Business forum on tax and competitiveness meeting minutes, 8 December 2010

Charing: Exchequer Secretary to the Treasury, David Gauke MP

Attendees:

- Vodafone Andy Halford
- Diageo Dierdre Mahlan
- CBI Richard Lambert
- GE Mark Elborne
- Ford Motor Company Joe Greenwell
- Amey Andrew Nelson
- Standard Chartered Richard Meddings
- Oxford Business School Mike Devereux
- HM Treasury Mike Williams
- HMRC Melanie Dawes

The Exchequer Secretary welcomed Forum members, including new member Richard Meddings from Standard Chartered Bank. Since the last Forum meeting Douglas Flint has stepped down from the Forum, and Richard Lambert will be doing so soon as he retires from the CBI. John Cridland will be replacing Richard Lambert at the CBI and on the Forum.

The Exchequer Secretary noted that since the Forum last met in September there have been a number of significant events, including the spending review and the OBR forecast. As part of the Government’s commitment to a stable and predictable tax system, draft FB11 clauses were being published on 9 December. There have also been further announcements on tax, including pensions tax and tackling tax avoidance.

Item 1 – Corporate tax reform

The Exchequer Secretary drew the Forum’s attention to the Government’s recently published Corporate Tax Reform document. This document sets out a significant programme of corporate tax (CT) reforms designed to restore the UK’s tax competitiveness, and includes proposals for new CFC rules in 2012 and interim improvements in 2011, the introduction of a Patent Box, continual support for investment via R&D tax credits and rules out fundamental changes to interest deductibility. The Exchequer Secretary opened the floor for comment.

- Members welcomed the document and the direction of travel it sets out.
- They noted the importance of ensuring that the resolution of detailed policy questions is in accordance with the clear statement of principles set out in the road map.
- In general members thought the document successfully addressed perceptions of instability in corporate tax policy, which was an area where the UK had had a specific vulnerability to its competitiveness.

- On interest deductibility, while some members could see the benefits of moving towards a more fully territorial system, forum members welcomed the Government’s decision not to address this issue through interest restrictions.

- Forum members welcomed the measured approach set out by the Government for reform and agreed that this was the right way to approach significant policy change, particularly given the potentially high compliance costs of transition when a new policy is introduced.

**Item 2 – UK tax competitiveness**

The Exchequer Secretary asked Forum members what they felt to be the key, medium/long-term strategic issues for tax competitiveness that the Government should be focused on, and who the UK’s main competitors are / are likely to be in the near future.

- Members felt that personal tax remains an important issue for business which needs to be addressed if the UK is to achieve a more competitive tax system.

- While tax rates are generally seen as important, other factors are also key for UK competitiveness.

- Some forum members stressed the importance of absolute labour costs in the UK, including tax costs.

- Forum members also stressed the importance of encouraging inward investment in the UK, and of providing a clear focus for investment priorities in order to increase investor confidence in the UK.

- Who the UK’s major current competitors are varied between members. For some, the UK’s major competitors are the rest of the EU, for others they are Asia.

- However, who the competition is today will be very different in 5 years time. Members felt that the UK needs to ensure capable talent is grown and retained here, in order to be prepared for competition from different countries in the future.