

# Minutes

## BUSINESS TAX FORUM

10:00-12:00, Tuesday 20 July 2010  
Auditorium (Left), 1 Horse Guards Road

<b>Chair:</b>	<b>Melanie Dawes</b>	<b>(HMRC)</b>	
<b>Secretariat:</b>	<b>Kate Ramm</b>	<b>(HMRC)</b>	<b>Business Customer Unit</b>
	<b>Gemma Timms</b>	<b>(HMRC)</b>	<b>Business Customer Unit</b>
	<b>Lidia Otero</b>	<b>(HMRC)</b>	<b>Business Customer Unit</b>
<b>Attendees:</b>	<b>Paul Morton</b>	<b>(Reed Elsevier)</b>	<b>100 Group</b>
	<b>Abdul Nabi</b>	<b>(Marks &amp; Spencer)</b>	<b>100 Group</b>
	<b>Ian Menzies-Conacher</b>	<b>(Barclays)</b>	<b>CBI</b>
	<b>Mike Sufrin</b>	<b>(Rolls Royce)</b>	<b>CBI</b>
	<b>Kirsten White</b>	<b>(Shell)</b>	<b>CBI</b>
	<b>Freda Chaloner</b>	<b>(HMRC)</b>	<b>Large Business Service</b>
	<b>Jim Harra</b>	<b>(HMRC)</b>	<b>CT&amp;VAT</b>
	<b>Jeremy Tyler</b>	<b>(HMRC)</b>	<b>CT&amp;VAT</b>
	<b>Geoff Lloyd</b>	<b>(HMRC)</b>	<b>Dispute Resolution</b>
	<b>Cheryl Scott</b>	<b>(HMRC)</b>	<b>Central Policy</b>
	<b>Jonathan Leigh-Pemberton</b>	<b>(HMRC)</b>	<b>Business International</b>
	<b>Melissa Tatton</b>	<b>(HMRC)</b>	<b>Business International</b>
	<b>Claire Gough</b>	<b>(HMRC)</b>	<b>CAR</b>
	<b>Rachel Brown</b>	<b>(HMRC)</b>	
	<b>Jon Sherman</b>	<b>(HMT)</b>	<b>Business &amp; Indirect Tax</b>
	<b>Erin Robinson</b>	<b>(BIS)</b>	
<b>Apologies:</b>	<b>Julian Heslop</b>	<b>(GlaxoSmithKline)</b>	
	<b>John Connors</b>	<b>(Vodafone)</b>	<b>100 Group</b>
	<b>Jean Sharp</b>	<b>(Aviva)</b>	<b>100 Group</b>
	<b>Tim Voak</b>	<b>(Tesco)</b>	<b>CBI</b>
	<b>Ian Brimicombe</b>	<b>(100 Group)</b>	<b>Business Secretariat</b>
	<b>Keith Cartwright</b>	<b>(HMRC)</b>	<b>Local Compliance</b>
	<b>Judith Knott</b>	<b>(HMRC)</b>	<b>Business International</b>

### 1. Welcome

Welcome and introductions.

### 2. CT Reform – (CFC's and interest, IP consultation, New XST forum, VAT increase- timing)

HMRC and HMT provided a summary of the key measures announced in the emergency Budget 2010. Among the issues mentioned were the Corporation Tax Roadmap, treatment of Intellectual Property and taxation of foreign profits (including treatment of foreign branches

and CFCs). There was wider discussion on the role that CT reform can play in UK competitiveness.

Ministers aim to publish a more detailed CT roadmap in the autumn so now is an opportunity for business to provide their views.

Business queried whether the proposals looked at the total tax contribution or the Corporation Tax contribution. They feel that a holistic view is needed to encompass the corporate entity, employee taxes and all the tax regimes. HMRC commented that some of the work would focus on Corporation Tax whilst other work would take a wider view. Some of the points raised at the meeting regarding overall competitiveness would probably be covered by the new forum chaired by David Gauke.

Business raised concerns about the membership of the new working groups as some lacked members from the representative bodies, HMT agreed to follow this up.

### **3. Large Business strategy – next steps**

HMRC presented the Purpose Vision and Way, the customer centric strategy and a more detailed view of the Large Business customer strategy. There are seven customer segments one of which is the high value large and complex customer group. The strategy is being used to inform planning and investment decisions to ensure that the strategic objectives for the different customer groups are met. One aspect of this work is about making our processes more efficient (using Pacesetter, the departmental change tool.) In the Large Business area Pacesetter is being applied to complex operations such as transfer pricing enquiries to see how the process can be improved, decision making can be made more transparent and timescales reduced etc.

Business responded positively to the customer centric strategy but questioned whether the language should emphasise that the UK is open for business. There was a discussion of HMRC's ambition which is to balance three aims, maximising revenue, being cost effective and improving customer service. Clearly with an internationally mobile customer base such as Large Business there is a strong link between improving customer satisfaction - potentially being seen as open for business and maximising revenue flows – potentially maintaining UK tax receipts.

Following on from a brief introduction at the last BTF, HMRC presented their strategy for developing the relationship with Large Business, building on the approach in the Review of Links with Large Business. In terms of setting the context around the importance of the large business population reference was made to a net tax gap figure of £11bn. HMRC explained that this figure was from the documents on the tax gap published at PBR 09. Business expressed some surprise at the figure and it was suggested that the tax gap should be returned to at a future meeting.

HMRC outlined the six core objectives of the Large Business strategy and explained what these meant. Business agreed with all of the objectives although there was a discussion about whether there were any significant benefits for business from real time working. Business did acknowledge that time critical live transactions were being dealt with more quickly and in a way that is beneficial but there was a view that old issues need to be worked in a similar way to live issues to make sure that they are dealt with efficiently and that this is not yet happening. There was also discussion of the need to improve the transparency of decision making and clarity about how and why specialists are involved, and HMRC recognised that there can be competing pressures on some specialists as they may have policy work pressures to deal with at the same time as enquiries.

Business felt that the following areas may not have been given enough importance in the objectives; the role that IT plays, the consistency needed across CRM's and the need for CRM's and specialists to project manage individual issues. HMRC stressed that they were happy to get any further business views on this area and to involve business as they developed the more detailed thinking around implementing these objectives.

#### **4. Tax Policy making**

HMRC presented initial thoughts from the Tax Policy making paper published alongside the emergency Budget 2010. Ministers are keen to set a new tone for the way in which tax policy is made. This will mean looking at ways of increasing predictability and stability of the UK tax system by changing the way that consultation is carried out and by taking a more strategic view on issues such as tax avoidance. HMRC acknowledged that to do this, there would need to be meaningful engagement with business to ensure that the process is moving in the right direction. In particular feedback on the new impact assessment form, (when it is launched) would be welcome.

Business were positive about the tax policy document but had reservations about how some of it could be delivered and in particular that the document did not mention the creation of efficiencies. The most important thing for business is that primary legislation is right first time although there was an acknowledgement that this is not always easy due to other pressures.

#### **5. Alternative Dispute Resolution – update**

HMRC presented an update on dispute resolution including Alternative Dispute Resolution (ADR). Work is being carried out across the large business customer group, looking at how we currently deal with disputes and considering where we can improve our processes and become more efficient. Whatever changes are ultimately made to the way in which we deal with disputes the process for resolution will need to be consistent with the Litigation and Settlements Strategy and there will still be situations where litigation is appropriate. ADR is to be piloted in a small number of cases. This could include mediation, where a third party will facilitate negotiations or alternatively where tax law is not in point (for example in a transfer pricing case where it is a matter of fact and a pricing range) then an expert determination could potentially be used.

Business welcomed an approach that would lead to more efficient and timely resolution of disputes however they questioned how mediation would apply in practice and how ADR would work alongside the tribunal framework.

#### **6. Pensions - restriction of high rate tax relief for higher earners**

Business appreciated the change in direction announced in the emergency Budget 2010 on the issue of pension tax relief. HMRC and HMT stated that the key challenge is the speed by which the measure will be implemented as draft legislation is expected in the autumn. The practical issues of implementation for employers will be a key concern and therefore business input is welcome.

#### **7. AOB**

##### **Low risk framework**

Business highlighted their concern at the introduction of the new low risk framework and the confusion over what it meant on a practical level. There was a feeling that HMRC had made it more difficult to become low risk and that there was some ambiguity over what was considered tax planning. HMRC explained that the new definition was intended to make the

situation clearer and provide a more objective view of what counts as low risk, the published Tax Compliance Risk Management guidance is in the process of being revised to reflect the changes.

**Meeting organiser: Beverley Duncan 020 7147 3286**