



# HMRC launches profit diversion compliance facility

---

## Introduction

On 10 January 2019, HMRC launched their Profit Diversion Compliance Facility (PDCF). The PDCF is a new voluntary disclosure facility, aimed at multinational enterprises (MNEs), that provides them with an opportunity to disclose and correct tax inaccuracies relating to profits diverted out of the UK. The PDCF is being publicised by HMRC as something of a last chance for MNEs to regularise their cross border tax arrangements before HMRC get tough on non-compliance and come looking for them.

The new facility is designed to encourage MNEs to bring their tax affairs up to date and avoid an investigation by HMRC provided a full and accurate disclosure is made.

The PDCF is intended for use where a business's cross border arrangements are not already under investigation by HMRC. HMRC has compiled a list of MNEs it considers are at risk of diverting profits. We anticipate that HMRC will shortly begin sending these businesses so-called "nudge" letters designed to encourage them to review their affairs and use the PDCF, or face an HMRC investigation.

## Why use the PDCF

The main advantages of using the PDCF is that businesses can regularise their tax affairs without investigation by HMRC and the disclosure will be treated as "unprompted" by HMRC so they will receive lower penalties.

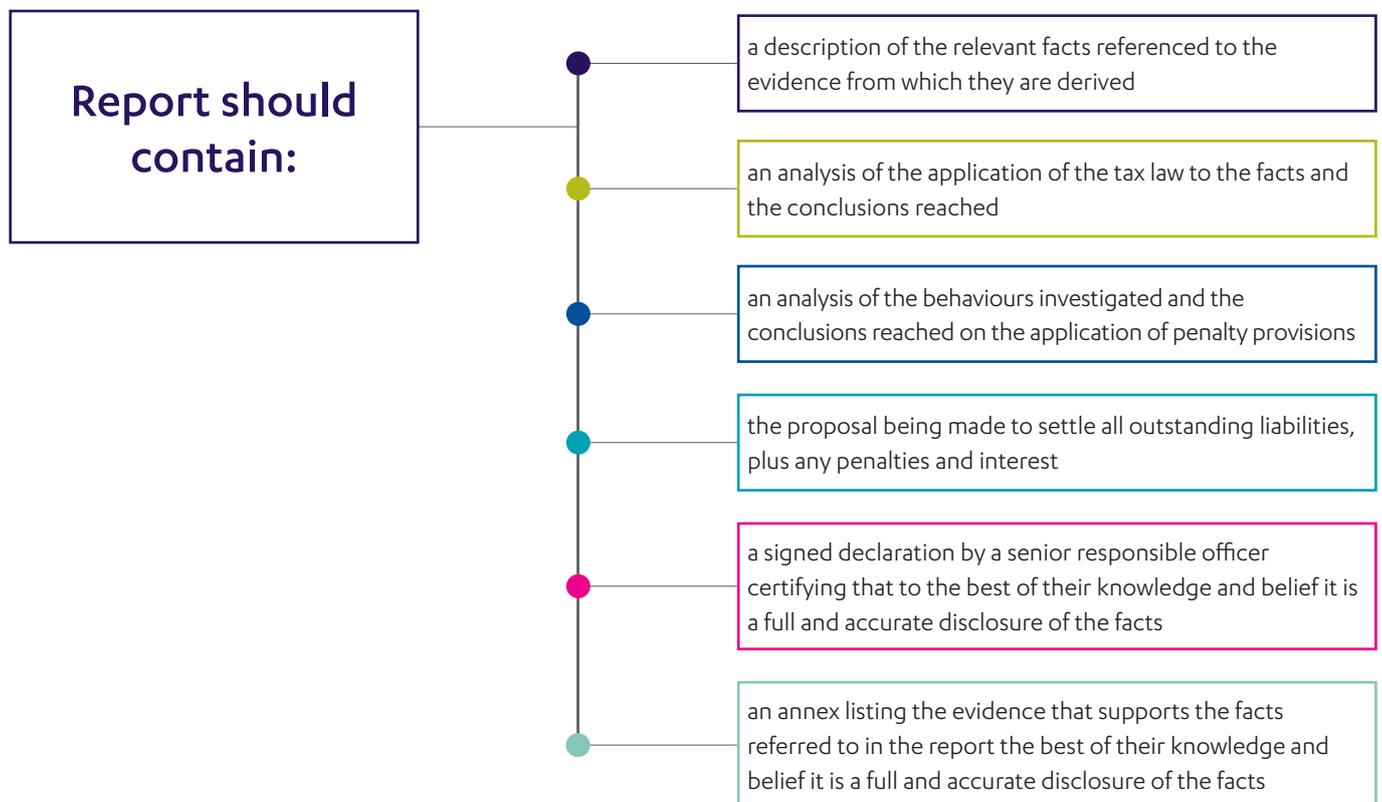
MNEs that fail to register and are subsequently found to be non-compliant with their UK tax responsibilities will face far higher penalties and a possible criminal investigation. In addition, MNEs could also face irreparable reputational damage as HMRC can also "name and shame" them if their behaviour is considered to be deliberate.

## How to use the PDCF

MNEs who wish to use the PDCF should:

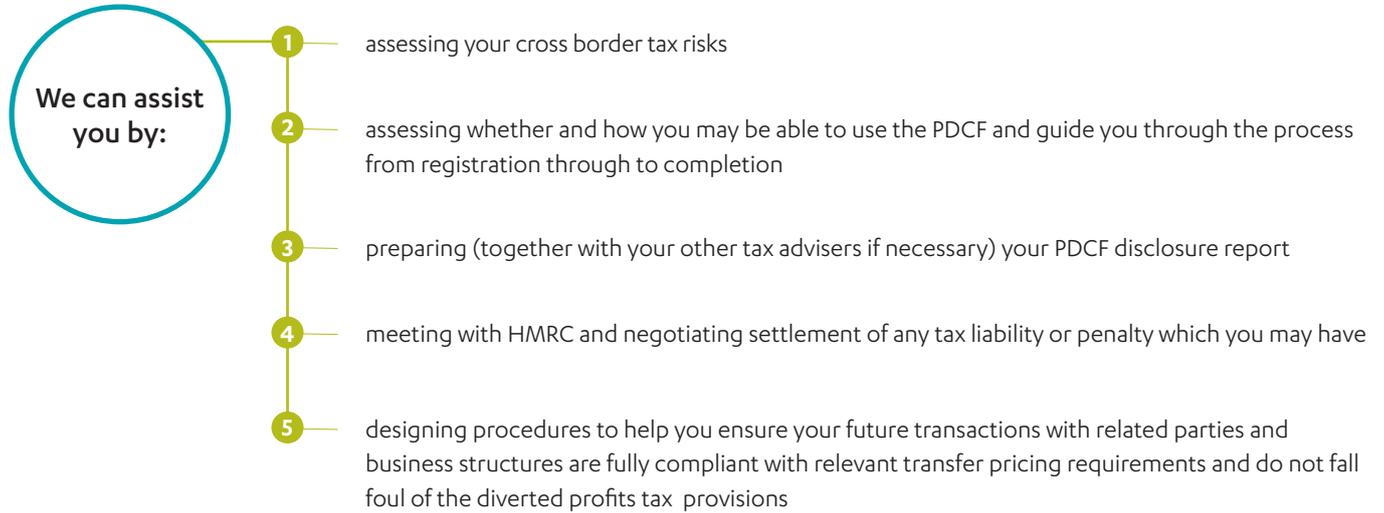
- register for the PDCF by submitting the appropriate form to HMRC. The deadline to register is 31 December 2019
- within six months of registration, unless HMRC agrees a longer period, a report which includes a proposal to settle any tax, interest and penalties (where applicable), should be submitted to HMRC.

HMRC aim to respond to submitted reports within three months. The disclosure report should contain the following:



It is important that the report is comprehensive and accurate, if it is not, HMRC will investigate. In addition, if HMRC believes it has been deliberately misled, a criminal or civil investigation into suspected tax fraud may be commenced.

## How can we help?



### Any comments or queries?



**Adam Craggs**  
 Partner, Head of Tax Disputes  
 +44 20 3060 6421  
 adam.craggs@rpc.co.uk



**Michelle Sloane**  
 Senior Associate, Tax Disputes  
 +44 20 3060 6255  
 michelle.sloane@rpc.co.uk

*“Adam Craggs is ‘highly knowledgeable, has his finger on the pulse and is calm and responsive’ and has ‘excellent commercial appreciation of the client’s situation.’”*

Chambers UK 2019

*“Technically excellent.”*

The Legal 500 UK, 2018 edition

## About RPC

RPC is a modern, progressive and commercially focused City law firm. We have 83 partners and over 600 employees based in London, Hong Kong, Singapore and Bristol.

*"... the client-centred modern City legal services business."*

We have been consistently recognised for the quality of work done from all corners of RPC. We have also won and been shortlisted for a number of industry awards, including:

- **Best Legal Adviser** – Legal Week 2009-2018
- **Insurance Team of the Year** – Legal Business Awards 2018 – *Shortlisted*
- **Client Service Innovation Award** – The Lawyer Awards 2017 – *Winner*
- **Corporate Team of the Year** – The Lawyer Awards 2017 – *Shortlisted*
- **Adviser of the Year** – Insurance Day (London Market Awards) 2017 – *Winner*
- **Legal Innovator of the Year** – Legal Business Awards 2017 – *Highly Commended*
- **Best Tax Team in a Law Firm** – Taxation Awards 2017 – *Winner*
- **Insurance Law Firm of the Year** – Commercial Insurance Awards 2017 – *Winner*
- **Claims Legal Services Provider of the Year** – Claims Club Asia Awards 2016 – *Winner*
- **Best Strategic Leadership** – MPF Awards 2016 – *Winner*



### Areas of expertise

- |                              |                              |
|------------------------------|------------------------------|
| • Competition                | • Media                      |
| • Construction & Engineering | • Pensions                   |
| • Corporate/M&A/ECM/PE/Funds | • Professional Negligence    |
| • Corporate Insurance        | • Projects & Outsourcing     |
| • Dispute Resolution         | • Real Estate                |
| • Employment                 | • Regulatory                 |
| • Finance                    | • Restructuring & Insolvency |
| • Insurance & Reinsurance    | • Tax                        |
| • IP                         | • Technology                 |

### Helping you keep up-to-date

You can keep abreast of the latest news and developments in UK tax law by subscribing to our Tax Law Blog (please [click here](#)).