

MINUTES

BUSINESS TAX FORUM

15:30-17:30, Monday 1 June 2009
Board Room, 1 Horse Guards Road

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

1. New member and minutes of last meeting

Abdul Nabi of Marks and Spencer was welcomed to his first meeting. The minutes of the last meeting were agreed for publication.

2. HMRC Business Plan and Business Tax Plan

HMRC presented the HMRC Plan which sets out the Departments aims and objectives for the year, across six key areas. The Business Tax Plan, which was also discussed, describes the contribution of the Business Tax line of business to the achievement of HMRC's objectives.

Discussion of the plans centred around the work to develop a better understanding of the costs involved for all parties in dealings between HMRC, business and agents, how to

measure the tax gap, and finding the balance between the two objectives of collecting the right amount of tax and improving the customer experience.

The overall reaction of business was to welcome the documents as a very clear and useful statement of HMRC's objectives for the year.

3. Personal accountability of Senior Accounting Officers

Business presented a paper on the issues they saw arising from the introduction of this measure. HMRC set out the background to this requirement, the work being done to address business's concerns and make it work practically and the changes that the Minister had already indicated that he was prepared to make, to take on board some of the issues raised in discussions.

Business considered recognition of the concept of materiality to be key and thought that the use of the term 'accurate' in the legislation caused difficulties. They were also concerned about the administrative burden associated with providing the proof required to enable a CFO to sign the certificate.

HMRC clarified that 'accurate' is intended to mean the same as 'correct and complete' and so there is no raising of the standard compared to that already required to sign off returns. Additionally there is no desire to impose or introduce a complex and costly bureaucracy or to significantly increase the administrative burden for business and this will be brought out in the guidance.

HMRC is working closely with a small group of business representatives and representatives from the Big 4 etc on the guidance and comments on the guidance, as it progresses are welcome.

4. Update on CFC Review

HMT provided an update on the CFC Review. The latest information on CFC reform can always be accessed at [HM Treasury Controlled foreign companies](#).

A Liaison Committee was set up in April to discuss the approach, help facilitate feedback to business and test drive suggestions. There have already been some useful discussions and these will continue over the summer. The next meeting of this committee will be later this month.

5. Tax Disputes Review

HMRC gave a brief update on the Review of Tax Disputes which has now completed the analysis and evidence gathering phase and is starting to identify the learning points. The emerging conclusions are grouped under three main headings – avoiding disputes by getting things right in the early stages; handling disputes better by identifying and adopting best practice; and improving resolution by using alternative resolution techniques wherever possible. A good relationship between the business and HMRC has been identified as an essential requirement for avoiding disputes and handling them better when they arise, as illustrated by the CRM approach.

The link with the Litigation and Settlement Strategy [LSS] was queried by Business and HMRC confirmed that the recommendations of this review will be consistent with the LSS and will even help it work better.

6. Timing of the VAT rate change

Business explained the difficulty of introducing the VAT rate change during the Christmas period, especially for retailers. An implementation date either a few weeks before or after Christmas would be preferable for them. They also pointed out that it was a significant imposition of administrative burden.

HMT and HMRC explained that, as this is a matter of tax policy, it is strictly not proper to the BTF for debate. However, Government recognises that the change is not easy or without cost for businesses and HMRC is working on practical ways of keeping these to a minimum. As the Financial Secretary announced in the Finance Bill debate, HMRC is willing to allow a few hours' grace' for businesses such as pubs and restaurants that will be operating across midnight on 31 December 2009 and would like to work with business to firm up the details. Detailed guidance is being prepared to help businesses manage the transition as easily as possible and this will be issued for discussion soon. HMRC invited further comments on practical issues from businesses direct to themselves.

7. Capital allowances

The queries raised by Business were policy issues and were not proper for discussion at BTF. Business was advised to take them up separately with the relevant policy units.

8. Foreign Profits

Business requested clarification of the interaction between Schedule 16 paragraph 14, and Schedule 14 of the Finance Bill. HMRC confirmed that all income will be apportioned purely on a time basis between the pre- and post-1 July accounting periods of the straddle period regardless of the type of income, and agreed that any dividend paid after 1 July 2009 and qualifying as an exempt dividend under Schedule 14 can never be treated as taxable. It also confirmed the converse, i.e. that a foreign dividend received before 1 July can never be exempt, even if apportioned to a post-1 July period. Business asked for written confirmation of this and HMRC confirmed that it will be covered in the guidance.

9. Interest Cap

It was agreed that this item would be dealt with in correspondence outside the meeting¹.

10. Publication of names of serious tax defaulters

The business side was interested to discuss the underlying rationale for the measure which allows HMRC to publish the names of deliberate tax defaulters. HMRC explained that this is very closely targeted at serious cases [i.e. fraud]. The objectives are to send a very clear message that tax evasion is wrong, to deter potential serious offenders, to reassure compliant businesses about the fairness of the tax administration and to encourage people to come forward and make good past misdemeanours. It builds on the new penalty regime and does not apply to mistakes or differences of opinion over interpretation of the law. It is not targeted at large corporates. The business side confirmed they were reassured by this explanation and did not raise concerns about the proposed minimum level of £25,000 tax understated.

11. Mandatory On-line Filing of Company Tax Return using XBRL

¹ The draft legislation on the financial services exclusion and the targeted anti-avoidance rule was published on the HMRC website on 1 June 2009.

The business side expressed concerns about the administrative burden associated with changing their systems to enable on-line filing of CT returns using XBRL, especially as XBRL did not seem to be requirement for filing returns with Companies House.

HMRC explained that it is in fact working very closely with Companies House over the use of XBRL and plans to issue a joint statement with them next month. It is also keen to reduce the administrative burden as far a possible and would welcome discussions with businesses to help identify how to achieve this. It was suggested that BTF could return to the subject for a more in-depth discussion at a future meeting.

12. Membership of BTF

The Terms of Reference allow individual members to limit their membership to two years and analysis of the last few meetings shows that some members have already been on the committee for more than two years. HMRC is not seeking to change the membership but will be speaking to members over the next few months to get feedback on how well the BTF is fulfilling needs, the content etc of meetings and also whether or not members are happy to continue to attend.

Meeting organiser: Beverley Duncan Tel 020 7147 3286