



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

7 April 2016

c/o Tim Hughes
UK Open Government Network Coordinator
Involve
33 Corsham Street
London
N1 6DR

Proposal for HM Treasury commitments to be included in the UK Open Government Partnership National Action Plan

Thank you for your letter of 30 March, setting out three proposals for inclusion in the UK's 2016-2018 Open Government Partnership National Action Plan. We welcome your continued involvement in the development of the National Action Plan.

In regards to your first proposal, the UK initiated the international work on this area by calling on the Organisation for Economic Co-operation and Development (OECD) to develop a template for country-by-country reporting (CBCR) as part of the Base Erosion and Profit Shifting (BEPS) project. The OECD CBCR template is an important step forward in efforts to increase tax transparency. Guidance to ensure a consistent implementation of CBCR has been developed by the OECD to ensure the widest possible dissemination of information among tax administrations, including those of developing countries. Regulations published on 26 February 2016 set out the detail of how the UK is implementing the OECD model.

Governments cannot publically publish the OECD CBCR reports they receive from other countries under the terms of the international agreement. However, we recognise that there is an opportunity to further enhance tax transparency by requiring multinationals to make the details of tax paid publicly available on a country-by-country basis. The UK therefore seeks to promote public CBCR internationally, because there needs to be multilateral agreement for it to be truly effective and to ensure a level playing field across all countries.

On your second proposal, the Government remains committed to its approach to tax policy-making set out in a framework document in 2010, which ensures we have a tax system with a global reputation for predictability, stability and simplicity. As part of this framework we invite written representations from business and industry ahead of each Budget and Autumn Statement.

In response to the Public Accounts Committee (PAC) recommendations, last September, HMRC compiled a Best Practice document that has been shared across HMRC and HMT, and with the PAC and the NAO. This will ensure that tax officials are regularly evaluating the effectiveness of incentives where it is practical and represents good value for money to do so. The Government is always ready to listen to ideas as to how tax incentives can be reformed, but we believe that the incentives in the system are working well to support the Government's economic and social objectives.

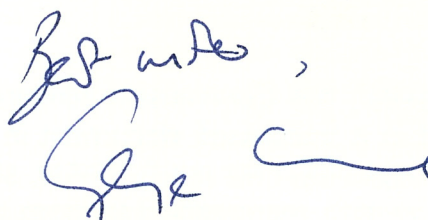
Finally, HMRC already publishes the Exchequer cost for around 180 tax reliefs in its annual publication on the cost of tax reliefs. The latest publication was published in December 2015 and has been improved in line with commitments given to the PAC by, for example, including comparisons with historical estimates.

On your final proposal, the UK's tax treaty program is openly published on the HMRC website and representations are invited from all interested parties. HMRC and Treasury officials routinely consult with those parties who make representations relating to treaty policy and content. UK treaty policy is to generally follow the OECD Model treaty, but in a process which involves negotiation and compromise that is not a rigid approach. UK treaties may reflect measures which take into account aspects of each state's law and policies. The overall objective in a negotiation is to conclude an agreement which is acceptable to both states and which will foster and encourage cross border trade and investment, and strengthen the ability of both states to challenge tax avoidance and evasion.

Once states have agreed and signed a treaty, the treaty is published and is subject to parliamentary and legislative scrutiny in each state before it can enter into force. This approach is commonly adopted in respect of international agreements. There is no obligation on a state to sign a treaty which is unacceptable to that state and the parliamentary scrutiny provides ample scope for concerns to be raised and addressed prior to entry into force.

The UK Government remains wholly committed to tax transparency and combatting tax avoidance and evasion, and we welcome your input into helping HMT produce the UK's 2016-18 Open Government Partnership National Action Plan.

I am copying this letter to the Rt Hon Matthew Hancock MP, Minister for the Cabinet Office.

A handwritten signature in blue ink, appearing to read 'George Osborne', with a stylized flourish at the end.

GEORGE OSBORNE