The GoodCorporation Framework on Preventing Tax Evasion and the Facilitation of Tax Evasion

The GoodCorporation Framework on Preventing Tax Evasion and the Facilitation of Tax Evasion is a set of responsible business principles, which acts as a tool to improve the robustness of management practices in relation to the risks of facilitating tax evasion.

This framework draws on the corporate offences of failure to prevent tax evasion and the facilitation of tax evasion in the UK or any other country, in particular the conduct prohibited by the Criminal Finances Act. The relevant HMRC guidance clearly requires organisations to evaluate their risks.

This framework can be used to facilitate this risk assessment and to design, embed or evaluate an organisation's procedures to prevent the facilitation of tax evasion. GoodCorporation's independent assessment process looks at four levels of evidence for each practice in the framework and assesses each practice against a four-point scale.

The assessor checks:	The assessor awards a grade:
that a policy exists policy documents are reviewed	no action required the policy and system work well
that a system is in place to implement the policy systems are examined	improvement recommended there is a policy and system that work but potential improvements have been identified
that records exist which show that the system works in practice a sample of records is reviewed	action required there is a policy and system but they do not always work and require corrective action to reduce risk
that stakeholders agree that the system works in practice interviews are held with employees, customers, suppliers and other relevant stakeholders	significant action required there is no policy or system, or it has largely broken down, and significant action is required to reduce risk

GoodCorporation helps businesses understand and manage their ethical risks by advising on best practice, helping them build appropriate practice into their operations and evaluating how well their processes are working.

Business ethics have been GoodCorporation's sole focus since its foundation in 2000. Having completed over 600 assignments across 70 countries, GoodCorporation possesses unrivalled benchmark data and real insight into how different companies and industries meet business ethics challenges. This experience and data underpin the methodologies we have developed to support our clients in implementing the highest management standards.

The GoodCorporation Framework on Preventing Tax Evasion and the Facilitation of Tax Evasion

The organisation is committed to conducting its business with the utmost integrity. No form of tax evasion or the facilitation of it (reference to tax evasion in this framework encompasses both) either in the UK or in any other country is tolerated.

1. Top-level commitment

TC1: There is a written and clearly articulated policy of zero tolerance of tax evasion.

TC2: The policy has been formally approved by the board or equivalent.

TC3: There is high-level and clear ownership of the policy and supporting procedures.

TC4: Senior management is involved in the creation and implementation of procedures to prevent tax evasion.

TC5: The policies to prevent tax evasion are periodically considered by the board or equivalent.

2. Corporate strategy

CS1: All new or existing tax or corporate frameworks or structures make sense in the context of the business strategy.

CS2: The organisation has a clear map of its legal entities around the world and an understanding of the tax rationale and treatment of each entity.

CS3: The organisation pays corporate tax in the locations where the relevant economic activity takes place.

CS4: The organisation checks any transfer pricing arrangements to ensure that they have a clear economic logic and that taxes are paid correctly in each location where it operates.

3. Risk assessment

RA1: There is a documented risk assessment overseen by senior management that evaluates the risks of tax evasion by the organisation (including its employees), its branches, subsidiaries, joint ventures and third parties.

RA2: The detection and monitoring of risk is adequately resourced.

RA3: The risk assessment is undertaken periodically and is used to ensure that preventative procedures are up-to-date and suitable.

4. Communication and training

CT1: Relevant employees, contractors, intermediaries and agency-supplied workers in all entities of the business receive the policy on the prevention of tax evasion.

CT2: Relevant employees, contractors, intermediaries and agency-supplied workers in all entities of the business are trained on the company's policy on the prevention of tax evasion and the relevant preventative procedures.

CT3: The organisation communicates its policy of zero tolerance and the consequences of its breach to its relevant contractors, suppliers, agents, intermediaries and customers and obtains their written commitment to follow equivalent principles.

CT4: The organisation communicates its policy of zero tolerance and the consequences of its breach to its joint venture partners and obtains their written commitment to follow equivalent principles.

CT5: There is a named person responsible for tax affairs who is signposted internally and externally as a source of guidance on tax evasion queries.

5. Due diligence

DD1: There is a process for deciding when due diligence of third parties involving risks of tax evasion is required.

DD2: There are clear due diligence procedures to examine the risks of tax evasion associated with relevant, current and prospective contractors, suppliers, agents, intermediaries, customers, wholesalers, distributors, projects and joint ventures.

DD3: Where due diligence identifies risks of tax evasion, processes are in place to manage the risks identified.

6. Key tax areas

International trade

IT1: The organisation ensures that all agreements involving importing and exporting of goods and services have appropriate structures to minimise the risk of tax evasion.

IT2: The organisation correctly identifies, records and pays any applicable taxes, duties and surcharges due on imports/exports of goods and services.

Employment

EM1: Terms and conditions of employment are clear, respected and consistent with applicable tax laws.

EM2: All contractors and agency-supplied workers have appropriate contracts which ensure that the correct amount of tax is paid.

EM3: There are no payments in cash to employees, contractors or agency-supplied workers.

EM4: All in-kind payments are properly recorded.

EM5: All payments to employees, contractors and agency-supplied workers are made directly to bank accounts in the country where the work is taking place, or in the home country of the individual.

EM6: Pension schemes and savings plans are designed to minimise the risk of tax evasion.

EM7: Remuneration in the form of shares or equivalent is designed to minimise the risk of tax evasion.

Sales

SL1: Safeguards against tax evasion are built into sales processes.

SL2: All relevant customers and all sales agents and intermediaries have contracts with clear terms and conditions with appropriate clauses on the prevention of tax evasion.

SL3: The organisation correctly identifies, records and pays any applicable sales taxes, excises, and duties to their goods and services.

SL4: All invoices issued are clear and accurate about the goods and services being sold and any taxes that apply.

SL5: All sales agents and intermediaries follow the organisation's policy on the prevention of tax evasion.

Procurement

PP1: All contractors, suppliers and other relevant third parties have clear contracts with terms and conditions with appropriate clauses on preventing tax evasion.

PP2: The organisation correctly identifies, records and pays any applicable taxes, duties and surcharges due on the purchase of goods and services.

PP3: The organisation rejects any invoices received that are not bona fide, clear and accurate about the goods and services being bought and any taxes that apply.

Asset purchase and disposal

APD1: Appropriate due diligence is undertaken on counterparties when purchasing or disposing of assets.

APD2: All asset purchases are conducted in a clear and transparent manner and all taxes due are correctly paid to the relevant authorities.

APD3: All asset disposals are conducted in a clear and transparent manner and all taxes due are correctly paid to the relevant authorities.

APD4: All property and land transactions are conducted in a transparent and open manner. All such transactions are properly recorded and any taxes due are correctly calculated and paid.

Finance and tax management

FN1: The organisation examines the background and purpose of all complex, unusual large transactions and all unusual patterns of transactions.

FN2: The organisation avoids the use of cash.

FN3: Payments to agents, intermediaries and other suppliers are made through bona fide channels to bank accounts located in the jurisdiction where the work is performed.

FN4: The organisation only accepts payments from entities with which it has a contractual or commercial relationship.

7. Transparency

TR1: The policy of zero tolerance has been made public, together with the organisation's supporting policies and implementation.

TR2: The organisation files its (non-abbreviated) accounts fully in all of the locations in which it has legal entities.

TR3: All significant beneficial owners are disclosed for all entities.

8. Compliance and monitoring

CM1: There is a compliance function (or equivalent) with a clear remit and adequate resources to support the policy on the prevention of tax evasion.

CM2: Senior management communicates the policy and any situations involving risk of tax evasion to independent directors or the parent organisation (where relevant).

CM3: There is a clear process to apply sanctions where an employee, contractor or any other relevant party is suspected of tax evasion, which includes potential termination of contract.

CM4: Employees are aware of their duty to report promptly any concerns in respect of any form of suspected tax evasion.

CM5: There is a clear and confidential process for employees and third parties to report tax-related concerns to senior management. Anyone reporting such a concern in good faith is protected.

CM6: All tax-related concerns reported confidentially are properly recorded and investigated, with appropriate steps taken to prevent reoccurrence.

CM7: There are processes to deal with cases of actual or suspected tax evasion and for when to report to the relevant authorities.

CM8: The procedures to prevent tax evasion are subject to periodic internal audit.

CM9: An independent review of the adequacy of the company's preventative procedures in relation to tax evasion is undertaken periodically.