

Minutes of the QCA Tax Expert Group

QUOTED
COMPANIES
ALLIANCE

Held on: Wednesday 25 July 2018

Venue: Crowe LLP, St Brides House, 10 Salisbury Square, London, EC4Y 8EH

Present:

Paul Attridge	Beavis Morgan LLP	PA
Daniel Hawthorne	Dechert	DH
Emma Locken	PricewaterhouseCoopers LLP	EL
Dan Robertson	RSM	DR
Douglas Tailby	Grant Thornton UK LLP	DT
Tim Ward	Quoted Companies Alliance	TW
Anthony Robinson (Acting Chair)	Quoted Companies Alliance	AR
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

David Halsey	Office of Tax Simplification (OTS)	DH
Paul Morton	Office of Tax Simplification (OTS)	PM
David Blumenthal	Clyde & Co LLP	DB
Laurence Field	Crowe LLP	LF

1. WELCOME TO PAUL MORTON AND DAVID HALSEY, OFFICE OF TAX SIMPLIFICATION (OTS)

AR welcomed DH and PM to the meeting.

PM gave a brief historical overview of the OTS, highlighting its objectives and role in government. He noted that the OTS had welcomed being granted statutory status in 2016. He added that the OTS was particularly committed to improving the individual and business experience of interacting with the tax system.

PM continued to summarise the key aspects of the ongoing and future OTS work programme. One key element of this was the review of the Business Lifecycle. PM explained that the first part of this review had examined the tax charges and relief landscape for the various stages of a business's life time – start-up, incorporation, finance, succession and disposal. He noted that the review dedicated deep attention to the SEIS, EIS and VCT reliefs.

PM added that the Chancellor had written to the OTS in mid-July 2018 requesting a further review of the business lifecycle; this review should focus on tax-related issues concerning smaller companies. DH mentioned that a scoping document was due to be published shortly.

PM also noted that the OTS had conducted a review of inheritance tax. DH added that a feedback statement of the survey results would likely be published in October 2018.

The Expert Group, PM and DH exchanged views on the value of business property relief (BPR) to AIM companies. TW emphasised that it played a key role in providing further investment to small and mid-size

quoted companies on AIM and that the relief should be retained. He added that one potential improvement that could be made was to facilitate bespoke BPR funds which would be allowed to invest in qualifying companies on any growth market, such as AIM and NEX Exchange. He suggested that this would be a good way to ensure that investment is directed at companies requiring more investment and liquidity in their shares. PM was keen to stress that the OTS review would not make a judgement on whether the relief should exist, but rather whether it can be simpler than currently.

DH and PM noted that the OTS was also keen in exploring how technology can be effectively utilised to reform and simplify the tax system – particularly for smaller companies. The Expert Group noted that much of a company’s interaction with the tax system required the completion of paper-based forms. It was suggested that in the 21st century, it was likely to move over to a predominately digital system; this would save time and money, both for companies and HMRC.

PM and DH informally enquired how much companies would be willing to pay for paper documents, in order to finance the development of an electronic solution. £25 per document was floated by some Expert Group members.

The Expert Group, DH and PM also discussed the advantages and disadvantages of providing a binding ruling service. Although it was acknowledged that although this could provide more certainty in the UK tax system – especially for smaller companies which do not have the resources to have large legal departments – there was also a reasonable argument that HMRC could be saturated by demand, as companies become too dependent on requiring for a ruling for all aspects of tax law. It was also noted that HMRC would be required to hire a significant number of new staff to cope with the likely demand.

The Expert Group thanked DH and PM for their time. DH and PM left the meeting.

2. APOLOGIES

Apologies were received from Emma Bailey, Paul Fay, Tom Gareze, Hannah Jones, Vijay Thakrar and Peter Vertannes.

3. MINUTES OF LAST MEETING (21 March 2018)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	QCA proposals for taxation reform CA explained that various Working Groups were working on proposals for the QCA’s 2018 submission to the Chancellor on taxation reform regarding tax simplification, enhancing the take-up of employee share schemes and BPR funds.	None at this stage.

	<p>CA also asked Expert Group members their views on whether the QCA should continue to issue proposals regarding the reform of Entrepreneurs' Relief.</p> <p>He noted that having obtained a number of concessions from the government at recent Budgets – such as the extension of entrepreneurs' relief to external investors in unlisted trading companies for newly issued shares in 2016 and the announcement to change the qualifying rules so that entrepreneurs are not discouraged from seeking external investment through the dilution of their shareholding in 2017 – there was an argument that further changes were unlikely and the QCA's submission should focus on other areas of the tax system. At the same time, it was noted that the QCA should persevere with its patient, long-term approach to other aspect of ER reform.</p> <p>The Expert Group leaned marginally towards not including the proposals in this year's submission, but were comfortable either way.</p> <p>CA explained that drafts of the QCA's Budget Reps would be circulated in mid-to-late August 2018 for review.</p>	
b)	<p>Brexit</p> <p>This was not discussed.</p>	None.

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>Policy Update (June 2018)</p> <p>This was not discussed</p>	None.
b)	<p>Guest invitations to future meetings</p> <p>This was not discussed.</p>	None.

6. NEXT MEETING

Wednesday 26 September 2018, 9.00am – 10.30am, with Donald Stark, Head of Investment Taxation within the Enterprise & Property Tax Team at HM Treasury, as guest (Venue: Crowe Clark Whitehill, St Brides House, 10 Salisbury Square, London, EC4Y 8EH).