TAX EVASION POLICY

1. Purpose

The purpose of this policy is to establish controls to ensure compliance with all applicable tax evasion and corruption regulations, and to ensure that the Company's business is conducted in a socially responsible manner.

2. What is tax evasion?

Tax evasion refers to the illegal act of deliberately avoiding paying taxes that are legally owed. This can involve underreporting income, inflating expenses or allowances, hide money or not declare assets, not submitting a tax return, or engaging in fraudulent schemes to mislead tax authorities.

Unlike tax avoidance, which involves using legal means to minimise tax liability, tax evasion crosses the line into criminal territory and can result in significant penalties, including fines, reputational damage, and even imprisonment.

For organisations, tax evasion can stem from various sources, such as misreporting financial information, misclassifying transactions, or failing to report taxable activities. It is not only a violation of legal obligations but also a breach of ethical standards that can erode stakeholder trust.

Understanding what constitutes tax evasion and how it differs from legitimate tax practices is critical for maintaining compliance and fostering a culture of integrity.

3. What are reasonable procedures

3.1 Reasonable procedures refer to the preventative measures that organisations must implement to prevent the facilitation of tax evasion under the Act. If an organisation is accused of failing to prevent tax evasion, it can avoid liability and serve as a defence in court to prove that it had reasonable procedures in place to prevent tax evasion. The HM Revenue & Customs (HMRC) guidance outlines six key principles that businesses should follow to establish reasonable procedures:

1. Risk assessment – Businesses must assess the risks of tax evasion facilitation within their operations and supply chains. This includes evaluating high-risk transactions, industries, jurisdictions, and employee roles.

2. Proportionality of procedures – Measures should be proportionate to the risk level of tax evasion associated with the business. A small firm with low-risk exposure will require less complex procedures than a multinational corporation dealing with high-risk jurisdictions.

3. Top-Level commitment – Senior management must be committed to preventing tax evasion, fostering a culture of compliance, and ensuring adequate resources are allocated to compliance measures.

4. Due diligence – Businesses should conduct thorough checks on employees, suppliers, contractors, and third parties to ensure they are not facilitating tax evasion. Enhanced due diligence is expected for high-risk relationships.

5. Communication and training – Employees and associated persons must be trained on tax evasion risks and the company's policies. Clear reporting channels should be in place for concerns or whistleblowing.

6. Monitoring and review – Policies and procedures must be regularly reviewed and updated to address emerging risks and regulatory changes. Internal audits and compliance checks should be part of this process.

4. UK Law

In the UK, tax evasion is a criminal offense governed by several laws designed to prevent and penalise fraudulent behaviour. The primary legislation includes the Taxes Management Act 1970, which sets the rules for tax assessment and collection and outlines penalties for tax evasion.

Under this framework, HM Revenue & Customs (HMRC) has significant powers to investigate and enforce compliance. Under the Proceeds of Crime Act 2002 (POCA), any money or assets obtained through tax evasion, or intended for use in criminal activity, can be confiscated under the Act, and businesses or individuals involved may face significant penalties, including imprisonment.

The Criminal Finances Act 2017 introduced the Failure to Prevent Offense, holding companies liable if they fail to prevent tax evasion within their operations, even if they were not directly involved. This law requires organisations to implement "reasonable procedures" to prevent evasion by employees, contractors, or agents.

The Finance Act 2016 introduced measures to tighten tax compliance, including measures to tackle offshore tax evasion, higher penalties for enablers of tax evasion, and new disclosure requirements. Additionally, under the Money Laundering Regulations 2017, businesses subject to the regulations must conduct enhanced customer due diligence in relation to high-risk third countries and wherever there is an assessed high risk of money laundering or terrorist financing, which would include funds derived from tax evasion.

5. Preventing

Risk assessment

- Conduct a thorough risk assessment to identify potential tax evasion risks within your business operations and supply chains.
- Evaluate high-risk transactions, jurisdictions, industries, and roles that may be susceptible to tax evasion.
- Document and regularly review risk assessments to ensure they remain up to date with emerging threats.

Proportionality of procedures

Develop procedures proportionate to the risks identified in the business.
Ensure compliance measures align with the size, structure, and complexity of your organisation.
For higher-risk businesses, implement enhanced due diligence and stricter financial controls.

Due diligence

Conduct background checks on employees, suppliers, contractors, and third-party agents.
Implement enhanced due diligence for high-risk relationships and jurisdictions.
Require suppliers and partners to certify compliance with anti-tax evasion laws.
Regularly monitor financial transactions for suspicious activities

Communication and training

Implement mandatory training for employees, particularly those in finance, sales, and procurement.
Ensure staff understand tax evasion risks, red flags, and reporting procedures.
Keep employees informed about legal and regulatory changes in tax compliance.
Provide clear reporting channels for concerns or whistleblowing related to tax evasion.

Monitoring and review

Regularly review and update policies and procedures to align with regulatory changes and emerging risks.

Conduct internal audits to assess the effectiveness of anti-tax evasion measures.
Appoint a compliance officer or team responsible for overseeing compliance efforts.
Keep records of training, risk assessments, and due diligence checks as proof of compliance

Internal financial controls

Implement clear financial controls to prevent tax fraud and money laundering.
Restrict cash transactions and require proper documentation for all payments.
Enforce dual approvals for high-value transactions.
Regularly reconcile financial records with tax reports.

Final steps

1. Ensure policies are regularly updated to reflect legal and regulatory changes.
2. Assign a senior compliance officer to oversee tax compliance efforts.
3. Conduct regular training and awareness sessions for employees.
4. Regularly review audit reports and financial statements for anomalies.

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Peter Dubiez - CEO

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