

# MINUTES

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## BUSINESS TAX FORUM

09:30 hrs, Friday 19 December 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)  
Stuart Hartlib (Director, Large Business Office)  
Doug Stoneham (PA to Dave Hartnett, Secretary)

Peter Hopkins (Capital & Savings, Item 5 only)  
Mark deBrunner (Personal Tax, Item 6 only)  
Mary Aiston (IR Review Team, Item 7 only)

*HM Treasury* Andrew Lewis

\*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.

Business side felt that it was important to keep in mind one of the key improvement measures suggested at the previous meetings – to stringently test the validity of agenda items. This was helped by the focus on a small number of issues that business had suggested should be taken forward.

Jon Symonds explained that he had now taken over as Chair of the 100 Group, but would remain joint Chair of BTF. Dave Hartnett congratulated him on his new appointment. He went on to say that he had received invites from a number of Boards to come and speak to them about tax issues – this clearly showed that the discussions at BTF were having an impact. It was agreed that, as suggested in an Action Point at the previous meeting, Dave Hartnett should attend a meeting of the 100 Group Tax Committee.

**Action point** Dave Hartnett to attend future meeting of the 100 Group Tax Committee.

## 2. Performance Measures for the Review of Links with Business

Since the last meeting, Patrick Chapman and Dave Hartnett had met and agreed that new performance measures needed to be found for the Review of Links with Business. While many of the recommendations had been delivered, a greater focus on outcomes was needed.

The Revenue suggested that it would not be practical for the BTF to consider and monitor each of the recommendations individually. Additionally, this would not be making best use of BTF's time. A better way forward would be for BTF to select five recommendations for closer scrutiny. Patrick Chapman and Dave Hartnett would then meet to try to find adequate performance measures for each of these. Business agreed that this was sensible.

**Action point** BTF business representatives to send their suggestions for which five recommendations should be considered to Doug Stoneham by mid-January 04. Once these are received Patrick Chapman and Dave Hartnett to meet in late January 04 to work out performance measures for the chosen recommendations.

The Revenue suggested that one measure that could be monitored related to the effectiveness of employer compliance reviews. In response to the Patrick Carter review, many companies had begun to change to electronic payroll systems. However, they still often had to use paper to submit information to the Revenue. Business felt that Revenue had made good progress in this area recently, but emphasised the importance of sharing best practice. Revenue confirmed that they did have best practice notes in this area and agreed to publicise these more.

**Action point** Revenue to increase publicity of payroll best practice notes.

Business felt that it was important to draw a line under the Review of Links document and then consider what might be done next. Business preferred to develop and take forward a small number of recommendations.

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

A list of those accountants and lawyers who had agreed to join the BTF subgroup for tax practitioners was circulated to the meeting. Both sides agreed that Dave Hartnett should chair this new forum.

A list of groups put together by Revenue was also circulated at the meeting. It was generally agreed that, in view of the large number of groups on the list and the broad range of topics they covered, it would not be possible for the BTF to look at each group individually. The Revenue side suggested that there were two possible paths BTF could go down – it could either look to become the figurehead of a completely new umbrella structure going across all the groups or it could take an interest in a number of certain specific topics and their related group.

Business suggested that if there were specific issues about the practical working of the tax system which any group felt needed raising at a higher level, then these could come up to BTF. Both sides agreed that, in order for the BTF to be more effective, it was vital that it increase its visibility.

<b>Action point</b>	Revenue to get more detail on the membership of some groups, contact the Chairs of some of the groups for their input and produce a paper for the next meeting, looking at a way forward.
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#### 4. CT Reform

Revenue reported that, as announced in the Budget, a technical note had been published on CT Reform and further consultation would continue in January 04. They noted that the Government was grateful to businesses for the positive and willing response they had made to the moves to change the CT system and for their proportionate response to the introduction of domestic transfer pricing rules. Business expressed concern at the additional burden which would require the filing of computations for many dormant subsidiaries but Mary Hay said that she believed that a solution could be found to that problem.

After a brief discussion, both sides agreed that, as they were largely happy with the way the project was proceeding, it would be more sensible for the BTF to take a watching brief on CT Reform, rather than discussing it at length. It was suggested that BTF members could continue discussions with Mary Hay outside of the meetings.

<b>Action point</b>	Mary Hay to discuss CT Reform with Business side of BTF.
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Business side raised the point that they had had some difficulty finding the relevant paperwork amid everything else released at PBR. They did, however, commend certain Revenue officials for their individual efforts to communicate information.

#### 5. Pensions Simplification

**Action point** Peter Hopkins to provide Doug Stoneham with a link to the pensions RIA to be circulated to business BTF members.

Generally business were happy with the process from the point of view of taxation, as it certainly made the process of dealing with tax on pensions simpler, but were disappointed that the Government had not been willing to take further steps to mitigate the impact of the £1.4m limit. There was also concern that, in the short term, it would make the overall pensions system more complex. Other business information was available, so it was agreed that this should be passed on outside of the meeting.

**Action point** Philip Gillett to feedback details of the Employer Task Force on pensions to Peter Hopkins and Jon Symonds to provide details of any relevant data his colleagues may have.

## 6. Construction Industry Scheme

Revenue explained that the Construction Industry Scheme (CIS) was currently under review, with consultation continuing between industry and the Revenue. Three forums were meeting regularly, one made of up construction representative bodies, one made up of deemed contractors and the third made up of accountancy bodies and software providers. Originally, it had been planned to introduce a revised scheme in April 2005. However, in response to concerns from industry, it had been decided to delay the introduction of the scheme for a year. Revenue planned to use the additional time to consult in more detail.

Business explained that their main concern related to deemed contractors. They did not understand what the tax risk was with deemed contractors and did not believe sufficient emphasis was being given to reducing the burden of the scheme on the industry. Business offered Revenue the chance to visit deemed contractors premises to see how the scheme impacts on them.

Revenue accepted the business offer and pointed out that they were also undertaking a comprehensive review of the definitions of a deemed contractor. Additionally, it was suggested that CBI should use their meeting with the Revenue's CIS policy team in January to raise their concerns again. It was agreed that, as long as consultation was progressing well and concerns were being dealt with, CIS need not be brought back to BTF.

**Action point** Revenue's CIS Team to visit a deemed contractor's premises.

## 7. **O'Donnell Review**

Revenue reminded the meeting that the review was looking at four main areas – policy development, accountability, information and delivery – with a view to improving structures within the revenue departments, reducing costs and improving service delivery. An announcement was not expected before January at the earliest.

Business explained that they had had a number of discussions with the Treasury review team, which they had found useful. They emphasised that the Government should think carefully about any merger between departments – all the business representatives had seen these done in the private sector and many had gone awry, with much time being lost to internal focus on merging rather than external service to customers. Also, there had been considerable improvements in the departments in recent years and it would be a disappointment to lose those.

## 8. **EU Impact (Wider than the CT Reform project)**

Business expressed concerns about transfer pricing. At present, the UK is the only EU country to have introduced domestic transfer pricing legislation and this could have a negative impact on the competitiveness of the UK tax system. Business urged the Revenue to look for a more holistic approach, perhaps built around an EU compliant group relief system.

Revenue questioned how the BTF could best help in this area. Business responded that they were currently happy with the Revenue's approach, as they proved willing to listen to broader issues. With this in mind, it was agreed that BTF should operate an assurance role on this topic, only stepping in if insufficient progress is made.

## 9. **International Accounting Standards**

Revenue suggested that, as the newly formed International Accounting Standards group was working well, this topic should be held over for discussion at the March BTF. Revenue would arrange to have Trevor Evans and Richard Thomas speak at the meeting on this topic. Business also felt progress was being made, so agreed to this suggestion.

<b>Action point</b>	<b>Trevor Evans and Richard Thomas to attend next BTF to make discuss International Accounting Standards.</b>
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## 10. **Any Other Business**

Business agreed with Revenue's suggestion that transfer pricing should be discussed at the March meeting and that there was little point currently in discussing the CFC review.

Business also felt it was positive to see so many good signs of consultation being referred to at the meeting.

**Next meeting: 4<sup>th</sup> March 2004**