

# MINUTES

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## BUSINESS TAX FORUM

09:30 hrs, Monday 4 October 2004

Inland Revenue, Room G23, SW Wing, Bush House

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### ATTENDEES:

#### *Inland Revenue*

Dave Hartnett \* (Head of Revenue Policy)  
Trevor Evans (Director, Business Tax)  
Doug Stoneham (Capital & Savings, secretary)  
Gordon Smith (Receivables, Item 2 only)  
Mary Aiston (HMRC Programme, Item 3 only)

#### *HM Revenue & Customs*

David Garlick (Director, Large Business Service)

#### *HM Treasury*

Edward Troup  
Richard James (Item 3 only)

#### *Department of Trade and Industry*

Mark Gibson  
Paul Philip

#### *\*Co-Chairman*

#### *Apologies*

Patrick Chapman (100 Group)

#### *Business*

Jon Symonds \* (100 Group)  
Ian Brimicombe (100 Group)  
Philip Gillett (CBI)  
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. PG confirmed that AP63 had been completed. MW was satisfied with the progress that was being made on the consultation for the Construction Industry Scheme, so AP64 could be removed from the list. The Transfer Pricing subgroup would report back at the next meeting (AP68) – business were very keen that this should happen. DS explained that, with regard to AP69, he had agreed to exchange agendas with the secretaries of the Personal Tax Employers' Umbrella Group and the Corporation Tax Operational Consultative Committee to monitor any common issues that were recurring. It was agreed that Awards of Options (AP73) should be put on the

agenda for the December BTF. JS requested that the Revenue produce a paper on this, in advance of that meeting.

<b>Action point</b>	Revenue to produce a paper on awards of options in advance of December (now January) BTF.
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## 2. E-Payment Penalties

GS explained that a new surcharge had been built into the e-payment system. The basic premise is that business are allowed two payment errors before they receive any penalties. If they make a third error, they can face a surcharge based on their total PAYE liability (the percentage of the surcharge would increase with repeated errors). The default notices they receive would expire after a complete tax year with no further errors.

The new scheme was currently proving very successful. There had been very few errors and when these had occurred GS's team had got in touch with the firm concerned to discuss the error. Many default notices had been voided by using common sense – Receivables were not issuing defaults where there had been, for example, a payment to the wrong accounts office or a mistake with a NINO. GS added that his team were prepared to contact the Finance Directors of companies who were making errors, to ensure they were aware of the situation

Business welcomed the common sense approach in the new system and suggested that, if there were any particular trends of typical errors emerging, external business communication vehicles might be used to publicise these. Business remained concerned about the imposition of a penalty based on the total PAYE bill for the whole year. As long as the legislation was applied sensibly, this might not be a problem. It was not clear how the present approach, which was not proportionate, fitted with the principles of Better Regulation and there was concern about it being carried over to new regulations, such as CIS, where compliance issues had not been fully resolved between the Government and business. Revenue asked that business notify them of any specific cases where IR was being unreasonable.

## 3. HMRC Bill

MA gave a brief update on the merger of Inland Revenue and HM Customs and Excise. She explained that the key priorities were to maintain business as usual, improve customer service, reduce customer compliance costs, reduce the tax gap and look for efficiency savings. She added that, along with this, the Departments were also involved in the establishment of a new prosecutions team and the Serious Organised Crime Agency and would also have to deal with new policies coming through.

Business questioned how the tax gap was being measured? They felt that this would be a difficult target to achieve, without a settled definition of what the tax gap actually is – for example, would tax planning be covered by this? Both sides agreed that this discussion should come back to a future meeting.

<b>Action point</b>	<b>'What is the definition of the tax gap?' to be on the agenda for the December (now January) BTF</b>
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Business also questioned how BTF would fit into the structure of the new Department? Revenue responded that the key aim of the new Department was to focus on the customer – especially, how to best serve the customer and how to get the best performance from the customer. Revenue would want to consult with BTF on these topics generally and more specifically on how to measure performance.

<b>Action point</b>	<b>Role of BTF and performance measures for HMRC to be on agenda for December (now January) BTF.</b>
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RJ then outlined how the creation of the new department would be legislated. He explained that a short, straightforward bill was planned for inclusion in the next session of Parliament, creating the basics of the new Department, such as its powers and its ability to prosecute. It was planned that the two Departments' current powers should be ring-fenced in the creation of the new Department. Once HMRC was legislatively set up, there could then be a future bill to include other potential changes – there would be advance consultation on these.

Business questioned how the powers would work with regard to information – for example, former HMCE officers would still possess the power to enter premises for VAT purposes. Would they be able to gain information relating to corporation tax matters and pass these to Revenue officers? Revenue confirmed that there would be no changes initially, however, the O'Donnell review had suggested that there may be changes in the long-term. Revenue confirmed that there would, as has always been the case with such changes in the past, be in-depth consultation before any changes are made.

#### **4. Tax on the Boardroom Agenda (C&E)**

Business expressed concern at the general tone of the draft paper which had been circulated and said that in this form it would probably not be viewed as a positive contribution to improving operational efficiency and reducing compliance costs. DG explained that he was currently discussing memorandums of understanding with four companies to bring them within the Tax on the Boardroom agenda pilot. As such, he thought it likely that he would

be able to make a more worthwhile presentation at a future meeting when he had obtained feedback from the relevant firms.

Business agreed that the best way forward would be for DG to make a full presentation on the topic at the December meeting.

<b>Action point</b>	David Garlick to make full presentation on Tax on the Boardroom Agenda at December BTF.
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#### 5. Performance Measures for the Review of Links with Business

Revenue informed the meeting that a market research company (FDS) was currently conducting a survey on behalf of LBO. Although it did not cover all the areas included in the draft Review of Links with Business questionnaire, it did touch on a number of them. Additionally, there were concerns that issuing a further questionnaire so soon after the last one could lead to a negative reaction from the businesses being consulted. As such, Revenue suggested that they use the current survey to cover as much of the Review performance measures as possible and that they consult in detail on the remainder with the Large Corporates Forum. Business agreed to this. Revenue agreed to provide an update on the progress of the current survey at the December BTF.

<b>Action point</b>	Revenue to report back on FDS survey at December BTF.
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#### 6. Feedback from other Subgroups' Minutes

Business were pleased to note that some high quality discussions were taking place across the various subgroups. Revenue added that the Accountants and Tax Practitioners Subgroup was proving extremely useful in discussions around disclosure.

#### 7. Any Other Business

Business stated that they had concerns about the current disclosure rules for indirect taxation. Revenue responded that they would arrange for Chris Tailby from Customs and Excise to come to the next meeting to discuss this topic.

<b>Action point</b>	Chris Tailby to attend December BTF to discuss indirect tax disclosure rules.
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Business pointed out that there were a number of weighty topics scheduled for discussion at the December BTF. Revenue agreed to look into making the meeting longer if necessary.

<b>Action point</b>	Revenue to look into extending December's BTF. – The December meeting was subsequently postponed due to Pre Budget Report. A longer meeting was not possible in January so we may need to look into a longer meeting later in the year.
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**Next meeting: 6<sup>th</sup> January 2005**