

MINUTES

BUSINESS TAX FORUM

26 January 2015, 16:30-18:30
Room 2/66, 100 Parliament Street

Chair:	Jim Harra William Morris	Business Tax General Electric	HMRC CBI
Secretariat:	Ian Brimicombe Dave Matthews Mary Purcell	AstraZeneca BC&S BC&S	100 Group HMRC HMRC
Attendees:	Jean Sharp Janine Juggins Abdul Nabi Stephen Newcombe Paul Morton John Bartlett Lesley Fairweather Judith Knott Jeremy Tyler Jon Sherman Ian Stewart Fergus Harradence	Aviva Unilever Marks and Spencer HSBC Reed Elsevier BP Local Compliance Large Business BC&S CTIS Indirect Tax Business & International Tax	100 Group CBI 100 Group 100 Group CBI CBI HMRC HMRC HMRC HMRC HMRC HMRC HMT
Guests:	Aidan Reilly Nick Houghton Tim Plant Heather Wall	CTIS CTIS Large Business BC & S	HMRC HMRC HMRC HMRC
Apologies:	John Connors Claire Jordan Aziz Yusuf Theresa Middleton	Vodafone Diageo Business Environment Business Customer & Strategy	100 Group 100 Group BIS HMRC

Agenda Items		Start	Dur.
1	Welcome, adoption of Minutes & Action Point Update – Jim Harra	16:30	10m
2	International Sub Group update - Paul Morton	16:40	10m
3	Legislation Sub Group update – Jeremy Tyler	16: 50	10m
4	BEPS update Aidan Reilly / Nick Houghton	17:00	25m
5.	Reflections on Autumn Statement – Jon Sherman	17:25	25m
6.	Large Business Skills programme – Tim Plant	17:50	20m
7.	Future Forum Structure – Jim Harra	18.10	10m
9.	AOB & Close – Will Morris	18:20	10m

1. Welcome and Adoption of Minutes

Jim Harra [JH] welcomed everyone to the meeting.

The October BTF minutes were adopted without any amendments suggested.

Action Point 1: Jon Sherman agreed CTIS would review the briefings as and when updates were necessary, after consulting with ministers.

Action Point 2: Judith Knott [JK] and David Matthews [DM] confirmed they had met with Clifford Chance. JK indicated that she would be seeking a further meeting with CBI, which was welcomed.

Action Point 3: To be covered on agenda item 7.

2. International Sub Group update

Paul Morton [PM] updated the group on work within the International Sub Group.

Business continued to provide input into the digital and Base Erosion and Profit Shifting ('BEPS') agendas, including country-by-country reporting.

Discussion was held on UN matters – there were concerns that the UN were adopting the widest possible approach to some matters. Business agreed to provide examples.

It was noted that EU work on the Financial Transactions tax was making normal progress

Overall the business representatives confirmed the meeting had been useful.

3. Legislation Sub Group

Jeremy Tyler [JT] updated the forum on the work on Loan Relationships. The outcome was no material changes to the legislation, which had led the group to conclude this validated the new approach to policy making. Business commented on the benefits of spending time and using the processes as demonstrated in this instance to generate better crafted policy and legislation. They also recognised that sometime political concerns would not always enable this.

The working party were meeting again and would be providing a lessons learnt report for BTF.

Action Point – Lessons learnt report to be circulated, once prepared.

4. BEPS update

Nick Houghton [NH] discussed the ongoing work, focussing on Working Party 11 concentrating on the topics of Hybrids, Controlled Foreign Companies ('CFCs') and Interest.

Hybrids: UK Government consultation on implementation was due to close shortly. HMT/HMRC were meeting with CBI and interested parties. HMRC was working hard to stay aligned with the detail within the commentary and OECD thinking. Legislation was due to take effect in 2017 – which would provide time work through any issues and align with other items.

CFCs: UK Government is clear that they believe our CFC work puts UK in an appropriate place. The focus should be on those countries without CFCs. A consultation document is due at the beginning of April.

Interest: The informal consultation on this had started before Christmas, with formal consultation beginning in February. There were some clear issues and concerns from businesses, advisors and NGOs. A report was due at the end of 2015 with recommendations for approaches.

Business discussed some issues and concerns around compliance burdens of changes, workable solutions, how interlinked issues were and impacting international pressures/views.

JH emphasises the UK approach is to share the benefit of our experience.

WM confirmed that business had found recent meetings very useful and that he was encouraging businesses to share examples. The importance was to achieve workable solutions.

Action Point – Business were keen that purdah would not impact the BEPS timetable and full consultation process given the tight timescales.

Aidan Reilly [AR] updated on the work on Working Party 1 covering Permanent Establishments, Treaty abuse and Dispute Resolution.

Permanent establishments: UK had strong business representations on this point. It was important to work through some outstanding issues to ensure this does not drive fragmentation, especially for some sectors.

Treaty abuse: There were still different views from other countries who were looking for adoption of their position, which was undergoing pushback, including from businesses within those countries. UK was looking for a minimum standard approach to be agreed. There was still a lot of work to be done to reach consensus.

Dispute resolution: At present there is no appetite for binding resolution. UK will continue to explore dispute resolution.

Business commented that they appreciated the UK providing a voice of reason. This has to be worked to a useful conclusion of the success of the whole project could be at risk. PM highlighted the benefits from alternative dispute resolution process working within the UK. He suggested that this example should be shared.

AR reminded business that there was an open consultation of transfer pricing and encouraged business to comment.

JH thanked all for the huge work involved across the whole piece. Businesses active engagement at all stages strengthened HMRCs ability to approach discussion.

5. Autumn Statement 2014

Jon Sherman [JS] introduced the topic of Diverted Profit Tax [DPT]. This reflects government's priorities and is due to come into force in April 2015. He reinforced the message that the legislation is structured to encourage early engagement especially on transfer pricing issues.

There had been a key engagement meeting on 8 January with business. This had raised a series of areas where it was possible the provisions were too widely drawn and business were encouraged to share examples of their concerns to help clarify the legislation. HMRC were working to address issues, or confirm if examples should be caught by the legislation. Where possible the re-drafted guidance would be shared for feedback. There was also a recognition that if possible by the 1 April the guidance would be updated with more examples.

Business raised ongoing concerns on a range of issues, including the timeframe. The legislation was regarded as complex and business was continuing to reflect on how this would impact their businesses. There were also concerns that where business was looking to share real life examples to help shape better legislation through the consultation processes, the fear of FOI and confidentiality/commercial sensitivity may stop some businesses.

JH confirmed that there was an exemption for good governance/policy making under FOI.

A brief discussion considered international reaction to DPT; which had generally been interested and most were watching progress/impact with interest.

6. Large Business Skills Programme

Tim Plant [TP] explained the work HMRC has been undertaking to build capability within HMRC and particularly the Large Business Directorate. The key areas HMRC have been focussing on are recruitment of current skills and commercial understanding, future talent and the skills programme to build internal capability and transfer of skills.

The recruitment processes has been:

- A series of 3 campaigns to bring in CRM/Tax specialists. As these posts were a nationwide campaign HMRC were looking to select the best from the applicants.
- Recruitment into specialist post, actuaries, transfer pricing. These were 1-2 year appointments looking to work alongside our existing staff to build capability and refresh risk knowledge.
- AS 14 had also provided the capability to bolster our risk task force, who were a flexible resource across the country to help focus on the highest risks.
- The Tax Specialist recruitment programme was a 4 year course bringing a 2 year generalist training and 2 year specialist. This has particularly been identified as providing the benefit of a refresh of culture within LB with the younger age profile.

Building internal capability includes

- Compliance Skills programme - so far this programme has trained 2,400 delegate over a 6 day course. The programme is not focussing on tax knowledge but the softer skills, including risk identification, dispute resolution skills and mediation. This programme is particularly intensive and is seen to be driving further cultural change.
- Business Driven Development Programme – which is an internal programme to equip trainees with a broad knowledge base, including the skills needed to take up a variety of tax professional roles. [The uptake has risen from 35-40/yr to 120/yr currently].
- CPD – HMRC expects all staff to invest in a minimum of 5 days a year CPD. Within LBD this will generally focus across policy, technical and governance training.

HMRC recognise we are only as good as our people and were keen to take businesses views. JH noted HMRC and particularly Business Tax face a challenge in integrating and blending a large number of trainees at one time. Recruiting experience has been a challenge and this approach is looking to ensure a future pipeline of the right people with the right skills.

John Bartlett [JB] commented that it was encouraging that there was a pipeline to support the CRM model. It was essential to have people well educated in the changing world of tax. Jean Sharp [JS] noted the importance to HMRC and business of a diverse workforce. JK noted that HMRC and LBD took diversity very seriously and she was pleased to note a 20% increase in BAME

A discussion on the benefits of external secondments took place. TP confirmed that it was difficult to find opportunities for people. JH reflected these opportunities were likely to be focussed on people participating in talent programmes.

JK noted that a previous training and insight event organised by Ian Brimicombe and Paul Morton to look at sectors and how MNEs work had been highly successful and if there was an opportunity to repeat a similar event she would welcome this.

7. Discussion and planning for the future

JH opened this session to the meeting as there had been a variety of views at the last meeting. WM said the balance of today's meeting felt about right. However the option to dedicate one meeting a year to a single topic should always remain, for example post-adoption of BEPS in late 2015.

JT suggested a future item around growth as HMRC has been considering its key objectives and how HMRC can support growth is likely to be one of our focusses over the next 5 years.

8. Any Other Business and Close

WM again made representations for the need to be able to converse on the BEPS agenda items through the election purdah, as the timetable was driven by OECD and regular work would be required. WM would be prepared to approach the major parties if desirable. HMRC agreed to explore whether a special exemption could be authorised to continue BEPS discussions.

JS gave a brief update on regional Corporation Tax for Northern Ireland. He confirmed there was a simple cut off point to help small companies. The Bill is in Parliament and the earliest introduction is April 2017. This timetable will allow a planned implementation working with business.

Abdul Nabi raised the issue of the admin burden for businesses who work across the UK.

The next meeting will be in late April/early May. Invites would be circulated as soon as possible.