Views on tax developments

The 100 Group has been, and remains, extremely supportive of UK and international efforts to increase tax transparency (see for example the work with PWC on our total tax contribution), to address aggressive and artificial tax avoidance and to modernise and simplify domestic tax laws and international tax principles. To that end we support of the majority of the emerging initiatives and recommendations from the G20 and OECD 'BEPS' work and from the UK Government, and continue to contribute to their development where appropriate. However, we have raised some concerns about certain aspects of the proposals, namely:

- On **Interest Deductibility** (BEPS Action 4) - The proposed recommendations for limitations of interest deductions by reference to global allocation would distort commercial realities, discourage investment both in long-term infrastructure projects and in developing economies, and have a disproportionate impact on capital intensive industries. Global interest allocation proposals would also represent significant practical compliance problems for both taxpayers and tax authorities.
- On **Diverted Profit Tax** (UK Finance Bill 2015) – Whilst we are supportive in principle of a narrow targeted meaning, the proposed legislation is poorly targeted and extremely complex. As a consequence may well have unintended adverse consequences for a wide range of businesses and activities.
- On **Permanent Establishment Status** (BEPS Action 7) – Many of the proposals fail to provide clear guidance or balanced solutions to perceived issues and are likely to lead to a significant increase in the number of disputes both between taxpayer and tax authorities and between competing tax authorities around the world.
- On the **UK Patent Box** – We continue to represent our views on an appropriate and practical application of the proposed modified nexus approach to ensure that UK R&D activity continues to be encouraged by proportional benefits acceptable to the OECD.
- On **public disclosure of Country by Country Reporting –** We agree that large businesses need to be more transparent in many aspects of their business affairs, including taxation. That may include additional information for key jurisdictions where that assists understanding of the tax profile of the business concerned. In contrast the current Country by Country Reporting template was designed with the specific purpose of assisting tax authorities with their high level risk assessment procedures and with an explicit recognition that it was not suitable for broader purposes. It is therefore unclear how the use of a similar standard template for public disclosure will increase the understanding and trust of the public, and will not competitively disadvantage companies against non-EU based companies.

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The 100 Group

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 2014 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. Whilst this letter expresses the views of The 100 Group of Finance Directors as a whole, those views are not necessarily those of our individual members or their respective employers.