

# MINUTES

## BUSINESS TAX FORUM

7<sup>th</sup> March 2014, 10:00-12:00  
100 Parliament Street – 2/39

<b>Chair:</b>	Judith Knott	CTIS	HMRC
<b>Secretariat:</b>	Ian Brimicombe Zuber Anwar Ian Quelch	AstraZeneca BC&S BC&S	100 Group HMRC HMRC
<b>Attendees:</b>	John Connors Abdul Nabi Jean Sharp Iain McKinnon Paul Morton Janine Juggins Kevin Fletcher Julie Elsey Fergus Harradence Aziz Yusuf	Vodafone Marks & Spencer Aviva HSBC Reed Elsevier Unilever Local Compliance Counter Avoidance Directorate Business & International Tax Business Environment	100 Group 100 Group 100 Group 100 Group CBI CBI HMRC HMRC HMT BIS
<b>Apologies:</b>	John Bartlett Melissa Tatton William Morris Jim Harra Ian Stewart Theresa Middleton	BP Large Business Service General Electric Business Tax Indirect Tax Business Customer & Strategy	CBI HMRC CBI HMRC HMRC HMRC
<b>Guests:</b>	Ed Hagger Pardip Bans Michael O'Callaghan Fiona Hay Andy Beazley Katie Hood	Central Tax & Strategy Business Customer & Strategy Large Business Service CTIS CTIS 	HMRC HMRC HMRC HMRC HMRC HMRC

Agenda Items		Start	Dur.
1	Welcome and Adoption of Minutes	10:00	5m
2	CBI Public Trust Campaign – Will Morris	10:05	15m
3	Tax Gap – Ed Hagger	10:20	25m
4	OECD Update – Fergus Harradence	10:45	20m

5	International Sub Group Update – Ian Brimicombe	11:05	5m
6	Legislation Sub Group Update – Will Morris	11:10	5m
7	Short update on Banks/Insurance companies – David Fairbrother	11:15	10m
8	Employment Tax Reviews	11:25	10m
9	Action Points <ul style="list-style-type: none"> <li>• Joined Up – Pardip Bans</li> <li>• BTF Terms of Reference – Zuber Anwar</li> </ul>	11:35	20m
10	AOB & Close	11:55	5m

#### **1. Welcome and Adoption of Minutes**

Judith Knott chaired and welcomed attendees. The previous meeting minutes were adopted without any amendments.

#### **2. CBI Public Trust Campaign**

This item was deferred due to Will Morris being unable to attend this meeting.

#### **3. Tax Gap**

Ed Hagger led this item, beginning with explaining that HMRC invests in calculating the ‘tax gap’ and as it provides a better health check than simply using intervention yield and that the calculations assisted HMRC in better focusing on strategic issues. The presentation provided information on how the gap is calculated and general trends by different taxes. Business asked for and HMRC provided clarification on what is included in the calculations.

HMRC also explain that percentage was a far better reflection of HMRC’s performance than the absolute tax gap figure and emphasised that by tax gap the UK was a highly compliant relative to comparable developed countries.

Business asked a range of questions including whether the tax gap could be calculated on a more global scale (e.g. measuring the effects of administration on developing countries). HMRC explained that this would be very difficult to achieve but that some OECD work may be looking to achieve something similar

#### **4. OECD Update**

Fergus Harradence led on this item. An update was provided on OECD work across the range of issues within the BEPS process, including the digital economy, rules in relation to Permanent Establishments, transfer pricing guidelines covering intangibles, capital and risks, a template for multinational enterprise reporting and developments within the EU in relation to the Non Financial Reporting Directive. There was also discussion around some specific countries as well. Fergus then provided an

update on the timelines of these respective strands and some key issues affecting these. One example was the country by country reporting template, where the OECD has received over 1200 representations. The good level of HMT/HMRC engagement with business was recognised by the Forum.

#### **5. International Sub Group Update**

Judith Knott led on this item explaining that the sub group session was a useful one which focused particularly on updating business on BEPS. CFCs had also been discussed, including the proposal to review how the new regime was operating once returns for 2013 were in; and there had been discussion of the interaction between CFCs and the unallowable purpose rule, though this had rather been superseded by the subsequent Autumn Statement announcement of a change to the CFC rules. JK also raised the question of whether the sub-group should be extended to include inward investors. Business endorsed this idea. It was agreed to explore progressing this proposal after the meeting, bringing the proposal back to the BTF if necessary.

Please see the corresponding minutes for the International Sub Group for full information.

#### **6. Legislation Sub Group Update**

Ian Quelch led on this item explaining the history of the sub group's formation and provided an update on the current Loan Relationship's work. Ian also asked business to let us know about any future policy measures which may be relevant for the sub group.

Please see the corresponding minutes for the Legislation Sub Group for full information.

AP: Andy Stewardson to come to next BTF meeting to provide full update.

#### **7. Short update on Banks/Insurance companies**

This item was led by Fiona Hay who provided an update on FTT which business found helpful. Council discussions resumed in December, however, there has been little progress made since then. Commitment has been made to a joint compromise proposal, with agreement before the May elections. On the UK legal challenge, the UK and Council have exchanged written arguments. The timetable of subsequent steps will be determined by the Court, but the usual next step of oral proceedings are expected later this year.

Business raised queries on topics such as FATCA and the associated practicalities, which were answered by Andy Beazley. It was advised that HMRC are aware of potential issue for UK multi-nationals, with the hope being for a "white-list" of territories to be issued by the US to resolve some issues. HMRC have and will continue their commitment to work closely with businesses on FATCA.

#### **8. Employment Tax Reviews**

Michael O'Callaghan led on this item explaining that HMRC had for some time been working to strengthen its work on employment taxes, recruiting private sector experts on topics such as payroll and reward. HMRC has used this expertise to provide training for staff to have structured conversations on topics such as reward strategy.

It was emphasised that these discussions should be seen as part of the usual risk review and risk assessment processes and that positive feedback had been received and that it was always possible to raise any concerns with CRMs.

Business explained that these reviews felt unexpected and sometimes felt that the content of the reviews were already covered in the real time working relationship HMRC maintains with its large business customers. Michael agreed to take this feedback to Large Business (LB) colleagues, providing assurance that the main aim of this work was to improve customer understanding and to ensure employment taxes receive the same level of attention as taxes such as Corporation Tax. It was agreed to revisit this item at the next forum.

AP: Revisit Employment Taxes item at next forum. Invite LB lead for this work.

#### 9. Action Points

##### Joined Up

Pardip Bans led on this item, explaining that HMRC has been monitoring its relationship with large business since 2009 and that the results show a consistently good relationship overall, despite a few areas for continuous improvement, mainly on the issue of 'Joined Up'.

After this was raised at a previous BTF, HMRC undertook explore the issue with its frontline staff to understand what was not working in this space and found the feedback to broadly reflect the findings of the survey. Pardip reiterated HMRC's customer focus and welcomed suggestions from business to improve this indicator.

Business suggested having more UK Head of Tax level engagement to provide an opportunity to discuss new issues. HMRC explained that one way it measured its performance was by tracking the time it takes to resolve issues, with a target of within 18 months. This indicator has been monitored for some time and continues to be in the 80% region.

##### BTF Terms of Reference

Zuber provided background on this action point, highlighting the new draft terms of reference circulated before the meeting. Due to limited time it was agreed to continue to iterate the Terms of Reference by email and to schedule a time at a future forum for these to be discussed and adopted.

#### 10. AOB

##### Update on new Counter Avoidance Directorate and LB reorganisation

Michael O'Callaghan provided an update on the Large Business (LB) reorganisation, explaining the consolidation of 2000+ CRM managed businesses and explaining that HMRC worked to minimise disruption but that there would be some occasions of a change in CRM as a result of the reorganisation. It was also explained that the new Counter Avoidance Directorate would bring together all work - both policy and operational - on marketed avoidance schemes. Expertise on particular technical issues affecting large business corporation tax (e.g. loan relationships) would continue to reside in Corporation Tax, International & Stamps (CTIS). HMRC also left an open offer to provide an update on the Mid Size population work if the forum wished.

##### Change in Secretariat

**Zuber Anwar announced that he is to move on from his current role and therefore as the secretariat for the forum, and he announced Katie Hood as his successor as secretariat. The Chair and forum thanked Zuber for his good work.**