

**This is an area that HMRC will review as part of normal compliance activity with customers. Therefore, if you identify any issues when applying this guidance or identify any potential errors, please contact your HMRC Customer Compliance Manager**

### **A brief guide to Senior Accounting Officer (“SAO”) rules for public bodies**

(These notes are intended to summarise the SAO rules specifically in the context of public bodies. For further details refer to Schedule 46 Finance Act 2009 (“FA09”) and HMRC’s SAO Guidance (“SAOG”) manual.)

#### **Background**

All companies (see below for definitions) must deliver correct and complete returns to HMRC, for a variety of taxes and duties (see below). A company may not be able to do this if its tax accounting arrangements are not fit for purpose. These arrangements will range from how it accounts for its business transactions to how it works out its final tax liability.

Schedule 46 FA09 sets out rules for certain large companies. Those companies must establish and maintain their tax accounting arrangements and their Senior Accounting Officer (SAO) is responsible for ensuring that they do.

Schedule 46 FA09 neither replaces nor supersedes other penalty provisions; rather it is complementary to these provisions in the context of mid-sized and large businesses, where they are “qualifying companies”.

A public body would not normally be caught by this legislation, unless it was a limited company funded through shares. However, it may own companies funded through shares which are caught by the legislation.

All public bodies should check the definitions of “qualifying companies” and the requirements in FA09, and if there is any doubt over whether they are required to comply with the SAO legislation they should contact HMRC or their Customer Compliance Manager.

#### **What you need to check**

There are two tests to apply here.

First: is the public body a company? Public bodies will be caught in their own right by this legislation where they are incorporated in the UK under the Companies Act 2006, so you need to establish this for all entities within your structure and remit.

Second: is the public body a corporate body which owns more than 50% of the ordinary share capital in another company incorporated in the UK under the Companies Act 2006? Where this applies you will need to consider the SAO rules in the context of “groups”.

All public bodies should check the definition of “qualifying companies” and the requirements in FA09, and if there is any doubt over whether they are required to comply with the SAO legislation they should contact HMRC or their Customer Compliance Manager. Most public bodies will be corporate bodies, so the second test above is particularly important.

## **Responsibilities**

SAO: The Senior Accounting Officer of a qualifying company must:

- take reasonable steps to ensure that the company establishes and maintains appropriate tax accounting arrangements
- provide HMRC with a certificate for each financial year of the company, confirming that appropriate accounting arrangements were in place throughout the year, or detailing any shortcomings

Company: The qualifying company must:

- Ensure that HMRC is notified of the name of the company's SAO

## **Penalties**

SAO: The SAO is personally liable to a penalty of £5000 for non-compliance in respect of each of the SAO requirements above (i.e. potentially a total penalty of £10000)

Company: The qualifying company is liable to a penalty of £5000 for non-compliance with its obligations as above.

## **Definitions:**

**"Appropriate tax accounting arrangements"** means accounting arrangements (including the maintenance of accounting records) that enable the company's relevant tax and duty liabilities to be calculated in all material respects. Those relevant tax and duty liabilities are:

- Corporation Tax
- VAT
- PAYE liabilities
- Insurance Premium Tax
- Stamp Duty Land Tax
- Stamp Duty Reserve Tax
- Petroleum Revenue Tax
- Customs duties
- Excise Duties

**"Qualifying company"** means a company incorporated in the UK in accordance with Companies Act 2006, for which, in the preceding financial year

- (a) The company's relevant turnover exceeded £200 million, and / or
- (b) The company's relevant balance sheet total exceeded £2 billion

If the company was a member of a group at the end of the previous financial year, the relevant turnover and balance sheet totals above means the aggregate total of all companies within the same group.

This could include a company limited by guarantee if it is incorporated in accordance with Companies Act 2006.

**“Public bodies”**, including deemed corporate bodies which are not companies, are unlikely to be caught by this legislation. This is because the legislation is aimed specifically at companies. However, a public body which is a limited company in its own right may be caught. But where a public body owns limited companies which meet the qualifying criteria, those companies may be caught by the group criteria.

**“Groups”**: When considering “group” companies, the key factor is shareholdings. Consequently, only entities which are funded by shares can be part of a group for SAO purposes.

Although companies limited by guarantee could be caught by the legislation in their own right as stand-alone companies, they can only be part of a group for SAO purposes if they own, directly or indirectly, more than 50% of the ordinary share capital in any subsidiary companies. Grouping rules can be complicated so you should contact your HMRC Customer Compliance Manager for further advice.

***More detailed definitions and nuanced examples relating to the SAO legislation can be found in [Schedule 46 FA 2009](#) and the [SAOG](#). These notes are intended to be an introduction to the subject and should not be seen as comprehensive.***

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