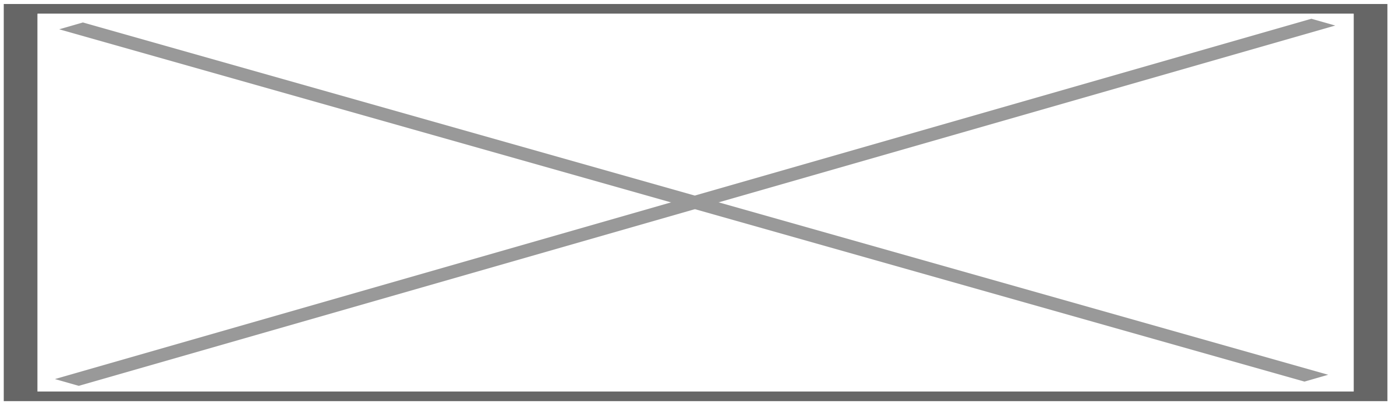
Welcome, Business Tax Voice, Issue 1

Large Corporate OMB Tax voice



31 May 2016

The large business

“In this world nothing can be said to be certain, except death and taxes.” Benjamin Franklin

Over the last 5 years or so, tax has become the buzzword on the street. Who would have thought there would be so much interest in it from the media, or that it would be the topic of conversation at many a dinner party. One thing is for sure, being in tax will mean you are never short of a job!

We are only five months into the year and the pace of change has already been astonishing. For most businesses in the UK, whether large or small, the challenge as always is keeping up with the changes required, but also managing the messaging around them, both internally and externally.

As has been anticipated, the changes introduced as a result of BEPS (Base Erosion and Profit Shifting) are causing increased focus on all taxes. Falling corporate tax rates, which are intended to attract investment into a particular jurisdiction, means that many are taking the opportunity to increase tax rates in other areas, and the impact of this is already being seen in indirect taxes such as VAT, customs duties, stamp duty and employment taxes. In the UK, we have a frozen VAT rate for now, but there is a definite shift in HMRC’s focus on avoidance for VAT, and for employer compliance, in particular in relation to STBVs (short term business visitors – where we are seeing similar initiatives within Europe and the US), and salary sacrifice arrangements. There is also a creeping introduction of ‘new’ taxes such as the Apprenticeship Levy (effective April 2017) and Diverted Profits Tax (DPT – already in force). Australia has recently announced in its May Budget that it will be introducing a ‘Diverted Profits Tax’, and we should not be surprised if others follow suit.

The UK’s Business Tax Roadmap issued at the March 2016 Budget brought a number of surprises, not least of which was the reduction in the Corporation Tax rate to 17% from 1 April 2020. Whilst this may be positive for some, and was intended in particular to benefit UK centric businesses, it can be unhelpful in that it could require CFC reporting on UK activities for non-UK parented groups, and also may reduce the value of some deferred tax assets. Whilst the latter won’t impact the corporate tax return, it will impact a company’s financial statements, giving rise to wider implications.

Other items in the Business Tax Roadmap were the restrictions on interest deductions (which will replace the Worldwide Debt Cap) and the restrictions of the use of corporate losses. The Banking sector is already subject to restriction – this has now been tightened and the scope broadened to include all large businesses. For many regulated businesses, this can be problematic, and whilst the relaxation of the group relief rules are intended to ease the pain, this may not be sufficient balance for some groups.
Companies subject to the Senior Accounting Officer regime will soon be required to have a published Tax Strategy in relation to their

UK Tax activities. As this will need Board approval, groups will need to prepare a relevant strategy, and also leave sufficient time in the corporate timetable to be obtain the Board's approval.

The publication of tax information is becoming a common theme. In April, the EU published draft proposals for publication of transfer pricing information. The information required is similar to but not quite the same as that required under the OECD's Action 13, Country by Country Reporting (CBCR). The EU's proposals (which are supported by the UK) go beyond the requirements of BEPS which anticipates information being shared between tax authorities only, but essentially kept out of the public space. Closer to home the recent outcry over the Panama investigation has led to calls for MPs to publish their personal tax returns. Where does it end?
Despite continuing concerns of volatility in the UK's tax rules, we should remain positive. HMRC and HMT are willing to engage, consult, and listen to concerns and this can only be helpful. They have also worked very hard on behalf of the UK by energetically engaging with the OECD on BEPS.

The CRM role is changing as HMRC themselves face constant change and a broadening scope of the areas of their responsibility, but I believe having a CRM is a positive thing and businesses should remain mindful of the need to engage positively in order to get the benefit of the relationship.

The increased scrutiny in the tax affairs of multinationals means that in-house tax functions need to ensure they remain fit for purpose. Many large corporates are looking afresh at their in-house capabilities to see if their tax professionals have the necessary skill sets. With the demand for ever-increasing reporting and compliance, there is an increasing need for strong tax accounting skills in parallel with the tax technical knowledge. Those starting out in their careers need to ensure they gain a good understanding of how and where tax fits into the financial statements and the ability to perform detailed calculations and reconciliations of current and deferred tax. A good technical understanding of UK and international tax of course remains essential and will form the base of any tax career, whichever path is taken.

Those further on in their careers should be mindful of the need to develop their skills outside of the core tax technical areas, for example presentation skills, team management, report writing, ability to manage advisers and auditors, and to develop a network of colleagues and professional contacts. The ability to communicate tax matters succinctly and clearly to non-tax professionals is now essential rather than a 'nice to have'. The CIOT has been considering ways in which to support tax professionals in these 'non-tax' development areas, and this should be a positive addition to the benefit of membership in future.

The Commerce & Industry branch of CIOT is aimed at those working in-house, and provides practical and real life insight into the tax issues faced by multinationals. All who work in house are welcome to attend the meetings, which are held in central London in the evenings. There is also an annual conference, this year to be held on Wednesday 5th October, and this takes the opportunity to hear from many in-house speakers and also representatives from HMRC and HMT. Look out for more details in *Tax Adviser magazine*!

So, in summary, we face challenging times, but we should continue to be positive in our approach to change. Remember – you are not alone in the issues you face – and whilst there may not always be an obvious right answer, having the ability to support your decisions with clarity of information and suitable levels of communication will go a long way to convincing internal and external stakeholders that the direction of travel continues to be appropriate.