps some improvements – resulting from the necessary changes.

The technology push

Tax technology has been discussed endlessly over the last few decades. I've talked about the pros and cons of the term 'taxologist', hiring IT people to train in tax or training tax people in IT, in my previous roles in-house. However, the pandemic has pushed technology generally to the forefront of people's minds. We've all learned how to make better use of some of those technological solutions that were already in place (as shown by my own prior inability to use Microsoft Teams effectively!). The absolute need for us to use these technologies during lockdown has resulted in companies making operational changes that perhaps would otherwise have taken them decades to achieve, and which have been generally supported by improved staff training.

Tax teams struggling through year-end reporting processes or the submission of returns have had to adapt and change their processes. I have seen innovative ways that in-house teams have used existing technology. They have also been making better use of the tools that can extract data and interact with the multitude of ERP systems that finance teams have to engage with on a daily basis.

This year has been busy, but it has been as good a chance as any to map tax processes and look to process improvements. By necessity, some tax professionals have had to pick up tasks from colleagues who have been furloughed or made redundant. Some tax teams have been adapting their complex processes, so that they will be easier to hand over in the future.

Following the recent publication of the consultation on MTD for corporate tax, I have also seen some larger groups considering how they will commence mapping non-VAT processes. They have been able to add new phases to those MTD projects that are already on the agenda with IT teams. This is always worth doing as IT resources can be constrained. Finance projects may not add value to the bottom line, and I know from experience that getting them onto an IT priority list internally can be challenging. Early thought on this can help to work MTD related projects up the priority list in time for tax teams to implement effective and robust changes.

Business partnering matters

The need to change working patterns can have a knock-on impact for tax teams in terms of business partnering. This is especially true in the current climate, where project timeframes are continually shifting. Tax can sometimes be forgotten or de-prioritised. The random meetings over a cup of tea or just the ability to pick up on business news due to casual conversations with our colleagues have disappeared to some extent, at least for a while.

This has meant that tax teams have had to adapt and ensure they do not become siloed. Some teams have invited other finance teams onto teams calls and have arranged more regular business update calls. Several organisations, including Grant Thornton, have partnered with other groups to offer webinars and forums to keep teams up to date with current thinking. I do believe that sometimes just having a forum with peers in the industry gives some space for teams to share best practice, rather than just listening to technical updates.

I have had calls with tax professionals who have felt remote from their businesses during lockdown, so I think that businesses which have a strong culture of engaging with people on issues such as mental health, remote working, mentoring (whether traditional or reverse) and feedback are likely to have better resilience during this time.

The strengthening of the traditional link ups of treasury, operational finance and tax teams has been key to tax professionals ordering and reordering their 'to do' lists. Often, the treasury function will be told to reforecast or operational finance teams will find out first about business changes. Successful tax teams and tax professionals will embrace working more closely with other functions. Those that don't may find themselves struggling to keep up.

Forecasting, reforecasting and reforecasting again

While the risk remains that tax teams may be the last to hear of a key business change, a counterbalance to this is the strong interest in the forecasting of cash tax impacts during the pandemic from FDs and CFOs. Clearly, this is a two-way process where a heightened link to the business is needed to accurately adapt existing business models. Whilst there is still a danger of tax teams becoming siloed, I have noticed tax being nearer the top of the CFO's agenda, especially when we talk about cash tax.

It has been evident that teams are adapting processes to ensure more accurate and regular tax forecasting. For this to be achieved, there is a clear need to be very engaged with the overall business and project plans. I expect this greater emphasis on tax forecasting to remain beyond the pandemic, as it will become normalised and be seen as an improved process for many businesses.

For some businesses, a knock-on impact of reforecasting has been greater engagement with HMRC around tax payments and the timeframes available for them to pay tax.

Tax risk and governance

No article on this subject would be complete without me mentioning tax risk. All the above issues filter into tax risk and governance. New processes around finance have been more widely adopted, such as operational finance teams sending documents to be electronically signed or authorising bank account changes remotely. Tax teams must monitor how the implementation of these processes is compliant with tax risk legislation, such as the corporate criminal offence of tax evasion and senior accounting officer legislation. Changing processes for remote working, re-engineering the structure of an internal team's roles and responsibilities and altering outsourcing arrangements (even if temporary) can have significant impacts to both CCO and SAO governance.

Many businesses haven't had to address these issues in detail before, but they have now come to the forefront this year; for example, issues concerning the location of employees and remote access rights to certain data banks. Some businesses have adapted to the crisis by changing their business model completely and offering new services, with the result that tax processes have had to adapt very quickly.

All of these changes have happened at a time when tax teams may be short staffed or under abnormal pressures on top of the already onerous and stretched day jobs.

HMRC has not missed these points. Recent articles and alerts from HMRC indicate how seriously it views the CCO legislation. Times of change, pressure and rapid adoption of new processes can lead to heightened fraud risk. This can clearly have a CCO impact.

Many groups have also looked at issues like overly complex intercompany loans and excess dormant entities, trying to achieve good streamlined processes and remove unnecessary noise. It's a great time to review anything that requires monitoring that doesn't add value and actually creates more risk (we've all seen the cases of missing entities from SAO certificates).

Some final thoughts: tax or otherwise

My thoughts on this are built up from some conversations with some of the best in-house tax leaders I've worked with. We are a profession very used to legislative change but, like everyone, we have had to adapt to this wider change extremely quickly. I list four key themes coming from my discussions this year.

1. **The people agenda:** Consider implementing reverse mentoring and diversity discussions, and engage with your people through extra feedback sessions and surveys. The key point for me has been a focus on the individual. Team meetings are necessary but freeing time up for people who may feel remote is absolutely essential. While it's important to protect the individual, it is also critical for tax professionals who can sometimes be left to just 'get on with it'. We all find ourselves on endless calls. It goes without saying it isn't healthy and it's necessary to take a break. Whilst this can be hard to do when businesses are under pressure, we simply won't add value on the 12th or 13th call of the day.
2. **Embracing technology:** This isn't just about new technology but is also about training on existing technology. Tax teams have been good at finding 'work arounds' for decades, but I have seen teams step back and think about processes end to end perhaps more in the last few months than for years. I will lump in tax risk here as a key component to this point. All changes need thorough documentation for SAO and CCO purposes.
3. **The upside:** We shouldn't lose sight of the value add that tax professionals can bring. This has been the time to think about cash and teams have been busy maximising reliefs. This is not aggressive but more about claiming what is due and proving to the business that involving tax people in decisions and keeping them abreast of changes may help to maximise available reliefs. Effective business partnering isn't about taking knowledge. It's about giving something back as well.
4. **Stay close to HR:** This is not just about getting the correct training for people. We also need to know what's going on with issues like hiring contractors, furlough, where people are working from and if any policies simply aren't working properly. In my experience, few people know what's happening in the business better than the HR business partners. Of my key contacts in the businesses I worked in, I'd estimate 50% of them were HR people. I have also seen an uptick in businesses thinking about the apprenticeship levy. Again, if implemented correctly this can be an excellent use of funds that some business may have thought of as a sunk cost.

Although 2020 has been a turbulent and shocking year, I'm confident that the things we have learnt about how we like to work, how we use technology and how we manage our challenging and ever changing 'to do' list will stand us in good stead for a calmer future. It's always been both interesting and intellectually challenging working in the tax arena and 2020 hasn't dampened that.

Lee Holloway is a corporate tax partner at Grant Thornton, He has 19 years of tax experience, having worked in-house for nearly a decade leading the tax functions at Next plc and Halfords plc and also working as a tax director at Molson Coors. He won the award for Best In-House Tax Leader at the Tolley's Taxation Awards 2019. Email: lee.Holloway@uk.gt.com.

Complex VAT Automation: Partial Exemption Special Method

Partial Exemption Special Method (PESM) provides businesses with a unique set of metrics to evaluate recoverable VAT but its complexity means it has to be carried out manually.

The process often involves tens of thousands of transactions, multiple data sources, dozens of spreadsheets and manual aggregations/calculations which make the process time intensive, costly and prone to error. Get it wrong and you risk missing out on reclaiming the right amount of VAT, and/or you could be non-compliant and receive unwanted attention from HMRC - all of which makes PESM a prime candidate for automation. But, given that every PESM is unique, any attempt at automation needs to be flexible enough to accommodate a variety of approaches.

State of play

Up to a fifth of businesses are already spending over 50 days a year on identifying, collating and inputting VAT data. If errors creep in, HMRC will want to see evidence of how the Return has been calculated and will suspend the VAT process while it investigates, delaying any repayment. Getting it right can save you time and money.

Businesses are also facing increased regulatory pressure. In its Annual Report published 5 November, HMRC said data analysis and real-time information will be essential to increasing revenue and tackling the £31bn tax gap. It intends to continue to devote substantial resource to investigating large businesses, around half of which are audited at any one time.

Making Tax Digital (MTD) has also led to confusion over what is and isn't allowed. While PESM calculations can be performed outside the MTD process using spreadsheets, the results will still need to be digitally linked back in. Spreadsheet use here is not considered best practice as HMRC suggests it can result in a higher error rate, so many businesses are instead looking at automating PESM.

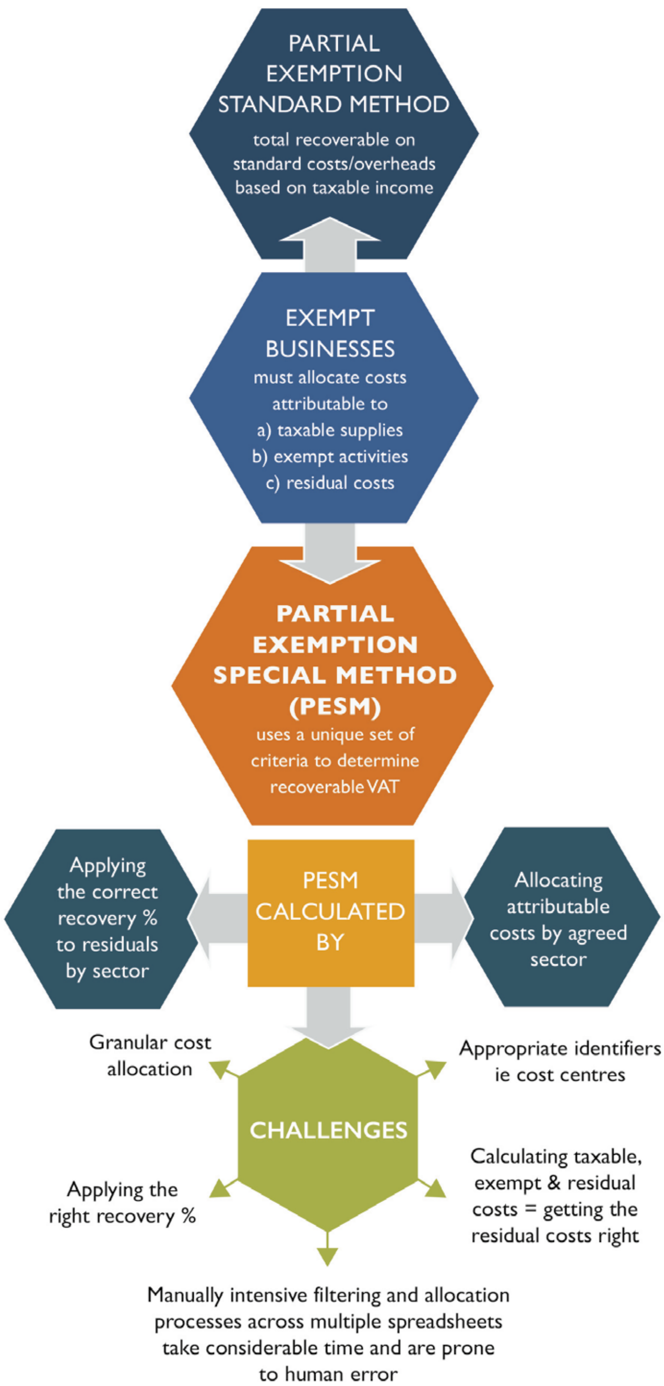
PESM challenges

PESM itself poses significant challenges due to the way it is calculated. While some recovery metrics may be static, others fluctuate. If the sectorised method is used, there can be hundreds of cost centres spanning numerous sectors, sub-entities or specific business activities.

Allocating costs is complex and by far the biggest incidence of errors occurs during this stage. Granular reporting is also needed to demonstrate that the correct allocations have been made for each cost. Any changes made during the period could affect numerous transactions, meaning cost allocation must be continually monitored to keep on top of the calculations.

The scale of a PESM can also make it difficult to manage. Teams often spend weeks checking the integrity of spreadsheet formulas and sifting through source data files to correctly classify transactions. One of our customers recently had to manually filter in 35,000 transactions to identify just 35 exempt items.

PESM Process



Technology comes of age

Previous industry attempts to automate PESM have largely proven unsuccessful due to the rigidity of the systems developed. Approaches have typically taken data direct from

DATA MANAGEMENT

Conducts transaction file uploads, along with any prerequisite mapping and filtering. Occurs seamlessly before entering the compliance engine. Datasets are reviewed for errors and anomalies, using integrated data cleansing functionality.

COMPLIANCE & CALCULATIONS

Calculations and reports are produced, with any manual adjustments, group considerations or special treatments accounted for prior to calculation.

SYSTEM SECURITY

Provides a secure, resilient environment for HMRC compliant submissions – employing two factor authentication (2FA) for added security.

PROCESS MANAGEMENT

Role-based access, control authorisations and sign-off. Users can compare entity history and submission records, or review reporting and access analytics dashboards.

spreadsheets rather than at source, risking the replication of errors, and there have been no inbuilt processes to help identify anomalies or opportunities for VAT recovery.

In the event that changes need to be made, businesses have had to rely on external intervention from third party software developers. Furthermore, there's been little scope for self-management; calculation decisions are often hidden which gives teams no ability to sanity check figures. Support has also been lacking, leading teams to resort to workarounds or to revert back to spreadsheets.

However, recent advances mean systems are now better adapted to automate the process, reducing risk and spreadsheet dependency while increasing visibility and control.

AlphaVAT's new PESM module

Our AlphaVAT compliance platform provides end-to-end control over the preparation, calculation and management of the VAT Return and uses tax data analytics to help inform commercial decisions. AlphaVAT now features a PESM module which automates critical components within the process, including: sector identification, transactional cost allocation mapping, management of manual adjustments, data extraction, calculation management, systems checks and reporting.

AlphaVAT is able to:

- **Allocate and filter transactions –** by mapping transactional data across multiple datapoints to their corresponding sectors using a rules-based engine. Any VAT that cannot be reclaimed is automatically blocked or excluded. Attribution rules and recovery percentages are created for each sector. Automatic adjustments enable multi-level allocations and transaction movements between sectors. Manual adjustments can be made to compensate for any data errors and tracked through to calculation
- **Provide evidence of execution –** using a fully auditable, digitally-linked trail that demonstrates the calculation of VAT reclaimed on purchases using your methodology – from the PESM calculations to adjustments, right back to the underlying transactions
- **Perform data checks –** by highlighting anomalies in source data, such as unexpected VAT rates, intergroup, out of period or duplicate transactions, any necessary adjustments can be completed prior to calculation and final submission
- **Deliver insights through data analytics –** current and historic submissions can be compared at a granular level, providing insight into data quality and error rates or unusual deviations. Also, this information can be used to support future forecasting - such as forward liability projections.

How automation helps

Manual PESM	Automated PESM
Dependent on external party to make changes	Ownership of the process
No visibility of previous steps	Drill back to underlying transactions
Manual error checking	Validates calculations through error checking using tax logic
Returns must be prepared from scratch	Repeat returns can be created due to data tagging
No ability to evidence compliance	Digitally-linked audit trail proves compliance

Find out more...

To find out how AlphaVAT can help make your PESM process more efficient , please contact us on **01784 777 700** or sign up for a one-to-one demonstration at **https://bit.ly/2VCVtGZ**. Or why not register for one of our Automating PESM webinars at **https://bit.ly/36EycL2**.

Tax Systems

TAX SYSTEMS

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Andy Mills, Commercial Director.

Tax Systems is the creator of AlphaTax, the market leading corporation tax compliance software used by over 1,100 customers, including 43% of the UK FTSE 100 and 23 of the top 25 accountancy firms. We have been working with HMRC for over 25 years on tax compliance and are an approved supplier for MTD for VAT with our AlphaVAT Compliance Suite.

advancetrack® outsourcing

AdvanceTrack Outsourcing

A Major International Group chose AdvanceTrack to help them build a more robust accounting in-house service.

This multinational building products group had a major decision in helping them deliver a long-term accounting and tax solution for the business for their UK business.
For an initial period, tagging of Word Accounts in an iXBRL format would help them be compliant for HMRC filing purposes. This was really just a short-term fix.

Sound familiar?

The problem

However, as more changes to IFRS etc were on the horizon, it did mean that they had to find a solution that was both cost-effective and helped them be compliant with the latest accounting and tax filing requirements. Taking data that is well organised in the Ledger systems, you then put it in an unorganised way into Word or Excel.

Rather than just tagging a set of accounts prepared in Word, this UK group (part of an international global building products group) wanted to deliver a long term solution to iXBRL and accounting compliance.

The AdvanceTrack® Solution

Having adopted an accounting software product (Caseware), this group considered whether to prepare accounts and iXBRL files in-house. They decided to outsource the first year file preparation to AdvanceTrack®.

Having completed their due diligence, AdvanceTrack® were selected. It was agreed that the accounts and iXBRL files would be completed for a small number of subsidiaries in Caseware.

Once these were complete, the remaining 60 companies in the group were completed on time and on-budget.

Client’s view on the solution

This is what the client had to say:

“Thank you for your help and your team’s hard work in assisting us meeting our deadlines. It has been greatly appreciated” .

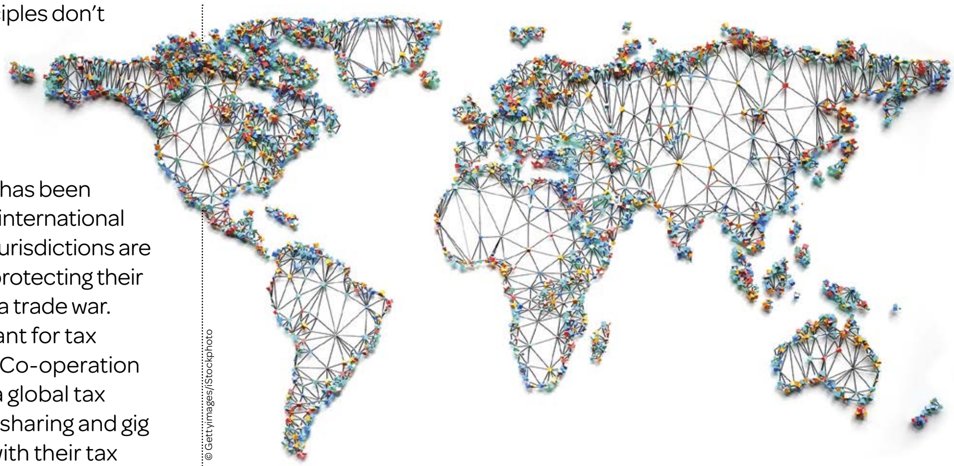
AdvanceTrack® can deliver services on the main accountancy software packages including Caseware, CCH, Digita, Onesource, IRIS and Sage.

If you want a solution that allows you to move away from Word Tagging and move to a piece of accounting software, AdvanceTrack® would be happy to discuss your requirements.

AdvanceTrack® also tag accounts prepared in Word and Excel.

Accounting & tax: The global and local complexities holding multinationals to account

Complying with local accounting and tax regulations is an ongoing challenge faced by businesses operating internationally, reports TMF Group.


© Gettyimages/iStockphoto

The traditional, nexus-based taxation principles don't seem to apply in the new world, where physical flows are replaced by electronic flows and the tracking of goods and services becomes more complex. Consequently, corporate taxation has become a highly contentious topic in recent years. There has been increasing scrutiny on corporate approaches to international taxation, particularly in tech and e-commerce. Jurisdictions are also using taxation on foreign goods as a way of protecting their own economies, as we have seen in the US-China trade war.

The digital economy has become so significant for tax authorities that the Organisation for Economic Co-operation and Development (OECD) in July 2020 issued a global tax reporting framework for digital platforms in the sharing and gig economy, designed to help taxpayers comply with their tax obligations while ensuring a level-playing field with traditional businesses. Companies acting in this field are requested to provide detailed transactional information to tax authorities.

The COVID-19 pandemic has continued to put tax at the forefront, with changes introduced by governments to keep companies up and running and economies in motion. The global economic impact of COVID-19 will be long lasting and far reaching. As part of our reporting on the accounting and tax landscape, we will also examine the impact of this crisis as the global economy continues to navigate uncharted territory.

In TMF Group's Global Business Complexity Index (GBCI), we saw that three key themes summarise recent global trends:

- **Internationalisation versus localism** with global standardisation harmonising some accounting and tax practices, while local complexities persist – and are even increasing – in some jurisdictions.
- **Modernisation versus tradition** as global trends are based around a drive towards modern practices, whereas local considerations often reflect traditional modes of operation.
- **Technology's role** in fostering a globalised business environment and how this is being deployed and used for accounting and tax reporting around the world.

Drivers of complexity for the top five most complex accounting and tax jurisdictions are frequent, and rapidly enforced changes in legislation can often lack clarity and be challenging to understand. Another key driver is having varying tax regimes and multiple layers of tax regulations within a jurisdiction. This is particularly apparent in South America, which houses three of the five most complex accounting and tax environments.

The least complex jurisdictions for accounting and tax 'partner' with businesses that operate within them, establishing a relationship between companies and tax authorities. For some of the least complex jurisdictions such as Curaçao and the British Virgin Islands, there is very little requirement to pay tax as they operate a 'low tax' or 'tax neutral' economy. Any taxes that do need to be paid in the least complex jurisdictions can usually be submitted through an online portal via user-friendly systems.

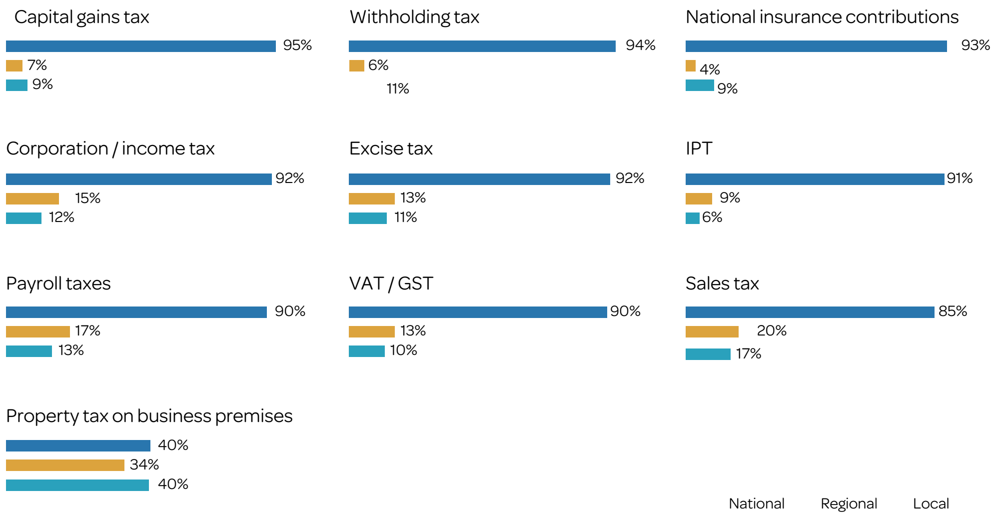
The five most complex markets:

JURISDICTION	RANK
Argentina	1
Bolivia	2
Greece	3
Brazil	4
Turkey	5

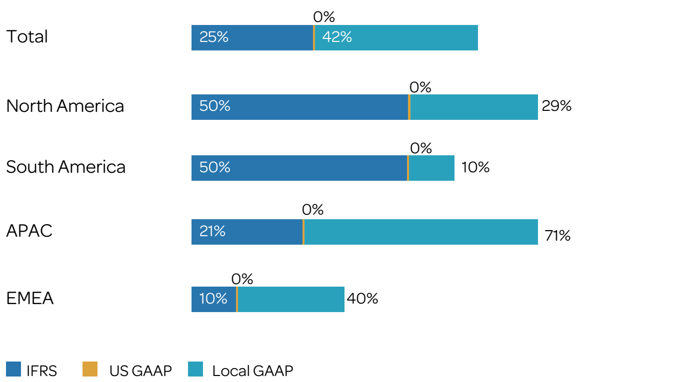
The five least complex markets:

JURISDICTION	RANK
Hong Kong	73
Switzerland	74
Curaçao	75
Denmark	76
British Virgin Islands	77

Level of government responsible for tax collection



% of jurisdictions where all companies must abide by certain accounting standards



International versus local

Communication and interaction with authorities are not the only factors determining complexity. There are also questions about which legislation and organisations companies must act in accordance with. International bodies can play a big role in determining the accounting and tax policies to which businesses must adhere. The simplest jurisdictions tend to take a more international approach to policy and legislation related to accounting and tax. More complex jurisdictions remain localised, meaning that multinationals looking to set up operations must understand local nuances in accounting practices and tax legislation.

As the economy has become increasingly globalised, capital flows are unconstrained by borders. This raises important questions about how governments generate tax revenues, when what comes under their jurisdiction may not be as clear cut. Legislation has had to adapt accordingly.

An example of this move towards internationalisation is digital service taxes and profit allocation, ensuring that taxes are paid in the country where value is created and preventing companies from moving profits to other jurisdictions. Some OECD initiatives around Base Erosion and Profit Shifting (BEPS) have focused on additional reporting requirements for cross-border transactions. The latest initiative is MDR (Mandatory Disclosure Reporting) which requires advisors and companies to disclose information on cross-border arrangements to the tax authorities. The ultimate goal is to prevent tax avoidance and to correlate transaction information from various jurisdictions.

On the subject of digital taxes, digital service providers often operate in a jurisdiction without a physical presence, and thereby avoid taxation. Jurisdictions are increasingly looking to develop taxes levied on digital services, with the UK, France, Italy, Austria and Turkey among those having already done so. Due to the cross-border nature of the issue, the OECD has led talks involving more than 100 countries aimed at reaching a multilateral agreement by the end of 2020. However, the COVID-19 pandemic has stalled negotiations, so this issue remains unresolved for the time being.

In the short time since the pandemic emerged, we have seen digitisation accelerate and the groundwork laid for the taxation of the digital economy. Digital services tax will soon become the 'norm' rather than the exception as adoption increases.

COVID-19 will continue to pose great challenges for businesses, but it's also acting as a catalyst for simplification. This could lead to significant changes to the global business landscape as we see jurisdictions take dramatic and unprecedented actions to stimulate their economies.

Discover the full report here: https://www.tmf-group.com/en/news-insights/publications/2020/gbci-accounting-and-tax/

IR35 SHIELD

THE PROFESSIONALS' CHOICE FOR IMPLEMENTING OFF-PAYROLL

THE CHALLENGES

Off-Payroll compliance is multifaceted, and firms have new compliance responsibilities, with the primary one being to conduct comprehensive assessments to accurately determine the correct status of their workers.

Parties are also advised to document and store ongoing proof of engagements being outside IR35 to protect against HMRC's advances. This real-time monitoring and evidence gathering during the contract is especially important under Off-Payroll, because HMRC may knock on the door many years later, when the original hiring manager and contractor will be long gone.

IR35 case law has moved on considerably in the last decade. Barristers and armies of lawyers are now involved, and my experience of co-defending cases, including at tribunal, means IR35 Shield has been designed to preemptively shore up a future defence.

Dave Chaplin – CEO, IR35 Shield

Remaining compliant in the new era is complex - a single assessment is not enough. IR35 Shield's comprehensive compliance-led approach will help businesses quickly close down future HMRC investigations and avoid being dragged through a tax tribunal. As the old saying goes, prevention is much better than cure.

Firms must be careful to ensure that they enlist the help of experts and solutions with demonstrable experience in this arena and beware of the 'pop-up IR35 experts' entering the market that are really trying to sell you something else.

WHAT FIRMS NEED TO DO

Firms need to quickly and accurately audit their contingent workforce, to help inform immediate hiring policy decisions and ensure they have in place an ongoing robust IR35 compliance process.

Advisors need to work closely with the key stakeholders (HR, legal, project managers) to ensure the assessment data undergoes the necessary level of human oversight, which will help lead to highly accurate and consistent status determinations.

WHAT WE DO

ACCURACY
Align to current case law

Current employment case law is applied to each assessment undertaken, using the same approach as a tribunal judge.

Our independent assessments eliminate human error or bias.

REPORTS
Big data - visualised simply

IR35 Shield's reporting and forecasting features can help firms drill down into the detail and make evidence-based policy decisions, highlighting any immediate risk.

DILIGENCE
Humans and automation

Our unique Collaborative Assessments technology means that we are far more than just an automated tool.

By giving oversight and ownership of the assessment to the whole supply chain, we ensure that all parties provide the information most relevant to them.

WORKFLOW
Super slick and instant

IR35 Shield can be used to invite and track thousands of workers to be assessed, delivering the status determinations in real-time as they are completed whilst minimizing the administrative burden of the new legislation.

GET IN TOUCH & BOOK A DEMO

www.ir35shield.co.uk

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2020 has been a weird old year. There is nothing like a global pandemic to make people reflect on their lives. When you can't escape overseas on holiday, can't travel to see family, it does make you reassess what is important. Tax professionals are looking to relocate to be closer to family, to move to the countryside, looking for bigger gardens and houses, space for that hot tub or the chance to get a dog and gain a better work-life balance. Here are some of our top picks for in-house roles based in lovely areas of Yorkshire:

Head of Tax
York – £excellent

An excellent opportunity for a senior tax professional to join the in-house team of a thriving UK business based in York. Our client is looking to further develop its Group Tax function through the appointment of a Group Tax Manager or Head of Tax. The main responsibilities of the position are for the day-to-day management of the Tax Department, with a strong emphasis on ensuring full compliance and the development of appropriate tax risk management strategies. Your role will involve control and review of processes and how they impact the group's tax strategy. Overall management of the tax compliance and reporting and the advisory tax work for the group. Full time role which can currently be worked remotely, but post Covid-19 would be based in York. **Call Georgiana Ref: 2995**

Interim Tax Manager
North Allerton area, North Yorkshire

6 to 12 month maternity cover contract in-house finance team for a qualified (ACA, ICAS CIMA or CTA or equivalent). Day to day, this role will involve corporate tax compliance, reporting and advisory work as well as the chance to get involved in VAT, transfer pricing and employment taxes. You will be involved in transaction support, and will work closely with the business. Reporting to the Head of Tax, you will be their 'right hand' person. You will develop relationships with external advisors and with HMRC. This is a great opportunity based in a lovely part of the world. Salary in the range £50,000 to £60,000, pro-rated for the duration of the contract and level dependent on experience and qualifications. This business is expanding and there is potential for this to be a temp to perm role. **Call Georgiana Ref: 2999**

Tax Accountant or Tax Manager
North Yorkshire

Private Equity backed group which is UK focused and expanding in to Europe seeks a qualified tax professional. As part of a growing in-house tax team, you will help manage the corporate tax compliance/reporting, and will get involved in some VAT work. Previous VAT experience is not a pre-requisite, but UK corporate tax experience is. There is scope to work with the Head of Tax on advisory projects too. Salary in the range £45,000 to £55,000, and our client can offer a mix of home and office working post lockdown. Based in a historic market town close to the North York Moors and in easy reach of the East coast, this role offers potential for great work-life balance. Agile working available, and post lockdown it is envisaged a mix of home and office working. **Call Georgiana Ref: 3000**

Group Tax Manager
Leeds – £60,000 to £75,000

Classic in-house Group Tax Manager role in Leeds. New role for an experienced manager or senior manager to lead an in-house team and manage the tax for a large group. Your focus will be the UK and Ireland, and you will be involved in managing and developing more junior staff. You will manage the organisation's tax charge, help minimise tax liabilities across the group and oversee the management and reporting of tax risks. Below you will be a team of specialists in corporate tax, VAT and employment taxes. Would consider a senior manager from practice with some decent reporting experience or someone who is already in-house. Some FS experience would be a plus but the key is a solid large corporate tax background and the ability to build constructive long-term relationships within the broader business. **Call Georgiana Ref: 2971**