

# MINUTES

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## BUSINESS TAX FORUM

14:30 hrs, Thursday 3 March 2005

Inland Revenue, Chancellor's Suite, 100 Parliament Street

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### ATTENDEES:

#### *Inland Revenue*

Dave Hartnett \* (DH - Head of Revenue Policy)  
Trevor Evans (TE - Director, Business Tax)  
Suzanne Viner (SV - BTF Secretary)  
John Hinton (JH - CIS reform team)

#### *HM Customs and Excise*

David Garlick (DG - Director, Large Business Services)  
Chris Tailby (CT - Director Anti-Avoidance Group)

#### *HM Treasury*

Edward Troup (ET - Budget, Policy, Finance)

#### *Department of Trade and Industry*

Paul Philip (PP)

\*Co-Chairman

#### *Business*

Jon Symonds \* (JS - 100 Group)  
Philip Gillett (PG - CBI)  
Ian Menzies-Conacher (IMC - CBI)  
Mervyn Woods (MW - CBI)  
Sebastian Hordern (SH - CBI)  
Adam Little (AL - 100Group)

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

BTF worked through the minutes of the previous meeting and the Outstanding Action Point register. It was agreed that action points AP79, AP82, AP83, AP86 and AP87 had been completed. It was also agreed to put IAS emerging practice on share options on to the BTF agenda for September's meeting (AP84). Two people from business side will do a presentation to the BTF group on this.

<b>Action point</b>	SV to add IAS emerging practice on to the BTF agenda for September's meeting. Business will lead that agenda item with a presentation to BTF.
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### 2. VAT disclosure regulations – letter from 100 Group

Business introduced the item stating that they still felt strongly that consultation on indirect tax disclosure rules had not taken place effectively, and that this led to them being unhappy with the outcome for VAT. Business expressed a wish to avoid going over old ground but wanted to work out a way of going forward and asked whether there might be some value in holding further discussions.

CT acknowledged that he had seen the 100 group as being more concerned with direct tax issues and as a result that they had not been consulted with as much as some other groups. He wanted to reiterate, however, that consultation had taken place with a number of other business groups with conferences around the country. He agreed that there were lessons that could be learned from this experience and a member of the 100 Group had now been invited to the Joint VAT Consultative Committee which he hoped would improve the situation in the future.

### **3. Terms of Reference for BTF**

DH gave a brief history of the original 2002 Terms of Reference for the Business Tax Forum, which had been constructed in consultation with the Paymaster General to reflect the group's focus on operational issues. In recasting the TOR DH said that he tried to keep to that concept but that this was to be discussed in this forum.

PG responded for the business side saying there was difficulty disagreeing with the draft presented at the forum, it continues to allow for constructive dialogue. Questions were also raised about the interaction of the forum with other groups in HMRC and whether it was understood by other groups that issues could be brought up to the BTF. It was agreed that more could be done to make this evident.

Business commented that the TOR as drafted also missed performance measurement issues and that we should not lose sight of things that we can genuinely measure. There is a need to keep a focus on this otherwise the BTF will lose proof that it is doing something worthwhile. There also continues to be the need to ensure that the right things are on the agenda for BTF meetings.

ET raised the issue of different perceptions of anti-avoidance and that understanding on this topic could usefully be added to the last output of the draft TOR. We need to identify where we agree and where we differ on avoidance, to understand the difference between IR/CE and business on where the line of acceptability lies. DH said that this was something he would like the BTF to come back to at a future meeting. Business has identified a list of CFOs for IR to meet with which will help develop an understanding of the different approaches.

<b>Action point</b>	DH to add something on performance measurement to the BTF TOR and then to re-circulate TOR again for comments
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<b>Action point</b>	SV to add understanding of anti-avoidance to the forward look
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#### 4. Construction Industry Scheme (CIS)

JH gave a brief update on the development of new CIS. He focused on the concern, raised at the last BTF meeting in January, that the electronic business software development time was insufficient. JH said that software providers had been consulted on feasibility to produce the software to time and responses had been varied. To help with this issue, the CIS project team are bringing forward the publication of the technical specification and expect the final version to be available in June. The team are also providing a testing service in early Autumn for software providers. A lot of work is going on in this area.

BTF members commented that the lead in time for software development was likely to run very close to the proposed implementation date.

Business agreed that availability of software is one of the major concerns and BASDA have said that there is not enough time to produce this software. They added that the process paper published on the 28<sup>th</sup> February was not really what business was looking for, rather they need to see something on how the system will work. Business also raised concerns about the Regulatory Impact Assessment and the possibility of advertising campaigns starting before any of the issues with detail had been resolved. Ultimately it was the view of business that a pilot of the new CIS scheme might be better in 2006 than a full rollout.

JH responded that new CIS was not e-mandated and that for 90-95% of the construction industry new CIS would be a benefit. The 3<sup>rd</sup> party software would be used by large construction businesses and the only uncertainty here is whether the software producers will feel there is a demand to produce that software. He added that the other concerns could be dealt with through guidance and there was not a need to delay the launch of new CIS at present.

DH asked what was happening at the CIS consultation meetings as there did not appear to be a shared understanding on the part of the CBI and IR. JS asked if the issues raised by MW and PG could be prioritised to help enable this work to go forward, and questioned whether a smaller group could be formed to see this work through.

PG gave DH a list of the issues the CBI had with the new CIS. DH suggested that in order to progress the issue he and PG should attend the next joint CIS meeting to see how it is running. JH to send a copy of the issues resolution log to Sarah Walker and Dave Hartnett.

<b>Action point</b>	DH and PG to attend the next CIS meeting to see how it is running. JH to send a copy of the issues resolution log to Sarah Walker and Dave Hartnett.
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<b>Action point</b>	JH to send a copy of the issues resolution log to Sarah Walker and Dave Hartnett.
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## 5. Tax in the Boardroom Agenda/Update on merger process

DG gave an update on the Tax on the Boardroom agenda. A workshop had been held in February and it was envisaged that the final product would be ready to show to the BTF at the next meeting.

Business asked what HMRC hoped to achieve from this exercise. DG said that it was a matter of appropriateness and materiality. Trying to inject an increased awareness within a business of tax risk. ET added that this work was not intending to direct the governance arrangements of business but rather apply those principles of governance to tax. A presentation will be brought to the next BTF meeting on this. JS agreed to provide DH/DG with a picture of a typical tax governance structure of a 100 group company and ET agreed to e-mail the BTF members a copy of the Henderson report.

DH added that he would like to bring a presentation on Financial Reporting Review Panel (FRRP) to a future BTF meeting with a question about business views on our perception of some difficulties in this area, and whether this sits with what DG has said.

A brief update on the merger of the Large Business Service (LBS) followed. LBS will be created on Day One of the new Department. It will be an amalgamation of the Large Business Office, the Large Business Group and Energy Group and will total around 2000 people. The LBS will gather circa 55 per cent of the new department's revenue. There have been questions about how to put all these units together as at the moment they all function independently and until the new department is formed information gateways must be maintained.

The LBS will not be formally launched until April 2006. The time leading up until then will be used to test possible ways of working for instance, single point of contact. There is a project to determine what will be inside of and

outside of the scope of the new LBS. This will look into a) population for LBS, b) the boundary of the LBS, c) risks, d) sectors. 15 entities have already been contacted to run pilots for 6 months on the single point of contact idea, compliance teams in both direct and indirect taxes will come together in this pilot which aims to report in September. These 15 are spread over 4 pilot sectors:

- Finance
- Oils and gas
- Alcohol
- Tobacco

They will report back to the Large Business Forum (LBF formally the Large Corporates Forum - LCF).

Business raised concerns over the use of powers. There was a fear that the extensive entry powers HMCE currently have could be used for purposes other than for that which they were intended. DH acknowledged that concern and stated that it had been logged, both IR and CE are sensitive to the information gateway issues. Alternatively business also raised questions about the two departments different use of discretion and flexibility. DH said that this was an issue under consideration for HMRC.

<b>Action point</b>	SV to put Tax on the Boardroom agenda presentation on the agenda for the next BTF meeting. David Hartnett to determine who is to present given the new organisation structure of HMRC.
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<b>Action point</b>	FRRP presentation to be put on the agenda for the next BTF meeting. HMRC to lead.
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<b>Action point</b>	Business to provide IR/CE with a picture of a typical tax governance structure of a 100 group company.
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<b>Action point</b>	ET to e-mail the Henderson report to the BTF group.
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<b>Action point</b>	The consultation document on HMRC Powers to be discussed at the next BTF meeting.
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## 6. HMRC Mission statement

Business introduced this topic with reference to the letter the 100 group had sent to DH regarding the draft HMRC Mission Statement. DH said the time to discuss this was probably at the next stage of the process but welcomed comments and a short discussion followed.

It was agreed that SV would forward the 100 Group letter to the consultation team dealing with the HMRC Mission Statement.

At the next meeting DH will explain the new business design for HMRC

<b>Action point</b>	SV to forward letter to HMRC team leading consultation on HMRC Mission Statement
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<b>Action point</b>	SV to add to New Business Design' to the agenda for the next BTF meeting
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## 7. AOB

There were a number of points of other business:

- 1) Patrick Chapman has now handed over his membership of the BTF to Adam Little. JS and DH agreed to write expressing thanks to Patrick Chapman for his services to the group since 2002.
- 2) Trevor Evans retires in April 2005 it was also agreed at this meeting to send a letter to Trevor expressing the thanks of the BTF group for his contribution over the years.
- 3) DH asked whether it might be useful to sponsor a BTF social function to bring people together. JS agreed that there are a lot of valuable discussions that the group do not get to have due to time constraints. An alternate forum might enable these discussions to take place.
- 4) The next BTF meeting is scheduled for half-term week. SV asked if the group would prefer for an alternative meeting date to be arranged. The group agreed to reschedule the next BTF meeting.

<b>Action point</b>	JS and DH agreed to write expressing their thanks to Patrick Chapman for his services to the group since 2002.
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<b>Action point</b>	BTF to send a letter to Trevor expressing the thanks of the group for his contribution over the years.
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<b>Action point</b>	DH office to look into organising a social event for the BTF group and associates in discussion with BTF members
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<b>Action point</b>	SV to reschedule the next BTF meeting so that it does not fall in half term week
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**Close**