



CRIMINAL FINANCES ACT 2017 POLICY

ANTI-FACILITATION OF TAX EVASION AND UNEXPLAINED WEALTH ORDERS

INTRODUCTION

- I. The policy applies to CDG Leisure Limited (“CDG”) whose registered office is at 30 Berwick Street, London, England, W1F 8RH and is registered under company number 07128833.
- II. The Criminal Finances Act 2017 (“the Act”) brought in two new corporate offences which came into effect on 30 September 2017: (i) Failure to prevent facilitation of UK tax evasion; and (ii) Failure to prevent facilitation of foreign tax evasion. The Act provides for a defence where the “relevant body” has in force reasonable prevention procedures, that is, procedures designed to prevent persons associated with it from committing tax evasion facilitation offences. In **Part 1**, this Policy sets out our obligations and procedures in terms of the anti-facilitation of tax evasion. It has been drafted to ensure compliance with the Act by all members of staff and other persons engaged by us and is effective on and from the date of this Policy.
- III. The Act also introduced a mechanism to confiscate proceeds of crime known as Unexplained Wealth Orders (UWOs). Where a UWO is made, the relevant person must provide a statement explaining the nature of their interest in a property and how they came to obtain that property. CDG may become involved in UWO proceedings if: (a) a regulatory authority is preparing to serve a UWO, they may serve CDG with a Disclosure Order in order to gather information on the subject; and/or (b) CDG may be contacted by the subject of a UWO who requires information in order to draft their statement explaining their interest in the property. In **Part 2**, this policy sets out how we should respond in such situations.

PART 1: ANTI FACILITATION OF TAX EVASION

Policy statement

- 1.1 It is our policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country.
- 1.2 We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter tax evasion facilitation.



- 1.3 We will uphold all laws relevant to countering tax evasion, including the Criminal Finances Act 2017.

About this policy

- 1.4 The purpose of this policy is to:

- (a) set out our responsibilities, and of those working for us, in observing and upholding our position on preventing the criminal facilitation of tax evasion; and
- (b) provide information and guidance to those working for us on how to recognise and avoid tax evasion.

- 1.5 As an employer, if we fail to prevent our employees, workers, agents, or service providers facilitating tax evasion, we can face criminal sanctions including an unlimited fine, as well as exclusion from tendering for public contracts and damage to our reputation. We therefore take our legal responsibilities seriously.

- 1.6 We have identified that the following are particular risks for our business:

- (a) Partners sometimes have a lot of independence in the transactions that they carry out. There is a small minority of transactions where the deal is conducted with a limited oversight or involvement from other partners or employees of our organisation.

- 1.7 To address risks of facilitation of tax evasion:

- (a) we undertake Anti-Money Laundering checks on all customers and suppliers;
- (b) we generally only deal with VAT registered businesses to whom we can provide a proper tax invoice;
- (c) our standard terms of business contain mutual obligations to comply with relevant financial crime laws and regulations including the Criminal Finances Act 2017;
- (d) we do not hold petty cash nor do we transact business with third parties involving cash payments;
- (e) For larger transactions we involve more individuals within CDG. This oversight decreases the risk of an individual committing an act of facilitation; and
- (f) We undertake reviews of past transactions both periodically and where we undertake a similar transaction. In which case we would review the emails as a source of precedent.

- 1.8 In this policy, “third party” means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential clients, customers,



suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisers, representatives and officials, politicians and political parties.

2. Who must comply with this policy?

This policy applies to all persons working for us or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third-party representatives and business partners, sponsors, or any other person associated with us, wherever located.

3. Who is responsible for the policy?

3.1 Morris Greenberg has overall responsibility for this policy and primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in preventing the facilitation of tax evasion.

3.2 Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it.

3.3 You are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to Morris Greenberg.

4. What is tax evasion facilitation?

4.1 For the purposes of this policy:

- (a) **Tax evasion** means the offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action, or omission with dishonest intent;
- (b) **Foreign tax evasion** means evading tax in a foreign country, provided that conduct is an offence in that country and would be a criminal offence if committed in the UK. As with tax evasion, the element of fraud means there must be deliberate action, or omission with dishonest intent; and
- (c) **Tax evasion facilitation** means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly.

4.2 Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity or partnership where the tax evasion is facilitated by a person acting in the



capacity of an "associated person" to that body. For the offence to be made out, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The company does not have to have deliberately or dishonestly facilitated the tax evasion itself; the fact that the associated person has done so creates the liability for the company.

- 4.3 Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

5. **What you must not do**

It is not acceptable for you (or someone on your behalf) to:

- (a) engage in any form of facilitating tax evasion or foreign tax evasion;
- (b) aid, abet, counsel or procure the commission of a tax evasion offence or foreign tax evasion offence by another person;
- (c) fail to promptly report any request or demand from any third party to facilitate the fraudulent evasion of tax (whether UK tax or tax in a foreign country), or any suspected fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, in accordance with this policy;
- (d) engage in any other activity that might lead to a breach of this policy; or
- (e) threaten or retaliate against another individual who has refused to commit a tax evasion offence or a foreign tax evasion offence or who has raised concerns under this policy.

6. **Your responsibilities**

- 6.1 You must ensure that you read, understand and comply with this policy.
- 6.2 The prevention, detection and reporting of tax evasion and foreign tax evasion are the responsibility of all those working for us or under our control. You are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 6.3 You must notify Morris Greenberg as soon as possible if you believe or suspect that a conflict with this policy has occurred or may occur in the future. For example, if an employee or supplier asks to be paid into an offshore bank account, without good reason, or a supplier asks to be paid in cash, indicating that this will mean the payment is not subject to VAT or other tax payment. Further "red flags" that may indicate potential tax evasion or foreign tax evasion are set out in clause 11.



7. How to raise a concern

- 7.1 You are encouraged to raise concerns about any issue or suspicion of tax evasion or foreign tax evasion at the earliest possible stage.
- 7.2 If you become aware of any fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person in the course of your work, or you are asked to assist another person in their fraudulent evasion of tax (whether directly or indirectly), or if you believe or suspect that any fraudulent evasion of tax has occurred or may occur, whether in respect to UK tax or tax in a foreign country, you must notify Morris Greenberg immediately.
- 7.3 If you are unsure about whether a particular act constitutes tax evasion or foreign tax evasion, raise it with Morris Greenberg as soon as possible. You should note that the corporate offence is only committed where you deliberately and dishonestly take action to facilitate the tax evasion or foreign tax evasion. If you do not take any such action, then the offence will not be made out. However, a deliberate failure to report suspected tax evasion or foreign tax evasion, or "turning a blind eye" to suspicious activity could amount to criminal facilitation of tax evasion.

8. Protection

- 8.1 Individuals who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 8.2 We are committed to ensuring no one suffers any detrimental treatment as a result of:
- (a) refusing to take part in, be concerned in, or facilitate tax evasion or foreign tax evasion by another person;
 - (b) refusing to aid, abet, counsel or procure the commission of a tax evasion offence or a foreign tax evasion offence by another person; or
 - (c) reporting in good faith their suspicion that an actual or potential tax evasion offence or foreign tax evasion offence has taken place, or may take place in the future.

Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the compliance manager immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Grievance Procedure, which can be found in our staff handbook.



9. Training and communication

- 9.1 Training on this policy forms part of the induction process for all individuals who work for us, and regular training will be provided as necessary. Such training may form part of wider financial crime detection and prevention training.
- 9.2 We will ensure that mandatory training on this policy is offered to those employees, workers and associated persons who have been identified as being at risk of exposure to criminal tax evasion, at least once every year.
- 9.3 Our zero-tolerance approach to tax evasion and foreign tax evasion must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate after that.

10. Breaches of this policy

- 10.1 Any employee who breaches this policy will face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 10.2 We may terminate our relationship with other individuals and organisations working on our behalf if they breach this policy.

11. Potential risk scenarios: "red flags"

The following is a list of possible red flags that may arise during the course of you working for us and which may raise concerns related to tax evasion or foreign tax evasion. The list is not intended to be exhaustive and is for illustrative purposes only. If you encounter any of these red flags while working for us, you must report them promptly to Morris Greenberg.

- (a) you become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax, has failed to disclose income or gains to, or to register with, HMRC (or the equivalent authority in any relevant non-UK jurisdiction), has delivered or intends to deliver a false document relating to tax, or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority;
- (b) you become aware, in the course of your work, that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT;
- (c) a third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;



- (d) you become aware, in the course of your work, that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions;
- (e) a supplier or other subcontractor is paid gross when they should have been paid net, under a scheme such as the Construction Industry Scheme;
- (f) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (g) a third party to whom we have provided services requests that their invoice is addressed to a different entity, where we did not provide services to such entity directly;
- (h) a third party to whom we have provided services asks us to change the description of services rendered on an invoice in a way that seems designed to obscure the nature of the services provided;
- (i) a third party insists on the use of side letters or refuses to put terms agreed in writing or asks for contracts or other documentation to be backdated;
- (j) you notice that we have been invoiced for a commission or fee payment that appears too large or too small, given the service stated to have been provided; and
- (k) a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us.

PART 2: UNEXPLAINED WEALTH ORDERS (“UWOS”)

1. UWOs Introduction

- 1.1 A UWO can be made where the court finds that there is reasonable cause to believe that the subject holds property that is greater than £50,000 and that there is reasonable grounds for suspecting that the subject’s lawful income would be insufficient to obtain that property. The subject must either be a Politically Exposed Person, or there must be reasonable grounds for suspecting that the suspect has been involved in serious crime (whether in part of the UK or elsewhere); or a person connected with the subject is, or has been, so involved.
- 1.2 Where such an order is granted, the subject must provide a statement explaining the nature of their interest in property and how they came to obtain that property.
- 1.3 A UWO is often accompanied by an interim freezing order that prohibits the subject (and any other person who has an interest in the property) from dealing with the identified property. It is often the case that freezing orders are registered with the Land Registry and therefore any attempted transfer will be likely be prevented. CDG should be aware of such restrictions as part of their usual research on a property.



1.4 Prior to applying to the court for a UWO, the regulatory authorities will use the investigatory powers available to them to build their case. One such power is the use of Disclosure Orders.

2. What is a Disclosure Order?

2.1. A Disclosure Order may be made by a regulatory authority in the context of money laundering investigations. It requires the recipient to:

2.1.1 answer questions, either at a time specified or at once, and at a place specified;

2.1.2 provide information specified in the notice, by a time and a manner so specified; and/or

2.1.3 produce documents, or documents of a description, specified in the notice, either at or by a time so specified or at once.

3 What to do if you or CDG is the subject of a Disclosure Order?

3.1 You must notify Morris Greenberg immediately if you are approached by phone, email or letter by anyone purporting to represent the Police, HMRC or another official body in relation to any actual or prospective UWO and/or Disclosure Order.

3.2 Our policy is to comply with all Disclosure Orders. However, before taking any action, Morris will seek legal advice.

4 What if we receive a request from a person who is the subject of a UWO?

4.1 We may receive a request from an existing or previous client who has become the subject of a UWO. We may be contacted where the subject is drafting their statement to the investigating authority to explain their wealth and the subject requires details of a property transaction in which we assisted.

4.2 If you receive a request for such information, you must notify Morris Greenberg immediately. Morris will seek legal advice and advise you on any response.

CDG Leisure Limited

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