



TAXE COMMITTEE

Special Committee on tax rulings
and other measures similar in nature or effect

Delegation visit to the UK- Thursday 18 June

Mission report

Thursday 18 June 2015

09.00 - 10.00 Meeting with Financial Secretary to the Treasury, David Gauke MP

10.00 - 11.00 Meeting with experts from HM Treasury (HMT) and HM Revenue & Customs (HMRC)

- **Jim Harra**, Director General, Business Tax, HMRC
- **Fergus Harradence**, Dep. Director, Corporate Tax Team, Business and International Tax Group, HMT
- **Andrew Dawson**, Head of the Tax Treaty Team, Lead negotiator for the UK tax Treaties, and member of the UN Committee of Experts on International Cooperation in Tax Matters, HMRC
- **Maura Parsons**: Deputy Director, Head of Transfer Pricing in HMRC Business International and Chair of HMRC's Transfer Pricing Board.
- **Aiden Reilly**: Head of International Relations in HMRC's Corporation Tax, International and Stamps Directorate.

11.30 - 12.30 Informal meeting with Mrs Meg Hillier, Margaret Hodge and Guto Bebb, members of the Public Accounts Committee (House of Commons)

13.00 - 13.45 Working lunch

Prof. Prem Sikka, Professor of Accounting, Essex Business School, University of Essex
Frank Haskew, Head of the ICAEW (Institute of Chartered Accountants in England and Wales) Tax Faculty; and Ian Young, International Tax Manager

14.00 - 16.00 Meeting with business representatives, tax advisors and NGOs

Will Morris (GE), Chair of the CBI Tax Committee and the BIAC Tax Committee plus additional corporate members of the Confederation of British industry (CBI)

Richard Collier, Senior tax partner at PwC

Joseph Stead, Christian Aid

Meesha Nehru, Programme Director, Fair Tax Mark

List of Participants

Members

Alain LAMASSOURE, Chair	
Danuta HÜBNER	PPE
Elisa FERREIRA	S-D
Bernd LUCKE	ECR
Michael THEURER	ALDE
Molly SCOTT CATO	Verts/ALE
Marco ZANNI	EFDD

Accompanying Members

Frank ENGEL	PPE
Peter SIMON	S-D
Anneliese DODDS	S-D
Sven GIEGOLD	Verts/ALE
Matt CARTHY	GUE

Political advisers

Daniel KÖSTER	PPE
Stine LARSEN	S&D
Anna DAVREUX	ECR
Petra SOLLI	ALDE
Michael SCHMITT	Verts/ALE
Andrea CURRI	EFDD
Sinead NI TREABHAIR	GUE

Secretariat

Massimo PALUMBO	Head of Unit
Benoit WETS	Administrator
Dominic BRETT	EP London Office

Interpreters

Lorraine REGAN	
Agnes BUTIN	
Géraldine WOJCIK	
Barbara GRUT	
Nicol POPOFF (techn)	

Press Officer

Ronnie KORVER	
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1. Meeting with the David Gauke MP, Financial Secretary to the Treasury, assisted by Mike Williams, Director of the Business and International Tax Group at HM Treasury.

Members asked questions with regard to the position of the UK towards the CCCTB, the role of the UK towards overseas territories, CBCR, the UK patent box regime, the tax regime applied to the City of London, bank transparency, the UK views on a Google tax, the UK views of the minimum conditions for fair tax competition and whether UK, being a front runner at the international level, would be ready to also coordinate at EU level.

Main messages from the State Secretary:

- UK is against a CCCTB at EU level as it will not solve transfer pricing issues at global level*
- UK is front runner on BEPS and thinks that solution can only be found at international level*
- UK wants to create a closer link between the place where taxation takes place and where economic activity takes place*
- UK is moving on BEPS with the introduction of hybrid mismatch rules and CBCR*
- Tax rules have to be updated in order to take the increasing importance of intellectual property rights*
- UK supports more cooperation between tax authorities but no further harmonisation*
- Overseas territories have made huge progress towards more transparency and now meet international standards*
- Tax rulings are very important for companies*
- The City does not have a special tax regime*

2. Meeting with experts from HM Treasury (HMT) and HM Revenue & Customs (HMRC)

- James Harra; Commissioner and member of the Executive Committee of Her Majesty's Revenue and Customs (HMRC – the UK's tax authority).*
- Fergus Harradence: Deputy Director, Corporate Tax in HM Treasury*
- Andrew Dawson: Head of the Tax Treaty Team in HMRC*
- Maura Parsons: Deputy Director, Head of Transfer Pricing in HMRC Business International and Chair of HMRC's Transfer Pricing Board.*
- Aiden Reilly: Head of International Relations in HMRC's Corporation Tax, International and Stamps Directorate.*

Members asked questions with regard to trusts and foundations, minimum requirements for of an economic activity to be taxed in the UK, the CCCTB, the role of the UK towards overseas territories, CBCR, the UK patent box regime, the way tax rulings are delivered in the UK, the role of the big 4 accounting firms, the powers and role of tax authorities in enforcing tax rules, the position of HRMC towards the Code of Conduct group.

Main messages from HRMC:

- UK has agreement for greater cooperation between tax authorities with overseas territories*
- Trusts and foundations have special tax rules. They are either taxed at the level of the trust/ foundation or at the level of the economic beneficiaries*
- UK patent box regime is in line with EU rule and transfer pricing rules are in line with OECD rules. A company can benefit from the patent box regime even if the IP is not developed in the UK but acquired in the UK. In the case of acquisition, it might be that a preferential*

tax treatment is given twice: once in the country where the patent is developed and once in the UK. This "double non taxation" should be solved once the OECD will finalise its guidelines on "nexus" towards the end of the year. A minimum economic substance is though required: it is not possible to have no employee in the UK.

- UK is against the CCCTB but will engage that BEPS rules are implemented at EU level.*
- There is almost no secondment from Big 4 companies in HMRC*

3. Informal meeting with some members of the Public Accounts Committee (PAC) (House of Commons)

- Mrs Margaret Hodge (Labour, Banking (London)), outgoing chair of PAC*
- Mrs Meg Hillier (Labour, Hackney South and Shoreditch), newly elected chair of PAC*
- Mr Guto Bebb (Conservative, Aberconwy(Wales))*

Since the Public Accounts Committee has not yet been formally composed since the elections in May, the meeting took place on an informal way. Members of the Public Accounts Committee (PAC) expressed their personal views without engaging the Committee. The PAC played a very important role in the fight against aggressive tax planning in the last legislature, with notably several reports and hearings of Multinationals.

Members asked questions with regard to the position of the UK towards the CCCTB, the role played by the PAC in making the UK moving in the fight against aggressive tax planning, the powers of the Committee in tax issues, the future agenda of the Committee, the position of the UK towards overseas territories, CBCR, bank transparency, the UK position towards more harmonisation in the field.

Key messages from Margaret Hodge and Meg Hillier (Labour)

- The PAC received very strong support from citizens: although the committee has no power in tax its works weighted a lot on executive power.*
- MEPs have to press their own governments to facilitate progress*
- More work needs to be done on tax advisers*
- National tax codes are much too complex*
- UK will not accept going for more harmonisation but will engage towards more transparency*
- CBCR has to be seen as a two steps process: public CBCR will be a natural step in the long term.*
- It is very difficult to ensure better protection of whistle blowers, certainly when it comes to protection at the workplace*
- On how to reduce the possibility for professors paid by governments to be also tax advisers they highlighted that EU rules impede excluding aggressive tax advisers from public procurement*

Key messages from Guto Bebb (Consevative)

- UK is changing thanks to the work of the PAC.*
- Taxes have to be low but paid.*
- There is no opportunity for harmonisation but well for transparency.*
- Introducing new tax reliefs might lead to create a new loophole as it was the case with the UK relief for charities.*

On the request whether there would be a possibility to have a joint hearing of Multinationals, the door was left open by the newly elected chair of the Committee.

4. Working lunch with representatives of accountants and Professor of Accounting

- Prof. Prem Sikka, Professor of Accounting, Essex Business School, University of Essex*
- Frank Haskew, Head of the ICAEW (Institute of Chartered Accountants in England and Wales) Tax Faculty;*
- and Ian Young, International Tax Manager, ICAEW (CVS dans le dossier)*

Key messages from Prof Sikka

- The tax industry is very powerful in the UK: UK has the highest number of tax specialist per capita. It is a highly profitable activity.*
- Tax accountants are not encouraged to not work in tax planning.*
- If tax firms consider that there is 50 % chances that a specific tax scheme will not be disputed they sell it*
- There is no political will to fight against aggressive tax planning. UK is good in introducing laws but not to enforce them: the UK government could have investigated PwC after Lux leaks but did not do so*
- Code of ethics for accountants does not work*

Key messages from Ian Young and Frank Haskew

- Tax advisers and accountants are crucial for companies: the OECD will produce 1000 pages of papers towards the end of the year. Companies will need assistance to implement the rules.*
- Much progress has been made by the profession towards more ethics.*
- Accountants are against public CBCR; OECD guidelines should be followed.*
- They have no clear position towards the need to separate accounting and auditing services in companies.*

5. Meeting with business representatives, tax advisors and NGOs

- Will Morris (GE), Chair of the CBI Tax Committee and the BIAC Tax Committee plus additional corporate members of the Confederation of British industry (CBI)*
- Richard Collier, Senior tax partner at PwC*
- Joseph Stead, Christian Aid*
- Meesha Nehru, Programme Director, Fair Tax Mark*

Main message from CBI

CBI has taken the lead in changing behaviours and much progress has been made so far Big companies in the UK acknowledge that they have reputational problems and are tackling the issue seriously. CBI is moving towards more corporate social responsibility but it takes time to change behaviours.

CBI is in favour of CBCR insofar it is government to government. CBI is not sure about the benefits of a public CBCR

CBI supports an optional CCCTB

CBI agrees that tax avoidance is a business but tax is also a cost for companies. There is a need to find the right balance

Key messages from PwC

- PwC has 18000 staff in UK with 3000 working on tax
- PwC does not see any conflict of interest in giving advice in the tax area to governments and to companies
- UK government is for front runner in BEPS but on the other side has an aggressive competition strategy
- Any Code of conduct for tax advisers should stay voluntary
- OECD transfer pricing rules are not "cherry pick"
- Tax rulings are essential for business and respect the OECD rules

Key messages from Christian Aid

- BEPS should include developing countries are not in
- CBCR as proposed in BEPS is a good starting point.
- More transparency is crucial
- There is a need to stop unfair tax competition within the EU

Key messages from Fair Tax Mark

- CBCR should be public but transparency is not sufficient
- HRMC is too influenced by big 4 companies. UK is good in introducing rules but bad in enforcing them.