HM Revenue & Customs

Approach to Tax Compliance Indicators

Introduction

Approach to Tax Compliance is about assessing the customer's tax strategy and relationship with HMRC. The CCM and tax specialists should consider how open and transparent the customer is, as well as any evidence of tax planning that does not support genuine commercial activity or is contrary to the intentions of Parliament.

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. The 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 and 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

- 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.