Business Forum on Tax and Competitiveness meeting minutes, 20 October 2011

Chairing: Exchequer Secretary to the Treasury, David Gauke MP

Attendees:

- Vodafone Andy Halford, CFO
- Rolls Royce Andrew Shilston, Finance Director
- Standard Chartered Richard Meddings, Group Finance Director
- Shell Simon Henry, CFO
- GE Mark Elborne, President & CEO, GE UK, Ireland and Benelux
- Ford Motor Company Joe Greenwell, Chairman, Ford of Britain
- Amey Andrew Nelson, Group Finance Director
- Oxford University Centre for Business Taxation Mike Devereux, Director
- HM Treasury Mike Williams, Director Business and Indirect Tax

Introduction

The Exchequer Secretary welcomed Forum members. He noted that the fiscal challenge remains substantial and policy decisions need to reflect this constraint, but that the Government is continuing to work to improve the competitiveness of the UK tax system.

Item 1 – General Tax Update

The Exchequer Secretary noted that the CFC consultation closed in September and that draft legislation was due to be published in early December. Forum members commented on the importance of ensuring that the detailed legislation met the high level principles already published by the Government.

The Exchequer Secretary said that Graham Aaronson would be sending proposals for a GAAR, targeting most egregious avoidance activity to the Government soon, noting that the Government is committed to predictability and stability for the UK tax system, and would not introduce a GAAR without further formal public consultation.

Forum members had mixed views on a GAAR – some felt it would be useful to set out general anti-avoidance principles, others were concerned this could reduce certainty for business. Whether or not a GAAR is introduced, members felt tone was important and the Government should maintain its pro-business message.

The Exchequer Secretary noted there have also been developments on the EU tax agenda. He noted that the Government does not object to Financial Transaction Taxes (FTTs) in principle, however it believes that an FTT would have to be applied globally, otherwise those transactions covered by the tax would simply relocate to those countries not applying the tax. The Exchequer Secretary noted there have also been discussions at the EU level of a Common Consolidated Corporate Tax Base (CCCTB), in which the Government has been clear that it would not agree any proposal that would
threaten the ability of the UK to set its own rate and base and stop us from achieving our objective of creating the most competitive corporate tax regime in the G20.

Forum members felt strongly that an FTT would have a negative impact on the wider economy, not only banks, and would reduce credit availability to businesses. Additional concerns were raised about the definitional difficulties associated with an FTT, and the potential for a disproportionate impact on the UK.

While Forum members could see benefits for businesses with a high volume of trade with Europe, there wasn’t general support for pursuing a CCCTB and members tended to support the Government’s approach.

**Item 2 - UK tax competitiveness**

The Exchequer Secretary directed Forum members to the draft grid of UK tax competitiveness within the G20 and accompanying main messages note (available to download separately at http://www.hm-treasury.gov.uk/tax_forums_business_tax_competitiveness.htm). He noted the difficulty in capturing all the relevant issues in tabular form, but noted the UK’s strengths in some areas, such as a location for headquarters.

Forum members noted that the UK could come out looking better than the grid suggests if certain other measures were included – such as compulsory pension costs or predictability of tax rules. It was noted however that the grid would look different for different sectors, and that some of the UK’s main competitors are not members of the G20 and so are not captured in the grid. Members stressed the importance of considering the sectoral impact of tax changes, and the need to consider these issues alongside the Government’s growth strategy.

**Item 3 – Infrastructure and tax competitiveness**

The Exchequer Secretary said that at a previous meeting he has offered to return to the issue of infrastructure investment as a tax competitiveness issue. He noted Government measures outside the realm of tax that are focused on supporting infrastructure investment, in particular the National Infrastructure Plan.

A number of Forum members felt the reintroduction of a relief to cover the costs of a depreciating infrastructure asset, such as was provided by the historic Industrial Building Allowance scheme, was an important issue for UK competitiveness and could have long run benefits for the economy, though some also noted the costs associated with the reintroduction of such a relief and the potential State aid implications of reintroduction were mentioned. Some members referenced research from the Oxford University Centre for Business Tax which argued for the importance of allowances for capital investment in furthering the competitiveness of the UK tax system. The Exchequer Secretary said he would consider the role of such allowances in furthering the UK’s tax competitiveness at future fiscal events.