



2006 Review of Links with Large Business – Outcomes and Implementation

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Findings - What does Business want?

- A relationship based on mutual trust
- An appreciation of commercial drivers
- Recognition that tax is rarely the driver of large business's commercial decisions
- Recognition that tax is managed responsibly by business
- An HMRC where the operational practices are delivered by appropriately trained and adequately supported staff
- A culture within HMRC that is conducive to providing certainty through swift resolution of issues

Findings - What does HMRC want?

- A relationship based on trust and transparency
- A shared commitment to efficient and effective collection of the right tax at the right time
- Allocating resources to risk is not only cost effective but also forms the basis for building a better relationship
- A situation where issues are resolved quickly and efficiently.

Outcomes

Four categories:

- Greater certainty
- An efficient risk-based approach to dealing with tax matters
- Speedy resolution of issues
- Clarity through effective consultation and dialogue

Outcomes 1 - Greater Certainty

- Introduction of a system of **advanced rulings** to give business certainty about the tax consequences of significant investments and corporate reconstructions
- Extension of existing **clearance procedures** across all tax regimes so that HMRC will provide businesses with their view of the tax consequences of significant commercial issues whenever there is uncertainty

Outcomes 2 - An efficient risk-based approach to dealing with tax matters

- **Risk-based approach** to enquiries to be implemented by 31.12.07
- HMRC will publish details of what this approach will mean for low risk businesses by 31.03.07
- Improved arrangements for settling **transfer pricing** enquiries, based on guidance to be developed with business and published by 31.12.07, so that subsequently matters will be settled within 18 months as the norm.

Outcomes 3 - Speedy resolution of issues

- HMRC will make it clear to business how contentious issues will be resolved in a more efficient, **less confrontational** way.
- **CRMs** will normally resolve all issues with business, but in exceptional cases escalation beyond the CRM – clear and available information will be provided
- Active management and resolution of tax enquiries unsettled after 18 months – during 2007 HMRC will **work with business** to develop a framework so it is clear how outstanding issues will be resolved.

Outcomes 4 - Clarity through effective consultation and dialogue

- From Budget 2007, HMRC will be accountable for taking the **business perspective** into consideration in everything it does from implementing policy decisions to designing systems and processes
- From 2008 all **guidance** will be developed in conjunction with business and will be timely, accurate and easily understood.

Some reactions

- "What is promised now is a more transparent, open and predictable approach, and one where problems will be dealt with in a timely manner," *[Richard Lambert, Director-General of CBI]*
- "The David Varney review recommends wide-ranging reforms that will do much to address the problems of UK competitiveness. There is far too much unnecessary complexity and uncertainty in the system. This is very welcome but it remains to be seen if it will be far-reaching enough to tackle the deep-seated problems that exist." *[John Cullinane, President of CIOT]*

Delivering the proposals

- Large Business Advisory Board has been established to oversee the delivery of the proposals
 - will include members of HMRC Board, senior representatives of business and HM Treasury
- Delivery Plan to be published before Budget 2007
- Each proposal has been allocated to an HMRC Director who is responsible for its delivery
- Business Customer Unit will ensure components all add up to an effective whole

2006 Review of Links with Large Business – Key Proposals

