

CRIMINAL FINANCES ACT 2017
CORPORATE CRIMINAL OFFENCES ('CCO')

RESPONDING TO THE LEGISLATION
"CCO RESOURCES TOOLKIT"

PROPORTIONAL RISK-BASED PREVENTION PROCEDURES

***EXAMPLE TEMPLATE 2.3:
POLICY PREVENTING
FACILITATION OF TAX
EVASION (CRIMINAL
FINANCES ACT 2017)***

STRICTLY PRIVATE AND CONFIDENTIAL

INTRODUCTION

THE CORPORATE CRIMINAL OFFENCES

- ▶ Part 3, Criminal Finances Act 2017 introduced two new criminal offences, one that relates to the facilitation of UK tax evasion ('the domestic offence') and one that relates to the facilitation of foreign tax evasion ('the foreign offence'). Together they are known as the 'Corporate Offences of Failure to Prevent the Facilitation of Tax Evasion' ('CCO').
- ▶ The legislation is very closely modelled on the Bribery Act 2010.
- ▶ The CCO legislation took effect on 30 September 2017.
- ▶ In summary, the legislation creates a strict liability under criminal law for relevant bodies who fail to prevent their 'associated persons' from criminally facilitating tax evasion.
- ▶ All UK resident relevant bodies (i.e. corporates and partnerships) are within scope of both the domestic and overseas offences legislation.
- ▶ All non-UK resident relevant bodies are within scope of the domestic offence.
- ▶ Non-UK resident relevant bodies are within the scope of the overseas offence to the extent tax evasion facilitation takes place and there is sufficient 'UK nexus' to the offence.
- ▶ The legislation applies to all taxes, both direct and indirect, including but not limited to, Income Tax, Capital Gains Tax, Indirect Taxes, Payroll taxes, Inheritance Taxes, National Insurance/Social Security Contributions, Corporation Tax, Customs and Excise Duties, Property Taxes etc. It applies equally to UK and non-UK equivalents of these taxes.
- ▶ Where the relevant body has put in place reasonable prevention procedures to prevent its associated persons from committing tax evasion facilitation offences, or where it is unreasonable to expect such procedures, it shall have a defence.
- ▶ HMRC guidance was published by HMRC on 1 September 2017 (access the HMRC guidance [here](#)). This guidance sets out HMRC's interpretation of the legislation and also the requirements for a successful defence (the 'Six Guiding Principles').
- ▶ HMRC is very clear that a successful defence will rely both on the existence and implementation of reasonable policies and procedures.

IMPORTANT NOTE

This document is one of a number of example template tools and policies relating to the Criminal Finances Act 2017 and included within our 'CCO Resources Toolkit'.

Please customise and update this template document according to your business needs and culture. This specifically includes anything highlighted in yellow.

It is important that you seek internal or independent legal advice before formalising.

You may wish to combine or 'pick and choose' elements from various sections of the documents as appropriate.

CRIMINAL FINANCES ACT 2017

INTERNAL POLICY PREVENTING FACILITATION OF TAX EVASION

HOW TO USE:

Within the Criminal Finances Act 2017, there are two Corporate Criminal Offences (CCO) of failing to prevent the facilitation of tax evasion.

HMRC guidance relating to the CCO states that top-level management (eg Board, CEO etc) should be committed to preventing 'associated persons' from engaging in criminal facilitation of tax evasion. They should foster a culture in which activity intended to facilitate tax evasion is never acceptable.

By having an internal CCO policy (approved by the Board) for wide distribution supports this commitment.

CCO POLICY

IN A NUTSHELL

This policy sets out "*our zero tolerance to tax evasion and facilitation of tax evasion*"

The Criminal Finances Act 2017 introduced two new Corporate Criminal Offences ('CCO'):

- ▶ The failure to prevent facilitation of UK tax evasion, and
- ▶ The failure to prevent facilitation of foreign tax evasion.

The legislation took effect on 30 September 2017.

This policy applies to all our employees, agents, contractors and any third party who provides services for or on behalf of our business (defined as 'associated persons under this legislation').

This policy sets out the background of this legislation and expectations of all our people and other 'associated persons' in meeting the requirements of this legislation.

BACKGROUND

The Corporate Criminal Offences, enacted as Sections 45 and 46 of the Criminal Finances Act 2017, addresses the perceived gap in the law that made it difficult to hold a corporation to account when its representatives committed the criminal offence of facilitating tax evasion.

In summary, the legislation is all about businesses such as ours being able to demonstrate we can prevent the facilitation of tax evasion as part of our day-to-day operations. Specifically, the legislation means that if an "*associated person*" of a business does criminally facilitate tax evasion, and the business is unable to demonstrate that it had reasonable procedures in place to prevent such facilitation, the business is guilty of a criminal offence. "Associated person" is defined very widely and includes any person (individual or corporate) who represents (or provides a service for or on behalf of) the business - employees, contractors, agents, and in certain circumstances external suppliers.

The consequences of a prosecution for the business include *unlimited fines*, *reputational damage* and the likelihood of *regulatory sanction*. Tax evasion and facilitation of tax evasion are also punishable for individuals with fines and custodial sentences. We therefore take our legal responsibilities very seriously.

Any individual who breaches this policy may face disciplinary action, potentially resulting in dismissal for misconduct or gross misconduct. Similarly, we may terminate our relationship with other individuals, organisations and other associated persons working on our behalf if they breach this policy.

The HMRC Guidance in respect of the CCO legislation states:

“The Government believes that [businesses] should be criminally liable where they fail to prevent those who act for, or on their behalf from criminally facilitating tax evasion.

The new offences will be committed where a relevant body fails to prevent an associated person criminally facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country.”

The legislation applies to all taxes - personal and corporate tax - and includes other taxes such as VAT, Customs Duties, National Insurance Contributions etc.

Criminal prosecution of the business, unlimited financial penalties and reputational damage to the business can result if we fail to comply with this new law (and individuals can be prosecuted for tax fraud or facilitating tax fraud under pre-existing criminal legislation).

SCOPE: WHO IS COVERED BY THIS POLICY?

This policy applies to all employees, including leadership, senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, casual workers and agency staff, volunteers, interns, agents, or any other person associated with us (see below), any of our subsidiaries or their employees wherever located. The policy also applies to Officers, Trustees, Board, and/or Committee members at any level.

In this policy, and as defined above, an associated person is defined as a person who performs services for or on behalf of our organisation. This can be an individual or an incorporated or unincorporated body. Typically this includes suppliers, agency workers, outsourced service providers, contractors etc.

This policy also applies to all our employees in how they manage their relationships with anyone they meet during the course of work for us, and this will include actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisors, representatives and officials, politicians and political parties.

SCOPE: WHAT IS COVERED BY THIS POLICY?

It is important to make sure we understand what we mean by ‘tax evasion’ and ‘facilitation of tax evasion’.

WHAT IS TAX EVASION?

Tax evasion involves the deliberate and dishonest use of illegal practices in order not to pay the right amount of tax. This could include not reporting all of your income, deliberately not filing an accurate tax return, hiding beneficial ownership and taxable assets from HMRC or diverting funds to hide income from local taxation authorities.

WHAT IS CRIMINAL FACILITATION OF TAX EVASION?

Tax evasion was already a criminal offence at the time this legislation was introduced.

Similarly, it was already (and continues to be) a crime to deliberately and dishonestly facilitate tax fraud for or on behalf of another person.

Real life examples of facilitation of tax evasion could include deliberately and dishonestly changing invoices for customers that could impact the VAT amount, or assisting a supplier in not disclosing income (e.g. through making a payment into an undeclared overseas bank account) or deliberately overstating group cross-border intercompany charges where this may impact the Corporation Tax due either in the UK or overseas.

This legislation creates a new responsibility at the company level such that, if an associated person were to facilitate tax evasion, we may be criminally prosecuted for failing to prevent the facilitation offence.

There would be a defence from prosecution if we are able to demonstrate having reasonable prevention procedures in place to try and prevent this facilitation of tax evasion from happening.

HOW WE ARE RESPONDING AS A BUSINESS

Our policy is to have a zero tolerance to tax evasion and facilitation of tax evasion.

This means we expect all our employees and anyone who works for us - e.g. contractors, not to engage in any activity which evades tax or facilitates or may facilitate the evasion of tax by any other person (company or individual). It does not matter whether the taxes are UK taxes or are due to an overseas fiscal authority.

Nor will we engage with any third party (including those who contract with us or otherwise provide services to us) who do not have a similar policy.

Specifically, we expect all employees and associated persons to be able to identify and take steps to prevent any scenarios where there may be a risk that they are facilitating others to commit tax evasion, either in the UK or overseas.

As a group, we support the questioning and eventual declining of business where there are any suspicions of tax evasion or the facilitation of tax evasion.

All cases of suspicion in relation to future or existing business should be first reported (see below) before making any decisions in relation to existing business relationships or committing the business to transact in the manner proposed.

We expect all parties acting with us or for us to adopt a similarly robust approach.

WHAT TO LOOK OUT FOR

Below are examples of risk areas and red flags that could arise during the course of your everyday working and which should raise a concern under this policy.

Examples could include, but are not restricted to the following:

- A supplier, contractor or anyone in your role within our business asking you to do something that does not match up with official documentation - for example, paying into a different account than that which is specified on the invoice
 - You are feeling under pressure to process or approve an invoice (or make changes to our contractual terms) that you don't feel makes sense, for example in terms of changing the payment details or VAT amount
 - You receive an invoice from a third party that appears to be non-standard or customised or is different to what you expected
 - Turning a blind eye to when someone was doing continued productive work while on furlough
 - Contras where invoices are not exchanged for the face value of services/good exchanged
 - You are aware of any short cuts in our Supplier or Customer Take On procedures (e.g. someone you know circumventing the supplier set-up and P2P process which means that there are no checks on the company/person they were purchased from or contract in place)
 - Someone who works for a third party supplier offering you what seems like a discount, e.g. because they tell you they don't need to charge you VAT - without giving a reason
 - Being concerned about the set up and/or supporting paperwork of a particular transaction that you think may not reflect the true commercial reality or fact pattern
 - Someone at work (for example an employee or a contractor) claiming to have found a 'short cut' in how much tax they pay or you are aware that tax is not being declared
 - Someone at work (for example an employee or a contractor) claiming illegitimate expenses
 - Someone asking for a favour that is not in line with your company policy
 - Any other knowledge or suspicion that anyone in our business, either in the UK or any other country, is evading or facilitating tax evasion.
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- Colluding in the evasion of - or turning a blind eye to - overseas tax evasion by globally mobile staff; for example, by a failure to track location of staff and potential tax liabilities and residence.

YOUR RESPONSIBILITIES

The prevention, detection and reporting of facilitation of tax evasion is the responsibility of all employees throughout the organisation.

This means that you must have read, understand and comply with all the information contained within this policy, and with any training or information relating to the Criminal Finances Act you receive.

Any individual who breaches this policy may face disciplinary action potentially resulting in dismissal for misconduct or gross misconduct. Similarly, we may terminate our relationship with other individuals, organisations and other associated person working on our behalf if they breach this policy.

What to do if you have a suspicion or concern?

If at any time you have a reasonable belief, suspicion or concern that, in any way connected to our business, someone has been engaged in facilitation of tax evasion or other wrongdoing (however insignificant it may be and whether it involves an employee of a third party) you must raise this with [your line manager or the compliance manager].

What to do if you are a party to facilitation of tax evasion?

You must tell [your line manager or the compliance manager or senior management] as soon as possible if you are asked to do something (either by someone else in the business or a third party) where you suspect there may be facilitation of tax evasion, or believe that you are a victim of another form of unlawful activity.


What to do if you feel threatened or vulnerable?

If you refuse to act on a request (either by someone else in the business or a third party) that you think may result in the facilitation of tax evasion, you may feel worried about potential consequences. We take this very seriously and will support anyone who raises concerns in good faith under this policy, even if investigation finds that they were mistaken.

ONGOING MONITORING

We will maintain an effective system for monitoring compliance procedure to ensure we remain committed to our zero tolerance to facilitation of tax evasion. This includes training (both face-to-face and online as appropriate) and forms part of the induction process for all new employees.

All existing employees receive regular, relevant training on how to adhere to this policy. Our zero-tolerance approach to facilitation of tax evasion must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.



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