Statement of tax principles

To advance the debate on the responsible management of tax by UK business, the CBI offers this statement of tax principles for its members.

Intention of statement of principles

This statement of principles is intended to promote and affirm responsible business tax management by UK businesses. These principles are based on five key observations:

- Public trust in the tax system is a vital part of any flourishing democracy
- Transparency and co-operation between HMRC and business contributes to greater compliance and a better functioning tax system
- Most businesses comply fully with all applicable tax laws and regulations, recognising the obligation of the UK government to protect a sustainable tax base
- Tax is a business expense which needs to be managed, like any other, and therefore businesses may respond to legitimate tax incentives and statutory alternatives offered by governments
- UK businesses contribute significantly to the UK economy and pay a substantial amount of tax comprising not only corporation tax, but also National Insurance, business rates and other taxes.

The objectives

- To enhance co-operation, trust and confidence between HMRC, UK business taxpayers and the public in regard to the operation of the UK tax system
- To promote the efficient working of the tax system to fund public services and promote sustainable growth.

Tax planning principles

- UK businesses should only engage in reasonable tax planning that is aligned with commercial and economic activity and does not lead to an abusive result
- UK businesses may respond to tax incentives and exemptions
- UK businesses should interpret the relevant tax laws in a reasonable way consistent with a relationship of 'co-operative compliance' with HMRC
- In international matters, UK businesses should follow the terms of the UK's Double Taxation Treaties and relevant OECD guidelines in dealing with such issues as transfer pricing and establishing taxable presence, and should engage constructively in international dialogue on the review of global tax rules and the need for any changes.

Transparency and reporting principles

Relationships between UK businesses and HMRC should be transparent, constructive, and based on mutual trust with the result that HMRC should treat business fairly and with respect, and with an appropriate focus on areas of risk. UK businesses should, therefore:

- Be open and transparent with HMRC about their tax affairs and provide all relevant information that is necessary for HMRC to review possible tax risks
- Work collaboratively with HMRC to achieve early agreement on disputed issues and certainty on a real-time basis, wherever possible
- Seek to increase public understanding in the tax system in order to build public trust in that system, and, to that end:
  - They should consider how best to explain more fully to the public their economic contribution and taxes paid in the UK
  - This could include an explanation of their policy for tax management, and the governance process which applies to tax decisions, together with some details of the amount and type of taxes paid.