HMRC recently introduced Corporate Criminal Offence (CCO) rules which apply to all corporate entities, including partnerships and charities, who fail to prevent the facilitation of UK or foreign tax evasion by associated persons.

An associated person is defined as an individual or entity performing services for or on behalf of the entity when the facilitation takes place. This could include, amongst others, employees, subcontractors, consultants, agents and suppliers.

Three steps must exist for an offence to be prosecuted:

**Stage 1**

**Tax evasion offence**
Criminal tax evasion by a taxpayer (either individual or entity)

**Stage 2**

**Tax evasion facilitation**
Criminal tax facilitation of this offence by “associated person” of the corporation

**Stage 3**

**Failure to prevent facilitation**
The entity failed to prevent its representative from committing the criminal act at stage 2.

**Potential penalties**
If prosecuted, penalties for corporate entities are severe, including but not limited to:

- Potentially unlimited fine;
- Implications for regulated entities such as losing licenses;
- Potentially prevented from bidding for public contracts;
- Reputational damage.

**Example:**

- A Ltd engages with Contractor B for the provision of UK services.
- Employees of Contractor B deliberately fail to declare their income for UK tax purposes.
- Contractor B does not put employee payments through the payroll.
- A Ltd needs to demonstrate that it has reasonable procedures in place to prevent the facilitation of tax evasion by B Ltd.
**HMRC’s six guiding principles for compliance**

HMRC have stated that it will rarely be reasonable not to have carried out a risk assessment, and their guidance includes the following six principles that businesses should use when considering compliance.

<table>
<thead>
<tr>
<th>Risk Assessment</th>
<th>Due Diligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportionate Prevention Procedures</td>
<td>Monitoring and Review</td>
</tr>
<tr>
<td>Commitment from Senior Management</td>
<td>Communication and Training</td>
</tr>
</tbody>
</table>

**What action should businesses take?**

All businesses should undertake a risk assessment to identify:

- The organisation’s associated persons,
- The opportunity, motive and means that associated persons may have to facilitate tax evasion
- Existing policies and controls that may act as part of the organisation’s prevention procedures
- Any gaps in existing procedures that need to be addressed

Following the risk assessment, businesses must implement reasonable prevention procedures and ensure appropriate documentation is retained to evidence these procedures.

**How can we help?**

We have supported businesses with all elements of compliance with the CCO rules, framing it around HMRC’s six guiding principles. The main areas of focus include:

- **Risk assessment**
  - We have supported businesses of all sizes and across a range of sectors with their risk assessment process, from financial services to property and construction through to media and technology.
  - We provide context to what is likely to be considered “reasonable”, by benchmarking your procedures against those of other similar businesses.

- **Training**
  - Just undertaking a risk review and implementing/documenting procedures does not guarantee compliance; companies must also ensure that there is appropriate training in place.
  - We have developed a bespoke e-learning course that has been designed to address the training requirement set out by HMRC. The e-learning module takes about 15 minutes to complete and can be easily uploaded to your existing Learning Management System for roll-out to staff, or we can provide a platform through which you can distribute the training.

- **Ongoing monitoring and review**
  - Businesses need to regularly review their risk assessment, particularly if the business activities change or expand significantly, for example operating in a new market or territory or working with a different type of customer.
  - We can undertake periodic reviews of business risk assessments to determine the reasonableness of the risk assessment and prevention procedures in place.

**For more information**

**Tom Shave**
Partner, Business Tax,
Smith & Williamson LLP
020 7131 8865
tom.shave@smithandwilliamson.com

**Emily Spooner**
Associate Director, Business Tax,
Smith & Williamson LLP
020 7131 8384
emily.spooner@smithandwilliamson.com

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