

Managing integrity risks: Preventing the criminal use of the financial system for the purpose of tax evasion and tax avoidance

ARE YOU FACILITATING TAX AVOIDANCE?

The origins of cross-border tax planning, many of them dating from the 1920s ensure that businesses do not pay taxes in two countries – double taxation. Unfortunately these rules are now being abused to permit double non-taxation or minimize tax liabilities. The Organization for Economic Cooperation and Development (OECD) unleashed plans to end the golden era of tax avoidance and EU has translated this vision into action through the EU Anti-Tax avoidance package which came into force in 2016. EU member states were fully committed to implementing **the Anti-Tax Avoidance directive** into their national legislation by **January 1st, 2019**. This historical step means that it is forbidden for businesses to make use of artificial structures to reduce tax liabilities and thus, limiting the days of aggressive cross-border tax planning.

PROBLEM | *This concerns you*

The Dutch Central Bank (DNB) noted the involvement of banks, trusts and financial institutions in the facilitation of aggressive tax planning and client anonymity, which corrodes trust in the financial sector and would profoundly damage your reputation.

Exiting relationships with and closing accounts of clients suspected of tax avoidance schemes would be necessary, but this comes at the expense of disrupting your business models and functions. Furthermore, DNB does not expect financial institutions to abruptly unwind the client's positions and engagements in relation to aggressive tax planning.

However, DNB expects you to maintain a mature compliance programme in order to have an effective compliance risk control that meets regulatory obligations and market expectations. Maintaining sound business practices, in relation to tax integrity risks, is paramount.

SOLUTION | *You should prepare for these changes now*

As a financial institution, you are under the watchful eye of the authorities and society in general for your role in facilitating aggressive tax structures.

Therefore, banks, trust companies and financial organizations should place great emphasis on integrity and good governance. In order to accomplish this, you need a mature compliance programme.

Our **C-Ray** practical tool measures the maturity level of your internal compliance framework. This helps mitigate your integrity risks associated with tax evasion and aggressive tax avoidance.

C-Ray is the first step towards building ethical business practices, streamlining processing and managing complex strategic risks such as tax integrity risks.

ARE YOU PREPARED FOR THE IMPACT OF EU ANTI-TAX AVOIDANCE DIRECTIVE?

Tax avoidance: seeking to minimise a tax bill without deliberate deception but contrary to the spirit of the law. With the transposition of EU's Anti-Tax directive by January 2019, all forms of tax avoidance are no longer acceptable and thus, prohibited.

Tax evasion: the illegal non-payment of under-payment of taxes.

BE IN CONTROL!

A mature and effective compliance risk management will improve your financial performance, strengthen stakeholder engagement and built greater trust in the market.



WHY C-RAY?

C-Ray provides answer to the risk maturity of your organization.

We provide you with a concise report and rating on the maturity level of your risk management.

C-Ray will help you reach the desired level of compliance maturity in order to identify and mitigate integrity risks, including tax integrity issues.

IS THE CLIENT, ENTITY OR CLIENT'S TRANSACTION ALIGNED WITH YOUR RISK APPETITE?



WHY PHILIP SIDNEY?

- As former board members, supervisory and tax specialists, Philip Sidney understands the needs of banking supervisory authorities.
- We have supported banks, trust companies and other financial institutions in taking reasonable and necessary measures on customers, accounts and transactions.
- Our team is well qualified to assist you in the identification and risk assessment of tax integrity risks and further helping you take just and reasonable measures on clients and transactions.
- We can advise you on remedial action if and to the extent needed.

PLEASE CONTACT OUR TEAM OF EXPERTS



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