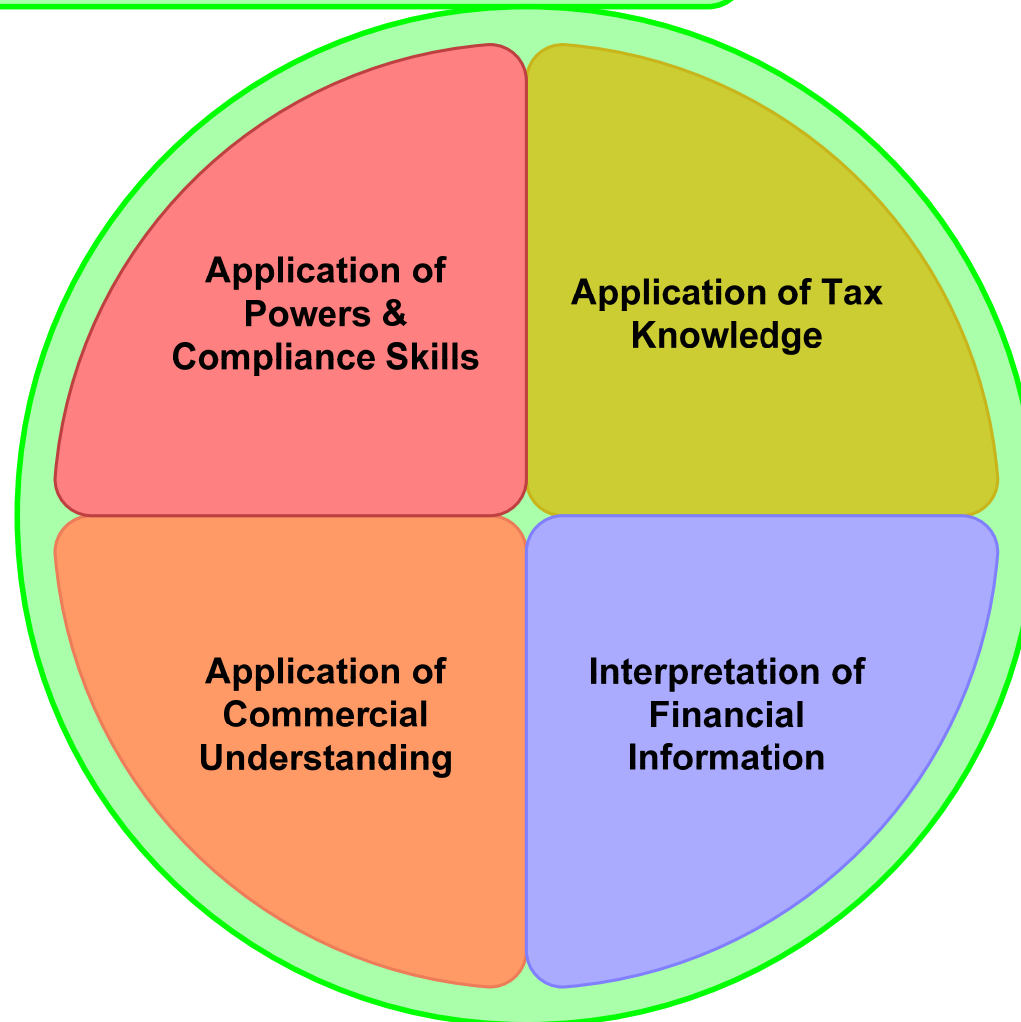


Tax Competency Framework



Building And Maintaining Tax Professional Competence

- Undertake Continuous Professional Development to keep tax knowledge & skills up to date
- Coach and support other tax professionals by sharing tax knowledge and expertise

Each of the four core tax competencies has three levels of capability. They do not correspond directly to a grade/pay band as different job roles within the tax profession make different demands on people in different areas of the business and may call for varying levels of individual competence across the three levels.

Application of
Tax Knowledge

Understanding of tax laws, systems, & regimes

Level 1

1 Uses HMRC published guidance

Demonstrates an awareness of

2 the interaction between UK and EU law

3 the legislative framework in which HMRC operates

4 the nature of legal evidence and how reviews and appeals are administered and/or how they should be handled

5 the taxes and duties customers have to pay and/or the credits, repayments or duty reliefs they may be entitled to

Level 2

1 Understands the process of how UK law is developed

2 Interprets and applies legislation appropriately and constructs arguments based on it

3 Understands the interrelationship between the taxes, duties and credits

4 Identifies risks in different regimes and how they affect customer behaviour

Level 3

1 Interprets complex legislation & holds persuasive arguments/discussions on relevant points of detail with accountants, solicitors, counsel and senior HMRC staff

2 Identifies loopholes in legislation/policy & recommends solutions

3 Applies tax knowledge to identify and evaluate undisclosed avoidance, tax evasion and fraudulent behaviour

4 Applies understanding of the big picture rationale behind different taxes and their interrelationships

5 Carries credibility with specialists, lawyers and others involved in negotiation/dispute resolution/litigation

6 Instructs solicitors in litigation and assists in preparation of cases and adds value in discussions with key stakeholders including Counsel

Interpretation
of Financial
Information

Understanding & interpretation of customer records including accounting standards & principles

Level 1

1 Demonstrates competence in handling financial data

Demonstrates an awareness of

2 the reasons why fiscal records are prepared and kept by customers as part of their statutory records for assurance purposes

3 where the figures on tax returns have derived from and how figures in tax computations, VAT summaries etc. feed into the return entries

4 the accounting and other standards which most commonly impact on the customer records considered

5 how accounts are constructed & how to interpret them

6 an audit trail using customer accounts and records

Level 2

1 Understands the principles that have been used in preparing customer records and how they impact on the figures reported for tax

2 Follows figures through from the prime records to the tax returns including any adjustments that have been made

3 Understands when tax law takes precedence over accountancy practice and vice versa

4 Identifies financial risk and can differentiate between error, tax avoidance and evasion/fraud

5 Identifies and understands trends in accounting data and uses accounts and other customer records to test business credibility

6 Checks and appropriately challenges information in customer accounts and records

7 Understands and uses financial language appropriately

8 Understands the importance of share price, yield, asset value and gearing for listed companies

Level 3

1 Understands, interprets and discusses complex accounting, tax and duty issues with internal and external bodies

2 Understands and applies accounting issues in considering accounting based tax regimes

3 Understands tax motivated presentation of financial data/accounts and underlying records to minimise tax/facilitate tax avoidance/evasion

4 Understands international tax risks including group structures, transfer pricing and thin capitalisation

**Application of
Commercial
Understanding**

Knowledge of how business organisations operate, are managed and financed, & the impact on customer behaviour

Level 1

- 1 Applies knowledge of customer's business and activities to identify tax risk
- Demonstrates an awareness of
- 2 customer's business environment/situation and uses this to inform customer approach and test business credibility
 - 3 the range of business types and structures and how these affect business behaviour and the risks associated with specific customer groups
 - 4 how to research information about a business & the tools available to do this
 - 5 the tax function within a business and their responsibilities
 - 6 the sources of finance available to sole traders and businesses, and the advantages and disadvantages of these
 - 7 financial drivers and the way they influence commercial decisions
 - 8 the importance of cash flow

Level 2

- Demonstrates an understanding of
- 1 the possible risks associated with different business and financial structures
 - 2 the tax and non-tax factors influencing business and financial decisions
 - 3 the commercial and financial drivers in avoidance & tax evasion
 - 4 the difference between tax planning, avoidance, evasion and commercial decision-making
 - 5 the context within which tax planning takes place which may result in misunderstanding
 - 6 normal business and financial activity in relevant commercial fields to identify abnormal activity and non-compliance
 - 7 how tax agents & advisors operate and their business models
 - 8 economics, markets and market share

Level 3

- 1 Determines whether complex business structures have a valid commercial basis
- Demonstrates an in depth understanding of
- 2 complex business and financial structures and their drivers (including impacts of economic and tax changes) to inform customer approach
 - 3 the behaviour of businesses and individuals, and their tax implications
 - 4 the way particular business sectors work/operate with an appreciation for the potential of tax loss, evasion or fraud
 - 5 the impact of globalisation on business and the potential for structures which take advantage of cross border fault lines, arbitrage or for tax evasion/fraud

**Application
of Powers &
Compliance
Skills**

Manage customer/third party relationships in order to secure appropriate tax & duty outcomes

Level 1

- 1 Prepares appropriate questions to build deeper understanding and/or identify non-compliance
- 2 Actively listens, assesses and analyses customer/third party responses & responds appropriately to replies
- 3 Written communications are accurate, clear, succinct and user friendly
- 4 Uses judgement in how and when to use statutory powers
- 5 Applies penalties legislation appropriately
- 6 Seeks relevant and proportionate information to check a customer's tax position/duty liability
- 7 Analyses tax and duty information to assess risk and/or establish non-compliance
- 8 Uses a range of IT data holding and interrogation systems (i.e. IDEA, COTAX, CHIEF) available to HMRC appropriately and effectively
- 9 Develops positive relationships with customers/third parties to secure appropriate tax and duty outcomes
- 10 Uses appropriate facts to move customer/third party position on a particular issue
- 11 Handles difficult situations appropriately to deliver effective outcomes for customers and HMRC
- 12 Effectively manages cases using the processes appropriate to the business unit
- 13 Assesses the validity of pursuing an enquiry/duty error in terms of cost/benefit and wider impact/precedent
- 14 Sets out a structured and organised approach to work/ case work
- 15 Seeks timely recovery of tax/duty due following correct procedures

Level 2

Level 3

**Application
of Powers &
Compliance
Skills**

Manage customer/third party relationships in order to secure appropriate tax & duty outcomes

Level 2

Level 3

- 1 Develops and uses clear evidence-based factual arguments to advise and influence a customer's/third party's position
- 2 Analyses concepts and complex information quickly to assess risk/or identify non-compliance
- 3 Sees the 'big picture' without overlooking inconsistent detail
- 4 Discusses contentious issues with customers/third parties credibly and in a measured way
- 5 Uses statutory powers to obtain relevant information from a person or third party which is reasonably required to check a customer's position or duty liability
- 6 Applies penalties legislation in complex situations
- 7 Competent in drawing proportionate conclusions from a range of data
- 8 Remains focussed on the task in hand when additional/non relevant information is introduced
- 9 Makes considered judgements based on incomplete or ambiguous information
- 10 Uses risk-based decision making and if appropriate option appraisal
- 11 Maintains relationships with customers/third parties, especially where there are difficulties or differences
- 12 Manages a negotiation, knowing when to compromise to achieve an outcome that delivers benefits for both parties and when to defend a principle
- 13 Aware of the parameters and limits of own authority
- 14 Mediates effectively where there is an issue/dispute to gain effective resolution
- 15 Develops comprehensive action plans on the opening of each enquiry
- 16 Takes decisive and timely action when required to ensure delivery
- 17 Identifies constraints imposed by time-bound tasks
- 18 Recognises systems failures or risks to wider customer group
- 19 Seeks settlement of liabilities by either agreement or litigation in accordance with Litigation & Settlement Strategy
- 20 Takes witness statements where appropriate from colleagues, accountants and other professionals
- 21 Effectively conducts interviews under caution
- 22 Effectively conducts case conferences with appropriate parties on progress and future direction of case
- 23 Asks the difficult & uncomfortable questions constructively to reach effective resolution of issues
- 24 Written communications are well structured, concise and compelling

**Application
of Powers &
Compliance
Skills**

Manage customer/third party relationships in order to secure appropriate tax & duty outcomes

Level 3

- 1 Influences the outcome of discussions/negotiations on complex tax/duty issues with senior tax advisors and other interested parties
- 2 Uses searching and challenging questioning techniques based on sound research to elicit the required level of relevant information to reach effective resolution of issues
- 3 Effectively manages complex relationships with a diverse range of customers
- 4 Successfully leads on complex tax/duty disputes resulting in effective outcomes for customer and HMRC
- 5 Makes effective presentations with conviction & finesse
- 6 Applies Programme and Project Management techniques to manage and coordinate a portfolio of projects and activities to achieve outcomes and realise strategic benefits
- 7 Effectively manages complex programmes of enquiry or tackling non-compliance
- 8 Motivates staff by instilling tax professional integrity and high professional standards by encouraging the broadening and deepening of tax knowledge
- 9 Effectively interprets the tactical delivery plan in respect of each (large business) customer so that an appropriate cost effective risk based strategy is pursued
- 10 Analyses complex information obtained from a large number of both internal and external sources to assess risk and/or identify non-compliance
- 11 Prepares cases to appropriate standard for the crown court or tribunal
- 12 Gives evidence in the crown court or tribunal often under hostile cross examination
- 13 Defends decisions at crown court or tribunal which are dependant on the standard of investigation/evidence collected in support of the decision