

FINANCE, AUDIT AND RISK COMMITTEE
16 MARCH 2022

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: TAX COMPLIANCE FRAMEWORK

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

This report sets out a Tax Compliance Framework for the Council. The purpose of the report is to seek comments from the Committee on the framework. Once finalised it will be submitted to Her Majesty's Revenue and Customs (HMRC), along with relevant detailed attachments. Having a framework will demonstrate best practice and also support the relationship that the Council has with HMRC.

2. RECOMMENDATIONS

2.1. That the Committee comment on and note the proposed Tax Compliance Framework.

3. REASONS FOR RECOMMENDATIONS

3.1. *The Council will benefit from having a Tax Compliance Framework, as it means that it will be allocated a contact at HMRC to discuss any relevant issues. This will support ongoing tax compliance. It also demonstrates best practice.*

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. *There is not a statutory requirement for the Council to have this framework in place. It is however considered to be beneficial to have one.*

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 *The Executive Member for Finance and IT has been consulted. This committee are being consulted given the subject matter concerned.*

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Finance Act 2016 sets out that large companies and groups of companies must publish a Tax Strategy. Other organisations (including Local Authorities) can choose to publish (on their website) and submit (to HMRC) a Tax Strategy.
- 7.2. A tax strategy includes the following information:
- how your organisation manages UK tax risks
 - your organisation's attitude to tax planning
 - the level of risk your organisation is prepared to accept for UK taxation
 - how your organisation works with HMRC
 - any other relevant information relating to taxation.

8. RELEVANT CONSIDERATIONS

- 8.1 It is felt that having a tax strategy demonstrates good practice. Having a strategy also improves how the Council engages with HMRC. That would help with future tax compliance and also reduce some of the administration involved with dealing with HMRC.
- 8.2 The Finance Act refers to the document as a Tax Strategy. It is felt that it more appropriate for the Council to describe it as a compliance framework. The document describes what the Council is already doing, so the creation of this document is not setting a new strategy. From an internal control perspective it has been helpful to document what we are doing.
- 8.3 When the final framework document is submitted to HMRC it will include an appendix with detailed process information about how the Council ensures tax compliance. This is detailed as Appendix A in the framework. This has not been included for the Committee as it is still being finalised and is very operational in its content. The Service Director: Resources will ensure that the Appendix accurately details the Council's processes.
- 8.4 SIAS (Shared Internal Audit Service) will be reviewing the tax compliance framework. Any feedback will be used to update the framework before it is submitted/ published.

9. LEGAL IMPLICATIONS

- 9.1 The terms of reference on the Finance, Audit and Risk Committee include (at 10.1.5 (v)) "[t]o review any issue referred to it by the Managing Director, Statutory Officer or Service Director". The Council's section 151 Officer (following consultation with the Council's Monitoring Officer) has determined that this report is relevant to this Committee.

10. FINANCIAL IMPLICATIONS

- 10.1. *There are no direct financial consequences arising from this report.*

11. RISK IMPLICATIONS

- 11.1. *Having a framework in place should support tax compliance, and therefore reduce the risks faced by the Council.*

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. *There are no equalities implications arising from this report.*

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to *this report*.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 *It is expected that in the medium term there will be some administrative benefits from having a framework in place.*

16. APPENDICES

- 16.1 *Appendix A- Tax compliance framework*

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243
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- 17.3 Reuben Ayavoo, Policy and Communities Manager, reuben.ayavoo@north-herts.gov.uk, ext 4212

18. BACKGROUND PAPERS

- 18.1 *None*