

# MINUTES

---

## BUSINESS TAX FORUM

14:00 hrs, Thursday 4 March 2004

Inland Revenue, Board Room, New Wing, Somerset House

---

### 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)  
Trevor Evans (Business Tax)  
Richard Thomas (Business Tax)  
Roy Warden (International, Items 1 & 2 only)

#### *HM Treasury*

Dave Ramsden

#### *HM Customs & Excise*

David Garlick

#### *Department of Trade and Industry*

John Alty  
Paul Philip

\*Co-Chairman

#### *Business*

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

Dave Hartnett and Jon Symonds opened the meeting by welcoming newcomers David Garlick from Customs and Excise, John Alty and Paul Philip from the DTI and Dave Ramsden from the Treasury.

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

Business side requested that there should be a further update on CIS Reform at the next BTF – Construction Confederation had recently written to the PMG and this suggested that the industry did not feel the process was working as well as it might.

<b>Action point</b>	Mark de Brunner to attend next BTF to report back on progress of the CIS Reform.
---------------------	--

## 2. International Accounting Standards

Revenue explained that the EC had adopted all but two (32 and 39 – financial instruments) of the International Accounting Standards (IAS) and that, under EU regulations, these should be used by listed companies when compiling their accounts, from 2005. Additionally, the UK would permit all companies to use IAS for their single accounts from 2005. However, UK law requires that GAAP should be used when compiling accounts for tax purposes.

In response to this, the Revenue have taken a number of steps. They had established an Oversight Group, made up of representatives from the Revenue, Treasury, accountants and business to look at the tax implications of IAS and had also created subgroups to this forum to look at detailed aspects, such as IAS 39. Additionally, draft clauses were being published on the IR Internet site regarding specific issues in this area and a note, setting out the differences between IAS and UK GAAP was also online. The Revenue were currently training their accountants on the workings of IAS and guidance would be provided to inspectors.

Business responded that they were happy with the Revenue's approach, although they wondered whether sufficient publicity had been given to the website? They suggested that putting a note into *Tax Bulletin* could be a way of increasing the profile. Revenue agreed to this. Business recognised that it was understandable that companies were not taking an interest yet, but expected this to pick up soon. They emphasised the importance of linking up with the forthcoming ASB strategy document and suggested that a reference to the IR website in this document would be useful. Both sides recognised that there could be difficulties when other countries take up the IAS as some are not taking up the same options as the UK – this could have implications for multinational corporations.

<b>Action point</b>	Revenue to publicise IAS website in <i>Tax Bulletin</i> and to request from ASB whether the website could be mentioned in the strategy document.
---------------------	--

## 3. Transfer Pricing

Revenue explained that they had published proposals and draft legislation relating to transfer pricing at the time of the PBR and that the consultation period on this had just come to an end. The exercise had been very successful and the responses had accepted the need for the Government to act. Ministers

would announce the outcome of the consultation and the Revenue would be working on dealing with the issues raised during consultation.

Business agreed that the consultation had been successful, but they had two outstanding concerns – whether, if the new rules were introduced from 1<sup>st</sup> April, there would be sufficient time for businesses to prepare; and the fact that other EU Member States were not taking similar action to the UK in this area.

Roy Warden and Philip Gillett had drafted Terms of Reference for a subgroup to look into issues surrounding transfer pricing. The Forum approved these and it was agreed that Roy Warden would chair this group. The Forum further agreed that the group should contain representatives from business and advisors, although it would be preferable for the former to outnumber the latter. It was agreed that the subgroup should bring back an action plan and a timetable to the next BTF.

<b>Action point</b>	<b>Transfer Pricing subgroup to bring action plan and timetable to September BTF</b>
---------------------	--

It was accepted that it would be hard to make any firm plans until after an announcement had been made. However, the Forum agreed that, as a general rule, it would be useful to publish guidance material as soon as possible, rather than waiting and publishing all of it together.

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

Revenue suggested that groups in which Revenue Head Office was involved should be considered in three ways in relation to the BTF –

- Direct subgroups to BTF – these would be groups such as the LBO Large Corporates Forum, the Transfer Pricing and IAS subgroups and the Tax Practitioners group;
- Groups that consider topics that BTF is interested in – this might include the Corporate Tax Operational Consultative Committee (created by the Review of Links with Business) and the Personal Tax Employers Umbrella Group (to consider issues such as CIS or PAYE);
- Groups that would have little to do with BTF – the vast majority of groups would fall into this category.

Revenue suggested that BTF would have a close relationship with the first set of groups, receiving copies of minutes and regular updates. The second set relationship would be less formal – BTF would contact the groups when it needed an update on an issue or needed to commission work. Similarly, groups could escalate a topic to BTF if comment was needed. The key aspect here would be to make the groups aware of BTF's presence and vice versa. This last would be the best way forward for the third set – making groups aware of BTF's

existence. Revenue suggested they should contact a number of groups and work out how best to interact with them. Business agreed these proposals.

<b>Action point</b>	<b>Revenue to work out how best for BTF to interact with other groups.</b>
---------------------	--

Revenue reported back on the recent first meeting of the accountants and tax practitioners subgroup. The meeting had been well attended, with more lawyers than accountants present. Both sides of that meeting agreed that it had been a success. A number of pieces of work had been commissioned at the meeting–

- Revenue to provide details of clearances group to practitioners.
- David Cruickshank (Deloitte) to submit a paper on practical issues of partnerships investing in properties.
- John Watson (Ashursts) and Michael Trask (SJ Berwin) to look at arranging a presentation for the Revenue on explaining how private equity works from a business point of view.
- Stephen Edge (Slaughter and May) to contact other practitioners to draw together list of issues in the area of inward investment.
- Stephen Edge and Guy Brannon (Linklaters) to compile a list of around 20 M&A big issues.

The difference between this group's topics of interest and those of the BTF were noted – the subgroup was focussed much more on transactions. It was felt though, that this would represent an excellent learning opportunity for the Revenue, as lawyers would be likely to know why a deal had fallen through and what caused any problems.

## **5. Performance Measures for the Review of Links with Business**

Since the last BTF, Patrick Chapman and Dave Hartnett had met to discuss what performance measures could be put in place for the Review of Links with Business. These focused on three areas –

- Improving relationships between business and Revenue;
- Is IR finding the big issues during enquiries;
- Measures of IR and business performance.

Suggested options for measuring performance in these areas had been circulated and were felt to be moving in the right direction. There was concern, however, that surveys would need to be introduced to measure performance and that these would need to be based on a statistically valid sample size. The question of how these figures would be communicated to the wider business community was also raised.

It was agreed that the best way to take the work forward would be for the measures to be sharpened up somewhat and for a small group to meet after that, to look at developing survey questions to be brought back to the next meeting.

**Action point** Ian Menzies Conacher to suggest improvements to the performance measures.

**Action point** Dave Hartnett, Patrick Chapman, Stuart Hartlib and Doug Stoneham to meet to discuss how to populate a survey and what questions to include.

## 6. O'Donnell Review Update

Dave Ramsden reported that there was currently a lot of work going on in this area, but that no decisions had been taken yet on the outcomes from the Review and the timing of any announcement had not been decided.

## 7. Any Other Business

The outstanding Action Points were briefly covered –

- Revenue confirmed that they did not want to publish an executive summary of the new compliance process until the process was finished;
- Revenue confirmed that they would invite a representative along to the next meeting to talk about publicising payroll best practice notes.

**Action point** Don Macarthur to attend June BTF re Payroll best practice notes

Revenue questioned whether business could provide an update on the awards of options. Business replied that they could not provide a meaningful update at this time, but that it may be appropriate in the future.

**Action point** Awards of options to be discussed at a future BTF

Business requested that Pensions Simplification should be on the agenda at the next meeting. This was agreed

**Action point** Pensions Simplification to be on agenda at June BTF

Customs reported that they had been undertaking work looking at how tax was handled in the boardroom and felt it would be beneficial to bring this work to the next meeting for an update. This was agreed.

**Action  
point**

Customs to report on tax in the boardroom work at June BTF.

**Next meeting: 3<sup>rd</sup> June 2004**