



Business-Government Forum on Tax and Globalisation

Minutes of 9 June 2008 Meeting

Attendees

Rt. Hon Jane Kennedy MP, Financial Secretary to the Treasury; Douglas Flint (HSBC); Julian Heslop (GSK); Nicolas Moreau (Axa UK); James Lawrence (Unilever); Andrew Shilston (Rolls-Royce); Byron Grote (BP); Richard Lambert (CBI); Hanif Lalani (BT); Duncan Tatton-Brown (Kingfisher); Andrew McLaughlin (RBS); Adam Lent (TUC); Michael Devereux (Said Business School); Melanie Dawes (HMRC); and Edward Troup (HM Treasury).

Apologies

Parthasarathi Shome (HMRC)

Item 1 – Welcome and Introductions

Jane Kennedy MP welcomed members to the first meeting of the forum.

Item 2 – Agreeing stated objectives

The forum discussed the remit published in HM Treasury Press Notice 42/08 dated 29 April and the following points were raised:

- it was important to keep the focus of the group on tax, but to do so within an understanding of the wider context of UK competitiveness;
- trust was key to successful business-government relationships;
- the role of tax in promoting competition did not only have an international dimension but also operates at a national level with regards to different sizes and types of companies;
- it is important to keep in mind that business and government not only face challenges on tax but also have duties to pay the correct amount, collect fully, and ensure the interests of all taxpayers are considered when making changes to the tax system; and
- the forum should consider the key long-term aims or principles for reform.

Item 3 – How the forum would work

The forum agreed that it would focus on the long-term and strategic challenges facing the UK tax system, and not to try to develop solutions to particular tax issues. The forum is not intended to be a representative or decision-making body, but rather an opportunity for a dialogue between the Government and multi-national businesses. In considering these discussions Ministers would take into account the full range of interests and representations from stakeholders and civic society.

The forum agreed that it needed to be transparent and consequently that meeting minutes and any relevant papers would be placed on the HM Treasury website.

Item 4 – UK Tax Competitiveness

Treasury officials gave a short presentation on UK tax competitiveness and presented members with the latest evidence on the UK's position in relation to tax competitiveness. (The presentation is available from the Treasury website).

The forum discussed the presentation. The following points were made:

- the UK could not compete with every country on headline rates. Rather it could be world class in other areas such as promoting simplicity and stability in the tax system;
- changes in tax would inevitably be needed from time to time but these could be made in a predictable fashion using consultation;
- understanding better the behaviours which the tax system sought to promote and discourage could be helpful;
- the headline rate was important, but there was also a debate about overall or effective tax rates; and
- a long-term focus was essential and it was necessary to consider how the tax system might evolve over the next ten years.

Item 5 – The Taxation of Foreign Profits

Treasury officials provided an overview of the principles of the taxation of foreign profits. (The presentation is available from the Treasury website). In the discussion that followed it was raised that:

- the abstract model of worldwide taxation with exceptions was less attractive than a model of territorial taxation with additions, but there were issues about compliance burdens;
- getting reform right was critical and more important than speed. Business was keen to see progress, particularly on dividend exemption, but if necessary would rather see reform introduced later after issues around controlled foreign companies were resolved; and
- there are benefits to making a public statement sooner rather than later about the overall direction of travel of reform in order to allay uncertainty and to inform decision-making.

Item 6 – Future Work Plan

The forum had a first discussion of subjects that might feature on agendas for future meetings. Possible items for discussion included:

- elements of the CBI's Tax Task Force's report;
- simplification of the tax system; and
- overarching principles and objectives for business tax policy.

The forum undertook to develop an agenda for the next meeting based on these and any further suggestions.

Item 7 – Conclusions and Next Meeting

The forum agreed to meet again in September and then to meet quarterly thereafter.