

The New Tax Penalty Regime



“Accountability of senior accounting officers

The Government today announces a measure to establish a statutory requirement for senior accounting officers of major corporates to certify personally that adequate controls to prepare accurate tax computations are in place.”

From HMRC Press Notice 03
Budget 2009 Protecting Tax Revenues

Are you able to demonstrate “reasonable care”?

Under the heading of “Corporate Transparency: Personal Tax Accountability of Senior Accounting Officers of large Companies”, the UK Finance bill 2009 introduces the imposition of new duties on **Senior Accounting Officers (SAO)**. The new measures mean that large organisations must nominate a **SAO** who will be personally responsible for ensuring that “**proper tax accounting arrangements**” are in place at all times throughout the accounting year. The **SAO** has to provide a certificate at the end of the year to state that the proper tax accounting arrangements were in place and demonstrate “reasonable care”.

Does it apply to your company?

For the purposes of this legislation, a large company is defined by its turnover or balance sheet total;-

Turnover >£200m or Balance Sheet Total > £2bn

Who is likely to be the SAO?

The director or officer within the company who has overall responsibility for the company’s financial accounting arrangements. In most cases, this is going to be the Financial Director.

What will the impact be?

HM Revenue and Customs (HMRC) will have the power to levy heavy fines against the individual personally. At present this has been set at £5000 for inaccurate or non-submissions across a wide range of taxes. The burden of proof is on the SAO to demonstrate that “reasonable care” was taken throughout the tax reporting period. In order to protect yourself from the possibility of these penalties you must increase your monitoring of tax accounting systems and redouble efforts to verify tax returns.

Do you have the tools and procedures in place to meet these new demands?

- Are you confident that your tax returns are correct?
- Could you have underpaid tax?
- Could you have overpaid tax?
- Can you prove that the accounting system is adequately monitored throughout the year?
- Can you afford not to be ready?



AuditWare can assist

AuditWare has extensive experience within the tax arena and can help you to improve the monitoring and verification of tax data. We can provide a range of solutions to suit your requirements; from software to supplement existing processes to a fully automated tax accounting system monitor. Our software is used extensively by HMRC (who have recently committed to a long term contract with us) and by the tax departments of all of the big four accounting firms. We have assisted all of these organisations to develop the tax testing routines that they currently use.

We are the UK's sole distributor of the following software solutions:

- **IDEA** – The world's leading data analysis software features a number of tools and tests that can confirm the accuracy of tax returns.
- **Smart Analyzer for Tax** – an add-on for IDEA, this tool carries out 50 essential tax tests and was developed in conjunction with HMRC to mirror the tests they perform.
- **SymSure for IDEA** – a continuous monitoring tool, using the power of IDEA coupled with an easy to use workflow management interface providing continuous assurance that reported figures are correct.
- **SpACE** – Originally developed by HMRC to audit spreadsheets that have to be used to assist in the tax calculations this powerful tool will allow you to see any potential errors in your spreadsheet calculations.

As well as supplying the software we have unparalleled experience in its application. Our team of consultants are able to quickly provide customised testing routines, advice and training in order for you to get the best use out of the software.

Reasons why you should choose AuditWare

- **IDEA** is the industry's most respected tax preparation and compliance tool. **Smart Analyzer Tax** is designed to carry out the same suite of tests currently being utilised by HMRC.
- Our software is used extensively by HMRC and the tax consultants at the big four accountancy firms. This indicates how successful it is in auditing tax returns and finding potential errors. It makes sense to use the same software tools as them
- Our experience in applying the software is unrivalled, particularly in the area of tax. We have consultants who are former HMRC tax inspectors; their knowledge is now available to you.
- We have trained many of the tax consultants at the big four accountancy firms. We understand the tests you must perform.
- When HMRC wanted to create their own automated tax testing routines, they came to us. When HMRC wanted someone to take over the development of SpACE and training in its use, they came to us. Why not use the same consultants that HMRC choose to use?

What next?

Contact AuditWare on 01892 512348, and discover how we will help you gain assurance and verification of your tax data.