



The 100 Group

Taxation Committee

Mr Nick Shepherd
HMRC, CTIS Business International
11th floor East Spur
Euston Tower
286 Euston Road,
London,
NW1 3UH

18 August 2016

Dear Mr Shepherd

INTRODUCTION OF SECONDARY ADJUSTMENTS INTO THE UK'S DOMESTIC TRANSFER PRICING LEGISLATION

Whilst we welcome the opportunity to comment on HMRC's above named consultation, we are concerned that there is a risk the current volume of consultations are overburdening the process. This is beginning to undermine the ability of business to contribute effectively to important issues.

Who we are

The 100 Group of Finance Directors represents the views of the finance directors of FTSE 100 and several large UK private companies. Our member companies represent around 90% of the market capitalisation of the UK FTSE 100 Index, and in 2015 paid, or generated, taxes equivalent to 14% of total UK Government receipts. Our aim is to contribute positively to the development of UK and international policy and practice on matters that affect our businesses, including taxation, financial reporting, corporate governance and capital market regulation.

Our views

Clarity is needed as to whether HMRC's objective is to counteract an advantage or to apply a form of penalty or deterrent. At the moment the document seems to suggest an element of both which means it is badly targeted and fails to properly achieve either objective in a proportionate way.

We agree with the principle to introduce secondary adjustments into the UK's domestic transfer pricing legislation in order to ensure the actual allocation of profits is consistent with the primary adjustment. However, we believe that the proposed approach of using a notional loan to calculate the adjustment will create unnecessarily complexity and burden for companies. In our view, if a material secondary adjustment is required then there should be a one off adjustment, not a complicated mechanism such as a notional loan. We strongly encourage HMRC to consider the mechanisms used by other countries.

Please do get in touch if you wish to discuss this further with me and the Committee.

Yours sincerely,

Andrew Bonfield

Chairman, Taxation Committee - Andrewbonfield100groupfd@kpmg.co.uk