

Model tax policy

- Template text and examples

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Background

Every business has a tax policy (sometimes referred to as a tax strategy), even if it has never been explicitly recorded; otherwise, it could not manage its affairs competently. However, currently, a minority of businesses publicly state what their policy is: which means that in this vital area few businesses can explain fully their motivations and conduct, nor can they be held accountable.

Progressive business can be expected to go further than pledges around legal compliance and tax evasion. Not least as such a lowest common denominator approach would be unthinkable in other areas of corporate responsibility, such as environmental protection or human rights.

The tax policy should be 'owned' by a named board director, and policy compliance should be the subject of annual confirmation. A whistle-blower policy (and / or procedures) should be in place that explicitly covers the area of 'tax'.

The tax policy should, as a bare minimum, seek legal compliance and set out the business's approach to governance, internal control and risk management. The policy must apply to the parent company and all entities therein.

A Fair Tax Mark accredited business would also be expected to explicitly shun tax avoidance and the artificial use of tax havensⁱ, and commit to the declaration of profits in the place where their economic substance arises.

Template text and examples

Described below is template text for these key commitments, and examples of exemplars.

- **Key commitment: To not use tax havens artificially and for the purposes of tax reduction**

Template text: *"We would never abuse those places that are considered to be tax havens in order to secure any tax benefits, and nor would we take advantage of the securities that many such jurisdictions provide for transactions recorded within them."*

Alternative template text: *"We will forgo any type of connection to tax havens and/or secrecy jurisdictions when this is not underpinned by a legitimate trading activity that serves the local community."*

Exemplar: [Timpson's Fair Tax Mark Statement \(at July 2021\)](#) states: "We believe tax havens undermine the UK's tax system. As a result, whilst we may trade with customers and suppliers genuinely located in places considered to be tax havens, we will not make use of those places to secure a tax advantage, and nor will we take advantage of the secrecy that many such jurisdictions provide for transactions recorded within them."

- **Key commitment: To follow the spirit as well as the letter of the law, and not structure transactions and operations artificially for the purpose of avoiding tax**

UK template text: "We will never seek to use those options made available in tax law, or the allowances and reliefs that it provides, in ways that are contrary to the spirit of the law. We will never undertake specific transactions with the sole or main aim of securing tax advantages that would otherwise not be available to us based on the reality of the trade that we undertake. As a result, we will never undertake transactions that would require notification to HM Revenue & Customs under the Disclosure of Tax Avoidance Schemes Regulations or participate in any arrangement to which it might be reasonably anticipated that the UK's General Anti-Abuse Rule might apply."

Multinational template text: "We will adhere to both the spirit and letter of all the tax laws in each country that we operate within. We would not participate in any marketed or abusive tax avoidance schemes that are likely to fall foul of the domestic tax avoidance legislation of any country in which the business operates."

Exemplar: [Lush's Company Tax Policy \(at June 2021\)](#) states: "We believe not only in paying tax in accordance with all relevant laws and regulations in the territories in which we operate but also in not using complicated tax loopholes to take advantage of legal but essentially questionable tax schemes" and "We believe local companies should claim the proper statutory reliefs in the countries in which they operate and should never use marketed or abusive tax avoidance schemes".

- **Key commitment: To declare profits in the place where their economic substance arises**

Template text: "We are committed to paying the appropriate taxes that we owe by seeking to pay the right amount of tax, in the right place, and at the right time. We aim to do this by ensuring that we report our tax affairs in ways that reflect the economic reality of the transactions that we undertake during the course of our trade."

Exemplar: [Marshalls' Tax Policy \(at October 2020\)](#) states that it: "Will seek to declare profits in the place where their economic substance arises."

More generally, the Fair Tax Foundation has produced a tax policy of its ownⁱ, and this serves as a good template for UK Small and Medium (SME) sized business. This states:

"We are committed to paying all the taxes that we owe in accordance with the spirit of all tax laws that apply to our operations. We believe that paying our taxes in this



way is the clearest indication we can give of our being responsible participants in society.

We will fulfil our commitment to paying the appropriate taxes that we owe by seeking to pay the right amount of tax, in the right place and at the right time. We aim to do this by ensuring that we report our tax affairs in ways that reflect the economic reality of the transactions we undertake in the course of our trade.

What we will not ever do is seek to use those options made available in tax law (or the allowances and reliefs that it provides) in ways that are contrary to the spirit of the law. Nor will we undertake specific transactions with the aim of securing tax advantages that would otherwise not be available to us based on the reality of the trade that we undertake. As a result, the company will never undertake transactions that would require notification to HM Revenue & Customs under the Disclosure of Tax Avoidance Schemes Regulations or participate in any arrangement to which it might be reasonably anticipated that the UK's General Anti-Abuse Rule might apply.

We believe tax havens undermine the UK's tax system. As a result, whilst we may trade with customers and suppliers genuinely located in places considered to be tax havens, we will not make use of those places to secure a tax advantage, and nor will we take advantage of the secrecy that many such jurisdictions provide for transactions recorded within them.

Our accounts will be prepared in compliance with this policy and will seek to provide all that information that users, including HM Revenue & Customs, might need to properly appraise our tax position.

Our board shall be responsible for overseeing the application of this policy and can confirm that it has been complied with over the past year."

ⁱ The Fair Tax Foundation's working definition of a 'tax haven' is explained at: <https://fairtaxmark.net/wp-content/uploads/2021/11/FTF-Tax-Haven-listings-November-2021-1.pdf>

ⁱⁱ The Fair Tax Foundation operates as a not-for-profit social enterprise, and is subject to corporation tax