

# Directors' Compliance Statements

Bringing tax and company law compliance into focus for directors of Irish companies

## Introduction

The Companies Act 2014, which came into effect on 1 June 2015, introduced the obligation for directors of certain large companies to provide Directors' Compliance Statements as part of the Directors' Report contained in companies' financial statements. The new obligation applies to financial statements with accounting periods commencing on or after 1 June 2015.

Directors' Compliance Statements require directors of in-scope companies to:

- ▶ Acknowledge their responsibility for securing compliance by the company with its 'relevant obligations'
- ▶ Confirm that certain actions have been taken by the directors, or explain why they have not been taken

The 'relevant obligations' covered by the Directors' Compliance Statements consist of significant Irish company law obligations, in addition to the company's obligations under all Irish tax laws (including corporation tax, capital gains tax, vat, stamp duty, income tax, withholding taxes, capital acquisitions tax, tax information reporting and other statutory provisions relating to tax).

The actions which are covered in the Directors' Compliance Statements on a 'comply or explain' basis are:

- ▶ The preparation of a company Compliance Policy Statement setting out the company's policies with regard to compliance with the relevant obligations
- ▶ Creation of appropriate arrangements or structures that are designed to secure the company's material compliance with its obligations
- ▶ Conduct of a review, during the financial year to which the Directors' Report relates, of any arrangements or structures put in place to secure material compliance with the company's obligations

Therefore, the making of the Directors' Compliance Statements will represent a significant undertaking on the part of directors in relation to the company's tax and company law compliance arrangements.

Failure to comply with the compliance statement requirement is a category 3 offence and can attract a term of imprisonment of up to six months and/or a fine of up to €5,000.

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# What companies are in scope?



Unlimited companies are not subject to the Directors' Compliance Statement regime.

## Why EY?

The Companies Act 2014 places greater responsibility than ever on Directors to ensure that companies have tax and company law compliance structures and procedures in place that are fit-for-purpose and can meet the company's wide-ranging obligations. EY has the breadth of experience to deliver the focused support that our clients will need to meet their obligations under the Directors' Compliance Statement.

EY's deep expertise in ensuring robust governance over legal compliance, coupled with our exceptional client service, will enable directors and their management teams to plan and implement any required organisational changes to achieve the necessary assurance over tax and company law compliance arrangements, prior to making the Directors' Compliance Statement. In addition, the legislation specifically states that compliance arrangements may, if directors decide, include reliance on employees or professional advisers who have the requisite knowledge and experience to advise the company in relation to its relevant obligations. Our expertise in compliance with Irish tax and company law can be delivered to clients in a structured manner to form a core element of any set of compliance arrangements.

## How EY can help

EY can assist in a wide variety of ways:

- ▶ **Assess and advise on the framework of arrangements** supporting tax and company law compliance; identify risk areas and propose potential control measures
- ▶ Perform the **required annual compliance review** so that directors have a full picture in relation to the company's arrangements or structures supporting the Directors' Compliance Statement
- ▶ Drafting or review of the company's **'Compliance Policy Statement'**
- ▶ **Fulfil certain tax and company law compliance functions** to minimise risk and ensure that the full suite of tax compliance procedures are supporting the Directors' Compliance Statement
- ▶ Provide a focused **tax compliance obligations update service** to alert the company to any new or altered tax compliance obligations and assist in assessing their impact
- ▶ Provide **Board and/or C-suite training** to ensure that all directors and senior management understand the obligations relating to Directors' Compliance Statements

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