

News Brief

UK Finance Bill – Senior Accounting Officer Certification: Vertex Chief International Indirect Tax Officer Provides Perspective

Legislation that is expected to be enacted on July 21, 2009 in the United Kingdom stands to introduce new compliance headaches for large taxpayers.

Included in the UK's 2009 Finance Bill is legislation requiring senior accounting officers of large corporations to "take reasonable steps to establish and monitor accounting systems within their companies that are adequate for the purposes of accurate tax reporting." Such adequacy will need to be verified annually and failure to comply will result in penalties being levied on the senior accounting officers personally.

This new legislation initially applies to about 2,000 large UK taxpayers and covers Value Added Tax, Income Tax, Customs and Excise duties and several other tax types. We believe that it is likely to create similar compliance burdens to those caused by Section 404 of the Sarbanes-Oxley Act (SOX 404) that applies in the US. We expect that the new requirements are likely to be extended in time to smaller taxpayers if they prove successful with larger corporations. This has many companies' finance and tax directors understandably concerned.

"The majority of enterprises view tax reporting and compliance as complex, time-consuming and costly processes that have little strategic value to the business," said Chris Walsh, Chief International Indirect Tax Officer, Vertex, Inc. "US companies already face myriad regulatory and risk management issues surrounding Sarbanes-Oxley, and those that do business in the UK must now comply with these new regulations that focus on senior management taking personal responsibility for the effectiveness of controls surrounding the company's tax accounting processes."

Walsh continued, "The intentions behind the new sections of the 2009 Finance Bill are very similar to SOX, but the related penalties are different in that they are levied against the executive who signs off on the company's tax process rather than on the company itself. We expect that these types of provisions will proliferate within Europe in the coming years and increasingly harsh penalties will apply over time. The nature of the new penalties also raises issues around personal reputational risk for finance and tax directors and may result in companies running into difficulties in recruiting high quality people for these roles in the new legislative environment. Vertex tax solutions can help European taxpayers by automating the complexities inherent in tax compliance and providing many of the processes and controls that are required by Finance Bill."

For more information or to set up an interview with Chris Walsh, contact Brigitte Geiss at Brigitte.geiss@vertexinc.com (484.595.6142) or Cindy Spiecker at cspiecker@garfieldgroup.com (215.867.8600 x255).

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