



HM Treasury

Business Forum on Tax and Competitiveness Meeting Minutes, 26 February 2015

Chairing: Financial Secretary to the Treasury (FST), David Gauke MP

Attendees:

Simon Henry, CFO Royal Dutch Shell
Rob Fontana-Reval, Head of Tax and Fiscal Policy, CBI
Simon Dingemans, CFO GSK
David Heginbottom, Finance Director, Diageo
Steve Crosby, Group Head of Tax, Standard Chartered
John Connors, Group Head of Tax, Vodafone

HM Treasury:

Dennis Lu
John Staples
Mike Williams

HMRC:

Jon Sherman

Item 1 - Feedback from business on the current economic environment and the climate for business investment

The Financial Secretary highlighted that the recovery in the UK is now taking hold. There were further positive signs in terms of high employment, low inflation and increasing tax receipts. The chair invited the group to discuss the state of the global economy and the investment climate.

Forum members noted that the UK remained a very attractive location for investment with good access to foreign markets. Members highlighted that there is a lot of optimism surrounding the U.S. economy. The recent sharp fall in the oil price would have a negative impact on commodity exporters, but for many businesses, this would be a great benefit. Members remained concerned about uncertainty relating to instability in Russia, the outcome of May's general election and the UK's position in the EU. Members also commented that proposals for moving toward an EU Capital Market Union could be a positive development.

Item 2 - Diverted Profits Tax (DPT)

The FST noted that the public anger over tax avoidance had grown. The Government was committed to ensuring companies paid their fair share of tax. At Autumn Statement 2014, the Government introduced the new Diverted Profits Tax (DPT). This measure is specifically targeted at contrived arrangements which divert profits away from the UK in manner that ensures they go untaxed or largely untaxed. The chair

noted that this is in line with the direction of travel of the Base Erosion and Profit Shifting (BEPS) project and asked the group's view on this new measure.

Members agreed with the objectives of the Diverted Profits Tax. There were some concerns about the drafting and detail of the proposal. They said it was very important that the UK continued to play a leadership role in the BEPS process and that the UK had a key role to play as a constructive broker in the negotiations.

Members welcomed a joint proposal with Germany regarding the future of IP regimes, including the Patent Box. The details are currently being debated at the OECD. Forum members were waiting to see the details and mechanics of the change - how it works and its impact on business.

Item 3 - Base Erosion and Profit Shifting (BEPS)

The UK is continuing to work collaboratively with the G20, OECD and other countries to take forward the BEPS Action Plan. The chair asked members for their views on the progress the BEPS project was making, and which areas were most important to them.

On the whole, members were pleased with the progress made and were working to understand the full mechanics and implications of the BEPS project. There were three main areas of interest: rules around interest deductibility, permanent establishment, and a dispute resolution mechanism. The business community was particularly focused on interest deductibility. There was a concern about the practicality of OECD proposals for addressing profit shifting through interest deductions. Members also said there was a question about the treatment of the banking sector regarding interest deductibility, given the way banks are now regulated.

Item 4 – AOB

There was a discussion about the role of the European Commission, with concerns around ambitions regarding a common consolidated tax base. Members argued that it was important the Commission work with the BEPS project, rather than setting up different processes.