

Minutes of the Tax Professionals' Forum meeting, 3 December 2015

The Financial Secretary, David Gauke MP, chaired a meeting of the Tax Professionals' Forum on Thursday 3 December. Stephen Coleclough, Francesca Lagerberg, and Richard Stratton sent their apologies, all other members of the Forum were present.

The FST opened the meeting noting that this was the first meeting of the Forum in the new Parliament, and invited reflections on the recent **Spending Review and Autumn Statement (SRAS)**. Forum members welcomed the fact that the SRAS had made relatively few tax announcements, and suggested that the Government should build on this by reaffirming its commitment to announcing the majority of tax changes at Budget. The Forum also noted that it would be helpful to have greater advance notice on the date at which draft Finance Bill legislation will be published ("L-day"), and to have a consistent gap between L-day and the Autumn Statement. The FST noted these points, and commented that while he recognised the benefits of keeping the number of tax announcements made in the autumn to a minimum, this needed to be balanced with the government's ability to respond flexibly to economic and political developments.

Moving on, the Forum presented a draft of their fourth independent annual report, covering the period 1 January 2014 to 30 March 2015. The report highlights a number of examples of good tax policy making, such as the reform of corporate debt and derivative contracts and of the gambling regimes, and notes with approval that there was only one announcement made during the period under consideration which fell under the Protocol for Unscheduled Announcements. However, the report also highlights a number of concerns, notably the amount of complex legislation that was included in the **pre-election Finance Bill** in March 2015 (e.g. the Diverted Profits Tax), which received little scrutiny. In response, the FST acknowledged that the scrutiny of pre-election legislation had not been entirely satisfactory, but noted that the Government had limited flexibility in determining the timing of Finance Bill legislation at the end of a Parliamentary session, and that it had been important to deliver certain measures quickly. However, the government would consider lessons from the 2015 process to inform its approach to future pre-election legislation.

The draft annual report also proposes greater clarity on the role of the **Office of Tax Simplification (OTS)** in the consultation and policy development process. The FST noted that the government was putting the OTS on a permanent statutory footing with an expanded remit, and that as part of this, the OTS would be expected to respond to consultations arising from their recommendations, as well as publishing an annual report. However, it was also important to keep the OTS separate from the internal policy formulation process in order to maintain its independence from government.

The report also highlights the importance of following a consultative process in developing **tax policy reform on an international level**, for example the recent OECD Base Erosion and Profit Shifting (BEPS) project. While recognising that the process and timetable for international reform may not be fully within the government's control, Forum members expressed concern that there was no formal commitment to consult on international reforms as in the domestic case, and that there had been too little

consultation on the BPES proposals to inform the UK position. The FST agreed that consultation should take place on international reform wherever practically possible, but challenged the Forum's comments on BEPS, noting that there had been an extensive UK stakeholder engagement programme throughout the process.

The Forum also highlighted a number of more specific examples of recent tax policy changes where it had some concerns on the policy-making process:

- **Making Tax Easier for Small Business** – the Forum felt that there had been insufficient early consultation on this reform, and that some important aspects of the policy – such as mandatory quarterly updates – had emerged without prior announcement or consultation, and could imply significant burdens for business. In response, the FST emphasised that the policy would not begin implementation until 2018, and that the government would be shortly publishing a roadmap for consultation on the detailed implementation.
- **IHT additional nil-rate band for main residence** – the Forum felt this was another reform which had been announced late in the policy process with insufficient consultation on alternative options. Some aspects of the policy, such as the downsizing provisions, were proving to be very complex. The FST noted that this policy had been a manifesto commitment, and therefore a priority for early delivery for the new government.

Finally, the Forum noted that there was some general uncertainty among business about the government's plans for future tax reform, in particular where this could impact on investment. The FST stated that the government had committed to publishing a **Business Tax Roadmap** at Budget 2016, which was intended to provide clarity on the government's priorities for the remainder of the Parliament.

In closing, the FST thanked the members for their continued participation in the Forum, and for their constructive feedback.