



HM TREASURY

Tax framework for business



March 2010



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Introduction

A stable, sustainable and competitive business tax system is critical to ensure businesses can start up, grow and invest. The Government recognises the importance of the views of business when reviewing, revising and developing business tax policy. At Budget 2008, in its publication *The UK economy: analysis of long-term performance and strategic challenges*, the Government set out its objectives for the business tax system.¹

In May 2008, the Chancellor announced the launch of a forum on tax to examine ways in which the tax system could provide the long-term certainty multinational companies need, considering the competitiveness and other challenges facing both business and government. The desire for a short and clear statement emerged as part of regular forum discussions and builds on the Government's work to understand and respond to the views of business. In response, the Government is publishing its Tax Framework for Business.²

The policy principles

The UK needs a sustainable tax base from which to raise sufficient revenue to support the public finances and to provide investment for public services. In its approach to making tax policy for business, both domestically and internationally, the Government will consider any changes against the following principles:

Competitiveness – The tax system plays an important role in assessments of the UK's overall competitiveness. The Government is committed to maintaining the UK's competitiveness and will ensure that the UK remains an attractive location in which and from which to do business.

Fairness – The Government will seek to ensure fairness within and across the tax system, and that businesses pay their fair share of tax.

Minimising distortions – The Government will seek to maintain a tax system that minimises distortions to commercial decisions, while recognising that the tax system can have a role in supporting the UK's competitive strengths and addressing market failures.

Simplicity – When developing and reviewing business tax policy, the Government will consider simplicity alongside other policy objectives, and will seek to avoid unnecessary complexity when designing and developing new business tax legislation.

Stability and certainty – The Government recognises the value of stability and certainty to business. It seeks therefore to avoid unnecessary changes to tax legislation. Where the Government proposes to amend legislation, it will set out the policy reasons for doing so and explain how the amended legislation will deliver these policy objectives.

¹The UK economy: analysis of long-term performance and strategic challenges, HM Treasury, March 2008.

²For further details please refer to http://www.hm-treasury.gov.uk/tax_governmenttaxforum_index.htm

Tax administration / Compliance costs - The Government will maintain its commitment to lowering compliance costs for business, while balancing this with the need to operate a cost-effective tax administration. It will continue to improve tax administration by developing the approach set out in *HMRC's Review of Links with Large Business*³ and, for small and medium sized enterprises, in *Delivering A New Relationship With Business*.⁴

The relative weighting of these principles will vary depending upon the circumstances, and as a result the Government will need to make trade offs between them.

Tax-policy making process

In applying these principles to the development of tax policy, the Government will, where possible:

- Consult ahead of proposed tax changes following the principles set out in *HMRC's Consultation Framework*.⁵ In doing this the Government will seek especially to work with business to understand the implementation issues of any proposed change.
- Publish draft legislation for more complex changes in sufficient time for interested parties to provide comments ahead of their inclusion in a Finance Bill.
- Assess the proposed tax changes against the principles. This analysis will be contained in the Impact Assessment for the change, where published.
- Explain the objective of any draft legislation and how it delivers this. The Government will apply the same practice to legislation by continuing the practice begun with Finance Act 2009 of publishing after Royal Assent an updated and consolidated set of Explanatory Notes, reflecting the full text of the Act after amendment in Parliament.

Where the Government believes it is unable to adhere to any of the above processes it will explain its reason for not so doing.

³2006 Review of Links with Large Business, HMRC, November 2006

⁴<http://www.hmrc.gov.uk/better-regulation/related-links.htm>

⁵<http://www.hmrc.gov.uk/large-business/consultation-framework.pdf>



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