BRR+

ARE YOU READY FOR CHANGE?

HMRC'S NEW BUSINESS RISK REVIEW (BRR+)

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Since October 2019, HMRC have gone live with their new Business Risk Review process for large corporates. The Business Risk Review process is the mechanism by which HMRC assess the tax risk they believe is associated with a business. The resulting risk rating, which is based on various criteria, determines the level of attention that HMRC will focus on that business.

Under the previous risk assessment process (the BRR), the result of this review led to businesses being assigned either a 'low risk' or a 'non-low risk' status, often with 'non-low risk' status businesses not having clarity over what they could do to reduce their status to 'low risk'.

In the subsequent twelve years since the original BRR process was introduced, the legislative and regulatory environments in which we all operate have significantly moved on, as has public opinion of what is considered to be 'acceptable' behaviours in relation to tax.

The new BRR+ process has been designed to align with this, and provide a more consistent framework to allow businesses to gain a clear understanding of what is driving their risk rating, and what actions they can take in order to reduce their perceived risk.

THE KEY CHANGES UNDER BRR+ ARE:

01 The categorisation of risk categories is being enhanced with a 4 tier model, risk categories being: low, moderate, moderate-high and high.

02 Assessments will be carried out using a granular approach across each type of tax with the way the business operates being measured against a number of low risk indicators under three behavioural headings (Systems and Delivery, Internal Governance and Approach to Tax Compliance). The more low risk indicators the business does not meet, the more likely they are to have a higher risk status.

03 The business's landscape (including size, complexity, degree of change) will be considered in terms of context in which the behavioural risk markings have been decided.

HMRC have committed that all businesses, no matter how large and complex 'are capable of being classified as low risk if they mitigate their identified risks by meeting the behavioural indicators for systems and delivery, internal governance and approach to tax compliance'.

THE BENEFITS OF BEING LOW RISK INCLUDE:-

Interactions with HMRC will, in general, be driven by customers rather than HMRC.

Enquiries instigated by HMRC will be the exception rather than the rule.

HMRC will trust low risk businesses to manage their tax affairs without the need for intervention, meaning reduced costs associated with such interventions for the business.

Businesses will have more certainty over their tax liabilities.

Low risk businesses will only be subject to BRR+, once every 3 years (the regularity of these reviews for the three higher risk ratings will be more frequent, with HMRC's factsheet stating that this will usually be annually).

HMRC will focus their risk review process on assessing to what extent the low risk indicators are present. There are eight low risk indicators assigned to each of the three behavioural categories mentioned above. Failure to meet these low risk indicators will have the following impact:

01 A failure to demonstrate one or two will raise the business risk rating from 'low' to 'moderate' for that particular behavioural area,

02 A failure of 4 or more (or certain identified key indicators) will raise the business risk rating to 'high'.

These indicators are designed to ensure that, in conducting the review, HMRC take greater account of the documented and operational tax risk management environment, including the Senior Accounting Officer compliance framework, tax strategy, and the work done in relation to the Corporate Criminal Offences for failing to prevent the facilitation of tax evasion work.

WHAT SHOULD YOU BE CONSIDERING?

We would encourage businesses to consider to what extent their current approach to managing their tax obligations could prevent them from being low risk, and put in place some actions to remedy the situation.

Here are some examples of key risk indicators:

Systems and delivery

- The business maintains a tax risk and controls matrix and shares this on request with HMRC
- The business undertakes assurance checks and testing of its policies and procedures on a regular/timetabled basis.

Approach to Tax Compliance

- The customer has a documented tax strategy that is used to steer all tax considerations.

Internal Governance

- The business has fulfilled its filing, notification, due diligence, reporting and/or publication obligations regarding the Senior Accounting Officer legislation, Country by Country Reporting, Tax Strategy publication and Automatic Exchange of information under the Common Reporting Standard or FATCA
- The business appreciates its potential liability under the Corporate Criminal Offence legislation and steps have been taken to profile and manage the risk of failing to prevent the facilitation of tax evasion.

HOW BDO CAN HELP

Using our BRR+ Benchmarking methodology, we can perform an indicative assessment of which risk category level HMRC are likely to categorise you as, so that you are able to address any areas which may be considered to increase your risk status, ahead of your HMRC BRR+ review.

We will do this by considering how you are able to respond to the various indicators and evidence this response; and, importantly benchmarking this to other businesses of your size, sector, complexity etc.

We can also work with you to build the required level of underlying governance to support you in meeting your tax obligations.

FOR MORE INFORMATION:

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