

Minutes

BUSINESS TAX FORUM

15:00-17:00, Wednesday 4 March 2009
Auditorium Left, 1 Horse Guards Road

Chair:	Melanie Dawes Julian Heslop	(HMRC) (GlaxoSmithKline)	
Secretariat:	Kate Ramm Angela Brown Jonathan Bates Ian Brimicombe	(HMRC) (HMRC) (HMRC) (100 Group)	Business Customer Unit Business Customer Unit Business Customer Unit Business Secretariat
Attendees:	Paul Morton John Connors Tim Voak Mike Sufrin Brian Chapman Freda Chaloner Keith Cartwright Jim Harra Judith Knott Edward Troup Jamshed Malik	(Reed Elsevier) (Vodafone) (Tesco) (Rolls Royce) (Unilever) (HMRC) (HMRC) (HMRC) (HMRC) (HMT) (BERR)	100 Group 100 Group CBI CBI CBI Large Business Service Local Compliance CT&VAT Business International Business & Indirect Tax
Apologies:	Michael Devereux Abdul Nabi Ian Menzies-Conacher Naomi Ferguson	(Oxford University Centre for Business Taxation) (Marks & Spencer) (Barclays) (HMRC)	100 Group CBI Local Compliance

1. Welcome, Minutes and Action Points.

The minutes of the last meeting were agreed for publication.

Action points from the last meeting:-

- Company Residence Guidance – HMRC and two business members had had a productive meeting and agreed to draw up illustrative examples for inclusion in the guidance. A lot of progress has been made and draft examples are expected to be ready by Easter.
- Long-term Service Contract – The VAT team have picked up all issues and are working on resolutions.

- Principles-based Legislation – The legislation is still evolving. HMRC have already met with interested members on the latest draft, including meeting separately with the oil and gas industry to consider their specific concerns, and have arranged an open day on 6 March 2009 to continue the process of dialogue.

2. Foreign Profits

HMT gave an update. The debt cap and the balance between off-setting and protecting are proving to be quite difficult and is generating a lot of e-mails. There is much interest from business in both the policy issues and the detailed design. All the points received so far have been, or are being, considered and HMT are aware of all the issues. The detailed design is constrained by European legislation, but HMT are working to deliver an end result which will be sensible even if it is not possible to remove the admin burdens entirely.

Business members remarked that engagement had been first class on this issue, but questioned whether it would be better to spend more time on getting it right rather than rushing to legislation in time for this year's budget. HMT explained that the reforms were part of a package and that fiscal and other considerations meant that it was not feasible to separate them. Business members asked HMT to continue to keep them in the loop on developments and undertook to respond on any information they receive.

3. Business International Directorate

HMRC updated members about the creation of the new Business International Directorate [BID]. The aim of this new directorate is to give a sharper focus on international work, particularly with respect to corporation tax, and to recognise the realities of the global economy and the importance of international work, in terms both of tax risk and UK tax competitiveness. BID will be outward-facing and forward-facing, and good engagement with large business will be a key feature.

HMRC has recently carried out a review of international casework, looking at how operational international issues for large business are handled and focusing particularly on the nature and tone of engagement, and how best to build trust and transparency. The report is still in draft but the findings do not present any great surprises, being broadly in line with the Review of Links with Large Business.

Business expressed concern about the potential for overlap with the CRM's role. In discussion, it was agreed that the CRM needs to remain 'at the table' and take responsibility for moving things forward actively. HMRC asked for feedback, both positive and negative, with a view to measuring progress and identifying good practice models.

A letter has been issued on treaty issues inviting views on the programme for next year and a meeting of stakeholders is scheduled for 27 March 2009. HMRC is also considering broadening the scope of the Transfer Pricing Group to cover international issues more widely, including for example, CFC and company residence guidance. HMRC would welcome the input of business members on both these matters.

4. CFC Review

HMT provided an update on how the Controlled Foreign Companies (CFC) review will be progressed and the timing of the review. The review will involve developing a principle rationale for CFC rules in the context of moving towards a territorial approach to taxing foreign subsidiaries. HMT and HMRC are currently engaged in early analytical work and evidence gathering, and would welcome any input from business as to commercial structures that are constrained by the current rules. The membership of the liaison

committee, consisting of 6 or 7 business representatives, is being finalised over the next few weeks and will be published on the HMT website.

Business stressed that this is one of the most difficult and important areas of reform and it is important that the underlying policy principles are communicated and understood.

5. Review of Links with Large Business

HMRC provided an update on the research survey which is being carried out to evaluate the implementation of the Review of Links with Large Business. So far, only the qualitative stage has been completed but the results are looking good overall. An update with fuller details will appear in the HMRC Annual Report. Discussion centred on the benefits for a business of being assessed as 'low risk'. These were agreed to be about the degree of trust and openness, from both sides, in dealings with each other, which would lead to quicker resolution and earlier certainty.

6. Large Corporates Risk Sub-Group

HMRC updated members on the Large Corporates Risk Sub-Group which at the last meeting had discussed the draft Risk Assessment Guidance (which will be published shortly) and the project "Relying on Customers Governance and Systems" which has the objectives of developing a better understanding of how this approach applies in practice across the range of large business customers, improving HMRC's capability to apply the approach, and embedding the approach into everyday ways of working in LBS and Local Compliance Large & Complex. The project is currently in the first phase where we are looking for six or so customers to volunteer to work with us to test, develop and refine our approach after which we aim to roll it out more widely. Business felt that this sub-group had been very useful in examining the draft guidance in detail.

7. Review of Tax Disputes

HMRC introduced and outlined the scope of the review of tax disputes. The objective of this review is to improve the resolution of tax disputes and its timeframe is short, with first ideas due to emerge by the end of March and to be finalised in May. The help of those present was requested in identifying the best way to take the views of business; they were invited to contact Gabs Makhoul or Trevor Evans if they would be prepared to offer their own views in a meeting.

Business asked about the relationship between this review and the Litigation and Settlement Strategy [LSS]. HMRC are not reviewing the content of the LSS; this review will look at why disputes arise and whether there are better routes to resolution. Business thought that examination of some specific cases, especially where differences in opinion arose from lack of clarity in underlying policy, would be most revealing.

Meeting organiser: Beverley Duncan 020 7147 3286