
CORPORATE TRANSPARENCY: PERSONAL TAX ACCOUNTABILITY OF SENIOR ACCOUNTING OFFICERS OF LARGE COMPANIES

Who is likely to be affected?

1. Large companies, large groups of companies (effectively companies other than those defined as 'small' and 'medium sized' in the Companies Act 2006), and their senior accounting officers.

General description of the measure

2. To ensure that the accounting systems in operation within large companies liable to UK taxes and duties are adequate for the purposes of accurate tax reporting, legislation will be introduced in Finance Bill 2009 to require:
 - senior accounting officers of such companies to take reasonable steps to establish and monitor accounting systems within their companies that are adequate for the purposes of accurate tax reporting;
 - senior accounting officers of such companies to:
 - certify annually that the accounting systems in operation are adequate for the purposes of accurate tax reporting; or
 - specify the nature of any inadequacies and confirm that those inadequacies have been notified to the company auditors; and
 - such companies to notify HM Revenue & Customs (HMRC) of the identity of the senior accounting officer.
3. These new obligations will be supported by penalties chargeable respectively on the senior accounting officer personally and on the company for a careless or deliberate failure to the obligations set out above, and for the giving of a carelessly or deliberately incorrect certificate or notification.

Operative date

4. These obligations will apply only to returns due to be made for accounting reference periods beginning on or after the date that Finance Bill 2009 receives Royal Assent. It may be necessary to consider appropriate transitional arrangements.

Current law and proposed revisions

5. Although there is a statutory requirement for companies to make accurate returns in relation to tax and other duties, there is currently no requirement to ensure that internal accounting systems are adequate to ensure that this can be done.
6. Responsible companies and their senior accounting officers will already have adequate accounting systems in place and these requirements will impose no significant additional burden on those companies or their officers.

Further advice

7. Legislation will be included in Finance Bill 2009 and we will consult with interested parties regarding operational issues of how these requirements should be implemented.
8. If you have any questions about this change, please contact John Connor on 020 7147 2434 (email: john.connor@hmrc.gsi.gov.uk). Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk