

MINUTES

BUSINESS TAX FORUM

14:00 hrs, Thursday 3 June 2004

Inland Revenue, Board Room, New Wing, Somerset House

ATTENDEES:

Inland Revenue

Dave Hartnett * (Head of Revenue Policy)
Mike Williams (Deputy Director, International)
Stuart Hartlib (Director, Large Business Office)
Doug Stoneham (PA to Dave Hartnett, secretary)
John Hinton (Personal Tax, Item 3 only)
Ray Bourley (Personal Tax, Item 3 only)
Don Macarthur (Employer Initiatives, Items 4-6 only)
Peter Hopkins (Capital & Savings, Item 7 only)

HM Customs & Excise

David Garlick

Department of Trade and Industry

John Alty
Paul Philip

*Co-Chairman

Apologies

Mary Hay (IR)
Philip Gillet (CBI)
Mark Gibson (DTI)
Dave Ramsden (HMT)

Business

Jon Symonds * (100 Group)
Patrick Chapman (100 Group)
Ian Menzies-Conacher (CBI)
Mervyn Woods (CBI)
Sebastien Hordern (CBI)

1. Minutes of previous meeting & matters arising

BTF worked through the Action Point register that had been circulated in advance of the meeting. Business Tax had met with business side members of BTF (AP61), the IAS website had been publicised in Tax Bulletin, although not in the ASB strategy document (AP67) and AP71 would be addressed under item 8 on the agenda.

2. Practical issues arising from Finance Bill 2004

Business side raised a number of points in this area, relating to the new provisions for disclosing tax avoidance schemes. They felt that there was a lack of clarity in the recently published draft guidance and regulations, leaving people in doubt as to what they should report – this could lead to businesses reporting more than necessary, challenging the Revenue’s resources. They also expressed concerns about whether banks would be caught by the scheme and whether the formula produced by the Revenue worked.

Revenue responded that they had received a large number of helpful responses so far. They agreed that the draft regulations, formula and the guidance might require change and encouraged BTF members to put any helpful suggestions they had in writing to the Revenue. They hoped to have revised guidance published by the end of June. Business indicated that CBI and BBA/LIBA would be sending in written responses soon.

Revenue added that they had been involved in a number of useful discussions with members of the BTF subgroup for tax practitioners. Business side requested sight of the minutes of these meetings – Revenue agreed to this.

Action point	Doug Stoneham to circulate minutes of BTF tax practitioners subgroup to BTF members.
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Both sides agreed that it might be most sensible for the discussion to be continued at an additional meeting, to be held before the end of June (if possible).

Action point	Doug Stoneham to arrange additional BTF meeting before the end of June.
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3. Construction Industry Scheme Reform

Business side explained that they had raised this issue as they did not feel the consultation process for the Construction Industry Scheme reform was working as well as it could be. They felt that it would be beneficial to have a meeting combining all three of the groups that the Revenue had set up (one for main contractors, one for deemed contractors and one for professional bodies) to have an open discussion.

Revenue responded that they had set up three separate panels in the first place to allow all voices to be heard in the process. However, they recognised that, as issues relating to deemed contractors had now been largely resolved, there was little point in retaining three separate groups. As such, they were in the process of writing to all the attendees on each group to suggesting merging the three groups into one. Business were satisfied with this outcome.

4. Publicising Payroll Issues

Revenue explained that they were doing much in this area to make life easier for employers. They produced much of their guidance online or on CD-ROM and had taken practical steps to make it simpler to understand and follow. However, the main problem they were facing was not with the quality of the material, but how to make more people aware of it.

Business side felt that this was an issue more for the CBI, as the 100 Group typically used intermediaries for their payroll. However, both sides agreed that this was a difficult area, with no straightforward solutions. CBI offered to place Revenue material on display in Centre Point and the DTI suggested that the Revenue should contact the Small Business Service. Business also suggested the Revenue could try to work closer with payroll software companies in trying to tie into their annual updates to subscribers.

5. E-Filing Errors Penalties

As an introduction to both this and the next item, Revenue emphasised that they did not use penalties as a way of raising money. Penalties were there to encourage business to file and make their payments on time.

Business main concern in this area was the potential for companies making a small error and then be hit with a £3000 penalty. However, Revenue explained that this penalty related to the number of P14s a company filed – the £3000 penalty would only be applicable to a company filing in excess of 1000 P14s. Additionally, once a quality standard was introduced for filing in May 2005, many errors would be picked up in advance of the documentation being filed, with companies being allowed an extension of up to one week past the filing deadline in order to correct these mistakes. Consultation was currently underway about how this system would work in practice.

In view of the cost both to the Revenue of having to make changes to data already filed, business accepted that it was sensible to have a scheme of financial penalties.

6. E-Payment Penalties

Business main concern here rested on the threat of a penalty being based on the total amount of PAYE paid, rather than the size of any error. Revenue responded that this had been clearly raised in consultation last summer and only one respondent had commented at the time. Additionally, if the penalty were based on the size of the error, this would be open to manipulation and the penalty only came into effect after three errors had been made (this was allowing, in effect, a 25% error rate). Revenue were happy to take further

comments in this area though – these should be addressed to Carolyn Parmeter (carolyn.parmeter@ir.gsi.gov.uk).

Business felt that this issue warranted further, more in-depth discussion so requested it be put on the agenda for the next meeting.

Action point	E-payment penalties to be on agenda for September's BTF.
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7. Pensions Simplification

Revenue provided a brief update on this topic. The legislation was currently going through Finance Bill Committee and draft regulations were being published on the Revenue website (four are on there thus far). More than 200 amendments have been suggested to the legislation – this being a testament to the high quality feedback that has been received from the industry. On a practical level, over the coming months the Revenue would be undertaking a programme of visits to large employers to check that they were set up to deal with the changes.

Both sides agreed that, as this issue was proceeding well, it need not be brought back to BTF.

8. Performance Measures for the Review of Links with Business

Revenue confirmed that they were intending to send out the draft questionnaire that had been circulated in advance of the meeting to a statistically valid sample size of LBO groups, accompanied by a joint covering note from Jon Symonds and Dave Hartnett. The draft questionnaire contained a suggested question relating to disclosure – both sides agreed that it was premature for this to be included at the present time. Revenue suggested that an alternative question might be one surrounding whether LBO groups are happy with their pre-filing conversations with Case Directors.

Business commented that it was important to get qualitative as well as quantitative data for the questionnaire. Both sides agreed that a way to do this would be to put a comments box under each question. Revenue agreed to make these amendments and circulate a version for comment.

Action point	Stuart Hartlib to amend performance measures survey and circulate to BTF members.
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9. Tax in the Boardroom (C&E)

Customs provided a brief outline of the work they were currently undertaking in this field. The work was based around developing a risk-profiling system for large corporations, then informing the corporations of where they were on the scale and how they might move towards being more compliant. This would allow a much more focused allocation of resources by Customs and a much closer relationship with business. Currently, they were working closely with two large American companies and were drafting MOUs for the relationship.

Business felt that this was an interesting area of work that they would like to revisit when it has progressed further. Customs agreed to make a further presentation at a future BTF.

Action point	David Garlick to produce paper and draft MOU for corporations involved in the Tax in the Boardroom initiative in advance of September's BTF.
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10. Any Other Business

Business requested that an item should be added to all future BTF agendas entitled 'Feedback from other subgroups' minutes'. All parties agreed this.

Action point	Item on 'Feedback from other subgroups' minutes' to appear at all future BTF meetings.
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Next meeting: 2nd September 2004