

# MINUTES

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## BUSINESS TAX FORUM

15:00 hrs, Monday 23 September 2002

Inland Revenue, Board Room, New Wing, Somerset House

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### ATTENDEES:

#### *Inland Revenue*

Dave Hartnett \* (Head of Revenue Policy)  
Mary Hay (Director, Business Tax)  
Stephen Jones (Director, Large Business Office)  
Richard James (Business Tax, Secretary)  
Ann Brownlee  
Dave Carr (agenda item 5 only)  
Mike Williams (agenda item 7 only)

*HM Treasury* Ivan Rogers

\*Co-Chairman

#### *Business*

Jon Symonds \* (100 Group)  
Patrick Chapman (100 Group)  
Philip Gillett (CBI)  
Ian Menzies-Conacher (CBI)  
Sebastien Hordern (CBI)

### 1. Introduction

DH as IR Chairman of the Business Tax Forum welcomed everyone to the first meeting. He said that the Revenue takes very seriously the recommendations of the Review of Links with Business and is determined to make a reality of improving those links, which will benefit both business and the Department. The establishment of the Business Tax Forum, and other actions arising from the review recommendations, do not signal a change in the Revenue's attitude to avoidance or evasion – the Department will continue to adopt a robust attitude when dealing with these practices.

On behalf of business, JS welcomed the establishment of the Business Tax Forum as an opportunity for business to work constructively with the Revenue. The priorities established within the review are very welcome to business, who do not regard evasion or avoidance as part of their objectives and welcome the Revenue's maintained position on these issues.

### 2. How the Forum will operate

Attendees have already received a paper detailing how the Forum would operate and containing the group's remit, which has been agreed with the Paymaster General.

There has been a lot of interest in the Forum across sectors and it is likely that this will continue. It would not be desirable for the Business Tax Forum to duplicate work done in other groups, such as the Large Corporates Forum, or specific consultation meetings. The Business Tax Forum will act as an umbrella group, providing an overview of all other Revenue / business contacts and dealing with the larger issues. Other groups may be established to look at specific issues, if that is felt to be necessary at a later date.

**Action  
point**

The Revenue Secretariat would prepare a paper summarising all the known joint Revenue / business groups for the next meeting, in order to establish the remit of each group.

### **3. "Review of Links with Business"**

The Revenue outlined the action they had taken to implement the recommendations within the Review of Links with Business. A Director has been appointed to implement each of the 40 recommendations and they have drawn up an action plan for each item. A steering group oversees and supports delivery of the action plan. The annotated action plan summarising progress on each recommendation was distributed to attendees. The Plan is on the IR website and will be updated regularly.

**Action  
point**

It was agreed that the Revenue would prepare a report for the next meeting explaining what has been done on those significant recommendations that the action plan describes as having been addressed.

AB expressed appreciation for the help that had been received from business in addressing some of the recommendations, for example in feeding back to the Revenue how the Department could improve its understanding of business.

Recommendation 6 of the review – the pilot by LBO of a new approach to enquiries – was discussed. The groups within the pilot have generally welcomed the scheme and the opportunity to settle matters of difficulty within the year in question. There have been some issues raised regarding the availability of documents for release to the Revenue, however these have not caused any major difficulties. The Business Tax Forum will continue to be kept informed about this pilot, as it is seen as one of the key recommendations from the Review.

**Action point**

The Revenue to provide for the next meeting of the Forum an interim evaluation of the pilot and a copy of the framework agreement underpinning pilot arrangements.

On the subject of recommendation 9 (the review of COP10), the Revenue advised that the initial time limit of 31 July had proved too ambitious and the Revenue was now looking to have results by the end of the year.

With regard to recommendation 37 (holding surgeries), the Revenue reported that the surgeries – held to explain the major reforms in FA 2002 - had been very well received. The Revenue would consider holding similar outreach events following any future major changes to the tax system.

Business representatives raised a query regarding how success would be measured against each recommendation of the Review of Links, and against the review as a whole. Assessing the success of the overall aim – that of relationship management – could be rather subjective, and ought to be measured over the longer term. The Revenue would welcome views from the group on how best to measure the success of this overarching goal. It was agreed that some individual recommendations would be very easy to measure, for example with a simple yes or no, but others would be more complex.

**Action point**

Before the next meeting, the CBI and 100 Group will do some joint work to establish the recommendations that they regard as the most important within the review. They will then work with the Revenue to determine some measures of long term success for these recommendations.

#### **4. Issues from business**

Most of the issues business wished to discuss were covered by agenda points 3, 5, 6 and 7. It was thought important that a register be kept of the important issues that the Forum wished to cover.

**Action point**

A 'rolling' list to be prepared and maintained as an appendix to the agenda, detailing the issues for the Business Tax Forum to address.

The issue of payroll developments will be discussed at a future Forum.

#### **5. Statutory Clearances: recent developments & stock take**

The Revenue explained that a one stop shop is being established to replace the four separate statutory clearance sections, which receive around 15,000 applications a year. Three of the four types of clearance have already been brought together within Business Tax and a new, faster, risk-based procedure

has been introduced for handling these applications resulting in an average clearance time of three days, rather than the previous 28 days. The final type of clearance application will be handled by the team from 1 November.

A representative body working group has been set up and liaison within the IR is taking place. The aim is to provide comprehensive guidance on statutory clearances so that applications are made when they are required, but are not made unnecessarily. Business welcomed these developments.

## 6. CT Consultation & data needs

The Revenue had established two consultative groups to discuss the CT reform consultation document and these groups have held their first meeting.

Business said that they would welcome ongoing clarity regarding the possible handling of any reform, including issues of timing of reforms, the overall packaging of reforms, and any “revenue” assumptions.

### Action point

MH to feed back comments to CT Reform consultation team

The Revenue has received offers of help with the data required to assess the impact of potential reforms. Business confirmed that they were eager to ensure that any decisions are made on the strength of the best data available and so business is keen to help with data provision.

It was agreed that the Business Tax Forum would want to be involved in monitoring the progress of the consultation programme given the significance of the issues covered by the condoc.

### Action point

Next meeting (which will take place after the consultation period has ended) will take stock of the consultation process.

## 7. Review of Links recommendations on guidance relating to controlled foreign companies, transfer pricing & Section 765: stock take

The Revenue provided updates as follows.

**Controlled Foreign Companies** – the improved guidance arising from the Review of Links with Business, particularly relating to the motive test, is well in hand. There will be extensive examples within the guidance. An advance draft of the guidance will be circulated later this year, with the Business Tax Forum being consulted regarding the draft.

It is also intended to update the exempt activities guidance. PC advised that there are issues currently emerging relating to the exempt activities test and so the guidance was required as soon as possible.

**Action  
point**

Business to provide information on specific concerns around exempt activities test and MW to see if the guidance can be produced sooner than originally planned.

**Transfer pricing** – a recent Tax Bulletin article was believed to be a significant step forward. The EU has set up a transfer pricing forum and it is believed that transfer pricing will figure more heavily in EU matters as time goes on.

**Section 765** – a recent meeting was held, hosted by PWC, which helped to establish what areas around Section 765 cause concern for business and agents. Further work is now being done, examining all of the issues in detail. This will result in guidance being produced, which should be issued by March. Unfortunately, the guidance cannot be issued any earlier, as IR personnel are currently fully stretched and priority must be given to the Controlled Foreign Companies work.

**Action  
point**

MW to let SH know what the guidance will cover and SH to identify any gaps in the guidance from the point of view of business.

## 8. AOB

It was agreed that the minutes and action points would be distributed quickly and a date would be set for the next four meetings of the Business Tax Forum.

Half way towards the next meeting, the joint Chairs will assess the current position and identify any matters for discussion at the next meeting.