

# MINUTES

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## BUSINESS TAX FORUM

14:00 hrs, Tuesday 16 September 2003

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)  
Doug Stoneham (PA to Dave Hartnett, Secretary)

*HM Treasury* Ivan Rogers

\*Co-Chairman

#### *Business*

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

### 1. Minutes of previous meeting & matters arising

The minutes of the previous meeting were agreed without amendment.

<b>Action point</b>	Dave Hartnett and Patrick Chapman to meet prior to the next meeting and consider appropriate performance measures for the Review of Links with Business.
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### 2. Performance of the Business Tax Forum

Business side felt that Richard James' paper on this topic had identified a number of key issues. It was important to focus discussions more and schedule a selection of topics to be addressed at the meetings. Both sides agreed that the committee was not well known enough outside of its membership and this made it harder to fulfil its envisaged management role over other groups. It was agreed that it was important for BTF to act as an umbrella body for other groups, to allow issues to be addressed in the correct forum.

Business raised the question of how BTF would link into the CT Reform. Revenue responded that, although CT Reform is very much a policy issue, BTF

could discuss the practical implications of it – an example of this could be domestic transfer pricing.

<b>Action point</b>	Revenue to consider whether there are practical questions on CT Reform which might be addressed at the next meeting (by when Government may have announced next steps in PBR).
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It was agreed that there are four main areas that BTF needs to improve on:

- Promoting greater understanding of the committee;
- More stringently testing the validity of the agenda items;
- Bringing in the umbrella function;
- Defining, in a low-key way, where the policy boundaries lie.

Business questioned whether there was a sufficiently wide Government representation – should Customs and Excise or DTI be represented? Revenue requested that this issue be revisited after the forthcoming meeting with DTI and the 100 group at which this could be raised.

### 3. **Sub-groups to the Business Tax Forum**

It had been agreed that BTF should try to take on an umbrella role over other committees. To do this, it would be necessary to find out the make-up of other committees in more detail and see how they relate to each other. This will help avoid duplication of work. It was agreed that the best way forward would be to make a more formal contact with other groups and request that a **Revenue and business** representative of each group complete a short form providing certain details about the group, its objectives and its perceived effectiveness.

<b>Action point</b>	Doug Stoneham to take this forward.
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It was agreed that it was important for both sides to contribute in any decisions as to which groups were the most useful, although business side did emphasise that any decisions to discontinue any of the groups would have to be made by the Revenue.

### 4. **LBO New Compliance Process (NCP) evaluation report**

Revenue explained that business had seen a raw, shortened version of the document, without the somewhat lengthy appendices. All those involved in the process felt it had worked well, and both sides felt that there would be cost savings, with corporates finding the savings greater than the Revenue. The process would be opened up to more participants soon and the Revenue had approached 77 groups. Business agreed with the Revenue's view that a staged expansion was the right way to take this forward.

Business stated that they felt the findings were a win-win situation, as they were good for the Revenue, as well as for business.

Business questioned whether there were any banks involved in the process and whether it would be possible to get first hand views on the effectiveness of the process for dissemination through the BBA. Revenue replied that banks were involved in the process, that confidentiality may be an issue but that they would communicate the BBA's desire for information.

<b>Action point</b>	Revenue to see whether someone involved in the pilot can help and refer them to Ian Menzies-Conacher for BBA.
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Business questioned whether the findings could be circulated more widely? Revenue responded that it might be possible to produce a short executive summary that could be circulated wider, although any communication would need to be considered in the wider context.

Business felt that it was very positive that both sides were in agreement that the pilot had been a success. They were keen to know if it was regarded as representing a success in yield terms. Revenue responded that the fact that the New Compliance Process could resolve and eliminate a lot of small issues with companies much earlier than the current system, would be considered a success. The eventual impact on yield was uncertain. The new process allowed all issues, both small and large to be tackled far quicker and accelerate resolution of large risks. Whether that led to accelerated yield depended on the view companies had taken when making quarterly instalment payments.

Business questioned whether the NCP would always remain voluntary? Revenue responded that, while they were keen to emphasise the benefits of the scheme, resource implications meant that it would have to remain voluntary for now. This would not necessarily always be the case, but there were complex issues involved with some companies, as the NCP requires them to get fully up to date with their tax affairs.

Business questioned whether it was likely that the framework agreement used as part of NCP would be extended. Revenue responded that this was an issue that would be addressed in part at the next meeting of the Large Corporates Forum, which was taking forward the BTF remit to develop a best practice framework for handling enquiries.

## 5. Tax and the Board Room

Revenue explained that they had brought this topic up in a bid to find out where tax figured in board room discussions – was it a significant factor in considering

company decisions? Revenue referred to a recent article in *Tax Journal* by Mike Eland, acting Chairman of Customs and Excise.

Business responded that the attitude would vary widely from one company to another – an important factor could be whether the company's performance was judged on a pre- or post-tax basis. Many boards would be keen to know the bottom-line tax cost and may take an interest in how much was paid on a particular transaction. It is unlikely that they would want to know much about the detail though. It was agreed that the 100 Group would provide a sufficiently wide forum to gain a broad spectrum of views on this topic.

<b>Action point</b>	Revenue to consider questions that might be put to the 100 Group and attend a meeting of the 100 Group tax committee. These would need to link to the current HMT "survey".
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#### 6. Business side key issues to be taken forward over the next twelve months

<b>Action point</b>	Doug Stoneham to arrange meeting dates for next year.
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- **International Accounting Standards**

The first meeting of the IAS group had taken place and was felt to have been a success. The next meeting would be held in October. In addition, at working level, IAS was to be discussed at the next Large Corporates Forum meeting. It was agreed that it would be appropriate to discuss IAS in some detail at the next BTF.

- **CT Reform**

Subject to Ministers decisions on next steps, and timing of PBR etc, IR agreed to produce a paper three weeks in advance of the next meeting on this topic, to be discussed at the meeting.

<b>Action point</b>	Revenue to produce a paper updating BTF on CT Reform for next meeting.
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- **EU impact (wider than CT reform condoc)**

This was to be discussed at the next meeting.

- **Transfer pricing (wider than CT reform condoc)**

It was felt that Terms of Reference should be drafted for a subgroup to take this issue forward.

<b>Action point</b>	Terms of Reference for subgroup to be drafted by Roy Warden and Philip Gillett.
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- **Pensions Simplification**

An update had been provided on this and BTF would be notified when the next paper was published.

- **CFC review**

It was agreed that it would be better to discuss the CFC Review after ongoing CT consultations were completed.

- **Links with Business performance management**

See Action Point in Item 1.

7. **AOB**

- **O'Donnell Review**

Ivan Rogers explained that the review was underway, looking at policy, accountability, IT systems and delivery. The current aim was to have a paper produced in time for PBR and, after this was published, there would be a proper consultation period with industry.

<b>Action point</b>	Ivan Rogers to provide an update on the O'Donnell Review at the next BTF meeting
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**Next meeting: To be agreed**