



BRR+ HMRC'S BUSINESS RISK REVIEW

May 2023

IDEAS | PEOPLE | TRUST

BDO

BRR+ BACKGROUND

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.

In 2019 HMRC updated their risk assessment process (BRR), introducing BRR+.

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

The BRR+ process was 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.

BRR+: KEY FACTS

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

02 Assessments are 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 risk status between moderate and high risk.

03 The business's landscape (including size, complexity, degree of change) will be considered in terms of the context in which the behavioural risk markings have been decided, but should not in itself, preclude the business from achieving a low risk status.

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 cost 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 three 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).

APPROACHING BRR+

HMRC 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.

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, Uncertain Tax Treatment, 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.



WHAT SHOULD YOU BE CONSIDERING?

We would encourage businesses take a proactive approach to the BRR process, to ensure that HMRC are fully aware and understanding of their tax governance and compliance framework in the context of their commercial business operations, when forming the BRR rating opinion. HMRC wants to see a collaborative approach with businesses forming their own view on how they match up to the low risk indicators so a level of benchmarking is required as part of preparations.

Businesses should consider to what extent their current approach to managing their tax obligations could prevent them from being low risk, and what steps would need to be taken in order to achieve low risk.

HOW BDO CAN HELP

We can help you to prepare for your next Business Risk Review.

This typically involves

- ▶ an assessment of which risk category level HMRC are likely to categorise you as, by considering how you are able to respond to the various indicators and evidence this response;
- ▶ recommendations including quick wins and longer terms goals to help you reach a low-risk status;
- ▶ preparation of an information pack for presentation to your CCM to help inform your risk rating;
- ▶ benchmarking your current position to other businesses of your size, sector and complexity
- ▶ 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:

NORTH WEST AND MIDLANDS

LUCY SAUVAGE

lucy.sauvage@bdo.co.uk
07966 008604

LONDON

JAMES EGERT

james.egert@bdo.co.uk
07920 591553

MARTIN CALLAGHAN

martin.x.callaghan@bdo.co.uk
07583 014831

JASON LAND

jason.land@bdo.co.uk
07738 310 434

YORKSHIRE, SCOTLAND & NORTH EAST

KAREN RILEY

karen.riley@bdo.co.uk
07870 554116

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © May 2023 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk