Business Forum on Tax and Competitiveness

15 September 2010 – meeting minutes

Item 1 – opening remarks, new approach to tax policy making, function of the forum and agreeing forum terms of reference

The Exchequer Secretary introduced the meeting, noting that for the economy to recover, we must see strong business sector growth.

The Government has introduced a new approach to tax policy making, with an ambition for a more predictable, stable and simple tax system.

The forum is intended to provide a strategic perspective on UK competitiveness.

The proposed terms of reference were agreed by the forum.

Item 2 – UK competitiveness

The Exchequer Secretary invited comments from forum members on how they view current UK competitiveness, and what could be done to improve this going forward. The following comments were made:

New approach to tax policy making

- The forum agreed that predictability and a consultative approach to tax policy was very important to competitiveness.

Personal tax

- The forum discussed the competitiveness of the personal tax system and its impact on recruiting and retaining key staff in the UK.
- Concerns were particularly strong with respect to the pensions tax relief restriction.

Investment

- In order to encourage investment, the Government’s approach to tax policy should be consistent with wider Government support for competitiveness
- It was noted that there is a limit to how far capital allowances can be reduced whilst still reflecting business costs. The Exchequer Secretary reassured the forum that there is no proposal to go further with capital allowances.

- A number of members noted that immigration restrictions were hampering their intent to move higher paid jobs to the UK.

**Relationship with HMRC**

- The forum agreed that HMRC had achieved a lot in recent years, and that their relationships with HMRC had improved.
- Some members suggested that major dispute resolution should be speedier.
- Some members of the forum expressed concerns about the compliance burden arising from the Senior Accounting Officer regime.

**General comments**

- Suggestions that the Government needs to take a more holistic approach to competitiveness, and not just look at pieces individually.

**Item 3 – Corporate Tax Road Map**

Officials presented the aims of the Road Map, and suggested some principles that might be helpful for underpinning the Government’s approach to corporate tax reform going forward.

The following comments were made:

- The forum agreed the Road Map is a useful approach.
- The forum agreed that a key priority for Government in corporate tax reform is Controlled Foreign Company rules.
- The forum mostly agreed that a territorial approach could be a powerful incentive to attract companies to the UK but that moving towards a territorial approach would need broad and careful consideration of its impacts on business.
- Forum members questioned when there would be details of the policy priority areas cited in the CT Road Map. The Exchequer Secretary said that
more detail would be available as consultations on individual reforms are launched later in the autumn.

**Item 4 – Conclusions and forward agenda**

The following issues were cited as perspective issues for future meetings:

- Pensions tax relief
- Wider competitiveness issues
- CFCs and Territoriality