

# Do they know it's corruption?

LONDON, UK: Corporate Christmas gifts could come under tighter scrutiny thanks to new UK law.



New legislation is blowing the chill wind of austerity over corporate Christmas gifts, according to PwC Forensic Services. The Bribery Act 2010, due to come into force during April 2011 contains radical changes which could have a significant impact on corporate gifts to customers and clients, and which could lead to severe penalties for companies who don't play by the rules.

The long-awaited Act pulls no punches and will make it easier to convict people who pay or offer to pay bribes and those who receive or solicit them. There will also be more stringent requirements in relation to dealings with foreign public officials and a new corporate offence of failing to prevent bribery by an associated person, such as an overseas distributor or agent.

Edwin Harland, director in PwC's forensic services practice, said: "Christmas is the peak season for client entertaining and gift giving but companies would be wise to ensure their policies in this area are adequate and are properly enforced. Employees need to be made aware exactly what the rules are in this area. Suppliers should also be made aware that excessive gifts and hospitality are often not wished for and can be counter-productive."

In times of austerity and cutbacks many companies have reined in their spending but some still bestow lavish gifts on customers without a second thought. According to draft guidance from the Ministry of Justice, promotional expenditure which is "reasonable and proportionate" should not cause problems but no monetary levels are supplied. Instead the onus is placed on companies for the "establishment and dissemination of any appropriate standards."

What's the danger zone for corporate Christmas gifts?

As is often the way, it's not a black and white area - much will depend on the context of the gift. For example, a Christmas present to a client's employee who is retiring may be perfectly okay, on the basis that the recipient is not in a position to behave improperly as a result of the gift. Similarly, a gift from a customer to a supplier in recognition of past activities could well pass the "smell test."

Subject to the above, Santa might have the following reaction to your proposed present list:

Santa says you've been good this year:

- Calendars;
- Mouse mats;
- Drinks mats;
- Company logo branded low cost merchandise (stress ball, umbrella, sports bags etc);
- Invited to modest Christmas party or lunch;
- Reasonable socialising such as UK sports events with the host present.

Santa says you had better be careful:

- Any alcohol above a bottle of wine;
- Overseas sporting events and entertainment;
- Expensive gifts such as gold fountain pens;
- Portable e-book reader.

Santa says you've been bad this year:

- Lavish hamper;
- Case of champagne;
- Invitation to any sporting events where the host is not present;
- Anything delivered to a home address;
- Tablet computer.

Transparency International recently released its 2010 *Corruption Perceptions Index* that measures the degree to which public sector corruption is perceived to exist in 178 countries. The UK fell 3 places to 20th this year. From next April, the UK will have one of the world's strictest set of anti-bribery laws and enforcement agencies have indicated their plans to make full use of the new powers. UK companies need to ensure now that they fully understand the rules around gifts and implement procedures to control and monitor their use. Otherwise they may find themselves on the SFO's Christmas list.

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