

# Defining Tax Avoidance & Evasion

This document summarises the difference between tax avoidance and tax evasion, the key points of Criminal Finances Act 2017, what the HSS Group is doing to tackle tax evasion and what steps you can take.

## Tax Avoidance

Tax avoidance is using legal accounting to reduce a tax bill. It is not illegal, but can be perceived as morally wrong. This includes:

- Avoiding paying, or paying lower income taxes or corporation taxes.
- Schemes which are devised by accountants to help their clients reduce the amount of tax paid.
- Paying as little tax as possible whilst staying on the right side of the law.

## Tax Evasion

Tax evasion is intentionally not paying taxes that are due, by withholding, falsifying or hiding information. This is breaking the law. This includes:

- Not informing Her Majesty's Revenue and Customs of tax owed, e.g. on business profits
- Keeping business off the books by dealing in cash with no receipts
- Hiding money, shares or other assets in an offshore bank account
- Deliberate fabrication of expenses

Examples:

- A supplier provides distribution services for and on behalf of HSS. Some employees of the supplier deliberately fail to declare all their income for UK tax purposes
- A member of a payroll team is deliberately falsifying information relating to a worker so that the worker is treated as a contractor
- A contractor invoices HSS for services from another company name
- A procurement colleague collaborates with a supplier to falsify the amount paid on an invoice so that the supplier evades income and corporate taxes
- A supplier has asked that they are paid in cash for the most recent batch of goods
- A customer says to someone in the office 'Let's keep that one off the books'

## Criminal Finances Act

The Criminal Finances Act 2017 introduced a range of new offences in a bid to crack down on tax evasion. The Act makes companies and partnerships criminally liable if they:

- Fail to prevent facilitation of UK tax evasion
- Fail to prevent facilitation of overseas tax evasion

There are three elements of the offence:

1. Committing tax evasion or trying
2. Helping, or facilitating someone in the company to commit tax evasion
3. Not having adequate procedures in place to prevent tax evasion from happening

### Who can be committing the crime?

A person associated with the relevant body, i.e. HSS Hire Group can be committing the crime of tax evasion. These include:

- An HSS employee
- An existing HSS customer or a potential HSS customer
- A third party to the HSS Group - this means suppliers, distributors, business contacts, agents, advisers, government and public bodies, including their advisors, representatives and officials

### What are the penalties for committing the crime?

The penalties for committing the crime of tax evasion are:

- Unlimited fines
- Significant damage to a company reputation
- Public conviction
- Severe regulatory impact



# Tackling Tax Evasion

HSS Hire Group take matters of improper financial practices very seriously. As a responsible, industry leading organisation we operate with integrity throughout all aspects of our business.

## What is the HSS Group doing to tackle Tax Evasion?

At HSS we are taking the following measures to tackle tax evasion:

- Communicating with all business units and our business partners
- Carrying out risk assessments in our business and in our supply chain
- Training and educating our people
- Providing internal policies including Anti-Facilitation of Tax Evasion, Whistleblowing and our Code of Ethics

## How to take responsibility for tackling Tax Evasion

### Tip 1: Identify the Red Flag

- You are not expected to be an expert on tax evasion
- You do need to know how to spot red flags in your business
- You do need to know how to raise something when you spot it

### Tip 2: Raise the Red Flag

- Raise concerns about any issue or suspicion of facilitation of tax evasion with your manager at the earliest possible stage
- Raise the issue using the whistleblowing policy if you feel you cannot raise it with a manager first

### Tip 3: Communicate

- Have a zero-tolerance approach to tax evasion
- Communicate to all associated parties at the outset of business relationships and as appropriate thereafter

### Tip 4: Educate Yourself

- Keep on top of the law and find out as much as you can to protect yourself in your business
- Find out more at: [HMRC.gov.uk](https://www.hmrc.gov.uk)