

Minutes

BUSINESS TAX FORUM

11:00-13:00, Monday 2 June 2008
Room 3/24, 1 Horse Guards Rd

Chair: Melanie Dawes (HMRC)
Julian Heslop (GlaxoSmithKline)

Secretariat: Judith Knott (HMRC) Business Customer Unit
Angela Brown (HMRC) Business Customer Unit

Core Attendees:

Eileen Haughey	(Marks & Spencer)	100 Group
Joel Walters	(Vodafone)	100 Group
Paul Morton	(Reed Elsevier)	100 Group
Tim Voak	(Tesco)	CBI
Michael Templeman	(Schroders)	CBI
Ian Menzies-Conacher	(Barclays)	CBI
Mike Sufrin	(Rolls Royce)	CBI
Geoff Lloyd	(HMRC)	CT&VAT
Freda Chaloner	(HMRC)	LBS
Jamshed Malik	(BERR)	
Edward Troup	(HMT)	

Apologies: Michael Devereux (Oxford University Centre for Business Taxation)
Naomi Ferguson (HMRC) Local Compliance
Ian Brimicombe (100 Group) Business Secretariat
Stephen Banyard (HMRC) Business Customer Unit

HMRC Speakers:

Richard Thomas
John Connor
Simon Norris
Ian Quelch

1. Minutes

Minutes agreed, with a request for further discussion on the UK company residence rules at the next meeting.

2. Principles based drafting - disguised interest and income streams.

Consultation is continuing, with further discussion documents to follow that will include transfer of income streams and disguised interest; working towards an outcome within Finance Bill 2009.

Business members were supportive, though getting the balance right will be hard. They requested clear and targeted guidance alongside new legislation to ensure certainty and consistency.

3. Litigation and Settlement Strategy (LSS)

LSS is intended to ensure consistency, fairness and transparency in disputes, so that there is focus on material issues that have strong supporting evidence. Where settlement by agreement is not possible and litigation is necessary, HMRC will make its position clear. The decision will be based on supporting legal opinions, the amounts at stake, precedent value, and wider benefits from clarifying uncertainties in the law. Governance is in place to ensure appropriate decision making. Initial progress has been positive – the number of open issues for HMRC's largest businesses has fallen as a result of a rigorous review of those cases that did not have strong supporting contentions. This has allowed resource to be deployed against higher risk issues.

Business members were supportive of the approach in principle, but cautioned against decisions on litigation being made too early and the process being applied in less significant cases; the process should be flexible and allow for discussion and review as the case develops.

4. Powers Review

The Review of Powers covers five areas where legislative change to align and modernise rules across HMRC's tax responsibilities has been made or is being considered.

- Compliance Checks
- Civil Financial Penalties
- Penalties for Incorrect Returns (main taxes) – Finance Act 2007
- Criminal Investigation Powers
- Safeguards for Taxpayers
- Debt Management Powers

The Review is about half way through, with current focus on debt management and compliance checks. The implications across customs and excise duties and tax credits are also being considered. There are issues for large business on the interaction with the enquiry regime across groups of companies and informal consultation will continue after Royal Assent.

Business members were concerned that, for large business customers, the process allows for 'real time' discussions to resolve issues outside the formal enquiry process. Business also expressed caution on the interpretation and application of 'reasonable care'.

5. Foreign profits update

Informal consultation is continuing, with a view to achieving a revenue neutral outcome. Business representations are influencing direction. Business members welcomed the continuing engagement and measured approach, but requested greater clarity on the detail of the proposals.

6. Review of Links with Large Business

The proposals are now beginning to bed down into 'business as usual', with positive progress in terms of settling historic low risk issues, moving resource to risk, and launching the new clearance process. HMRC is working to improve collaboration between policy and operational teams. Business welcomed the progress made, requesting clarification on the authority of the CRM and greater stability within case teams, particularly across the different regimes.

7. Consultation

Business welcomed the extent of informal and formal consultation but requested greater clarity on the structure of consultations as it is not always clear how issues are evolving, the underlying rationale and the most effective way to contribute.

8. Terms of Reference

It was agreed to revisit the Terms of Reference at a future meeting.

There was no other business and the meeting ended at 13:00