



# What is your tax agenda?

## **Professional Practice Solutions**

It's the little details that make a big difference

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The world is becoming a smaller place as tax authorities mature and liaise with each other. Businesses therefore need to be able to identify where their key tax risks are and seek to mitigate them as far as possible through appropriate policies and procedures, which then need to be monitored and kept under review, taking account of the constantly changing tax environment. Whilst many firms will be required to publish their tax strategy it is good practice for all firms to consider their approach to tax matters and tax risk specifically. A considered tax strategy is however more than simply putting in place a series of controls – firms need to consider what their appetite to risk really is given we're operating in an environment where many apply a "moral compass" test to tax. After all reputation is the cornerstone of all our businesses and so firms should not jeopardise this simply for lack of thinking through the implications of a course of action or doing nothing.

Tax impacts every area of a business and its structure – be it partners, staff, property, operating overseas, the structure of contracts – but should not become a distraction for partners or staff. A well thought through tax strategy should therefore be aligned with and support the strategic goals of the business.

## Key areas we'll help you consider are:

### Partner Tax Affairs

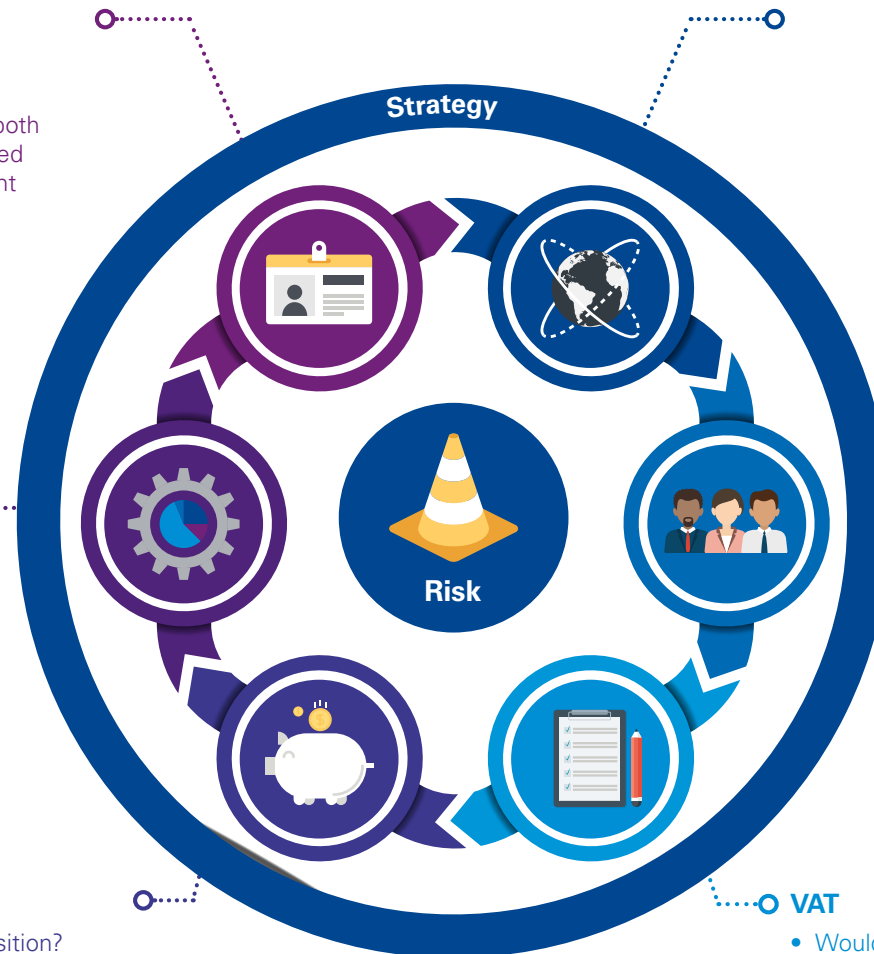
- Do you have oversight over your partner's full tax affairs?
- Do your partners have access to both partnership and personal tax related advice through one dedicated point of contact?
- Are your non-domiciled partners aware of the recent rule changes and potential impacts?

### Partnership Compliance

- Do you have real time oversight and control over all your tax compliance processes?
- Have you considered the potential implications of Making Tax Digital?
- Is your tax compliance process always completed later than you want?

### Pensions

- Is the firm hedging its funding position?
- When did the firm last review its pension investment options?
- Have the needs of your employees been factored into any workplace pension/savings?



### International

- Is your structure still meeting your operational requirements?
- Have you recently reviewed your exposure to Permanent Establishment risk?
- Are you happy that all staff on international assignments are paying the right amount of tax?

### Employer Compliance

- Are you prepared for the Know Your Client initiative?
- Are you ready for the Apprentice Levy?
- Is your flexible benefits policy still tax efficient?

- Would you quickly be able to provide HMRC with all supporting information for your VAT return?
- Are you satisfied the correct treatment is adopted when no UK VAT is charged on invoices?
- Have you reviewed your VAT cashflow?

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### International

Greater internationalisation coupled with increasing scrutiny from many overseas tax authorities make it critical for firms to have oversight and control over their international tax compliance and risks. This can range from being able to track where your people are working, whether your transfer pricing arrangements are still appropriate to whether your overseas tax structures are still meeting the firm's and partners' requirements. Dealing with such issues can be time consuming and so processes need to be standardised and streamlined as far as possible, for instance, using technology to monitor tax risks associated with people working overseas. We also have an international network of advisors accustomed to dealing with professional practices who will be able to assist with local tax aspects as well as international mergers and restructuring projects.



### VAT

VAT affects a business's cash flow and is a potential bottom line cost. Evolving case law, statute and HMRC guidance makes compliance a challenge. HMRC's approach to VAT audits is changing as computer audit assist programmes are now being used. HMRC are asking for detailed information to support the position taken in returns so systems need to be capable of extracting the required evidence. Another area of interest to HMRC relates to invoices on which no VAT is charged; they require adequate explanations to support the treatment adopted in these invoices. KPMG deals with these and similar issues on a day-to-day basis and our Indirect tax colleagues would be happy to discuss our experiences with you in order to help you deal with these and other VAT compliance and administrative obligations.



### Partnership Compliance

The partnership compliance process is more than just a process, it is about managing risk and ensuring that any potential issues are flagged and addressed early on to prevent filing delays. The timetable is critical as many firms, particularly those with overseas operations, often find that filings are done on a just in time basis that often frustrates partners. We will work with you to streamline this process and, where appropriate, use technology to provide a real time, 360 degree view of your worldwide compliance position. Helping to ensure your processes are efficient as possible will also be key in meeting the new filing requirements for both partnerships and partners under Making Tax Digital.



### Employer Compliance

HMRC's approach to employment tax is evolving with a lot of recent change which translates into greater risk for employers. HMRC are undertaking "Know your client" (KYC) reviews that are focusing on areas such as how firms reward their employees, their expense and benefit policies, the location of the workforce including international staff movements and even the use of sub-contractors. Are you comfortable that you are on top of all such employment tax compliance aspects? We have a team of tax professionals who can advise you on all aspects of employing and retaining talent, helping your employment strategy deliver value.



### Pensions

There has been a huge amount of change in both the tax efficiency of pension savings and also the investment markets. The current market volatility is leading to the deterioration of many pension funding positions, which is likely to continue, and so firms that did not previously consider hedging as necessary should certainly consider now doing so.

There have also been some new entrants to the pension investment market providing opportunities to substantially reduce costs even for smaller funds.

The changes in the annual allowance for high earners or even an individual's desire to make pensions contributions means that many firms are looking at alternative ways for their employees to save, for instance, the Lifetime ISA.



### Partner Tax Affairs

Our relationship is not just with the partnership but also with the individual partners with each partner treated as an individual client of the firm. Our partner compliance service will give your partners a single point of contact who deals with both the partner/partnership compliance aspects as well as being able to provide that all important broader private client advice on personal tax matters such as property investment, IHT and pensions. We will also provide guidance to both the firm and partners on how to minimise tax risk associated with the partners' personal tax affairs.