

Senior Accounting Officer Rules - Are you ready?

Finance Act 2009 imposed new tax reporting obligations on the Senior Accounting Officers (SAOs) of "large" UK companies with effect for years beginning on or after 21 July 2009. The rules apply to UK incorporated companies which, in the previous financial year, had turnover of more than £200m or a balance sheet total of more than £2bn (for banks and insurers only the balance sheet test applies). It is also possible for UK subsidiaries of an overseas parent company to fall within these rules where, for example, the combined turnover or assets of all the group's UK subsidiaries meet the test.

Each year, the company must notify HMRC of the SAO. HMRC's guidance sets out that the SAO should take "reasonable steps" to maintain and monitor the company's tax accounting arrangements. The SAO is required to certify annually whether the company had appropriate arrangements in place throughout the financial year and, to the extent that it did not, give an explanation as to the deficiencies arising. Financial penalties will be levied on the SAO personally as well as the company for failure to comply. The greater risk of non-compliance, however, is reputational damage and the potential for HMRC to take more interest in a company's affairs.

All companies affected by the SAO rules are now in the regime and should be assessing the adequacy of the current controls to ensure that they meet the requirements. Grant Thornton has supported multinationals in addressing their SAO obligations and has a review framework to enable the SAO to obtain a degree of comfort before making the certification. This framework will work with your existing systems and controls and does not involve an "over engineered approach" of recommending new systems unless they prove necessary.

Practical Tips

- where to start can be the most difficult part - identify the taxes, the companies and the SAO in scope, then the people that are key to pulling together the relevant process maps
- employment taxes have the highest perceived risks as the finance department may often have less visibility over this function than the HR department
- using process maps and identifying risks by reference to people, processes and systems will ensure that all material risks are identified
- think about wider risks e.g. legislative changes which could impact on the process mapping - a recent change being the introduction of the new EU VAT rules effective 1 January 2010
- the output of any review is a living document that will need to be reviewed and updated at least annually.

If you need further information on this area, please contact the person at Grant Thornton who normally deals with your tax affairs or one of the contacts named below:

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