



UK tax governance

The importance of adopting appropriate tax governance practices has grown for businesses in recent years, primarily as a result of the exponential increase in tax reporting and control measures introduced in the UK and internationally.

- All corporate bodies and partnerships, regardless of size, are affected by the Corporate Criminal Offences provision.
- Companies with UK turnover over £200 million or UK gross assets over £2 billion are affected by the Senior Accounting Officer regime and requirement to publish their tax strategy.
- Multinational groups with total revenue over €750 million are affected by the Country-by-Country Reporting regime and the UK's Pillar Two measures, as well as the tax strategy requirements.

All companies

Corporate Criminal Offence (CCO)

- The Criminal Finances Act 2017 introduced a new corporate offence for failure to prevent the facilitation of UK or foreign tax evasion. Sanctions can include unlimited financial penalties.
- All corporate bodies and partnerships, regardless of size, can be found guilty of an offence if employees or "associated persons" have facilitated tax evasion while acting on behalf of the business.
- This regime encompasses the facilitation of any type of tax including indirect and employment taxes.
- It can include actions undertaken anywhere in the world, where there is an association with the UK, such as a UK agent or UK Permanent establishment.
- The only defence is that the business had "reasonable prevention procedures" in place.
- In practice, this will mean carrying out a risk assessment, drawing up targeted policies and requirements to mitigate the risks, and then ensuring these are backed up by top level commitment from leadership, communication and training.

UK Turnover over £200m or UK gross assets over £2bn

Senior Accounting Officer (SAO) regime

- Companies within this regime must identify their Senior Accounting Officer, who must certify annually whether the company had "appropriate tax accounting arrangements" in place throughout the year.
- These companies must also notify HMRC each year of the identity of the SAO or SAOs in the year.
- Both the company and the SAO can be subject to penalties of £5,000 where they fail to meet their obligations, with more than one trigger for the SAO.
- These companies will often be subject to increased HMRC interest, including a Business Risk Review, resulting in one of 4 HMRC risk ratings that affect the level of future scrutiny.

Publication of tax strategy

- A UK group / company of this size must publish details of its approach to managing UK tax risk, its attitude towards UK tax planning, the level of UK tax risk the business is prepared to accept, and the approach the business takes when dealing with HMRC.
- Businesses must make their tax strategy publicly accessible online. Penalties start at £7,500.

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Total global group revenue over €750 million, with UK presence

Country-by-Country Reporting (CbCR) & UK Transfer Pricing

- This requires multinational enterprises (MNEs) to submit annual returns providing various details for each tax jurisdiction in which they operate. Typically, these reports will be submitted in the country in which the parent is based.
- For accounting periods starting on or after 1 April 2023, MNEs that fall within CbCR are also required to maintain standardised transfer pricing documentation, including a “master file” providing an overview of information relevant to the group and a “local file” providing information about transactions undertaken by any UK entities.

UK implementation of “Pillar Two” (MTT, DTT & UTPR) - GloBE Information Returns

- Pillar Two is a global OECD initiative to ensure that large MNEs pay a minimum level of tax on profits in each jurisdiction in which they operate. New UK Tax returns must be submitted (GIRs).
- The UK introduced a Multinational Top-Up Tax (MTT) for periods starting on or after 31 December 2023 to ensure profits from each jurisdiction in which a UK-headed group operates are taxed at a minimum effective tax rate of 15%.
- UK Domestic Top-Up Tax (DTT) will also apply from 31 December 2023 to ensure HMRC can collect tax on UK profits, including where tax would otherwise be collected under an equivalent MTT overseas.
- UK registration is required within 6 months of the end of the first relevant period.
- For companies with 31 December year ends, both MTT & DTT will apply to the year ended 31 December 2024.
- The UK has implemented an Undertaxed Profits Rule (UTPR) to take effect on / 31 December 2024 (i.e. year end 31 December 2025). This will apply where undertaxed profits elsewhere are not caught by an equivalent MTT overseas.

Publication of tax strategy (also above)

- This requirement is also triggered for all MNEs with global revenue over €750 million and a UK presence, however small.

Other governance regimes

Mandatory Disclosure Rules (MDR)

From 28 March 2023 MDR require advisors / businesses to disclose arrangements to HMRC within 30 days that:

- undermine reporting requirements;
- under automatic exchange of information agreements; or
- obscure beneficial ownership transparency provisions.

DAC6

EU Council Directive 2018/822 has applied in the UK from 25 June 2018, and covers the period up to 28 March 2023 (when it was superseded by the MDR). Since Brexit, this has largely covered the same items as MDR (above) in the UK. However, DAC6 continues to be relevant for groups with an EU presence, with many more Hallmarks.

Uncertain Tax Treatments (UTT)

Since April 2022, “large” businesses have been required to notify HMRC when they adopt “uncertain tax positions”, and the tax at stake is at least £5 million in a 12 month period. There is an “uncertain tax position” where an accounting provision is made in the accounts, or the tax treatment applied is not in line with HMRC’s known position.

How Moore Kingston Smith can assist you

In light of the various regimes outlined in this flyer, it is increasingly important that businesses ensure that appropriate tax governance procedures and processes are in place.

Our tax experts at Moore Kingston Smith can help businesses by:

- presenting workshops and training sessions to ensure that businesses are aware of and adopt appropriate tax governance procedures;
- assist with any reporting, notification, or certification requirements under any of the governance regimes; and
- assist in the design and implementation of appropriate internal procedures to ensure that businesses stay on top of their obligations.



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