

Minutes

BUSINESS TAX FORUM

16.35 – 17.50 hrs, Monday 19 February 2007
Room 2/51, 100 Parliament Street

Chair:	Dave Hartnett Jon Symonds	(DH - HMRC) (JS - AstraZeneca)	
Secretariat:	John Connors Angela Brown Ian Brimicombe	(JC - HMRC) (AB - HMRC) (IB - 100 Group)	Business Customer Unit Business Customer Unit Business Secretariat
Attendees:	Adam Little Eileen Haughey Tim Voak Ian Menzies-Conacher Mike Templeman Geoff Lloyd Melanie Dawes Stephen Banyard Bob Fisher	(AL - BP) (EH - Marks & Spencer) (TV - Tesco) (IMC - Barclays) (MT - Schroders) (GL - HMRC) (MD - HMRC) (SB - HMRC) (BF - DTI)	100 Group 100 Group CBI CBI CBI CT&VAT Large Business Service Business Customer Unit
Apologies:	Edward Troup Joel Walters Naomi Ferguson	(ET - HMT) (JW - Vodafone) (NF - HMRC)	Business & Indirect Tax 100 Group Local Compliance

1. Business Tax Forum: Terms of Reference and function

- 1.1. HMRC had completed its commitment under the Review of Links with Large Business to refresh the membership and mandate of the BTF:
- New members were all present, with apologies from JW, ET and NF.
 - Revised terms of reference, circulated before Christmas, were agreed, with an amendment to reflect (viii) below.
 - Meetings will be quarterly – two will consider advance papers for the Large Business Advisory Board, and two will focus on wider issues.
 - Minutes will be published on the HMRC website.
 - Business and HMRC will ensure that the agenda contains high-level strategic issues, and that the sub-groups and operational fora focus on the more detailed operational issues.

- vi. General and individual concerns should be addressed direct to the Business Customer Unit, whose remit is to manage the relationship between HMRC and its large business customers.
- vii. Background papers can be circulated around other representative bodies.
- viii. There will be a 2-year term limit for business members, with HMRC members refreshing through the natural progression of post holders. IMC/IMB will organise the business membership.
- ix. Papers will be circulated to IMC and IB in advance.

2. BTF Sub-groups

- 2.2. The Transfer Pricing group has proved a useful forum, and it was agreed to reconvene the group in May to discuss the Review of Links proposal 5, setting a timetable for resolution of transfer pricing enquiries.
- 2.3. The Lawyers and Accountants group has also proved useful. It is currently restricted to 10 members (primarily 'big 4' and major law firms) although papers are being circulated to about 25 others. HMRC approached the UK's biggest firms, and membership was drawn from those who came forward. The BTF will see papers and the agenda in advance. There are 8 or 10 items currently on the table, and these will roll forward to successive agendas.

3. 2006 Review of Links with Large Business

- 3.1. JC confirmed that HMRC had appointed a new Business Customer Unit Assistant Director, Peter Wharrad, to manage the implementation process. Peter has a career background in the large business sector tax function and will provide an ongoing business perspective to the delivery team. A number of implementation managers have been appointed to deliver the individual Review proposals, with a Directors Steering Group overseeing the project governance. Plans were still being developed, but the team were on track to publish a number of documents alongside Budget 07. A programme of external consultation is under way – formal papers will be circulated to the members in due course, and views should be fed back to AB (proposals 4, 6, 9 and 10 being the most immediate). The Large Business Advisory Board has been constituted and will meet on 9 March to review the budget publications.
- 3.2. The Review team had already met one of its first commitments by publishing a paper in December 06 that clarified the roles and responsibilities of the CRM and Sector Leads, affirming that the CRM is responsible for the decision making process, and empowered to ringmaster specialist technical resource. It also set out HMRC's approach to settlement and litigation.
- 3.3. MD confirmed that the cultural realignment within HMRC, that underpinned successful progress of the Review, would be addressed by the implementation of the risk management document being published at Budget 07. This would set out a project management process for enquiries, and clarify HMRC's view of risk for both staff and customers. It would acknowledge and align with the way business manages its tax risk. There were challenges ahead for staff, but their engagement is non-negotiable, and managing the processes better would crystallise culture change. Her wider management team were fully committed, and this would cascade down to the CRMs in due course. Resources were gradually moving away from low risk customers, and the process of settling legacy issues was helping to inform a new way of working.

- 3.4. MD advised that the CRM would be the point of contact for the new clearance process. Concern was expressed about their capacity to process the likely number of applications. GL explained that the risk based approach was designed to provide business with certainty, and encompass clearance applications. HMRC was working to define the parameters of a new clearance process that would meet business expectations but not overwhelm HMRC's resources. DH advised that HMRC were exploring the possibility of contracting in technical advice.
- 3.5. IMC queried the difference between a ruling and a clearance. GL confirmed that advance rulings would be a holistic end-to-end package for major restructuring and for inward investment by non-UK businesses with no CRM point of contact. The clearance process would apply more to components of transactions, with the CRM as the point of contact. Significant clearance applications may require a discrete specialist team, and be dealt with in a similar way to rulings. There would be consultation on the detail of the process during the summer. DH added that business needs to use the process judiciously, and submit clear applications that could be processed quickly. He confirmed that no changes to statutory clearances were being proposed at present.
- 3.6. MD accepted that there was a need to revisit the way in which customer facing staff across HMRC were measured and rewarded. The incentive must be to help customers pay the right tax at the right time, and improve the attractiveness of the UK's tax administration by delivering the four key themes of the Review: consultation, certainty, risk management and efficient escalation processes. The continuing engagement and support of the BTF and other customers was also critical to promoting commercial understanding within HMRC.
- 3.7. JS said it was encouraging to see HMRC's new approach to risk management but ultimately both sides need to demonstrate a different approach. There must be constructive analysis of what does and doesn't work well, and the metrics evolve in a way that encourages the right behaviours.

4. HMRC's approach to litigation and settlement

- 4.1. GL acknowledged historic differences in HMRC's approach to negotiation and settlement across the various regimes, and the need to provide clarity by formalising the process. Where HMRC has a strong case it should litigate and, conversely, where it has a very poor case it should concede. The new approach sets out a number of key principles to guide decision making (such as the behaviour underlying the issue and the amount at stake) and a list of internal stakeholders across HMRC who must be consulted. A number of internal workshops are being held to test the practical application and to disseminate the approach to key operational staff. HMRC will then publish an external statement so business and their advisors understand the circumstances in which HMRC will litigate, and to ensure that HMRC staff understand and follow the process.
- 4.2. Concerns were expressed about the length of time it can take to reach the point where litigation is agreed as the next appropriate step, and whether HMRC has the resource to apply this approach in practice. Would the approach apply to existing legislation? DH advised that a change in culture within business and HMRC would lead to more open discussion about the evidence for new and existing cases, and lead to less embattled and contentious positions being taken. HMRC should always be ready to negotiate settlements, on an issue by issue basis but there would be no general application of offset of amounts under negotiation.

5. New public sector agreements (PSAs) and departmental strategic objectives (DSOs)

- 5.1. HMRC has previously agreed its individual PSAs with HMT in return for its funding, with assurance on value for money and accountability. The emerging framework of Government-wide PSAs for 2008 - 2011 replaces the individual departmental PSAs and instead includes a simplified range of DSOs. The outline plans are designed to encourage the right behaviours. There are two main objectives for HMRC – to help customers get it right, and to get it right themselves. Embedding customer focus across the Department will help HMRC understand, respond appropriately to and be able to influence the spectrum of behaviours adopted by their customers.
- 5.2. The existing Admin Burden targets could be a useful measure of progress against the new DSOs, for business customers. DH proposed an agenda item at the next BTF meeting to discuss the admin burden, and solicit help from business on areas where HMRC could make useful changes, without the need for legislative change. The Admin Burden Advisory Board has identified about a dozen irritants, such as the P46(car), which would make a big difference to business but not require policy or legislative change.
- 5.3. Improving the UK's business environment is one of the proposed Government-wide PSAs (led by the DTI) which, for HMRC, will encompass transformation of the customer experience and improving operational efficiency. As well as the Admin Burdens commitments, the two Varney reviews will be seen as major contributors to success - both the Varney Review of Links, and the Varney Review of Government Services, which recommended the Direct.gov and Businesslink.gov websites are brought together under HMRC's management.

6. Business breakfast event

- 6.1. JC introduced this event as an opportunity for HMRC and business to debate the concept of responsible tax in a neutral environment under Chatham House rules. This could be a series of events, launching a programme of engagement with business and other stakeholders, such as the Business in the Community organisation. He would welcome the active participation of 4 or 5 business leaders.
- 6.2. IMC felt that it must be a true debate, not a series of presentations or statements. Was a 'business breakfast' the best forum for this? TV felt that an effective outcome would not be achieved unless attendees held a wide range of views. EH felt that many Boards believe they already have a responsible tax policy, and will find the need for change difficult to understand. IB and IMC suggested that the opening event begins with statements of perspectives from divergent quarters in order to gauge the difference in understanding and views..
- 6.3. DH noted that businesses conduct their tax affairs under a spectrum of tax policies, and there should be discussion and dialogue on the purpose and function of these. MD added that it would send a positive signal to operational staff that both HMRC and business were acknowledging the ambiguities and sensitivities in this area, but were taking forward a constructive discussion.
- 6.3. JS agreed that the boundaries of a responsible tax policy were unclear within the business tax community, and it was timely to have this debate now if the changes implicit within the Review of Links are to progress as intended. The series of events should therefore allow for a debate that moves towards conclusion.

7. AOB

- 7.1. The next meeting would be on 29 June 2007, 15.30 – 17.30.
- 7.2. JC requested feedback on today's meeting to ensure that future agendas reflected a business perspective.