

Internal Governance Indicators

Introduction

Governance is about assessing the customers' management accountabilities and processes for managing tax risk as well as their openness and co-operation with HMRC. The CCM and tax specialists should also consider the wider structure the customer operates within including, where relevant, how joined up it is with regard to its tax obligations.

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 (or exemption), due diligence, reporting and/or publication obligations regarding Senior Accounting Officer legislation, Uncertain Tax Treatment legislation, Country by Country Reporting, Tax Strategy publication and Automatic Exchange of Information under the Common Reporting Standard or FATCA (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

- A 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 low risk definition except for two to 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.

NB. (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.