

Tax First

Keeping tax professionals up-to-date*

Issue No. 42
November 2009

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Welcome to the November issue of Tax First.

The Chancellor's Pre-Budget Report is expected this month. For all PwC's analysis and insight, visit www.pwcbudget.co.uk. We will be sure to update you on the full details of the Report in the December issue of *Tax First*.

The [banking and capital markets](#) section this time around examines the impact of recent European Court of Justice decisions and the use of HM Revenue & Customs' (HMRC) information powers in connection with the personal tax disclosure opportunities, which is also considered in the [risk](#) section. The [finance and treasury](#) section looks at the clampdown on debt buybacks as well as the issue of compound interest on VAT and the opportunities for Islamic finance.

The proposed changes to the US tax regime are pertinent to US-held UK companies, and could have significant impact for those with defined benefit pension schemes. In the [HR](#) section we outline the proposed changes and the possible issues.

HMRC's simplification of the 'automatic permission' to opt to tax was introduced on 1 May 2009, a change

which could impact on the VAT that companies pay on property portfolios. The [indirect tax](#) section expands on this simplification and also highlights a recent PwC *Financial Services Alert* and the European Commission's latest proposal regarding carousel fraud.

The Companies Act 2006 has finally come into force in its entirety and the update in the [legal](#) section looks at the key changes that have now come into force, whilst, following on from last month's overview of the [Senior Accounting Officer](#) (SAO) legislation, we bring you an update on the survey results from our recent ICTA seminar on the subject of SAO.

The new occasional [tax training](#) section highlights the training seminars offered by PwC's Client Tax Training team and explains the benefits of external training for tax staff.

I hope you find this issue both interesting and informative; if you have any thoughts or comments on any of the topics covered, then please do contact me.

David Prosser
Tax partner 020 7804 5852

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Commission refers the United Kingdom to the European Court of Justice over improper implementation of an ECJ ruling on cross-border loss relief

The European Commission (EC) has announced that it has decided to refer the UK to the European Court of Justice (ECJ) for improper implementation of the ECJ decision in the *Marks & Spencer* case concerning cross-border loss relief. This follows complaints lodged by the Institute of Chartered Accountants in England and Wales Tax Faculty and the Chartered Institute of Taxation regarding rules introduced in Income and Corporation Taxes Act 1988 Schedule 18A, effective from 1 April 2006, allowing for group relief for certain European Economic Area losses. The Commission considers that the conditions for the relief mean that, in practice, it is almost impossible for taxpayers to benefit from the relief.

The UK had previously been requested to amend the regime in September 2008 by way of a 'reasoned opinion' under Article 226 of the EC Treaty. The Commission has, in particular, pointed out in its press release that the regime is incompatible because:

- there is an unnecessarily restrictive interpretation in Schedule 18A paragraph 7 of the 'no possibilities' test;
- the taxpayer must demonstrate that the 'no possibilities' test is met immediately after the end of the accounting period in which the loss arises; and
- the legislation only applies to losses incurred after 1 April 2006.

This is probably only a sample of the grounds on which the legislation may be contrary to Community law.

[Click here](#) for further information.

Light-touch approach follows HM Revenue & Customs' (HMRC) issue of 308 'Schedule 36' disclosure notices

Banks on which disclosure notices have been served (in connection with HMRC's campaign to identify UK individuals who have failed to return taxable interest income earned on foreign bank accounts) have generally experienced a 'light-touch' approach.

In most cases, HMRC has agreed to reduce the scope of the notice. The court's decision granting approval for such notices in August 2009 has been published by the First Tier Tribunal (Tax), making interesting reading. Each notice requires the bank to disclose names and account details of its customers who have UK addresses but non-UK bank accounts, although HMRC has had to agree the scope of each notice on an individual basis post-issue. The notices were issued ahead of the 1 September 2009 start of HMRC's second partial amnesty, the New Disclosure Opportunity (NDO).

The scope of disclosure notices served on 308 banks and financial institutions, following their authorisation in the First Tier Tribunal (Tax), was always likely to be unclear, PwC warned, leaving banks to clarify what is required so as not to incur significant compliance costs and reputational risk.

UK transfer pricing rules contrary to EU law if ECJ Advocate-General's opinion in SGI Belgian case followed?

Advocate-General Kokott has recently delivered her opinion in the Belgian transfer pricing case, *Société de Gestion Industrielle* (SGI) v *Belgian State* (C-311/08) which, if

followed by the ECJ, may arguably mean that the UK transfer pricing regime is contrary to EU law. The manner in which the compensating adjustment system introduced by Finance Act 2004 into Income and Corporation Taxes Act (ICTA) 1988 Schedule 28AA is in point. The change included a repeal of the UK to UK transfer pricing exemption, thus extending the transfer pricing regime to UK to UK transactions, but with the ability for UK disadvantaged persons to claim a compensating adjustment.

A Belgian company generally grants or receives a so-called 'abnormal or gratuitous benefit' (AGB) when a transaction does not take place at market conditions (at arm's length). In this case, the Belgian tax authorities considered that the Belgian company, SGI, had granted an AGB to its foreign subsidiaries, and added back such AGB to the taxable basis of SGI based on article 26 of the Belgian Income Tax Code.

In her opinion, Advocate-Genera Kokott said: *"Any national tax regime restriction which goes beyond catching artificial arrangements and also catches regular operations is disproportionate, and so incapable of justification."*

She also quoted from the ECJ's 13/03/2007 UK's Thin Cap GLO (C-524/04) judgment in relation to such treatment: *"... that an abnormally low price or a raised price between companies under common control should not of itself result in the transaction(s) not being accorded normal tax treatment. It is necessary for the transaction to be at a non-arm's length price for tax reasons."*

Kokott does, therefore, recommend to the ECJ that they hold the Belgian regime, which only adjusts if the controlled transaction gives rise to an abnormal or gratuitous advantage, to be justifiable on grounds of preservation of allocation of taxing power, notwithstanding

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that the Belgian rules are considered to be a restriction breaching the freedom of establishment.

As ICTA 1988 Schedule 28AA does not allow the taxpayer to justify the transaction as bona fide commercial, as opposed to tax motivated, it would appear the UK transfer pricing regime is at risk of being held to be disproportionate.

***Laerstate BV*: First Tier Tribunal considers corporate residence**

The First Tier Tribunal (Tax) has decided in favour of the UK tax authorities in the *Laerstate* corporate residence case. In particular, the Tribunal examined:

1. the meaning of 'acts of central management and control'; and
2. the circumstances in which it should be concluded that a company's directors are not exercising that central management and control themselves.

It is an important reminder that tax structures need not only to be well designed and implemented but must be continually maintained.

In this tax case, the tax authorities were able to demonstrate to the court that the level and extent of influence exerted by a UK shareholder was sufficient to cause a Dutch BV to be considered UK tax resident at the time of key transactions, notwithstanding the fact that the key decisions themselves were apparently approved by the board of directors meeting in the Netherlands. In effect, HMRC was able to show that the shareholder usurped the 'central management and control' powers of the board, based on factual evidence.



This case underlines the need to conduct both periodic reviews of corporate structures and the critical appraisal of arrangements for the implementation of transactions. This is particularly acute where transactions are undertaken to short timetable under commercial pressures, where decisions risk being taken by electronic medium.

For more information, please contact:

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Compound interest not payable under VAT Act 1994

In its first ever judgment, the Tax & Chancery Chamber of the new Upper Tribunal has held that it is now the principal forum in which appeals concerning interest on VAT claims should be pursued. However, in five cases involving unconnected parties – joined as dealing with the same issue – the taxpayers were not within the 30-day time limit for submitting appeals, which commenced when HM Revenue & Customs made payments of simple interest only. Even if the appeals had been in time, they would have been dismissed as the Upper Tribunal held that the UK VAT legislation makes provision only for simple interest.

This judgment is likely to be appealed, and all potentially affected businesses should continue to protect their position regarding compound interest, preferably by submitting claims under s78 VAT Act 1994. Affected businesses should also consider issuing proceedings in the High Court for restitution and/or damages for breach of EC law.

[Click here](#) for further information

Recession opens the door for Islamic finance

The global economic recession has diminished the availability of conventional financing, and increased the attraction to debt and equity issuers of alternative methods such as Islamic finance. Although the financial crisis means there is currently a shortage of cash in the US and Europe, recent commentary suggests that the Islamic world is financially solvent, and Saudi Arabia and Abu Dhabi are predicted to recover from the economic downturn earlier than Western countries. A country's tax regime is crucial to ensuring that Islamic financing can operate efficiently and

attract investors into that jurisdiction. The UK Government's reform of its tax rules to accommodate and attract Islamic financing transactions has contributed to the country's status as the centre for Islamic finance in Europe.

[Click here](#) for further information

Taxation of foreign profits – draft guidance on international movements of capital

HMRC has published draft guidance on the new reporting rules for companies' large international transactions in Finance Act 2009, Sch 17. The guidance will be incorporated into the international manual in due course.

[Click here](#) for further information

Change in the rules for taxing debts bought in at a discount

HM Treasury has announced that the corporation tax rules for groups which buy in a debt at a discount will be changed with effect from 14 October 2009. The new rules will provide that a debt may only be bought in at a discount, tax-free, in genuine corporate rescue situations. Where debts previously bought in are cancelled (for example, waived) the borrower will be taxed on any previously untaxed discount.

Companies undertaking a debt buy-in transaction need to review the situation and consider obtaining clearance from HMRC.

Legislation will be included in the 2010 Finance Bill. Although draft legislation is not available at the time of going to press, HMRC has confirmed that the proposed changes to the law will not apply where the offer to repurchase the debt was made before 14 October 2009.



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Response to proposed US tax changes may affect UK pension schemes

In May 2009, the Obama administration announced a series of tax proposals that, if enacted, would have a significant impact on the taxation of offshore earnings of US-based multinational groups (US MNCs). At this stage, these are only proposals and they could change. However, many US MNCs are looking at how the proposals could affect their businesses and are considering actions that are likely to impact on UK operations. The proposals generally provide for an effective date of 1 January 2011, and while it now seems that they may lag behind the healthcare plans in the pipeline, they are not off the agenda and certain proposals could take effect earlier.

As a result, UK companies may need to make significant contributions or provide additional security to their UK pension scheme, depending on what actions are taken in response to the US tax proposals.

What you need to know

US tax proposals

The proposals include the following key changes:

- Some tax deductions relating to costs incurred outside the US could be deferred until the related profits are taxed in the US.
- There could be an increased amount of US tax paid on dividends from overseas subsidiaries.
- It may no longer be possible to elect to treat some overseas subsidiaries as disregarded entities for US tax purposes.

In response to the proposals, some US companies are considering taking action. This includes US groups who may:

- revise current group financing arrangements, e.g. by increasing the levels of external debt in their UK business;
- return profits from the UK in advance of the proposals coming into force to make the most effective use of UK tax credits and US tax deductions; and/or
- restructure their UK groups, e.g. by transferring subsidiaries, trading operations, intellectual property and liabilities to other group companies.

Role of UK Pensions Regulator

The UK Pensions Regulator has anti-avoidance powers to stop employers from avoiding their pension liabilities. This includes forcing employers to pay additional contributions (via a Contribution Notice) or put in place financial support to meet the pension debt (via a Financial Support Direction).

While there are many events that can be detrimental to the ability of a scheme to meet its liabilities, the Regulator is particularly concerned with Type A events. Type A events can be employer-related, such as a reduction in cash available to a company to support the pension scheme (but only if a scheme has a relevant deficit).

However, clearance can be sought from the Regulator to assure a company and its directors that it will not use its anti-avoidance powers. Typically, the Regulator would look for some kind of mitigation to the scheme from the party seeking clearance.

What you need to do

If you are a US MNC with a UK defined benefit scheme, you should understand what actions are being considered in response to the tax proposals and develop a strategy to manage any UK pension issues. To do this you will need to understand the following:

- Would any proposed transfer of profits from the UK before the new rules come into effect be considered a Type A event?
- Would other planned actions such as transactions, restructurings or changes to group finance arrangements be a Type A event?
- What mitigation would be necessary to satisfy the trustees concerns (e.g. one-off cash contributions or additional security) and reduce the risk of the Regulator imposing a Contribution Notice?
- Should clearance be sought from the Regulator?

PricewaterhouseCoopers has long-established expertise and experience of advising UK subsidiaries of US MNCs.

If you'd like to find out more about the impact of the proposed US tax changes, then please contact:

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VAT and property reviews

Due to the number of recent changes to VAT rules affecting property, now may be the time to undertake a review of your property portfolio. For example, the simplification of the 'automatic permission' to opt to tax was introduced on 1 May 2009. The revised condition was intended by HM Revenue & Customs (HMRC) to enable more taxpayers to opt without the formality of seeking HMRC's prior permission, but contains some anti-avoidance provisions which need to be carefully considered.

VAT Information Sheet 06/09 sets out the revised automatic permission at Appendix A, and is available on HMRC's website by [clicking here](#).

The simplification should mean that most opters will qualify for automatic permission as intended. However, the revised condition is complex and it is possible that opters could inadvertently fall foul of the anti-avoidance provisions. Therefore, it is recommended that businesses obtain professional VAT advice, or seek rulings from HMRC in writing, if they are in any doubt.

Financial services update

Recently the European Union issued working papers on the proposals to reform the application of the VAT system to financial services and insurance transactions. The changes proposed in the papers would, if enacted, severely impact the availability of exemption to a number of businesses which currently enjoy it, and would, therefore, have potentially very significant implications for the amounts of irrecoverable input VAT incurred by insurance and financial services businesses.

On 1 January 2010 the implementation of the VAT package legislation will affect many financial services businesses. For further details of the impact of these changes please read PwC's current *Financial Services Alert* by [clicking here](#).

Commission proposes new VAT reverse charge anti-fraud measure.

The European Commission (EC) has adopted a proposal for an optional and temporary application of the reverse charge mechanism to five categories of goods and services which have proven particularly sensitive to carousel fraud: computer chips, mobile phones, precious metals, perfumes, and greenhouse gas emission allowances. The aim of the proposal is to allow member states to fight carousel fraud in a consistent manner across the EC. The UK currently has a mandatory reverse charge for domestic supplies of mobile phones and certain integrated circuit devices and recently introduced zero-rating for carbon emissions trading.

The Commission's action follows concerns expressed by a number of member states – particularly in relation to recent frauds connected with greenhouse gas emission allowances. If the proposals are adopted, member states will be allowed to apply the reverse charge to a maximum of three of the five categories of designated goods and services – of which two can be goods. Any member state introducing the new reverse charge would have to do so for a minimum of two years, up to the scheduled withdrawal date for the new measures (31 December 2014).

For more information on any of the above, please contact:

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The Companies Act 2006 (CA 2006) – finally in force in its entirety

Since 1 October 2009 the CA 2006 has been in force in its entirety, nearly three years after phased implementation began. This update looks at the key changes that came into force on 1 October 2009 and identifies how to take advantage of what, in many cases, are simplified and streamlined procedures. If you have not made changes to date, then it is time to take action now.

1. The company's constitution – memorandum of association (MOA) and articles of association (AOA)

The objects of a company will no longer be set out in its MOA and a shorter standard format MOA will be required instead, providing only basic subscriber information on incorporation. The AOA will now be the primary constitutional document of all companies. Any company that has been incorporated on or after 1 October 2009 will have unlimited objects; for existing companies, the objects set out in the MOA will automatically become part of their AOA. A company can restrict or otherwise amend its objects by amending the relevant provisions of its AOA.

Further companies incorporated after 1 October 2009 will no longer need to have a statement of authorised share capital. For existing companies, the provisions in the memorandum relating to authorised share capital will be deemed incorporated in the AOA; this is discussed further in this article.

A set of new model articles came into force on 1 October 2009, replacing the old 'table A'. These articles will automatically apply by default to any company incorporated on or after 1 October 2009 (unless specific articles are filed at incorporation) and are intended to

provide a more streamlined constitution in accordance with the deregulatory objectives of the CA 2006. The CA 2006 provides separate model articles for public limited companies, private limited companies and companies limited by guarantee. We would recommend that all companies take this opportunity to review and update their AOA in light of the legal changes, in particular because there may be provisions in the company's existing articles that are overridden or superseded by provisions contained in the CA 2006, but also to take advantage of any applicable relaxations under the CA 2006 and to ensure that any statutory provisions referred to in the articles are up to date.

2. Authorised share capital (ASC) and allotment of shares

It is no longer a requirement for a company limited by shares (whether private or public) to have an ASC. For existing companies, any stated ASC will continue to restrict the numbers of new shares which can be issued, but it will be possible to remove or alter this restriction by means of a members' ordinary resolution or by adopting new AOA. Unless a company specifically chooses to set an upper limit in its constitution, there will be no upper limit on the number of shares that it can issue.

A related change which took effect from 1 October 2009 is that the directors of a private company that has only one class of shares will be free to allot shares (provided there are no provisions in the company's articles to the contrary) and no formal authorisation by shareholders will be required. Public companies and private companies with more than one class of shares will not be able to take advantage of this new provision. This applies automatically to companies formed on or after 1 October 2009 but existing companies wishing to take advantage of this

change will need to pass a members' ordinary resolution to amend their articles.

The statutory pre-emption regime, and a company's related ability to disapply the regime, either by special resolution or by provisions in its articles, will remain essentially unchanged. Existing companies that have disapplied pre-emption rights prior to 1 October 2009 will not need to repeat the disapplication, which will remain valid until it expires in the usual course. The statutory pre-emptive offer period for public companies has been reduced from 21 days to 14 days.

3. Redeemable shares, reductions of share capital and own share purchases

As of 1 October 2009 it is no longer necessary to have a positive statement of authorisation in a company's article before that company can (i) consolidate or subdivide share capital; (ii) carry out a reduction of capital; (iii) purchase its own shares or purchase shares out of capital; or (iv) issue redeemable shares. However, in a procedural change, a company will need to file a new statement of capital with Companies House that sets out the current issued share capital on every occasion that a company takes action affecting its shares. Companies deterred by the previous complex procedures in relation to some of these steps may now wish to reconsider their options in light of the new rules.

4. Company names

A company can currently change its name by a members' special resolution. The CA 2006 now allows for a simpler method to be entrenched in the company's AOA, for example, a resolution passed by the board or by a members' ordinary resolution.

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5. Directors' residential addresses

All directors will now be able to use a service address instead of their home address for disclosure on the public records at Companies House. Directors and secretaries will, nevertheless, be required to notify Companies House of both their residential and service address and separate registers will be maintained by Companies House; however, only specified authorities and credit reference agencies will be able to obtain a director's private home address. If no action is taken, the service address will default to the individual's residential address, so companies should ensure that the appropriate form is filed at Companies House for all their directors to record a new service address. It is also possible to make an application to Companies House for the removal from the public record of all prior filings in which directors' residential addresses are disclosed.

6. Companies House

The last date for delivery of documentation to incorporate a company under the Companies Act 1985 was 30 September 2009. No companies were to be registered under the CA 2006 from that date until 5 October 2009 or later. Any incorporation documents received from 1 October 2009 until 5 October 2009 were logged by Companies House and processing was to begin on 5 October 2009.

A new format of Companies House forms has come into effect from 1 October 2009 and may be accessed via the Companies House website. However it should be noted that where a filing is required to be made in relation to an event which occurred prior to 1 October 2009, the former forms should be used even if the filing is in fact made on or after that date.

What action should you be taking?

In light of the extensive changes effected by CA 2006, directors of all companies (public and private) should be considering whether or not they are currently compliant with the new regime, and whether changes should be made to their MOA and AOA and/or procedures to enable them to take full advantage of the modernised and deregulatory new regime.

Please contact us if you would like advice on any of the issues touched on here, or any other aspects of the CA 2006 and its impact on company law.

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Are you up to speed on HMRC's disclosure opportunities?

Those that doubt HM Revenue & Customs's (HMRC) appetite to use its enhanced powers to obtain information under Sch 36 Finance Act 2008 to drive forward its compliance agenda should look very closely at the Tax Chamber of the First Tier Tribunal's (FTT) decision on 12 August 2009 (TC00174). It is closely linked with the new opportunities being offered to those whose information is likely to be disclosed.

Offshore bank accounts

In an unprecedented decision, the FTT approved the issue of notices under Para 5 Sch 36 Finance Act 2008 to 308 financial institutions in respect of customers with UK addresses holding non-UK accounts. These notices request account balance and transactional data for periods going back as far as 31 March 2004, in addition to other detailed information in respect of the account holders. Perhaps the most surprising aspect of the case was HMRC's decision not to afford each institution an opportunity to make representations to the FTT – a routine procedure under the predecessor legislation (but see the [banking and capital markets](#) section for further information).

In 2006, HMRC had similar success in obtaining notices under the predecessor legislation (S20(8A) TMA 1970) against four UK high street banks. Access to this data provided the leverage for HMRC's 2007 Offshore Disclosure Facility (ODF), which reportedly brought in around £400m in additional tax receipts.

NDO and LDF

HMRC no doubt has similar aspirations with the openings of the New Disclosure Opportunity (NDO) and Liechtenstein Disclosure Facility (LDF) on 1 September 2009. As with the ODF, disclosures under the NDO will normally attract a penalty of 10%. The LDF, launched off the back of an historic exchange of information treaty between the UK and Liechtenstein, carries the same penalty of 10%. However, in other respects it is potentially far more generous, with a maximum 10 year cap on liabilities (20 under NDO) and a closing date of 31 March 2015.

Use of wider information powers

In more routine compliance activities, the use of third-party information powers is on the increase, particularly in corporate tax enquiries. HMRC's absolute right to statutory records and the ex parte status of hearings to consider notices provides limited opportunity for recipients to challenge a proposed notice. Also, unlike its predecessor legislation, Para 2 of Sch 36 allows HMRC to request information as well as documents from a third party. This subtle but important extension opens up a hitherto closed avenue of information for inquisitive tax officials.

Both Treasury ministers and HMRC have indicated that their sights are fixed on widespread tax evasion and what HMRC describes as 'unacceptable' domestic and international avoidance activities by both individuals and companies. Information powers will play a key role in how HMRC attempts to deliver this compliance strategy.



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How has the Senior Accounting Officer regime impacted on UK companies?

The Senior Accounting Officer (SAO) legislation announced by the Chancellor in Budget 2009 came as something of a shock to most. Developing an appropriate strategy for compliance with the new SAO rules will certainly be a key challenge for many companies over the coming months. With this in mind, PricewaterhouseCoopers has conducted two recent client polls asking companies how they plan to deal with the additional administration of the SAO requirements. The results of these polls highlighted some interesting trends regarding how organisations are approaching the SAO obligations.

Who will be the SAO?

Of the companies polled, most appear to have already concluded who their SAO should be.

- In excess of 70% of UK based groups have identified their Chief Financial Officer (CFO) as the SAO.
- Most inward investors in the UK are settling on a UK or European regional CFO or Controller.
- 40% of inward investors in the UK surveyed are considering multiple SAOs.

Whilst on the face of it, CFOs were always likely to meet the test of 'the director or officer of the company who has overall responsibility for the company's financial accounting arrangements', nevertheless, the number of major multinationals who have opted to appoint their CFO as SAO gives some indication of the prominence it is being given in many groups.



Perceptions of the SAO regime

Overall, companies surveyed are taking the regime seriously and expect to take significant action to ensure compliance.

- 90% preferred to avoid having to sign a qualified certificate with 38% wanting to avoid it at all costs. Only 3% were indifferent. 7% expected to sign a qualified certificate.
- 66% saw the SAO regime as requiring a reasonably significant exercise to ensure compliance but at the same time roughly half that number saw it as an opportunity to drive improvements such as reducing manual interventions.
- Only 2% had been reassured by their HM Revenues and Customs Customer Relationship Managers (CRM) such that they were comfortable doing nothing and 6% felt that they already had the required transparency of their systems and controls to support signing a clean certificate.
- Amongst inbounds, 60% rated the understanding of their head office on SAO as poor or very poor.

Whilst HM Revenue & Customs and individual CRMs have been at pains to play down the significance and burden of SAO, these survey results suggest that most companies are taking compliance with the rules seriously. The inclusion of a personal liability for the SAO and, more generally, the overarching governance considerations raised by an obligation of this nature are important drivers here. The relatively high number of companies seeing SAO as a positive move is certainly interesting. It suggests that many tax functions recognise the efficiency savings that could be achieved through improving the quality of initial data, rather than depending on back end review by the tax function.

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Plans for complying with SAO

From the companies we spoke to, most are either starting or planning projects to ensure compliance.

- 60% of companies have a plan either in place or in progress for ensuring compliance.
- 39% have already commenced projects with another 30% intending to start before the year end.
- 52% have discussed SAO with their CRM of which 10% have agreed their plans for compliance.

Most companies appear to have decided that starting work on SAO before the first year begins makes sense. Certainly conducting the risk assessment phase of any project prior to commencement would be sensible, as this will then allow problem areas to be identified and remediation strategies to be determined in a timely fashion.

What are the key risk areas?

Whilst the SAO regime covers a range of different taxes and looks at the totality of processes and systems used to support tax compliance, the surveys indicate a number of areas of particular concern.

- 54% saw VAT as having the highest inherent risk with 22% for corporation tax and 19% for PAYE: notably, for inward investors in the UK, VAT was still the highest at 38% but PAYE at 31% was significantly more prominent.
- 80% rated business and finance systems as the factor they were most concerned about in ensuring compliance with the SAO regime. This was also the highest rated area of concern for inward investors in the UK, although business complexity and volume of transactions also featured.

The focus on VAT and PAYE comes as no great surprise. Whilst poor quality accounting information can cause problems for any tax, the transactional nature of VAT and PAYE and the reliance on non-tax staff to make appropriate decisions regarding treatments, coding etc. rightly make them important concerns for many companies.

The general high level of concern regarding systems and processes underlines a reality that tax-sensitive processes are not a significant priority in most finance functions. This stands as an interesting counterpoint to HMRC's comments that most companies already have appropriate tax accounting systems.

On the whole, it seems that most organisations see the SAO regulations as a significant undertaking with many also recognising an opportunity as well. The challenge is to devise an efficient, cost-effective approach to building a robust, fact-based rationale capable of supporting a 'clean' certificate.

For more information on the SAO regulations and how PwC can assist in this area, please contact:

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[Jennie Fisk](#) on 020 7212 4382



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Are you struggling to keep up to date with current tax developments?

“The hardest thing in the world to understand is tax”

Albert Einstein



If you, or any of your team, are finding it difficult to understand and keep track of current tax changes, then you may want to consider talking to PwC about tax training. Our Client Tax Training (CTT) team are able to help tax departments of any size get to grips with tax topics by providing open courses, workshops, bespoke training or even one-to-one training sessions.

The challenge

Tax legislation is not getting any easier, nor is its volume decreasing. Add to this the emphasis of professional bodies on continuing professional development (CPD), HMRC's requirements regarding compliant behaviour, as well as Sarbanes Oxley requirements and it is clear that companies increasingly need to ensure that their tax staff are technically up to date.

The benefits

PwC's CTT service is an excellent, flexible and cost-efficient way to ensure that your tax department is kept up to date with current developments in tax. It also equips your staff to deal confidently with new legislation and to know the pitfalls associated with legislation or when to seek expert advice.

In addition to providing guidance on new legislation and current developments, we can review and refresh knowledge of those tax topics that are less frequently covered when working in a busy practice environment. We can also help any non-tax staff, who may be taking on tax responsibilities, to increase their general knowledge of tax.

At all stages we work with our clients to design a programme (be it a single annual update session or a regular series of shorter seminars) that focuses on the needs of their staff and their business. In many cases we work with clients to co-present sessions, so that the technical background can be brought to life with current experience. Alternatively, we can also ensure that a member of the PwC team responsible for the client is present to help focus on current issues.

The offering

PwC's training offering can be flexed to meet the needs of all clients, irrespective of size. For the larger tax department we offer bespoke training sessions that are focused on the needs of one organisation. However, we recognise that many organisations have small tax departments and, for these, a bespoke course may not be cost effective. With this in mind, we also run a workshop programme throughout the year made up of half day practical training sessions covering a wide range of topics that are open to all. For staff new to tax, or needing a refresher on the basics, we also run day long, open corporation tax courses.

All courses can be run at a number of levels as follows:

- Basic – suitable for staff new to tax, with responsibility for tax, or for staff who need their tax knowledge refreshing;
- Update – suitable for all staff working in tax, covering topics such as Finance Act and case law updates;
- Specialist training – on a range of topics; and
- One-to-one training – again, on a range of topics.

We cover a wide range of topics including, but not limited to, UK corporation tax and we draw on the knowledge of tax specialists within PwC.

Our approach

In general, the training sessions are primarily aimed at tax professionals who have a general knowledge of tax, some tax experience or a relevant tax-related qualification. Sessions are interactive and technical in nature, solving problems often by reference to legislation: i.e. 'learning by doing'. We welcome discussion in sessions and do not aim to provide a lecture – we want our audience to be engaged in the topics! All sessions are supported by slides, case studies and questions rather than detailed technical guidance material.

To find out more about the tax training courses available, you can visit our website by [clicking here](#).

For more information on tax training and how PwC can assist in this area, please contact:

[Caroline Turnbull-Hall](#) on 020 7213 2918

Banking and capital markets

Finance and treasury

HR

Indirect tax

Legal

Risk

Senior Accounting Officer update

Tax training

Calendar

November

- 01/11 Final regulations expected on transfers of business by mutual societies
HMRC's new iXBRL service for company tax returns expected
- 02/11 Deadline for Remuneration Policy Statements to be delivered to the Financial Services Authority by 26 organisations
- 4/11 Tax training workshop, *VAT update for the non-specialist*, Holborn Bars, London
- 10/11 PwC's Building Public Trust award winners announced for *Tax Reporting in the FTSE 100 and 250*
- 18/11 Tax training workshop, *Financing transactions – basics*, Holborn Bars, London
- 19/11 Deadline for comment on Department for Work and Pensions consultation on pensions 'employer debt' rules
- 24/11 Tax training workshop, *Financing transactions – beyond the basics*, Holborn Bars, London
- 26/11 Tax training workshop, *CTII Advanced corporation tax course*, Holborn Bars, London
- 30/11 Date by which Dutch Ministry of Finance promised proposals on the tax treatment of interest
Deadline for notifying HMRC of intention to make a disclosure under the NDO
Expected date of introduction in Parliament of Bill which will become CTA 2010

December

- 01/12 New offshore funds tax regime to take effect
Warning letters to those employers with 50 or more employees who are still not filing their starter and leaver forms online
More occupational pension scheme payments can be treated (and taxed) as trivial commutation lump sums
- 02/12 ICTA seminar: *Hot topics – key outcomes from Pre-Budget Report*, Holborn Bars, London
- 10/12 ICTA seminar: *Hot topics – key outcomes from Pre-Budget Report*, Holborn Bars, London
- 17/12 Closing date for Department for Work & Pensions consultation on draft guidance on the use of Group Self Invested Personal Pensions (SIPPs) for auto-enrolment
- 31/12 Temporary VAT standard rate of 15% comes to an end
CFC reform policy expected

For full details of the ICTA seminars, tax training workshops and BPTA awards please follow the links below:

ICTA seminars, [click here](#)

Tax training workshops, [click here](#)

Building Public Trust Awards, [click here](#)



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Designed by studioec4 20040 (11/09).