

MINUTES

BUSINESS TAX FORUM

15:30 hrs, Friday 7th July 2006

HM Revenue and Customs, Room 2/39, 100 Parliament Street

ATTENDEES:

Revenue and Customs

Dave Hartnett * (DH - Director General)
John Connors (JC - Director, Large Business and
Employers)
Julie Hughff (JH - Large Business and
Employers)
Christine Mills (CM - BTF Secretary)
Simon Woodside (SW - CT & VAT)
David Garlick (DG - Director, Large Business
Service)

HM Treasury

Edward Troup (ET -Budget Tax & Welfare)

Department of Trade and Industry

Bob fisher (BF - DTI Tax Advisor)

*Co-Chairmen

Apologies:

Ian Menzies- Conacher (CBI)

Business

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

1. Minutes of previous meeting & matters arising

DH apologised for the delay in sending out the minutes from April's meeting.

2. Review of Links with Business

JC introduced the item, commenting that everyone around the table had had some involvement in the Review. The end of the initial phase culminated in discussions at the Consultative Committee last week. These discussions reinforced the themes and issues of the review - the tone and nature of engagement and how to change perceptions. There are also issues around operations, day-to-day work, and the development of strategy and policy.

The next phase is to go into more detail, within the context of the remit - this will build upon the Hartnett Review of 2001. One of the themes discussed at the Consultative Committee was to explore the question of rulings and consequent resource implications, and practices in other countries such as Netherlands, Switzerland and the US. Underpinning these questions is the approach to avoidance and HMRC's role in relation to business - does HMRC support business and how is that balanced with the role of "policeman"?

DH stated that one of David Varney's issues is the rise of private equity. HMRC are concerned about transparency in this area. In general tax issues, corporate responsibility is palpable, but this seems to be less the case in private equity.

JS replied that there is overwhelming support for improvement in the dialogue and relationships between business and HMRC. There is a particular need for transparency in filing. There is a strong agenda and a willingness to move it on. Business recognises that it can't be involved with policy making as that is HMRC's role, but would like to have a role in establishing how to improve competitiveness to benefit the UK.

JC suggested that there are things that can be done readily and some that are more problematic - the challenge will be to join everything up. DH said that the interesting thing about engagement with business is the extent to which business focus on addressing issues in real time. HMRC are open to it, but need help to look at the cost benefits of this approach.

PG said that, when comparing internationally, one needs to look separately at individual country's laws. The individual principles need to be taken out and considered before they are all then looked at together. Formal rulings need to be explored - the benefit of real time working is that there are no surprises due to talking in advance.

AL responded that there are a group of companies who broadly comply, or want to comply. There are others who don't comply but everyone is treated the same. Attention should also be given to how our economy deals with the amount of consultation that there is - is there a similar economy to ours that is more efficient in its consultation methods? With regard to operations, there are resource implications for all. It would be interesting to map what has happened since the 2001 Hartnett Review. Steps have been made in the right direction, but the promise did not come with it. What needs to be questioned now is what brought us to this less positive path? JH confirmed that a review of the implementation of the 2001 Hartnett recommendations is underway.

DH replied that it would be interesting to get a business perspective on what has happened. One factor has been the profile and approach to avoidance. It would make a difference if business leaders spoke out against the worst excesses and this is something that could be addressed by the review. More support is required from business, perhaps with inward and outward secondments to and from business would help to change perceptions?

JS suggested that the Varney Review should be a joint review and there would be support from business for that.

PG pointed out that the 2001 review had been good. More recently however avoidance and the tone of debate had dominated discussions in recent years and whilst some companies do behave reprehensibly, there is a need to balance tone, and address those who do want to stay on the right side of things. Mergers always cause a conflict over cultures, with one party being more dominant. It is difficult to maintain a consistent image, but this is quite natural and will take time for HMRC to sort out.

DH reiterated that the review does need to be joined up and that language used in the past has had an impact. The requirement now is to lift the relationship together and HMRC would like help from businesses in doing this.

ET said that there is concern that the perception of HMRC's behaviour is affecting UK competitiveness. MW responded that this also applied to HMT and their policies. ET agreed that there is an issue of perception across the board and this needs to be addressed at PBR.

DH commented that the UK needs more business leaders to say that they had a good experience here. ET explained that PMG has been having meetings with Finance Directors and there have been few bad stories. PG replied that it depended whom you spoke to and that, obviously, companies in forums such as the Large Corporate Forum would be compliant, therefore it is the converted talking to the converted - there are others who are not so compliant. Private equity, for example, is merely extracting money and giving nothing back.

DH suggested that a joint paper is needed on how BTF will work in the future. It is important to see how BTF can move on in light of the reviews. ET agreed that there was a need for more dialogue, on policy as well. BTF can be taken forward with business allowed to feed into policy.

DG said that there was a sense that BTF only looks at the negative, but we need to document and account for the good things as well. Operational issues are fixable if we work together. Some things, such as complexity and tone have been considered too difficult to discuss in the past. Tone creates a culture that we don't want and the review will allow the addressing of issues that have not been dealt with before. There are different levels of understanding depending on where someone sits in an organisation and their perceptions may not match reality.

JC commented that this was an issue to be addressed by BTF. They have looked in a strategic direction but at times have got more involved in the detail than was originally envisaged. MW agreed that it would be useful to have one body that looks across the piece and isn't subject specific.

AL suggested that the discussions around the CIS issues were an example of those that should be dealt with in another forum.

Action point	Dave Hartnett and Jon Symons to draft a paper on what BTF has achieved, outlining the main topics and decisions.
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