March 2023

Chartered Institute of Taxation.

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The digital age

The issues with the VAT treatment of the platform economy in e-commerce, transport and accommodation, and the proposals being put forward to reform them

State pensions

What can we do to simplify their unnecessarily complex administration?

Lord Leigh of Hurley

HMRC must have the resources to tackle fraud and error in R&D tax relief

Basis period reform

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HELEN WHITEMAN
JANE ASHTON

Welcome
Our 2023 Budget representations

How many Budgets did we have in 2022? The correct answer is of course zero, despite it sometimes feeling like there was a fiscal event every other week! It is a remarkable fact that, at the time of writing, only one of the most recent five chancellors has actually presented a Budget (Rishi Sunak having managed three in his two and half years). But Jeremy Hunt will add himself to that number on 15 March and we'll all be waiting with bated breath to hear what he announces.

Our technical teams have been taking advantage of the pre-Budget consultation period to set out some of the things we would like to see in the Red Book. For ATT, this includes extending tax reliefs on training costs to cover self-employed people who retrain in a new trade and increasing out of date mileage allowance rates. CIOT's representations include a call for the government to review repayment interest rates. Is it really fair that HMRC charges interest on late payment at the base rate plus 2.5%, while it pays out interest on repayments at the base rate minus 1%? There is more on these and our other reps in the Technical Newsdesk (see page 39).

After the Budget, of course, will come the Finance Bill. While the chancellor will no doubt throw in a few late surprises, we actually have a pretty good idea already of much of what will be in there: among it, legislation to implement a global minimum rate of tax of 15% (OECD Pillar 2); reforms to R&D tax relief; a new system for alcohol duty rates; and, because no Finance Bill is complete without a new tax, legislation introducing the electricity generator levy. On the welcome side, we should see legislation to change pension relief to address the 'low earners anomaly' affecting those in net pay schemes, which LITRG have campaigned so hard to make happen. On the unwelcome side, the bill will formally abolish the Office of Tax Simplification.

Every Finance Bill, CIOT, ATT and LITRG provide briefing notes, suggested amendments and other representations to the MPs debating the legislation. We do this primarily to support the scrutiny process, in line with our public benefit objectives, but also because doing this can sometimes obtain helpful answers and clarifications, and because we think there is value in putting on the record the concerns that tax professionals have about particular measures – be it their complexity, their scope or our doubts about whether they will be effective in achieving the aims set out for them. If officials know that we have concerns with a piece of legislation, the minister will be challenged about it by MPs. That encourages them to take our concerns seriously in future, and hopefully to act on them before final legislation is published.

Finally, a first. The first parliamentary select committee report on tax produced by a committee chaired by a Chartered Tax Adviser – the parliamentarian in question being Lord Leigh of Hurley, and the report being the Lords Economics Affairs Finance Bill Sub-Committee report on 'Research and development tax relief and expenditure credit', published on 31 January. May it be the first of many. You can read Lord Leigh's personal views on the report on page 10.

If you want to ensure your knowledge is up to date after the budget, the dates of the ATT Annual Conferences have just been announced. They are 19 June, 21 June and 29 June. Rebecca Benneyworth will be giving a Topical Tax Update and this will be followed by our Technical Officers presenting on Basis Period Reform, Capital Taxes Update and the HMRC Enquiry Lifecycle. The 29 June conference will be a face to face session and the other two will be held online. If you want to attend the face to face session, we recommend you book early as spaces are limited. Details are at: www.att.org.uk/news-events/events/att-annual-conferences-2023.

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Journal of The Chartered Institute of Taxation and The Association of Taxation Technicians
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London SW1P 2AP.
tel: 020 7340 0550
The CIOT is a registered charity – No. 1037771;
The ATT is a registered charity – No. 803480

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UK print subscription rate 2023: £139.00 for 12 months
UK print subscription rate 2023: £246.00 for 24 months

For *Tax Adviser* magazine subscription queries contact 0330 161 1234. or email customerservice@lexisnexis.co.uk

For any queries regarding late deliveries/non-receipt please direct to Derek Waters, Magazine Distribution Administrator derek.waters@lexisnexis.co.uk

Reprints Any article or issue may be purchased. Details available from customerservice@lexisnexis.co.uk

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Printed by William Gibbons & Sons Ltd. West Midlands

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SUSAN BALL
PRESIDENT

HMRC needs adequate resourcing

> At a time when the public finances are so tight, why deliberately limit the ability of the government to collect more revenue?

I have written previously about change. I am not sure that I have yet got used to HMRC being *His* Majesty's Revenue and Customs. But back in April 2005, it took time to get used to the merger of the Inland Revenue and *Her* Majesty's Customs and Excise! Whether you remember those times or not, it is sometimes worth casting our minds back to understand how far we have come. In 2005, the combined headcount of the two departments was 91,000. Now, it's 63,000. We've seen the closure of lots of local offices in that time, the automation of a lot of processes and the PAYE system changed to real time information.

The demands on HMRC must be as great now as they have ever been. Brexit added significantly to the workload. HMRC spent just under £1 billion on Brexit-related activity in 2021/22 and had around 5,900 people working on this area, presumably mostly on the additional customs controls. HMRC did a great job on the Covid economic support schemes but, by their own admission, they had to divert a lot of people from other areas to work on these, leading to backlogs building up elsewhere. The war in Ukraine has also required some reallocation of staff.

Our understanding is that they move experienced people from their current roles into these 'emergency' positions and try to backfill their original roles. That, of course, takes time, requiring new people to be trained up and contributing to the problems we see with customer service. These issues come on top of policy measures that lengthen and complicate the tax code, bringing greater numbers into the scope of tax, as well as ongoing major projects such as the digitalisation of the tax system. HMRC are doing their level best to deliver the day job, whilst simultaneously managing significant change in order to bring them into the 21st century. But they only have the budget for so many staff and the prospect of an increase to their headcount seems disappointingly remote. This seems short sighted. At a time when the public finances are so tight, why deliberately limit the ability of the government to collect more revenue?

I met with Jim Harra in January to discuss HMRC service levels and also their future strategy (see page 41 and tinyurl.com/ciot-harra for details of the meeting). The wider CIOT team have also had discussions covering areas such as HMRC's three-year roadmap of key priorities and post handling. We will keep raising these concerns but the key decision makers are ministers, who must allocate HMRC the resources they need to cope with the demands being placed upon them. Let's hope that the Budget sees some positive news on this front.

One thing we can expect from the Budget is further changes to tax legislation. These changes can be exciting but also frustrating. Almost always, they seem to increase rather than reduce complexity. We will have to wait to see if closing the OTS really does result in simplification being embedded in Treasury and HMRC. We all have our part to play and, on behalf of members, the CIOT will continue to point out any problems with the drafting or implementation of new legislation. Do contact the technical team if you have points you think need to be picked up.

On a more positive note, I can't miss the opportunity to congratulate our students. It will be fantastic to see many of you at the Admissions ceremony in March. I must congratulate the 570 students who sat ADIT exams in 58 different countries, giving us prize winners stretching from the UK to Dubai to India. Among the achievers was a student in Ukraine, Vladyslav Kupriienko, who passed his third ADIT exam to complete the qualification, an amazing achievement all things considered. We only announced the Diploma in Tax Technology in November 2022, and I am delighted to announce that we have a candidate who has successfully completed the DITT qualification. Huge congratulations to Tristan Noyes. Hear more about his experience in the next issue.

Many of our members have been helping to support efforts elsewhere, such as assisting those from Ukraine. Recently, Tatyana Bernatovych, Managing Partner of RSM Ukraine, was in our London office (in my day job I am a tax partner at RSM UK) and told us that they were overwhelmed by the support received from the accounting and tax community. Many of us will also have provided help to those impacted by the devastating earthquake in Turkey and Syria.

Lastly, International Women's Day on 8 March with the theme **#EmbraceEquity** recognises that each person has different circumstances, and allocates the exact resources and opportunities needed to reach an equal outcome. Embracing that, regardless of gender, has to be the right thing to do.

Susan Ball
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SIMON GROOM
DEPUTY PRESIDENT

Spring is beckoning us all

> Just like the daffodils that are coming into bloom, the branch network is emerging after the pandemic and local branches are returning to face-to-face events.

Hello, and welcome to the Deputy President's page for March. I commented last month about the oddities and anomalies of the UK tax system and the fact that the mainstream media finally seemed to be waking up to the fact that the rules that govern the calculation and collection of tax in the UK aren't necessarily clear, or fair. Since then, tax has once again been in the headlines with Nadhim Zahawi departing from his position as Conservative Party Chair following allegations concerning his tax affairs.

There has also been continued concern over service levels at HMRC, a theme touched upon by David Bradshaw, the current ATT President, when he spoke at our AGM last July. We have seen several stories about how some of those anomalies are creating further pressure on individuals and families during this era of rising prices. To me, more scrutiny from the press is to be welcomed if that reporting is fair and accurate, and genuinely serves to educate the public about how their tax is calculated. Meanwhile, it is left to tax professionals, many of them ATT members, to act as the intermediary between clients and HMRC to ensure that the tax system functions as it should and HMRC can collect the tax that it is due so that our public services can be funded.

Talking of ATT members, I've been fortunate enough over the last few weeks to have met many individuals who are just embarking on their careers in tax and who will one day be ATT members and help to shape the future of our profession. I have been very impressed by their calibre. If our interactions are anything to go by, our profession has a bright future. Hopefully, these new recruits will go on to become members of the ATT and CIOT and will want to have an influence on the operation of the Association and the Institute and on the way the tax system operates in the future.

One of the best ways to have a voice is to join the hundreds of people who volunteer with the ATT and CIOT. There are many reasons why people volunteer; to give something back, learn new skills, improve their network to name but a few, but for many people the branch network is the ideal starting point for getting involved.

The branch network has 36 branches, representing a diverse range of areas, with city-based branches, rural branches, an international branch and a newly created online branch.

One of the key aspects of the branches is that they provide the opportunity for members and students to attend professional seminars and clock up some all-important CPD, as well as the chance to network and meet other tax professionals that they might not otherwise have the chance to meet with.

Traditionally, branches met face to face but the arrival of the pandemic meant that was not possible. The branch network adapted quickly to the change in circumstances and continued to provide CPD – but this time online. Whilst this meant that networking was not as easy, it did mean that a much wider audience could be reached, and as featured in the February 2023 edition of *Tax Adviser*, an online branch was created in July 2022. Under the leadership of Reshma Johar, the branch will be looking to deliver a programme that is exclusively online.

Just like the daffodils that are coming into bloom, the branch network is emerging after the pandemic and local branches are now looking at returning to face-to-face events. Around the country, local committees, made up of ATT and CIOT members who have volunteered to help, are now planning their forthcoming season of events and CPD. Branches are run for the benefit of members and students and rely on volunteers to run them. If you would like to have a say in how your local branch is run, and the things that it offers, then why not come along, and have a chat. You can find details of your local branch and contact details at www.att.org.uk/branch-network. To help the branches continue to flourish, please support them, and attend the events that are on offer and consider getting involved. Being involved has huge benefits both personally and professionally and it is a great way to demonstrate your interest in the tax world. Who knows what it could do for your career!

Simon Groom
ATT Deputy President
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ATT ANNUAL CONFERENCES 2023

SAVE THE DATE

The ATT Annual conferences concentrate on topical issues with an emphasis on the practical issues faced on a daily basis by the Taxation Technician. This year we will hold one conference face to face and two which will be held as online events.

Details of our conferences are as follows:

- Monday 19 June 2023, 9.30 – 13.30 (Live Online Session)
- Wednesday 21 June 2023, 9.30 – 13.30 (Live Online Session)
- Thursday 29 June 2023, 9.30 – 16.30, 30 Monck Street, London (Face to Face Session)

If you sign up for one of the online sessions, you will also receive the afternoon material as three recorded webinars to watch at a time that suits you.

Our Speakers:

Rebecca Benneyworth MBE FCA

Supported by our Technical Officers:

Steven Pinhey
Emma Rawson
Helen Thornley

ATT and CIOT members and students £185
Non members £210

For more information visit: www.att.org.uk/attconf2023

Tax Rate Cards 2023

ATT and CIOT Members can apply for up to 50 Tax Rate Cards online before Wednesday 15 March 2023.

The new Tax Rate Cards will be distributed later in March once all orders have been received.

To obtain your helpful and handy promotional cards, which will set out the March Budget Tax Rates commencing April 2023 log in using your member number and password at this link.

https://pilot-portal.tax.org.uk/Account/My-profile/Edit-tax-card

The deadline to receive your order is Wednesday 15 March 2023

The state pension
Not as simple as it sounds

The administration of state pensions is unnecessarily complex, leading to understandable confusion among many recipients. What can we do to make it simpler?

by Bill Dodwell

About 12.6 million adults received the state pension in February 2023 (see bit.ly/3YS4w5T). That number has increased by just over 1% per annum in recent years. 2.9 million individuals receive the post 2016 new state pension. In August 2022, 1.4 million people received pension credit, representing a total of 1.6 million beneficiaries (including partners). Two thirds of pension credit claimants are women.

Claiming the state pension

The state pension is administered by the Department of Work and Pensions. It is reliant upon information provided by HMRC, which keeps national insurance records and no doubt also shares address data. Typically, DWP writes to potential claimants about four months before their 66th birthday to invite them to claim online – although claimants may request a paper form.

Claims made online are acknowledged by email, but all other correspondence is paper. Letters are written to inform the claimant when their pension will start and how much will be paid. The letters simply specify the amount and do not provide any detail on how it has been calculated, so it is hard to check whether the correct amount is being paid. If no claim is made, DWP will not pay the pension and will instead modestly increase the payable amount, depending on how long the claim is deferred.

The claim form simply tells the prospective pensioner that payment will be made four weeks in arrears to their nominated bank account. However, Moneybox's Paul Lewis has pointed out that it is possible to receive it weekly, by requesting this in the 'other information' box.

Paying the pension every four weeks, instead of monthly, adds unnecessary confusion for pensioners. Most people during their working lives have been paid either weekly or monthly. Many bills are set up on a monthly basis; e.g. utilities, council tax, car and house insurance. Presumably the reason that the DWP doesn't offer a monthly option is that the underlying systems are too old to manage.

The new state pension requires at least 10 years' contributions, and the full payment requires 35 years' contributions.

During 2019, a new DWP computer system called 'Get Your State Pension' came online to handle state pension claims. Unfortunately, DWP is not yet able to include claim system data in its published statistics for state pension; instead, it provides estimates based on payment systems data.

Missing money

In Spring 2020, significant errors in pension payments were brought to the DWP's attention by Sir Steve Webb, the former Pensions Minister, and Tanya Jefferies of ThisIsMoney.co.uk, as well as individual pensioners. The DWP started exploring the 'potential for error' in basic state pension from April 2020, and confirmed there was a significant issue in August 2020 when it ran a full scan of its system.

In January 2021, the DWP launched an exercise to review around 400,000 cases 'at risk' of underpayment to confirm the extent of the issue and reimburse affected pensioners. It recorded a £1 billion provision in 2020/21 in respect of an estimated 132,000 pensioners.

The National Audit Office published a report in September 2021 (see bit.ly/3Z7GSSH), explaining what had happened.

> 'The Department's administration of state pension has limited automation and requires the use of multiple systems and interpretation of complex rules... The Department's pension caseworkers must review information across at least three systems, understand which of the state pension rules apply to each claim and then accurately interpret them in order to assess a pensioner's eligibility. These rules are only fully understood by a small group of specialists... The underpayments were due to repeated human error over many years, some level of which was almost inevitable given the system's high degree of manual review and complex rules.'

The DWP manages pensions with several systems:

- The main Pension Service Computer System, which holds the award and calculates payments, was launched in 1988 and is still used to manage the live state pension caseload. It is a 'legacy system', which means software or hardware that is no longer cost-effective or is now considered to be above the acceptable risk threshold (see bit.ly/3YS704d).
- The Customer Account Management system, launched in 2006, holds the claimant's case record history and personal details. There is a similar system for international recipients.
- HMRC keeps the National Insurance Record System, which records contributions.

DWP then commenced its first full review of state pension fraud and error since 2005/06, which confirmed claimant fraud at 0.00% and error at 0.1%. However, official error amounted to 0.5%, compared to an original estimate of 0.3%. This

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increase was mainly due to errors in National Insurance records, administered by HMRC. This relates to Home Responsibilities Protection, which reduces the number of qualifying years needed for a basic state pension; for example, when people did not work due to childcare or other caring responsibilities. Errors were identified where periods of Home Responsibilities Protection were not accurately recorded. HMRC needs to identify affected cases, before DWP can estimate the total value of any underpayment and correct payments.

The result of this exercise is that DWP now estimates it underpaid £1.46 billion to 237,000 pensioners (mainly women) and will need to review around 700,000 potentially affected cases. It hopes to complete this by the end of 2024 and has taken on over 1,000 staff to assist.

Taxing the pension

The state pension is taxable – although not everyone knows that. The position is made a bit more confusing as all state pension recipients also receive two tax-exempt amounts: the outdated £10 Christmas bonus and the Winter Fuel allowance (or cost of living allowance as it became in autumn 2022). Pension credit – the top-up for those on low incomes – is also tax-exempt.

HMRC statistics estimate that 7.3 million recipients of the state pension pay income tax on it (see bit.ly/3YRKh8n). The Office of Tax Simplification carried out a review of pensioner taxation in 2012 (see bit.ly/3klCtgb) and noted that (in 2012) 2 million pensioners had been included in self assessment. However, at the time HMRC couldn't identify any reason why over 411,000 pensioners had been included and a further 305,000 were included solely because they received the tapered age allowance (now withdrawn).

Simple assessment has been used by HMRC to charge tax on pensioners to reduce the need to file a self assessment tax return. In many ways, this is helpful – but it is very much a system operated by HMRC, which initiates the process (a taxpayer cannot request a simple assessment). Recipients of a simple assessment have 60 days to inform HMRC if they think it is incorrect and then 30 days to appeal against a final notice from HMRC. Arguably, this level of control by HMRC suggests the Department should carry the responsibility of getting it right, but of course HMRC does not always have full information about an individual's circumstances.

The simple assessment form needs to be easier for individuals to check. It does list some sources but it's confusing. It has a caption for 'State Pension/State Benefits', which doesn't seem right, given that state benefits are tax-exempt. The notes don't explain that the £10 Christmas bonus, the Winter Fuel allowance and pension credit are exempt. There is also an 'Adjustments' section with no explanation of the adjustments actually made. (There is a general note which misses out one of the adjustments sometimes relevant to pensioners – the recovery of gift aid on donations exceeding taxable income.)

The way in which the state pension is taxed is also confusing for individuals. The amount taxed is the amount due for the year, even though part of it paid in the year relates to the previous tax year and, of course, part received in the following tax year needs to be added on. The notes attached to the full Self Assessment return tell the taxpayer to: 'Add up the amount you were entitled to receive from 6 April 2021 to 5 April 2022... Add up your amounts carefully.' The notes also mention the tax-exempt benefits. However, the simple assessment form leaves out all this important information – which surely triggers unnecessary letters or calls to the helpline.

How could the state pension be simpler?

DWP should advise pensioners how their pension award has been calculated – rather than making it very hard to check. DWP should also offer monthly or weekly payments, instead of four-weekly payments. The related tax step would be to make amounts received in a tax year actually taxable in that year.

DWP should advise pensioners of the taxable amount in their annual pension award letter. Ideally, the letter would give the taxable amount both for the current and the previous year. Instead, the letter unhelpfully makes no mention of tax at all. It's almost as if DWP lives in a parallel universe from HMRC – when we all know that the two departments rely heavily on each other.

The £10 Christmas bonus should be abolished. It's too small to make a difference. Consideration should be given to making the winter fuel payment taxable and permanent. The letter advising pensioners of the amount they will receive should mention its tax status.

DWP could offer to communicate with pensioners by email. Given that DWP is very keen to encourage new claimants to claim online – and most 65 year olds will be used to a world of computers, email and smartphones – sticking to paper is unhelpful. Over time, opt-in pensioners could reduce DWP costs and communicate in a manner that suits them.

State pension information should be included by HMRC in the Personal Tax Account and its forthcoming successor, the single customer account. HMRC receives this information from DWP; passing it on to customers would seem to be a good idea. Having the ability to make changes in the Tax Account which feed back to DWP would also be helpful and secure – such as change of address or bank account.

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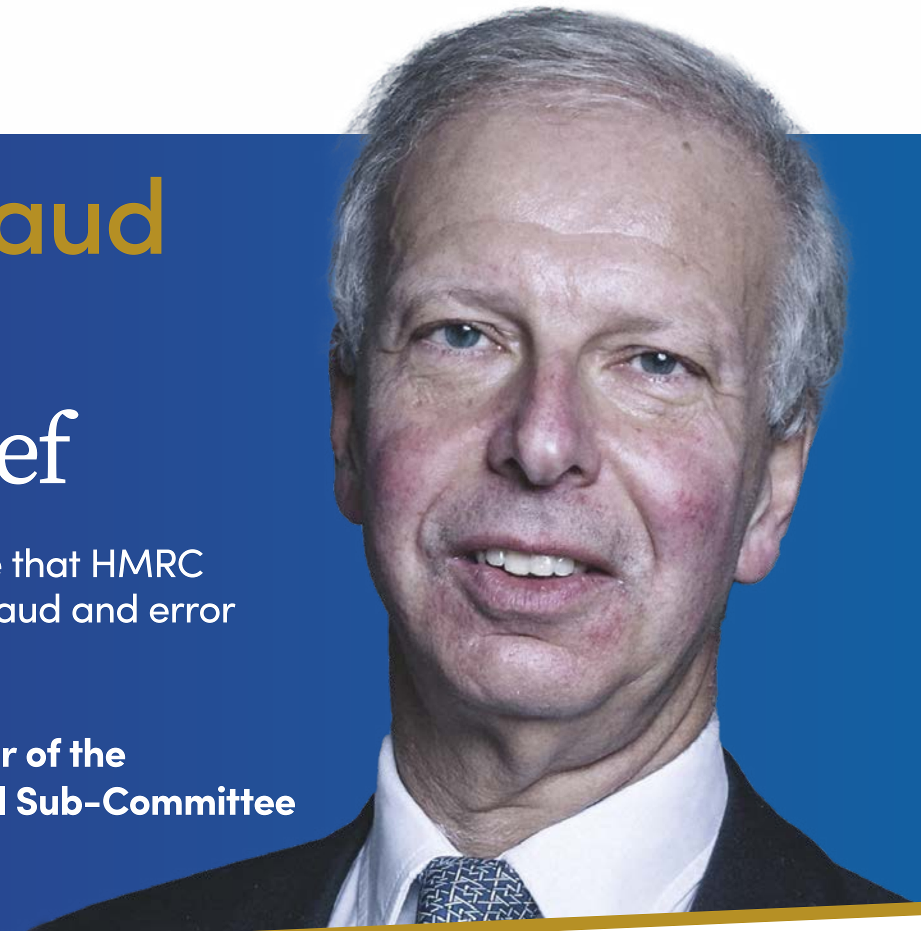

Tackling fraud and error R&D tax relief

The government must ensure that HMRC has the resources to tackle fraud and error within R&D tax relief.

by Lord Leigh of Hurley, Chair of the Economic Affairs Finance Bill Sub-Committee

Each year, the House of Lords Economic Affairs Committee appoints the Finance Bill Sub-Committee to consider aspects of the draft Finance Bill from the point of view of technical issues of tax administration, simplification and clarification. In this context the Sub-Committee, which I chair, published its report on 31 January considering the potential impact of the proposed reforms to research and development (R&D) tax relief.

In today's fast paced and competitive global economy, R&D is a key driver of economic growth and job creation. Investment in R&D is essential in supporting businesses to increase their productivity and meet the changing needs of consumers, while contributing to our economic growth and recovery. It is therefore essential that HMRC and the Treasury get the management of R&D tax relief right for private investment in UK R&D to continue thriving.

Yet, recent reports have highlighted the scale of the abuse of R&D tax relief and the increasing loss of revenue as a result of spurious claims, threatening to undermine the objective of the relief. The government has promised to tackle this urgent issue in the next budget, with their proposed measures published in draft legislation last summer.

Despite the government making several proposals to combat abuse and improve compliance within HMRC, multiple witnesses told us that they felt that HMRC was introducing more hurdles for genuine claimants without getting to the root cause and tackling the abuse. Amongst these measures is the pre-notification requirement which means that if a company intends to make an R&D claim, they must notify HMRC in advance.

In our report, we consider that it is right that tighter processes should be put in place to prevent fraudulent claims being accepted. However, a more targeted and consistent approach which involves the careful selection of claims for investigation, as well as greater inspection of claims being carried out before claimants are asked further questions, is needed from HMRC. This will ensure that the scheme does not unfairly penalise genuine claimants. Further, a review of the resources available to HMRC to enable them to combat abuse of the relief should be carried out with immediate effect. Our report concludes that without sufficient resources and more careful administration of the relief, amending the legislation alone will be ineffective in tackling the abuse.

In addition to the abuse of the relief, there is also the matter of erroneous claims. HMRC stated that the process to submit a claim is 'pretty straightforward'. However, witnesses told us that one of the challenges faced by SMEs is identifying whether their activity constitutes R&D for tax purposes. Firms which find the process to be too complex are therefore more likely to turn to advisers, who might include rogue advisers, and may encourage the firm to submit an invalid claim. HMRC should prioritise helping businesses to understand the schemes, as well as raise more awareness of the Advanced Assurance process available for SMEs.

More broadly, we highlight that a wider review and consultation of the relief is needed, particularly as the government has announced a consultation on the merger of the two R&D schemes to create a single RDEC scheme for all. During our inquiry, we heard various views from witnesses regarding the two schemes becoming one, some of which were in favour of the merger, while others were more sceptical that this would create a scheme that was even more complex. We consider that it is disappointing to see that the announced consultation is limited to design and implementation, which prevents the government from having an open-ended consultation on how R&D relief should progress in the UK.

The role that R&D tax relief plays in today's economy is crucial. I hope the government takes this opportunity to reflect on the Sub-Committees recommendations and engages with relevant stakeholders to ensure that the right measures that will support the UK's growth and productivity are implemented.

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Investigating underpaid VAT
HMRC's powers of best judgment

We consider how advisers should deal with assessments issued by HMRC when an officer thinks that a client has underpaid output tax on past VAT returns.

by Neil Warren

Imagine the following situation: you trade in the High Street as a retail outlet – let's say, a restaurant – and have had a compliance visit from HMRC. Following his initial checks, the officer has decided that your business has understated its daily gross takings figures in your accounting records. He also thinks that you have over-recorded your zero-rated sales. You now have double trouble. What will the officer do in this situation and how should you react?

I will answer these two questions in this article, also referring to recent cases in the First-tier Tribunal to give a further steer.

What does best judgment mean?

The legislation gives officers the power to issue an assessment by using their 'best judgment' if they think that VAT returns have underpaid tax. See ***Best judgment: the legislation***.

A common misunderstanding is to think that officers are obliged to carry out detailed checks and calculations on every past return to establish what they consider to be the correct output tax figure for each period. This is not the case. So, for example, if an officer has calculated that a tobacconist should be achieving a 15% mark-up on the goods he buys by doing a detailed check of his purchase invoices in a representative period, he has the power to extrapolate this percentage to other periods and issue an assessment for the last four years.

Officers will usually discuss their concerns with taxpayers before issuing an assessment. This ensures that clients have a chance to review the calculations and hopefully explain the difference by providing further evidence to support their declared figures. For example, many goods purchased by retailers are not sold at the full selling price due to, say, staff discounts, out-of-date stock being thrown away, obsolescence and wastage.

Two pieces of separate evidence

HMRC's internal manual on best judgment assessments suggests that officers should have two separate pieces of evidence to indicate that output tax has been understated. See ***HMRC VAT Assessments and Error Correction Manual***.

For example, if an officer called into the premises of a restaurant unannounced – just before closing time – she might ask to see a till reading of the daily business. If this till reading indicates that total sales were £1,000 for that day but the business has only declared a maximum daily takings figure of £700 in its records for the last four years, this suggests there is a problem. If the officer has also carried out test purchases on different trading days, and observed that some of them have been omitted from the accounting records, she has further evidence of sales being under-recorded. She is in the driving seat, so to speak.

The potential challenge for a business faced with an output tax assessment is that HMRC might decide that the underpayment has been caused by deliberate actions rather than carelessness. An assessment can be raised going back up to 20 years, rather than being capped at four years for errors. The penalty regime applies rightly higher penalties for errors that are deliberate rather than careless.

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Key Points

What is the issue?
The legislation gives HMRC officers the power to issue an assessment using 'best judgment' if they consider that VAT has been underpaid on past returns. The assessments can only be a guestimate of the tax underpaid, so the officer's conclusions and calculations should be properly checked and reviewed before they are accepted.

What does it mean for me?
If HMRC decides that output tax has been deliberately underpaid on past returns, it has the power to extend the assessment period from four to 20 years. Behavioural penalties are higher if errors are deliberate rather than careless.

What can I take away?
The increased use of card rather than cash payments has reduced the risk of total sales being understated by a business on its returns but it is important that advisers check the mix of standard and zero-rated sales and the accuracy of till procedures.

BEST JUDGMENT: THE LEGISLATION

Value Added Tax Act 1994 s 73(1):

1. Where a person has failed to make any returns ... or where it appears to the Commissioners that such returns are incomplete or incorrect, they may assess the amount of VAT from him to the best of their judgment and notify it to him.

Author's note: HMRC might issue an assessment to disallow input tax if, for example, the officer decides that the evidence to support a claim is insufficient. However, most assessments will relate to underpaid output tax.

HMRC VAT ASSESSMENTS AND ERROR CORRECTION MANUAL (VAEC1460)

This defines the 'best result' for HMRC officers when calculating a 'best judgment' assessment:

> 'It is important to remember that the best result does not mean the method which produces the highest arrears. By best, we mean the most reasonable method as it appears to the officer given the circumstances encountered and the information held. Assessments based on one method and confirmed or supported by means of another are to be preferred.'

See ***Recent tribunals: Neoterick UK*** and ***The Great British Takeaway.***

Credibility checks

Two major changes have happened in recent years, which have had a massive impact on the trading model of many businesses; namely, the increase in the volume of online sales and the reduction in the volume of cash takings because contactless payments by debit cards and mobile phones have increased.

Here are three important VAT questions that accountants should consider in the modern era when doing year-end accounts for a client:

The legislation gives officers the power to issue an assessment using their 'best judgment'.

1. Are online sales being recorded correctly?

I heard a great tale recently from an accountant about a client who owned a shop selling skin care products but also sold products online. The client said there was no VAT to pay on his online sales because his wife dealt with them as a separate business – trading below the annual registration threshold of £85,000 – and she banked the money into her own account. 'What about the input tax on these goods?' asked the accountant. 'That's claimed by my business,' he replied, 'because the suppliers still issue all invoices to me.' This is VAT utopia – claim input tax on your purchases but don't pay output tax on your sales!

2. Has the mix of standard and zero-rated sales been declared correctly?

In the case of *Peppermint Foods Ltd* [2022] UKFTT 232, HMRC disputed the company's VAT returns, which showed that 58% of sales were standard rated. The experienced officer decided that a figure of 90% was more realistic. The officer purchased a hot 12-inch tuna sub for £5.70 where VAT on the till receipt was shown as 43p instead of 95p, with a similar problem encountered on the purchase of a 12-inch chicken strips sub. The taxpayer's appeal against an assessment of £144,383 was dismissed.

3. Do figures included on the VAT returns look sensible?

I always enjoy telling the tale about a visit I made to a kebab take-away business in my Customs and Excise days, where the owner's VAT returns showed that 40% of his total sales were zero-rated. This percentage was ridiculous because the only zero-rated

product he sold was a milkshake drink. A more realistic figure of 2% was agreed and I issued a big assessment plus a penalty.

In HMRC's VAT Assessments and Error Correction manual (VAEC1510), there is a clear instruction that officers must consider whether an assessment is sensible: 'Once you have calculated the arrears to best judgment, you should ask yourself: Is this figure credible? Could the business have actually under-declared this amount of tax.'

Alternative calculations

There are two stages for dealing with a best judgement assessment.

Firstly, you must check that the officer has considered all relevant trading factors about your client's business. For example, has an allowance been made for draught beer lost through weekly pipe cleaning in the case of a pub? Has the projected sales figure been adjusted to reflect 'two for one' meal deals on a Monday evening and the 'happy hour' sessions held during the week?

Secondly, if you think that the officer's calculations are wrong, it is important to come up with your own calculations about what you consider to be the correct figures. This was a problem in the *Peppermint Food Ltd* case mentioned above, where the judge criticised the appellant for providing no 'contrary number evidence' of what the correct output tax figures should be.

Conclusion

HMRC has reallocated many staff from compliance work to Covid-19 and Brexit challenges in recent times. A renewed focus by the department on compliance activities and increasing the tax yield means that the number of best judgment assessments is likely to increase in the coming years. I hope this article has helped to prepare you for this possibility.

Finally, many VAT enthusiasts will recall the landmark case of *Pegasus Birds* [2004] EWCA Civ 1015, heard in the Court of Appeal many years ago. It related to a massive assessment issued by HMRC in relation to the alleged suppression of bird sales. The principles and analysis of the case have largely stood the test of time. See HMRC's manual at VAEC1440 for more analysis – it's worth a few minutes of your busy day.

RECENT TRIBUNALS: *NEOTERICK UK LTD*

In the case of the Subway franchise restaurant *Neoterick UK Ltd* [2022] UKFTT 442, the officers had four pieces of evidence to indicate that standard rated sales had been understated, including two purchases of toasted subs (hot take-away food), which had been coded as zero-rated. They also carried out twelve hours of invigilation exercises over two separate trading days, which again indicated that output tax had been underpaid. The company failed to explain the discrepancies and the appeal was dismissed.

RECENT TRIBUNALS: *THE GREAT BRITISH TAKEAWAY LTD*

In the case of *The Great British Takeaway Ltd* [2022] UKFTT 315, the tribunal considered whether HMRC was correct to issue a penalty for 'deliberate' behaviour and whether the discount given on the maximum penalty rate by HMRC was fair and reasonable.

The company traded as a fish and chip shop and HMRC issued an assessment for £109,157 in October 2018, relating to suppressed sales on returns for the previous four years. The takings shortfall was identified by HMRC after carrying out extensive enquiries and checking Z-readings on tills. The tribunal agreed that the assessment had been raised using the officer's best judgment.

A penalty for £49,666 was issued for deliberate behaviour. The maximum penalty rate for a prompted disclosure is 70% of the tax owed and the minimum rate is 35%. HMRC reduced the maximum rate as follows:

- **Telling:** 10% (out of a maximum of 30%) because the taxpayer did not provide any information about the 'true basis or methodology of the suppression'.
- **Helping:** 30% (out of a maximum of 40%) because the taxpayer attended meetings and provided information when requested but did not help to quantify the arrears.
- **Giving:** the full 30% discount was given.

The judge commented that HMRC had been generous in allowing 10% discount for the 'telling' condition because the taxpayer's explanation that the shortfall was due to problems with 'training and telephone orders' was clearly incorrect. The penalty was upheld and the appeal was dismissed.

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Get your calendars out

The tax year basis

Basis periods for income tax purposes are to be replaced by the 'tax year basis', with transitional rules applying from 6 April 2023. We examine what this means in practice and how you can prepare.

by Rachel McEleney and **David Carter**

Key Points

What is the issue?
Basis period reform involves the replacement of basis periods with the 'tax year basis' from 6 April 2024.

What does it mean for me?
Where accounts are not co-terminous with the tax year, time-apportionments from two accounting periods will be required every year. This shortens the window to finalise profits by up to 12 months, which may result in provisional tax returns that require later amendments.

What can I take away?
Aligning accounting periods to the tax year may avoid much of the complexity, provided the taxpayer can finalise their tax compliance by the filing deadline. If this is not appropriate, preparations should be made for the additional administrative burdens.

The government announced in the Autumn Budget 2021 that basis periods for income tax purposes (the 'current year basis') would be abolished from 6 April 2024 and replaced with the 'tax year basis'. Broadly, the intention is to tax profits that are time-apportioned to the tax year instead of the profits for the 12 months to the accounting date in the tax year. The announcement was made after a brief consultation in the summer of 2021. Transitional rules will apply in 2023/24. The changes were enacted in Finance Act 2022 Schedule 1.

Traders with accounting periods that are already aligned to the tax year will generally not be affected by the changes. The legislation includes provisions to treat accounting periods ending between 31 March and 4 April as aligned to the tax year. According to HMRC's statistics, 93% of sole traders and 67% of partnerships already have accounting periods aligned to the tax year, and it anticipates that many businesses will change their year ends to avoid the need to time-apportion profits.

In its consultation, HMRC stated that these reforms were intended to simplify the taxation of trading profits and the implementation of Making Tax Digital for Income Tax (MTD). It also wished to remove the tax deferral that can arise under the current year basis.

Is the abolition of the current year basis a simplification?

Although there is some complexity in the current year basis, this is limited to the opening and closing year rules and changes of accounting date. In most tax years of a business's existence, the current year basis is extremely simple. It is encapsulated in a single sentence of legislation reading: 'The general rule is that the basis period for a tax year is the period of 12 months ending with the accounting date in that tax year' (Income Tax (Trading and Other Income) Act 2005 s 198). In most years, it is therefore only necessary to consider a single accounting period, which has already completed before the tax return is due.

The practical difficulties that arise on the current year basis usually relate to commencement rules where the accounting date is not aligned to the tax year. For example, if the individual started trading on 1 January 2023 and drew their first set of accounts to 31 December 2023, they need to include 95/365ths of the 2023 profit on the 2022/23 tax return, which is due only a month after the accounting period ends. In many of these cases, the 2022/23 tax return would need to be filed on a provisional basis and then amended when the 2023 profit has been finalised. Under the tax year basis, the commencement tax year issue is unchanged. Unlike the current year basis, however, the tax year basis will cause this problem to recur in every subsequent tax year.

Another important feature of the current year basis is that the potential complexity could be avoided by aligning accounting periods to the tax year. The reforms do not simplify the affairs of traders whose accounting periods already align with the tax year, but they do complicate the affairs of others.

The interaction with MTD also does not appear to have been considered fully. Under MTD, quarterly reports of receipts and expenses will need to be filed, with these figures supposedly driving the profit figure for the year. The reports for the 2026/27 tax year will cover the transactions in the year to 31 March 2027 or 5 April 2027, but this will not match the profits for 2026/27 unless the accounting period is aligned to the tax year. For example, if the trader has a 31 December year end, a one-off expense in October 2027 will affect the 2027 profit, 95/365ths of which is taxable in 2026/27. That expense will not feature in the MTD records for the 2026/27 tax year.

In addition to the intrinsic complications of the tax year basis, the transitional rules may be complex in some cases, particularly where there are creditable foreign taxes.

EXAMPLE: MICHAEL'S TRADING PROFITS

Michael always draws his accounts to 31 December. His profits are as follows:

- Year to 31 December 2023: £98,500
- Year to 31 December 2024: £109,800
- Overlap profits brought forward: £7,600

Michael's transition part runs from 1 January to 5 April 2024. His transition profits are calculated as follows:

Profits from 1 January to 5 April 2024 (£109,800 x 96/366)	£28,800
Less overlap relief	(£7,600)
Transition profits	£21,200
Transition profits taxed in 2023/24 (20%)	£4,240

Unless Michael chooses to accelerate any transition profits, £4,240 will be added to the standard part profits of £98,500 to arrive at his total trading profits of £102,740 for 2023/24.

Transitional rules in 2023/24

Trading profits

In 2023/24, traders will normally have a basis period that runs from the day after the 2022/23 basis period ends until 5 April 2024. The first 12 months of the basis period is the 'standard part'. If the standard part ends before 31 March 2024, the remainder of the basis period is the 'transition part'. For example, if the trader draws up their accounts to 31 December every year, the standard part will normally be the year to 31 December 2023 and the transition part will run from 1 January to 5 April 2024.

'Transition profits' will be based on the profits of the transition part, on a time-apportionment basis, less any unused overlap profits. If there is excess overlap, it is set against the profits of the standard part. If transition profits are greater than zero, they are spread equally over the five tax years from 2023/24 to 2027/28 but the trader can make an election to accelerate all or part of them. On a partial acceleration, the remaining transition profits are spread evenly over the remaining tax years. In the tax year that the trade ceases, any untaxed transition profits will be taxed.

Transition profits are subject to special treatment in the income tax computation to prevent certain anomalies (Finance Act 2022 Sch 1 Para 75). The transition profits are deemed to be excluded from net income, but a standalone charge is added at Step 5 of the income tax computation based on the additional tax that would have arisen had the profits not been so excluded. This is effective for certain purposes, such as high income child benefit charge, pension taper and entitlement to tax-free childcare, which are all affected by the level of net income. It is not effective for the personal allowance taper, however, as any profits that would have suffered an effective 60% tax rate will have a notional effective 60% tax charge added at Step 5.

Non-trading income of a trading partnership ('notional business')

Similar transitional rules also apply to a partner's 'notional business' (e.g. where untaxed interest is attributed to partners). Income up to 5 April 2024 is brought into charge and overlap for the notional business is deducted in full. The income is taxed in full in 2023/24 without spreading provisions or special computational rules.

Foreign tax credits

Where foreign tax is suffered on overlap profits, the same foreign tax may be relieved in both of the tax years when the profits were taxed (double tax relief overlap). Where overlap relief is given on profits, double tax relief overlap crystallises in a similar way, reducing the foreign tax credit or creating a charge (Taxation (International and Other Provisions) Act 2010 ss 22-24). Double tax relief overlap will crystallise in full in 2023/24 under the transitional rules.

In addition to the overlap considerations, foreign taxes may also complicate the treatment of the transition profits. If we assume in the example of ***Michael's trading profits*** above that £54,900 of Michael's 2024 profits were foreign sourced and suffered foreign tax of £21,960 (40%), we need to consider when these profits are being taxed. Only 20% of 96/366ths of the profits are being recognised in 2023/24 (£2,880), so it appears that we should recognise the same proportion of the foreign tax (£1,152). The remaining foreign tax should be relieved when the transition profits are taxed in subsequent years. The calculation would be complicated further if he is crystallising double tax relief overlap.

Partnerships

The issues facing smaller domestic trading partnerships are likely to be very similar to sole traders. However, basis period reform presents a number of additional challenges for larger and/or international partnerships in terms of tax compliance obligations, international aspects and, in some instances, cashflow.

Many of the large and/or international firms have a year end date early in the tax year (e.g. 30 April), as this affords them up to 21 months to complete their partnership tax return and calculate their double tax relief claims. Basis Period Reform shortens this period to just nine months (for a 30 April year end) during which the accounts may need to be audited, a process which itself can often take six to nine months.

As a result, it is unlikely that many of the larger firms will be able to finalise their tax computations by the filing deadline. Further, non-UK taxes may not be known by the filing deadline of the partners' returns. The use of provisional figures and estimated double tax relief claims, and the associated uncertainty and administrative burden, is inevitable for many large international firms.

For those firms with non-UK partners in receipt of UK sourced income, there is a question on how their local tax authorities will seek to tax the transition profits which are spread over five years, and a further question on how local tax authorities will give credit for UK taxes paid on transition profits.

Large, and particularly international, firms withhold estimates of UK and non-UK taxes ('tax reserves') from their distributions of profits to their partners and pay the taxes over to the relevant authorities. This is for administrative convenience, but it also forms a valuable source of working capital for the firm owing to the delay between profits being earned/distributed and being paid to tax authorities.

Basis period reform accelerates UK tax payments, in turn diminishing firms' tax reserve balances which may result in firms needing to find alternative sources of financing.

What is HMRC doing to help?

HMRC circulated a technical paper in April 2022 suggesting possible ways to alleviate the administrative burden of filing provisional returns and amending them later.

It confirmed in December 2022 that the only easement it would be taking forward was to allow the amendments to be made at the same time as the filing of the subsequent year's tax return rather than 'without delay'.

Based on experience of dealing with new partners on the current year basis, this is not expected to make an appreciable difference to international partnerships. This is because the partnership tax return and foreign tax figures tend to become available so late in the subsequent filing season that it is not possible for an unreasonable delay to arise.

HMRC has also indicated that it will help taxpayers and agents to reconstruct overlap profits if necessary, based on historical profits reported. As all taxpayers' overlap relief will crystallise in or before 2023/24, HMRC could potentially have to deal with a high volume of queries. It is currently unclear whether it will also be able to assist with double tax relief overlap, which is more difficult to identify if the only source material is self assessment returns.

The advantage of a 31 March year end date is that it gives the most amount of time between the year end date and the filing deadline.

Should traders be changing their year ends to 31 March?

The answer will depend on what a trader is aiming to achieve by changing their year end date and indeed whether they can change their year end date. The advantage of a 31 March year end date is that it gives the most amount of time (10 months) between the year end date and the filing deadline. It also makes for more straightforward filings (no pro-rating of accounting periods) and will very likely fit best with MTD.

However, there are some traders (such as large/international partnerships) that will not be able to finalise the tax computation and DTR claims even with the maximum 10 months preparation time. For these firms, it is questionable whether the effort which would be expended in changing the year end would be worth the limited benefits.

There will be some traders, for example seasonal traders, where a 31 March year end date could be disruptive over summer months, their busiest time of the year. There will be some traders who cannot change their year end as they are part of a wider group which is required to report to a certain year end date (e.g. many US headed firms have to report to 31 December).

What does the future look like?

Although the tax year basis seems simple on the surface and is undoubtedly easier to explain to the uninitiated, it is likely to create complexity in the future for traders who cannot align their accounting periods to the tax year. Whereas the current year basis gave finality at an early stage, the tax year basis will force affected traders to file provisional returns year after year. As well as the extra administrative burden of estimating profits and amending them later, it may have a knock-on effect on other issues such as pension tax charges and loss reliefs. It may also expose traders to interest charges if there is a discrepancy.

It remains to be seen how MTD will be adapted to deal with traders whose accounting periods are not aligned to the tax year. The current year basis did present some challenges, due to different traders having different accounting quarters, but these seem to have been replaced with an even trickier problem. MTD will give a summary of receipts and expenses arising in a tax year, but this does not translate into taxable profit, which will be based on time-apportioned profits from two accounting periods. Reconciliation of the data will be particularly difficult if the accounting period does not end on a tax year quarter (e.g. 30 April).

One option for genuine simplification of the trading income rules could have been taken, but so far has not been. Had the current year basis been retained on an opt-in basis, with the tax year basis being the default method, this would have simplified compliance for those who struggle with overlap relief without creating complexity for those who don't.

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Key Points

What is the issue?
Countries are looking at solutions to accelerate the decarbonisation of their economies to transition to a net zero future. The tax system is a lever available to achieve these objectives.

What does it mean for me?
Tax policy is expected to be used more extensively and more creatively by governments to achieve their net zero ambitions. Both taxes and incentives are likely to be used to influence behaviours.

What can I take away?
Looking at international trends and potential choices available for the UK government can be useful to ensure businesses influence and advocate for change in the tax policy area. With a diversity of legislation and regulation around the world, tracking the compliance requirements and incentives opportunities will become critical.

Tax policy options
Achieving net zero commitments

As countries seek to decarbonise their economies to transition to a net zero future, we consider the options for the UK within an international context.

by Amanda Tickel and Claire Galineau

The UK was the first major economy to enshrine its 2050 net zero commitment into law. Days before the UK's presidency of the UN Climate Change Conference (COP) 26 in 2021, it published its Net Zero Strategy titled 'Build Back Greener' to lay out steps to achieve the transition. This strategy was found unlawful by the High Court in July 2022 for not providing a detailed implementation plan; a new net zero strategy is expected by the end of March 2023.

In January 2023, former Energy Minister Chris Skidmore MP published his Net Zero Review 'Mission Zero', which described the historic opportunity offered by net zero and made 129 specific recommendations that the UK government should adopt to create a green economy.

The UK may have been at the start of the movement, but since COP26, it is reported that commitments to the net zero target cover over 90% of the world's global gross domestic product (GDP). Governments around the world are now actively seeking ways to achieve those commitments through legislative and regulatory changes, including utilising their tax system more efficiently.

Governments are grappling with a list of challenges, including managing post Covid debt levels, energy security, rising inflation and trade protectionism. However, Deloitte's Global Turning Point Report last year revealed that unchecked climate change could cost the global economy $178 trillion over the next 50 years, unless global leaders unite in a systemic net-zero transition. The cost of inaction is becoming more significant than action itself, and tax policy should play an important role. This article examines global trends in the transport sector, green technologies, circularity and plastic packaging tax and carbon leakage.

Accelerating the electrification of the transport sector

One of the key targets to reduce emissions is the transport sector and reducing the number of petrol and diesel vehicles. While incentivising electrification started over a decade ago, more recently countries have announced phase-out dates for the sale of new petrol and diesel cars: these include the EU by 2035, the UK by 2030 and Norway by 2025.

Tax policy tools accelerating the electric vehicles roll out include:

VAT reduction: Norway, a leader in the electric car revolution with a population of only 5.4 million, has seen a large uptake in consumers purchasing electric vehicles due to the decision in the early 2000s to reduce the VAT rate on such purchases from 25% to 0%. This created a real difference, so much so that the Norwegian government decided last year to change its electric vehicle subsidy system so that from 1 January 2023 the new scheme becomes dynamic, with fewer advantages for more expensive models.

Government subsidies: France has introduced both an ecological bonus and a scrappage scheme for older diesel-powered cars to incentivise the purchases of electric vehicles. The French Bonus-Malus system consists of offering a financial incentive (bonus) for low carbon emissions vehicles compared to a fee (malus) for high-emission cars. It was implemented in 2008 and has fluctuated in value since. France also provides additional grants where an individual lives or works in a low emission zone and for the installation of charging points. Electric vehicles are also exempt from company car tax, which is another incentive to shift company fleets to electric vehicles or hybrid vehicles.

Provincial rebates: In Canada, provinces have different rebates available on top of a maximum federal government rebate of C$5,000 on the purchase of new electric vehicles. The two rebates are ‘stackable’; for example, the purchase of an electric vehicle in the province of Quebec could currently include a saving of up to C$12,000 directly from the car dealership.

Income tax credit: Since August 2022, the US offers a federal income tax credit of up to $7,500 for eligible vehicles subject to specific assembly requirements.

Employee benefits: In the UK, businesses can offer electric vehicles to their employees through company car schemes at a lower cost than petrol and diesel equivalent (see ‘Electric vehicle company car schemes’ (Dec 2022), *Tax Adviser*).

While the UK may not use its VAT rate, likely due to scale and cost issues, the numerous policies to render electric vehicles more affordable are starting to impact the overall uptake. Other benefits such as no or reduced congestion charges, grants for home chargers, and enhanced capital allowances to write off purchases may also be available locally. The combination of these policy choices creates strong incentivisation to make the move to electric vehicles, with the main challenge being the visibility and ease of such incentives for buyers.

Going forward, governments may reduce the stable revenue stream from the transition to electric vehicles, notably in relation to UK fuel duty which in January 2023 represented £25.9 billion out of a total tax take of £715.5 billion in 2021/22, slightly above 3.6%. The chancellor Jeremy Hunt signalled in November 2022 that electric cars, vans and motorcycles will begin to be subject to vehicle excise duty from 1 April 2025 in the same way as petrol and diesel vehicles. We expect other countries will start to acknowledge the loss in revenue and explore other avenues such as through road tax.

Turbocharging investment

Last summer, the US legislated the Inflation Reduction Act, which provides a broad state support in the form of subsidies, grants and tax incentives amounting to $369 billion to support green industries in the US, such as the production of electric vehicles, batteries and renewable technologies like hydrogen or carbon capture projects. With the Inflation Reduction Act, the US acted unilaterally, marking a positive step to achieving net zero targets; however, this impacted relations between the US and its trading partners. It is widely acknowledged that new technologies could be a turning point in the net zero strategy and so incentivising the right technologies will be critical.

The trade controversy around the Inflation Reduction Act is notably in respect of the personal tax credit of up to $7,500 given to individuals buying American made electric vehicles. Currently, half of the electric vehicle tax credit is available if a certain percentage of the value of the battery components are manufactured or assembled in North America. The other half is available if a certain percentage of the value of battery minerals are extracted, processed or recycled in the US, or extracted or processed in a country which has a Free Trade Agreement with the US.

Additional restrictions will apply for battery components and critical minerals from foreign entities of concern. This has caused complaints of anti-trade policies, including from the EU and South Korea, for making electric vehicles made outside the US far less financially attractive to consumers. This measure has been seen by some as discriminatory in favour of US produced goods (and as such against those with non-US components), which some have said is a prima facie breach of the World Trade Organisation’s fundamental principle of national treatment.

While the official aim of this incentive is to accelerate the electrification of the transport sector, it also promotes and ties in the return of supply chain elements to the US which will bring growth and green jobs. Compared to its neighbouring trading block (the EU), the UK government was not outspoken on this issue.

The UK government is seeking to move towards a net zero carbon economy, through a range of grants and incentives to encourage changes in economic activity. The range of initiatives is very broad, from R&D and grants for green technologies to the installation of capital equipment to improve energy efficiency and reduce greenhouse gas emissions.

The UK government has already mobilised funds to support the creation of thousands of green jobs. It has allocated £180 million for achieving 10% sustainable aviation fuel by 2030; more than £300 million for the net zero hydrogen fund and accelerator; and £1 billion to fund the industrialisation of a high value electrified automotive supply chain at scale. This is on top of the £20 billion in R&D investment which the UK government is supplying in 2024 to 2025.

However, the UK government may have been restrained so far by the requirement, as part of the Brexit agreement, to maintain a level playing field with the EU bloc. As the EU develops proposals to compete with the US Inflation Reduction Act, notably by loosening their own state aid rules, the UK will be able to follow suit without the risk of breaking the terms of the withdrawal agreement.

Plastic packaging tax

The UK introduced its plastic packaging tax with effect from 1 April 2022. It aims to encourage the use of recycled plastic instead of new plastic within packaging. The plastic packaging tax applies to plastic packaging manufactured in or imported into the UK which does not contain at least 30% recycled plastic by weight and is charged at a rate of £200 per tonne (above a de minimis threshold of 10 tonnes of in-scope packaging per year). There are some limited exemptions and exclusions.

Spain introduced a similar tax with effect from 1 January 2023, with the new tax applying at a rate of €450 per tonne of non-recycled plastic packaging. Imports and intra-EU acquisitions of goods subject to the tax are exempt if they do not exceed 5kg of non-recycled plastic packaging per month. Unlike in the UK, plastic packaging tax on imports is payable at the same time that customs duties are due. Italy has been looking into introducing a similar tax at a rate of €450 per tonnes of virgin plastic but the entry into force was suspended until 1 January 2024 (with further delays possible).

Other regulatory changes are being implemented, such as bans on single-use plastics in various jurisdictions like Canada (from December 2022), France (from 1 January 2023) and from October 2023 in the UK. A deposit return scheme is also under review in the UK with a potential introduction from October 2025. Sweden is the leader in such schemes, with one of the highest return rates with around 85% of target materials returned.

In addition, next year will see changes to the Extended Producer Responsibility programme in the UK. This will lead to companies paying the cost of collection and recycling for all plastic packaging they put on the market, paying more for 'less sustainable packaging'.

The new, more proactive approach to tackling plastic waste is also playing out at a global level. The UN Environment Programme convened UN member states to agree to a global treaty for plastics, and after two years of negotiation this will be put forward for ratification in a similar fashion to the Paris Agreement. With new initiatives being introduced in the EU – including mandatory recycled content targets – the legislative and public interest in plastics is forcing consumer businesses to take positive action demonstrating that tax and regulatory changes can be effective levers for change.

The European Carbon Border Adjustment Mechanism (CBAM)

Any country trying to measure and reduce greenhouse gasses would typically only cover their domestic emissions. However, much of what is utilised domestically is manufactured elsewhere and such imported emissions would not be counted. By placing a levy on certain carbon-intensive goods, a CBAM can prevent 'carbon leakage' where high emitting business choose to import products from jurisdictions with less stringent climate regulations and a lower carbon price.

The European Commission published its CBAM proposal on 14 July 2021 as part of its 'Fit for 55' package of climate measures and is moving this proposal through its approvals process. Currently, the European Parliament and Council of the European Union have reached a provisional agreement to implement the CBAM from 1 October 2023, with only a formal approval needed now.

Under this proposal, companies importing certain products to the EU would need to buy digital certificates for each tonne of carbon emissions embedded in their goods. Initially, the EU CBAM would cover aluminium, iron, steel, electricity, cement, hydrogen, some fertilisers and some downstream products like screws and bolts, so the greatest impact would be felt within those carbon-intensive sectors. The list looks set to grow, with a transitional and gradual phase in between 2023 and 2026 seen as a 'review and revise' period. Ultimately, the goal will be to match the broader coverage of the EU Emissions Trading System. It is noted that the EU Emissions Trading System is evolving, and reform is underway to ensure it is fit for purpose.

The UK, like the EU, already has an Emissions Trading System in place, which should provide some broad consistency to the carbon price of goods produced in the UK. Under the EU CBAM, carbon taxes paid in the country of origin should be deductible from the CBAM cost – this will notably be the case for UK exports to the EU. The main compliance with the EU CBAM is likely to be proving that this is the case in practice and any deviation could result in higher adjustments for UK exporters to the EU. To date, there have been calls through the Climate Change Committee, the House of Commons Environmental Audit Committee, and more recently in the Net Zero Review, to investigate urgently the potential of a UK CBAM through a consultation.

> **Tax and trade policies will be key to helping governments accelerate the decarbonisation of their economies.**

A multilateral approach would be an attractive solution, which we believe many businesses would appreciate. However, time is of the essence and with a lack of political agreement on this topic, it remains difficult to imagine a clear consensus. It is noted that the OECD has set up a new Inclusive Forum on Carbon Mitigation Approaches with the aim of obtaining better data and information sharing about the comparative effectiveness of a full range of policy approaches beyond carbon pricing. A first inaugural meeting on 9-10 February gathered 607 individuals to discuss ways to boost global emissions reductions through improved collaboration.

Policy principles at stake and looking ahead in the UK

In recent years, governments have been designing new policies and adjusting existing ones to match their net zero ambitions. Holistic designs rely on several principles for adequate trade and tax policies, such as: certainty, recognising that businesses need medium and long-term predictability to support their investment decisions; collaborative design, including comprehensive consultation processes with a wide range of stakeholders; carrots and sticks; and a multilateral approach where appropriate.

The UK has been leading on setting emission reductions targets and with regards to the plastic packaging tax. The Net Zero Review recommends in-depth assessments of various parts of the UK tax system to ensure existing measures are fit for purpose and efficiently incentivise good behaviours, including on the long-term tax treatment of the North Sea, green capital investments and R&D, and VAT rates on public and private electric vehicle charging. It also identifies areas where it recommends that the UK government endorses and implements international standards such as the International Sustainability Standards Board (ISSB) standards in relation to financial disclosures and international voluntary carbon markets standards for carbon credits and offsets. The Spring Budget mid-March will provide the government with an opportunity to introduce such measures or open new consultations.

In summary

There are no miracle policies or 'one size fits all' legislative and regulatory change to tackling climate change, but tax and trade policies will be key to helping governments to accelerate the decarbonisation of their economies while ensuring a just transition. Multinational businesses with operations and supply chains spanning across the globe will need to dedicate time and resource to this challenge and the tax function will have a decisive role on their decarbonisation journey.

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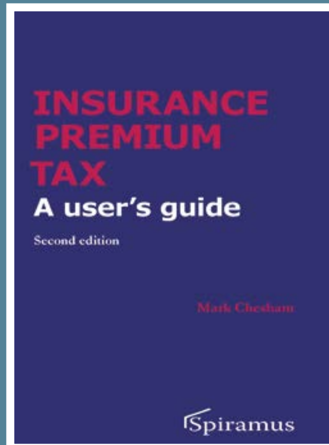

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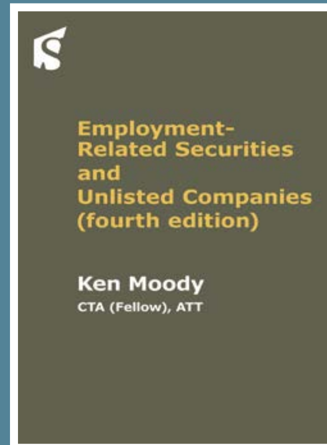

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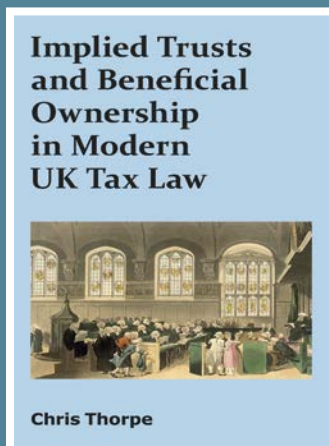

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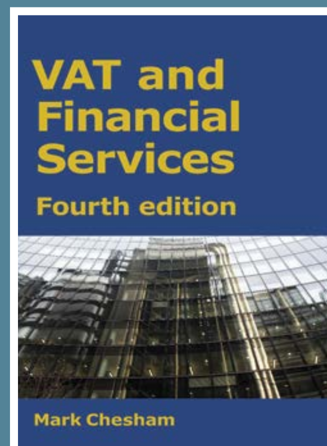

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The 100 day plan

Post-acquisition tax issues

Whilst it may be a milestone event, the completion of a corporate acquisition should trigger the consideration of a range of common tax issues.

by Graeme Connell

This is the first in a series of articles exploring the common UK tax issues which can arise for a company or group following the completion of an acquisition by a third-party purchaser. Specifically, we will look at these issues in the context of a leveraged buy-out using a familiar acquisition structure (see ***Acquisition structure)***.

Whilst some tax issues may have been identified as part of any pre-transaction due diligence undertaken, this article will review some of the more common UK tax issues which may specifically arise post-completion. These fall into a variety of areas.

Corporation tax

The first basic job will likely be to register Holdco, Midco and Bidco for corporation tax. HMRC must be notified within three months of a company becoming active.

Transaction costs

Commonly incurred transaction costs relate to the raising of debt, project management, corporate finance, due diligence, legal work and tax advice. These costs are normally incurred by Bidco, a newly created company which will often act only as an intermediate holding company in the new structure.

Any deductible costs will therefore be either management expenses or non-trade loan relationship debits of Bidco. Group relief may be available to give relief for any losses incurred by Bidco as a result. A more detailed look at the technical position in relation to transaction costs will be the subject of a future article.

Restructuring the group

Whilst the newly created corporate structure has been designed for the current transaction, it is often the case that Target will be the 'Holdco' from a previous transaction. This can result in a large and unnecessary corporate chain with a number of redundant intermediate holding companies. Such a group structure could be rationalised post-completion, typically using 'no gain, no loss' transfers (under the Taxation of Chargeable Gains

Key Points

What is the issue?
When companies are acquired, the transaction can give rise to a wide range of additional UK tax issues, across a variety of taxes, all of which must be considered by the company and its advisers.

What does it mean for me?
There are common issues that companies which are the subject of a change of ownership should be planning to deal with.

What can I take away?
Consider a wide range of tax issues across corporation tax, VAT, employment-related securities and employment tax and, in conjunction with available due diligence reports and structure papers, form a 100 day post-completion tax plan for addressing the issues.

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Act 1992 s 171) of subsidiaries between the members of the group. This can mean the removal of the entity in which the acquisition base cost arises; it is worth confirming that this does not matter, for example due to the availability of the substantial shareholding exemption.

Loan financing

As part of the financing of the transaction, funds will have been lent between the companies in the group, particularly by Midco to Bidco, so that it can settle the transaction consideration and costs. However, as Midco and Bidco are not normally active companies, they often require funding from other parts of the group for payments of interest or repayments on loan notes, or payment of deferred consideration.

If these funds are lent by Target or its subsidiaries and a payment is made to a participator which is not charged to income tax (such as to the seller in respect of deferred consideration), Corporation Tax Act 2010 s 459 – loans to participators – would apply to the loan balance (see ‘Disguised distributions: private equity considerations’, *Tax Adviser*, October 2022). These loans should be cleared within nine months of the year end to avoid the need to make payment to HMRC.

Interest deductibility

Consideration will need to be given as to how much of the interest on the acquisition and refinancing of loans is deductible for the paying company and the group as a whole.

Where the newly enlarged group is of such a size that it must operate transfer pricing, appropriate work must be undertaken to determine the appropriate arm’s length price, not just for goods and services but also for interest on the debt. The transfer pricing rules will operate to disallow the interest on the part of any loan that an independent third party would not have been willing to lend, or to the extent that the interest rate is deemed to be excessive.

The rules will also operate to impute an arm’s length interest charge where the actual rate is lower. Where the level of debt far exceeds the company’s equity, it will be considered to be thinly capitalised.

Once an arm’s length interest charge has been computed, other aspects of the tax legislation may restrict the amount of deductible interest: the anti-hybrid legislation and the unallowable purpose rules (see the recent decision in *JTI Acquisition Company (2011) Ltd v HMRC* [2022] UKFTT 166). Any interest payable to a participator which remains unpaid 12 months after the accounting period end is deductible only when paid. The corporate interest restriction rules potentially further restrict deductible group interest and finance costs where these exceed £2 million per year.

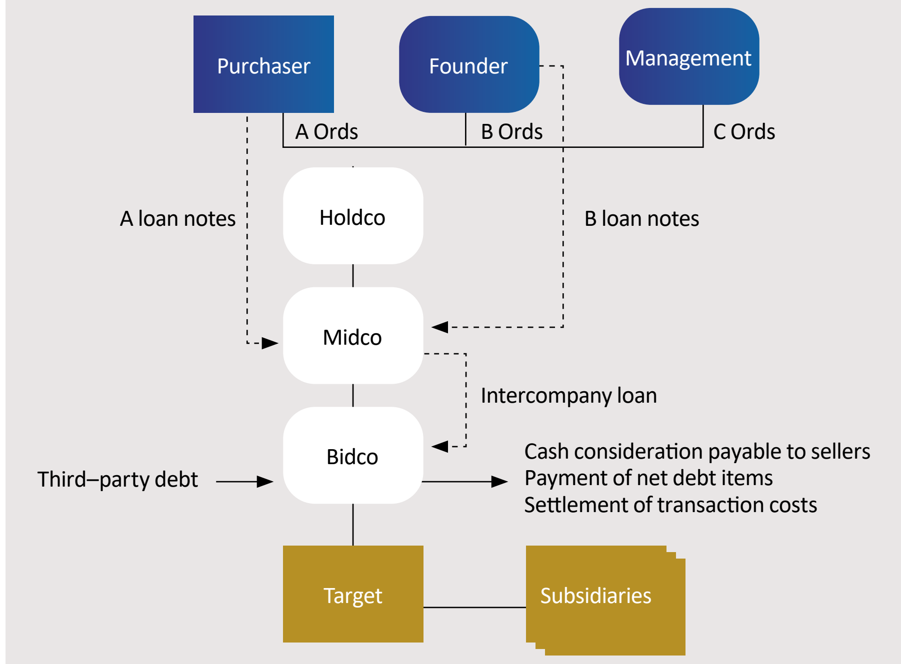
The complex and varied nature of interest deductibility in a transactional context will be explored in greater detail in a future article.

A number of anti-avoidance rules prevent or restrict a company from utilising its trading losses following a change in ownership.

Loss utilisation

There are a number of anti-avoidance rules which prevent or restrict a company utilising its trading losses where there has been a change in ownership. A company may not surrender its pre-acquisition losses as group relief for five years from the date of the change in ownership.

If there is a major change in the nature or conduct of the trade in the period beginning three years before and ending five years after the change, losses arising after the change in ownership cannot be used in periods prior to the change, and



vice versa. If the change is to a trade other than the one in which the losses arose – for example, the creation of an additional trade – the use of pre-change losses against these 'affected profits' is restricted for five years after the change in ownership.

Change in size

Following completion, if Target has joined an enlarged group, it may now fall into a different size classification for the purposes of tax relief for qualifying research and development expenditure and for the requirement to apply transfer pricing.

Where the company falls into the R&D Expenditure Credit scheme because of the acquisition, the 'year of grace' is ignored and the company is treated as being large in the year of acquisition. This also applies for the entire period and not just from the date of acquisition.

VAT

Substantial amounts of VAT are often incurred on the transaction costs, which are normally incurred by Bidco. In order to maximise the VAT recoverability, it is recommended that Bidco (as a minimum, and potentially Holdco and Midco) is registered for VAT with effect from the date of completion and may either form, or be included within, a VAT group with Target any of its subsidiaries.

Advisor engagement letters should be addressed to Bidco and, where this is not the case, should be novated to Bidco at the earliest opportunity. Simply holding shares to receive dividends or for future disposal is not an activity for VAT purposes, so would

Substantial amounts of VAT are often incurred on the transaction costs.

not create a right to VAT recovery. Effective from completion, Bidco should therefore provide management services to Target under a Management Services Agreement, regardless of whether or not it forms part of a VAT group. It is important that Bidco has sufficient substance to do so, such as having directors with sufficient knowledge and expertise to provide these services, and that the services being provided are clearly evidenced. The management fee being charged should not be contingent; for example, by being based on the future profitability of Target. The receipt of dividends by Bidco does not affect the recoverability of the input VAT.

Employment-related securities

All shares and securities acquired by employees or directors, including prospective employees, of the group will be deemed to be employment-related securities. In a transactional context, a number of shares or securities will normally have been acquired.

Management sellers may have 'rolled over' some of their sales proceeds into new shares in the acquisition vehicle. This is normally structured as the issue by Bidco of loan notes to the relevant sellers, which are then exchanged for loan notes in Midco and those, to the extent agreed, exchanged for equity in Holdco. New management may also have been offered the opportunity to subscribe for sweet equity in Holdco directly.

As each of these loan notes and shares will have been issued or made available by a company connected with the person's employer, they will be deemed to be employment-related securities. It is likely that these shares will also be restricted securities, as there is likely to be a 'lock in' period for the shareholders.

On the basis that the unrestricted market value (i.e. the market value ignoring any restriction for UK tax purposes) of each new share or security acquired in exchange for their original shares held in Target is no more than the unrestricted market value of the original shares, it should not be a disposal for employment tax purposes by virtue of Income Tax (Earnings and Pensions) Act (ITEPA) 2003 s 430A and there should therefore be no PAYE/NIC issues.

Elections under ITEPA 2003 s 431 cannot be made when s 430A applies, but it is generally recommended that each rolling shareholder makes a protective election in

respect of all securities acquired as part of the process in case of any issue with the application of s 430A.

Where new management subscribe for sweet equity (either at completion or subsequently) and the unrestricted market value exceeds the price paid, protective elections under ITEPA 2003 s 425 or s 431 should be considered to reduce the potential total tax charge in relation to the shares.

Elections under ITEPA 2003 s 425 or s 431 must be signed within 14 days of the shares being acquired, and do not need to be sent to HMRC. If sweet equity issued to management does not fall within the safe harbour provisions of the Memorandum of Understanding agreed between HMRC and the British Private Equity and Venture Capital Association (BVCA), then a valuation may be required to support the price paid by management not being less than the unrestricted market value.

The acquisition of all shares and securities (including those issued as part of the rollover process) are reportable events and the employing entity must file an annual share plan report (formerly known as Form 42) by 6 July following the tax year of acquisition.

Employment tax

Post-acquisition work in respect of employment tax generally comprises remedying any issues which have been identified in the due diligence work. There may be completion bonuses to be paid to employees or directors and these will need to be reported to HMRC on or before the date of payment, with PAYE and NIC withheld and paid on the normal date.

Where any of the sellers has received a disproportionate amount of consideration per share, the excess above capital gains tax market value will generally be taxable as employment income, following the decision in *Grays Timber Products Ltd v HMRC (Scotland)* [2010] UKSC 4. This will therefore give rise to PAYE and NIC.

Where the disposal of the shares gives rise to an earn out payment to the sellers, and that seller was or will be an officer or employee of Target (or any of its group companies) or the buyer's group post-completion, there is a risk that all or part of the earn out may be treated as employment income. If any part of the deferred cash consideration is, in reality, remuneration arising from employment, the employing company must withhold PAYE and NIC from those payments when they are paid. Provided that the relevant director or employee is remunerated at a commercial rate post-completion, and the earn out is not linked to future employment or personal performance targets, this risk can normally be managed. The full list of indicators which HMRC use in determining whether an earn out is further sale consideration can be found in the Employment Related Securities Manual at ERSM110940.

Other issues

Finally, there are a number of other tax and non-tax considerations in the period following an acquisition. Where there has been any pre-transaction restructuring involving the transfer of shares between group companies for consideration, relief from stamp duty under Finance Act 1930 s 42 must be claimed in writing. Claims should be submitted to HMRC for adjudication within 30 days of the share transfer.

When interest is eventually to be paid on the loan notes issued by Midco, which generally last more than 12 months, consideration should be given to the withholding tax position. Interest is treated as paid when paid in cash, by book entry (assuming sufficient funds are available) and by the issue of payment-in-kind notes.

If the loan notes are listed on a recognised stock exchange, then payments can be made gross. If not, then only payments made to UK companies will be able to be paid gross. Interest must be withheld on the full payment to a partnership unless all of the partners are UK companies. Where the payment must be made net, basic rate tax of 20% must be withheld and paid over to HMRC quarterly using the CT61 regime. Forms CT61 are only available on paper and the company must apply to HMRC. This application should therefore be completed well ahead of the first interest payment date.

Summary

Transactions can give rise to myriad tax issues, depending on the identity and structure of the purchaser and the structure of the purchase itself – more than could be covered in this article. A clear plan is needed to cover all of the issues. Copies of the transaction documentation and due diligence reports are vital.

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VAT in the digital age

The platform economy for services

We summarise the VAT issues identified with the platform economy and the changes proposed from 1 January 2025 aimed at resolving those issues.

by Damon Wright and Jade Els

Key Points

What is the issue?
The proliferation of technology and digitalisation has resulted in the significant growth of intermediaries, causing problems for tax authorities around the world, especially with VAT.

What does it mean for me?
In July 2022, the European Commission published a report, 'VAT in the digital age' focused on the VAT treatment of the platform economy in e-commerce, transport and accommodation.

What can I take away?
Whilst the proposals allow for platforms to be excused the need to pay VAT in certain circumstances, the aim is to collect VAT through making the intermediary a deemed supplier responsible for accounting for VAT due, unless the role of the platform is limited and they are not in direct competition with the non-digital sectors.

Over the last decade, the proliferation of technology and digitalisation has led to a rapid transformation of the economy. This is particularly evident in the sharing and new economies where businesses and consumers interact in new ways, and in relation to new services. This has resulted in the significant growth of intermediaries in various supply chains, often referred to as the platform economy.

This level of transformation has been causing myriad problems for tax authorities around the world, as they try to keep up with ways of doing business that did not exist when legislation was drafted. Perhaps the most affected tax is VAT, being a tax on consumption.

One of the first major changes was the Directive on Administrative Cooperation (DAC7), which introduced the requirement for many platform-based intermediaries to maintain and submit reports of sales made on behalf of third parties to EU tax authorities. These new requirements were effective from 1 January 2023, with the first reports due from 1 January 2024.

On 8 December 2022, the European Commission proposed VAT changes to supplies, via intermediaries or platforms, of short-term accommodation and passenger transport. Subject to agreement at the Council of the EU, this should be effective from 1 January 2025. Even though this is EU legislation, all businesses involved in the supply chain for these supplies are potentially affected. For platforms or intermediaries directly impacted, these changes could mean:

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- the introduction of digital reporting in relation to relevant sales across EU state borders;
- VAT registration and accounting requirements for relevant intermediaries;
- an extension of the sales captured by the one-stop-shop for VAT; and
- a need to review pricing models, due to the deemed suppliers' obligation to account for VAT on the supplies.

Background to the proposals

In July 2022, the European Commission published a report, VAT in the digital age (see bit.ly/3RPpu2O). Volume 2 focused on the VAT treatment of the platform economy in the following sectors:

- e-commerce, i.e. those sectors providing a marketplace for goods, such as Amazon and Facebook Marketplace;
- transport services, including ride on demand, ride sharing, car sharing, delivery services and trip booking, such as Uber and GetAround; and
- accommodation services, including residence renting, home sharing or swapping and B&Bs or hotels, such as Airbnb and Couchsurfing.

This report identified that the existing EU VAT rules are unclear and not harmonised. Particular problems were identified in relation to:

- the taxable status of the provider;
- the nature of services and place of supply; and
- reporting and record keeping obligations.

It was also highlighted that other EU measures relevant to the platform economy need to be taken into consideration when introducing changes, including the VAT e-commerce package, DAC7, the Digital Services Act and the Digital Markets Act.

Existing legal issues

The EC report sets out the main legal issues relating to the VAT Directive, which also apply to national legislation.

The taxable person status of the provider and the user

Determining the status of the parties involved in the transactions is crucial. The taxable status problem refers to the difficulty in determining the taxable status of the platform's users and, specifically, of providers. This is crucial for determining the tax obligations of the provider of services or goods underlying the platform's facilitation.

The difficulty in determining the status of the provider stems from problems with the concept of 'economic activity'. Establishing that the provider is a taxable person will not only mean that the platform should issue an invoice for its facilitation services but may also affect where these services should be taxed. In cross-border transactions, the taxable status of the provider defines who is liable to pay VAT and whether the reverse charge mechanism applies.

The difficulty in determining the status of the provider stems from problems with the concept of 'economic activity'.

The nature of the service

The nature of the service provided by the platform and the resulting place of supply differs from traditional intermediation. This is because it is typically provided via automated means, over the internet. As a result, it may not fit into the definition of 'services' in the VAT Directive.

Form of consideration

Consideration in the platform economy may be indirectly linked to a service or have a non-monetary character. This makes it challenging to define the consideration for VAT purposes.

Other legal issues

Other issues include:

- the deduction of input VAT and the

- adjustment of deduction; and
- the special schemes for SMEs that remove the need for VAT registration for micro taxpayers to simplify their compliance.

EU commission proposals

Under the proposals announced on 8 December, the 'platform' will be the deemed supplier for certain supplies; namely, short-term accommodation rental and passenger transport. This will be combined with changes to the core exemptions in the EU VAT Directive 2006/112 to clarify that short-term accommodation rental is excluded from the land and property exemptions and so is a taxable supply.

The changes will be implemented by amending the following Articles in Directive 2006/112:

- Article 28a: introducing the deemed supply of the underlying service by the intermediary;
- Article 46a: confirming that supplies by an intermediary to a non-taxable person are not electronically supplied services, meaning that they are taxed where the underlying supply takes place;
- Article 135(3): excluding the supply of short-term rental accommodation from the land exemptions, thereby making it a taxable supply;
- Article 136b: confirming no entitlement to VAT recovery by the 'supplier' to the platform where it is a deemed supply;
- Article 172a: confirming that the deemed supply does not impact the VAT recovery entitlement for the platform as a deemed supplier;
- Article 242a: introducing new reporting requirements for platforms where they are not the deemed supplier; and
- Article 306: confirming that the Tour Operators Margin Scheme (TOMS) does not apply to the deemed supplies.

The effect of the proposals

The changes will apply where electronic interfaces allow consumers to book accommodation or transport services where the intermediary is not itself the principal in the actual supply of those services. The Commission's report suggests that these changes could capture up to €6 billion additional VAT each year. This could be from the underlying suppliers, intermediaries or others in the supply chain. To capture this VAT, the proposal makes the intermediaries the 'deemed' supplier of the short-term rental accommodation or passenger transport.

The intermediary will be responsible for the collection and remittance of VAT on the payments received from consumers in cases where the actual underlying supplier will not be accounting for VAT on the full amount. This could either be because the underlying supplier is not VAT registered or required to be VAT registered, or because the underlying supplier is VAT registered under a small business or private person exemption. This would apply where the underlying supplier is exempt from accounting for VAT under local EU member state legislation; for example, if they are below the French VAT registration threshold for small bed and breakfast businesses.

The proposals allow for platforms to be excused the need to pay VAT in certain circumstances.

VAT will be payable in the member state in which the accommodation is situated or the passenger transport takes place, and is due at the rate applied in that state. Some member states have an exemption for short-term accommodation rental, and it is proposed that these exemptions should be withdrawn.

In addition, intermediaries that are not 'deemed' to be making the supply will be responsible for collating and submitting to EU tax authorities' details of the underlying suppliers and the sales made. This would apply where the underlying supplier is VAT registered, for example. This follows the existing rules for similar 'platform' based businesses involved in the supply of goods and is in line with DAC7 provisions.

The combined impact of these changes will mean more VAT in the supply chain and more complex VAT compliance requirements. This will affect both owners and suppliers, as well as the intermediaries and platforms.

Further clarification

Although the proposed changes are very detailed, there are still some areas that may require further clarification before they are finalised.

First, there is no definition of 'platform'. The draft legislation refers merely to an 'electronic interface such as a platform, portal or similar means'. The proposals confirm that platforms making such a deemed supply will not be allowed to account for VAT within the Tour Operators Margin Scheme (TOMS). At present, however, based on current CJEU case law, a platform making an actual supply of short-term accommodation rental or passenger transport may well be within TOMS. If this difference remains, it could create an incentive for platforms to change business model and become an actual supplier.

The platform will be deemed to supply the underlying service, and responsible for the payment of VAT, when it 'facilitates' a supply of short-term accommodation rental or passenger transport, ***and the service provider does not pay VAT on the service***. The assumption is that the provider is genuinely not liable to pay VAT under local legislation, rather than being liable but non-compliant. Hence, if the provider is non-compliant, the liability should remain with the provider and not the platform. However, this may need to be confirmed.

The proposals allow for platforms to be excused the need to pay VAT in certain circumstances; i.e. where the role of the platform is limited. The intention seems to be to exclude those which are not in direct competition with the traditional, non-digital sectors. However, the terms used do not clearly set out the circumstances in which the platforms are excused. Hopefully, these terms will become clearer as the proposals are considered over the coming months.

Finally, it is not unusual for changes of this nature in the EU legislation to be introduced in the UK. A means by which platforms selling untaxed UK accommodation and transport could contribute to the UK Exchequer might be a tempting prospect.

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The Nakd Truth
How sweet the confectionery?

In a case that considers whether certain foods constitute confectionery, we ask if VAT treatment could come down to the view of a single judge.

by Keith Gordon

Key Points

What is the issue?
Determining whether a particular item of food falls within the basic meaning of confectionery requires a multi-factorial evaluation of the various attributes of the food.

What does it mean for me?
The case *WM Morrison Supermarkets plc v HMRC* highlights what is, in my view, the wholly unnecessary complexity of the VAT rules when it comes to food.

What can I take away?
Many aspects of the tax code turn on an evaluative exercise. A First-tier Tribunal will have to weigh up the various relevant factors and, on any further appeal, that evaluative exercise will be hard to challenge unless an error of principle can be identified.

It is widely known that the VAT rules concerning food can be confusing in practice. The starting point is that 'food of a kind used for human consumption' is zero-rated and therefore incurs no VAT charge (whilst permitting full recovery of any input tax incurred) (Value Added Tax Act 1994 Sch 8 Group 1). However, that starting point is subject to a number of exceptions, including 'Item 2' – which is 'confectionery'; these exceptions are standard rated for VAT.

However, matters do not stop there as some confectionery – 'cakes or biscuits' – is excluded from the exception (and therefore remains zero-rated). To further increase the complexity, some biscuits (but not cakes) are themselves excluded from the exclusion (i.e. from the exception) if they are 'biscuits wholly or partly covered with chocolate or some product similar in taste and appearance'. Such biscuits are therefore standard rated.

Furthermore, within the terms of Group 1, Note 5 qualifies the definition of confectionery so as to include 'chocolates, sweets and biscuits; drained, glacé or crystallised fruits; and any item of sweetened prepared food which is normally eaten with the fingers'.

Determining whether a particular item of food falls within the basic meaning of confectionery (i.e. without recourse to the deeming provision in Note 5) requires a multi-factorial evaluation of the various attributes of the food and taking a view as to whether the ordinary person on the street would regard it as confectionery.

The facts of the case

This case concerns an appeal by the supermarket owner, 'Morrisons', in *WM Morrison Supermarkets plc v HMRC* [2023] UKUT 20 (TCC). Morrisons had previously treated as standard rated Organix Bars and Nakd Bars but sought to recover the VAT paid in respect of those bars on the basis that it now considered the products to be zero-rated.

HMRC refused to allow the repayment on the basis that the original categorisation (as standard rated) was correct. The First-tier Tribunal upheld HMRC's decision when Morrisons appealed. The company appealed against that decision to the Upper Tribunal.

The company did not object to the general approach taken by the First-tier Tribunal when considering whether the bars constituted confectionery. The First-tier Tribunal had recognised that it was to make an evaluative decision based on the relevant factors. However, the company challenged the tribunal's decision on the basis that during the evaluative exercise it had failed to take into account two particular factors that Morrisons considered to be relevant. Those omitted factors were:

1. the actual or perceived healthiness of the products (and their being marketed as healthy products); and
2. the absence of cane sugar, flour and butter (as found in traditional confectionery) from the products' ingredients.

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In response, HMRC challenged Morrisons' grounds of appeal. Furthermore, it argued that, irrespective of the outcome of Morrisons' complaints, Note 5 would bring the bars within the scope of confectionery because of their sweetness levels, even though the products were naturally sweet rather than having had any sweetener added.

Morrisons' grounds of appeal led to two further questions that the Upper Tribunal had to resolve. Multi-factorial evaluations require the First-tier Tribunal to decide how much weight to give to any particular factor, and such a decision is categorised as a question on fact (and not law). First, therefore, is the Upper Tribunal entitled to intervene in cases where the First-tier Tribunal has decided that a particular matter is irrelevant to the overall exercise? Secondly, even if a factor has been erroneously omitted by the First-tier Tribunal, when is such an omission material in the sense that the Upper Tribunal should then proceed to set aside the First-tier Tribunal's decision?

The Upper Tribunal's decision

The case came before Upper Tribunal Judges Swami Raghavan and Guy Brannan.

As to the preliminary questions, the Upper Tribunal emphasised that an appellate court or tribunal should show deference to a fact-finding court or tribunal (particularly when the tribunal is a specialist tribunal as in the present case). Nevertheless, it was clear that there is a difference between the evaluation exercise itself, including deciding how much weight to give to each of the relevant factors (where the Upper Tribunal should intervene only if that was carried out perversely) and the prior stage of identifying the factors to include in (or to exclude from) the evaluation. In the latter scenario, the inclusion of an irrelevant factor and the exclusion of a relevant one would amount to an error of law, permitting the Upper Tribunal's intervention.

The Upper Tribunal also rejected HMRC's suggestion that an error of law was material only if it *would* have made a difference to the overall outcome. As the earlier case law made clear, an error would be material (and require the First-tier Tribunal's decision to be set aside) even if it merely *might* have made a difference to the evaluative exercise.

In respect of the company's first ground of appeal, the Upper Tribunal held that the First-tier Tribunal had wrongly excluded considerations as to the products' actual or perceived healthiness. Its error had arisen from a misreading of an earlier case (*Kalron Foods Ltd v HMRC* [2007] STC 1100). In *Kalron*, the High Court had considered that there was no obvious policy underlying Group 1 and therefore, when trying to interpret the Group as a whole, the question as to whether a product was or was not healthy (or perceived as such) was not a relevant factor. However, the Upper Tribunal agreed with Morrisons that the *Kalron* decision 'did not rule out considerations of healthiness when considering whether a product fell within the ordinary meaning of' any particular item within the Group; in this case, the meaning of confectionery.

HMRC had also argued that the concept of healthiness was too loose, meaning that it would be impossible to set clear standards by which the concept could be measured. This, in turn, would make any multi-factorial assessment unworkable. However, that argument was rejected by the Upper Tribunal, which noted that other factors which are considered to be relevant (including whether the product's packaging is brightly coloured) are similarly incapable of being defined to precise standards. In conclusion, the Upper Tribunal held that it saw no reason why healthiness was not in principle a factor to be weighed up as part of the overall evaluative exercise.

The Upper Tribunal went on to agree with Morrisons that the First-tier Tribunal had indeed failed to consider the healthiness of the products when it carried out its overall evaluations.

Morrisons' second ground of appeal was addressed more quickly. The First-tier Tribunal had expressly decided that the absence of certain key ingredients was irrelevant to the question as to whether the products constituted confectionery. It had done so on the basis of the High Court's decision in *Premier Foods (Holdings) Ltd v HMRC* [2008] STC 176. However, contrary to the First-tier Tribunal's reading of *Premier Foods*, that was not a case in which the High Court held fruit bars (containing no sugar, etc.) to be confectionery. Instead, the High Court merely commented that the absence of those ingredients was not fatal to a conclusion that the products would be confectionery. (The High Court then remitted the *Premier* case back to the VAT Tribunal for the status of those particular bars to be determined.) Accordingly, the Upper Tribunal then held that the First-tier Tribunal had also made the second error of law complained of by Morrisons.

As for HMRC's arguments that the products were sweetened and therefore fell within the definition of confectionery under Note 5, the Upper Tribunal dismissed that argument. Instead, it concluded that this part of Note 5 did not extend to products that were naturally sweet and was limited to products that had additional sweetness added.

Having agreed with Morrisons' arguments that the First-tier Tribunal made those errors of law and having disagreed with HMRC's arguments on Note 5 (which would have brought the products squarely within the meaning of confectionery), the Upper Tribunal then proceeded to consider whether the First-tier Tribunal's errors were material. Since the Upper Tribunal concluded that the omitted factors might have made a difference to the overall evaluative exercise, the Upper Tribunal concluded that it should set aside the decision.

Although the Upper Tribunal has the power to remake such decisions in such cases, it felt that there was a likelihood that new findings of fact would be necessary. As a result, it chose to remit the case to the First-tier Tribunal. Finally, without wishing to impugn the professionalism of the original judge in the First-tier Tribunal, the Upper Tribunal felt that this was a case where the case should be remitted to a different judge. However, so as to minimise the further time and costs to be expended on any fresh hearing, the Upper Tribunal set out directions which it hoped would make the remitted hearing proceed as efficiently as possible.

Commentary

For readers wishing to know the VAT treatment of the Organix and Nakd bars, it can be seen that this still remains to be decided. (It should also be remembered that there was no published final decision of the remitted *Premier* case, and so perhaps the final answer might never be known.)

The case also highlights (and not for the first time) what is, in my view, the wholly unnecessary complexity of the VAT rules when it comes to food. Nakd Bars are the latest members of the list of such cases headed by Jaffa Cakes, teacakes, Nesquik drinks, Pringles and the other recent joiner, large marshmallows. Indeed, as the *Morrisons* case itself makes clear, the VAT treatment of the Organix and Nakd Bars could come down to the view of a single judge.

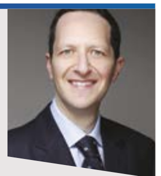
Even if the case were then to proceed on further appeal all the way to the Supreme Court, it could transpire that each of the (typically) ten other judges who might end up hearing the case might actually disagree with the first judge's conclusion; however, given the deference given to the fact-finding tribunal, they would all be unable to reverse the decision in the absence of any error of approach. Furthermore, there would be nothing to stop the same (or different) parties taking another appeal to the tribunal (if the same parties, in respect of a different VAT period) and running the same arguments and reaching a different result. In other words, even expensive litigation will be incapable of producing a definitive answer.

Given the increasing evidence that the VAT efficiencies of zero rating (at least in respect of other types of product) are principally enjoyed by the manufacturers and the retailers (rather than the consumers who one would expect to be the intended beneficiaries of the tax relief), a case could probably be made out for scrapping the rules altogether. However, I suspect that no politician would want to be the one to impose a 20% tax on the basic essentials of life, even if the economics actually meant that no prices would rise.

What to do next

Finally, it is worth recalling that many of the principles arising in this case go far beyond the VAT world. There are many aspects of the tax code which turn on an evaluative exercise – ranging from 'just and reasonable apportionments' and considerations as to whether a taxpayer has a reasonable excuse or whether special circumstances exist so as to reduce a penalty, through to questions as to whether a person's connection with a property is sufficient to amount to residence there and whether a person is in employment or carrying out work in business on his or her own account. In all of these situations, a First-tier Tribunal will have to weigh up the various relevant factors and, on any further appeal, that evaluative exercise will be hard to challenge unless an error of principle can be identified.

However, in all such cases, if the First-tier Tribunal omits a relevant factor or takes into account an irrelevant consideration, then (as in this case) the decision risks being set aside.



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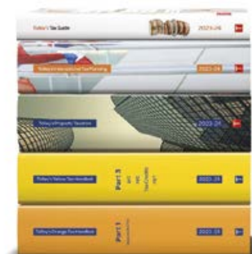

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Flat management companies

Extensive difficulties to unlock

We examine the capital gains tax consequences of typical transactions in respect of flat management companies and reach a conclusion which may come as an unwelcome surprise.

by Sharon and Simon McKie

Key Points

What is the issue?
It is very common for leaseholders of a residential building to act together in setting up a management company to acquire the building's freehold, with the share capital of the management company being owned by the leaseholders.

What does it mean for me?
Where a lease is surrendered and a new lease is granted, there is a disposal by the leaseholder of an asset (the original lease) and an acquisition of another asset (the new lease).

What can I take away?
If we are correct, many of the individuals who have entered into typical flat management transactions will actually have created charges to capital gains tax.

It is very common for leaseholders of a residential building to act together in setting up a management company to acquire the building's freehold, with the share capital of the management company being owned by the leaseholders. Sometimes, the leaseholders are content for the management company to own the freehold beneficially.

Normally, however, the company holds the freehold as trustee on bare trusts for the leaseholders as tenants in common in equal shares.

In many cases, the acquisition of the freehold is followed by extensions of the terms of the leases. Often, no consideration is given by the leaseholders for the extensions – or consideration is given which is considerably below market value.

How does UK capital gains tax apply to extensions of leases in these circumstances ('typical flat management transactions')?

Lease surrenders, re-grants and extensions

Where a lease is extended by agreement so as to increase its term or the extent of the demised premises, the law implies a surrender of the original lease and the grant of a new lease in the agreed new terms (*Friends Provident Life Office v British Railways Board* [1991] 1 All ER 336), so the lease extension has the same effects in law as the surrender of the lease and the grant of a new lease.

HMRC and most specialists consider that the grant of a lease is a part disposal of the freehold (see HMRC's Capital Gains Tax Manual paras CG70700 and CG70822). Although there are strong arguments for the contrary view, in the remainder of this article, we shall assume that this view is correct.

Disposals and acquisitions

On that basis, where a lease is surrendered and a new lease is granted, there is a disposal by the leaseholder of the original lease and an acquisition of the new lease. The grant of the new lease will also normally be a part disposal of the freehold by the freeholder.

The leaseholder

If there is a surrender and re-grant of a lease, the surrender will be a disposal of the original lease in consideration of the grant of the new lease plus any other payment or transfers made by the grantee under the arrangement with the grantor.

Where the surrender and re-grant are not transactions by way of bargains made at arm's length, they are to be treated as taking place for a consideration equal to the market value of the asset concerned (Taxation of Chargeable Gains Act 1992 s 17). Transactions between connected persons are treated as transactions other than by way of a bargain made at arm's length (s 18).

Therefore, if the transaction is not between connected parties and is by way of a bargain at arm's length, the total amount of the consideration given for the disposal of the old lease will include the market value of the new lease. If, however, the transaction is between connected parties or is not by way of a bargain at arm's length, the disposal will be deemed to take place for a consideration equal to the market value of the old lease.

Similarly, the consideration for the acquisition of the new lease, if the transaction is not between connected persons and is by way of a bargain at arm's length, will include the market value of the old lease. If the acquisition is between connected parties or is not under a bargain at arm's length, the acquisition will be deemed to take place for a consideration equal to the market value of the new lease.

Under Extra Statutory Concession D39 (Extension of Leases) (ESC D39), HMRC will accept a modification of the strict technical position in some circumstances. ESC D39 will, however, only apply to prevent the surrender of the old lease under a surrender and re-grant from being a disposal if the surrender is not made between connected parties and is on arm's length terms. This will not be the case in respect of lease extensions in typical flat management transactions because they are made for a consideration which is less than market value (or none).

The freeholder

Under a surrender and re-grant, the freeholder makes a part-disposal of the freehold by granting the new lease which, if the transaction is not at arm's length, will be deemed to take place for a consideration equal to the market value of the lease; that is, for a premium at a market rate.

Where the flat management company is the beneficial owner of the freehold

Where the flat management company is the beneficial owner of the freehold, it is clear that under typical flat management transactions, on an extension of the lease term giving rise to a surrender of the old leases and a grant of new leases, each of the leaseholders makes a disposal of his old lease and an acquisition of his new lease. This has the result that, because the disposal is not one which would take place under a bargain at arm's length, the old lease is deemed to have been disposed of for its market value immediately before its surrender and the new lease is deemed to have been acquired for its market value on grant.

In extending the terms of the leases, the company makes a part disposal of the freehold for the purposes of corporation tax on chargeable gains. The consideration deemed to be given for the part disposals of the freehold will be equal to the premium which would have been charged for the grant of the new leases if the transaction had been under a bargain at arm's length.

Where the flat management company holds the freehold on bare trust for the leaseholders

Where the company holds the freehold on bare trust for the leaseholders, the question of whether there is a part disposal of the freehold by the flat management company and a disposal of the old lease by the leaseholders would seem to be controversial.

Some expert commentators seem to suggest it is possible that no disposal is made, based upon the fact that the transaction is one which each freeholder and leaseholder makes with himself. That certainly seems to be the assumption made by the Office of Tax Simplification in its second report on the simplification of capital gains tax.

Other authors on the subject are less sanguine. We also understand that, in correspondence, HMRC has said that it has 'concerns' over the proposition that where a company holding a freehold as nominee of various leaseholders extends the terms of the lease, there is no part disposal of the freehold of the original lease.

At first sight, the assertion that there is a disposal of the old lease and an acquisition of the new lease in these circumstances would appear to be incontrovertible. Before the surrender and re-grant, the freehold would be subject to the various rights of the leaseholders under the old leases, which will differ according to which area of the building is the subject of a particular lease. After the re-grant, the various rights of the leaseholders under the new leases would still differ according to which area of the building is the subject of each particular new lease but would now be for a longer term.

It would seem to follow therefore that each leaseholder would have made a disposal of his 100% interest in his old

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lease to the freeholders and acquired a 100% interest in his new lease from the freeholders. Each leaseholder will not have made a disposal of the old lease solely to himself but disposals to each of the freeholders as tenants in common. Similarly, the part disposals of the freehold which results from the grant of new leases will be disposals by all the tenants in common in the freehold to each particular holder of each lease.

To the extent of the interests of the other leaseholders in the freehold, therefore, it would seem that any particular leaseholder will not have made a part disposal of the freehold to himself. That follows clearly from the fact that the leaseholders each own the whole interest in a lease but only an undivided share in the freehold.

This is further supported by a consideration of the effect of the transaction on the market values of the freehold and of the leases. The market value of the leases will vary between themselves according to the particular characteristics of the demised premises, so the increase in value of the leases arising from the re-grant will vary from lease to lease. The decreases in value of the leaseholders' interests in the freehold as tenants in common, assuming they are interests in equal proportions, will all be of the same amount. Therefore, they will not match the increase in value of a particular individual's lease.

Warrington v Brown

Why then do some commentators consider that there cannot be such disposals on the grounds that, if they did occur, each individual leaseholder would make a disposal to himself, a transaction which is impossible in law? It may be that the opinion is based on the case of *Warrington v Brown* [1989] 62 TC 226).

This case concerned family members who owned various parcels of farmland, farmed as a family farming unit. To facilitate the management of this farmland, the family members transferred their interests in the land to trustees to hold on bare trusts for the transferors (the '1971 transfers').

Under the bare trusts the settlors did not continue to have a 100% interest in the farmland which they had contributed but a percentage interest in all the land held under the bare trusts, determined as being the proportion which the value of the land that they had contributed bore, at the time the trusts were made, to the value of all the land contributed to the trust at that time.

In 1980, by agreement between the family members, various of these shares in the trust fund were advanced to their beneficial owners (the '1980 advances'). The rights under the advances were satisfied by the appropriation of particular areas of land, the value of which was equal to the value of the percentage interest in the fund of the family member concerned at the time of the advances.

So before the 1980 advances, each owner of a share in the land subject to the bare trust had a percentage interest in all the land held on the trusts. After the 1980 advances, those who had previously held shares in the land held on bare trusts and who received advances had absolute interests in particular parcels of land reversing the effect of the 1971 transfers.

HMRC argued that each of the 1980 advances constituted a disposal by every beneficial owner under the bare trusts of the advanced land to the particular person to whom the advance concerned was made. This was on the basis that before the 1980 advances, each beneficiary had a right as beneficial tenant in common to a fixed percentage of all the land held on the bare trusts, whereas after the advances each beneficiary to whom an advance was made held an absolute interest in a particular area of land.

In the High Court, Knox J decided that there were no disposals by the beneficiaries (except to the extent that the shares of some of the family members were, with their consent, advanced to settlements for their children).

In our view, *Warrington v Brown* was concerned only with a narrow class of arrangements under which assets are transferred to a bare trustee by various individuals or by trusts under which they obtain interests proportionate to the value of the assets which they contribute; and their interests in the trust fund are later advanced to beneficiaries by the trustees appropriating particular assets to satisfy the proportionate interests in the fund. In such a case, where there is a clear cut and simple relationship between the value of the assets contributed and the individual's interest in the fund, and the transactions are transactions only between the beneficiaries and the bare trustees, it may well be capricious to tax such a technical disposition as one producing a capital gain.

Typical flat management transactions

Such arrangements, however, are very different from typical flat management transactions in which:

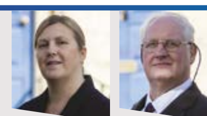
- the bare trust involves only one interest in land (the freehold), which is acquired at the time the bare trusts are created and has not previously been owned by the leaseholders;
- the transactions involved are not simple transfers of the whole beneficial interest in the land concerned;
- the aggregate value of each leaseholder's interest in the freehold and in his lease are changed by the transaction; and
- each leaseholder's rights as lessee are changed by the transaction with the burden on the freehold of those rights being similarly changed so that the value of the leases in aggregate is increased and the value of the freehold is decreased by the transaction.

We do not therefore consider that *Warrington* v *Brown* is authority for the proposition that the surrender of a lease in a typical flat management transaction is not a disposal of the lease by the leaseholder or a part disposal of the freehold by the freeholder.

In our view, the results, in respect of tax on chargeable gains, of a typical flat management transaction where the management company holds the freehold as bare trustee for the leaseholders are the same as where the management company owns the freehold beneficially – except that, in the former case, the part disposal of the freehold is made by the individual leaseholders who are parties to the arrangement and any gain is subject to capital gains tax, whereas in the latter case, it is made by the flat management company and any gain is chargeable to corporation tax.

An unpleasant surprise?

Many individuals have entered into typical flat management transactions, under which the flat management company holds the freehold as nominee for the leaseholders, thinking that their arrangements will prevent lease extensions from being disposals of the original leases and part disposals of the freehold. If we are correct in our conclusion, they will actually have made such disposals and have created charges to capital gains tax. Whether HMRC will – now or in the future – assess such gains and impose penalties in respect of the assessments remains to be seen.



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Tax Facts
An early start

HMRC's tax education programme aims to help students aged between 8 and 17 to understand how tax works.

by Emma Porter

I have worked for HMRC for 15 years and for the last four years I have been the Lead Tax Facts coordinator for the Merseyside region. Tax Facts is HMRC's flagship tax education programme which aims to provide students aged from 8 to 17 with an everyday understanding of tax and why it is so important. The programme, which was launched in 2015, is delivered by teachers and HMRC ambassadors using material developed by HMRC, alongside a team of educational experts to help students understand their tax responsibilities.

My role is to support, drive and organise the programme in our region. This involves facilitating training and providing advice to colleagues to enable them to deliver this fantastic material to students from areas across the city. I liaise with schools across the four Boroughs of Liverpool, Knowsley, Sefton and Wirral, building relationships with them to ensure effective and successful delivery.

To date, the Tax Facts programme has been viewed more than 295,000 times on YouTube (October 2022 figures) and the resources have been available on the TES website since April 2019. The programme has secured the Young Money and the Association for Citizenship Teaching Quality Marks for educational quality and accuracy, and also won the Best Free Educational Resource Award at the 2016 Education Resources Awards, and the Institute for Continuous Improvement in Public Services 2017 Education Award.

The training and guidance classroom material relaunched in October 2022, containing up to date videos and images which enhance both the learning and engagement of students. The lesson plans are designed to give the students some practical knowledge of the world of tax and the role which HMRC plays within our local communities.

The team I lead is based in our new regional city centre location, India Buildings, and we have a team of volunteers across many different business streams delivering the product. The Merseyside contingent has delivered the programme to more than 25,000 students to date.

During the sessions, students are encouraged to recognise what it is to be a responsible citizen and how contributing towards the essential services we all need benefits everyone. We do this using an interactive presentation and engaging activities, such as: finding out what your tax pays for; starting your first job; and being the Chancellor of the Exchequer for the day. By the end of the sessions the students can:

- explain why the government needs to collect money 'taxes';
- describe how taxes pay for things we all need and use; and
- identify the work HMRC does and the important role it plays.

The programme has been developed to cover further sessions on starting your first job, the hidden economy and working for yourself.

All material is available in Welsh and is accessible for all. Our sessions are free and are facilitated by experienced Tax Facts ambassadors. Having subject matter experts deliver the programme is a win/win for all parties. HMRC is providing a valuable service to our local communities by building positive relationships with our future customers. The students have a better grasp of the material from having a visitor deliver the material and our friendly and enthusiastic staff provide a positive human face to our organisation.

The relationships I have built with schools in Merseyside have strengthened over time. Teachers and headteachers will contact me on an annual basis asking for us to return to deliver the programme time and time again. This also increases our presence in the local community and promotes HMRC as an excellent and inspirational employer.

'The content was really useful and caters well for different year groups. The children were very curious and asked lots of meaningful questions, which provided real value to their learning. Teachers would highly recommend this product to other schools across the region.'

Head teacher Mrs G Murphy
St Anne's Catholic Primary School

'The sessions were extremely well delivered; children were engaged and were interested through the whole session. At the end of the session, the children understood and could explain the importance of tax and how tax money is used. Excellent group activities which enhanced the students' learning.'

KS2 Lead

If you would like to find out more about the programme or make a booking, please contact us at: hmrc.taxeducation@hmrc.gov.uk

Referral to the Taxation Disciplinary Board in 2023 – could this be you?

Over 18,000 members have now submitted their Annual Return.

Have you? **Act now** to submit your outstanding 2022 Annual Return by logging on to the portal at **https://pilot-portal.tax.org.uk**.

Outstanding membership fees are also now overdue and require payment.

Failure to complete an Annual Return is contrary to membership obligations and will result in **referral** to the Taxation Disciplinary Board **(www.tax-board.org.uk)** which has the power to impose a wide range of sanctions including financial penalty orders.

Please see our FAQs:
www.tax.org.uk/annual-return-guidance
www.att.org.uk/annual-return-guidance.

Or contact us at **membership@tax.org.uk** with your query using the heading 'Annual Return'.

Women in Tax & CIOT/ATT New Tax Professionals Celebration of International Women's Day 2023

Date: Thursday 9 March
Time: 17:00 – 18: 00

The ATT and CIOT believe that through equity we can reach equality. So lets step forward to #EmbraceEquity for #IWD2023 this March, and beyond.

Join our webinar in support of International Women's Day which shines a spotlight on Social Mobility, jointly chaired by Toyin Oyeneyin, Chair of the CIOT/ATT New Tax Professionals committee and Tax Product Specialist at Octopus Investments, and Tasneem Kadiri, Chair of Women in Tax and UK & Ireland Tax Director for L'Oréal, with a keynote address from BAE Systems, and guest speakers from Deloitte and Grant Thornton.

Collectively we can help spread this important message as we mark International Women's Day.

International Women's Day

Last chance to reserve your place at:
www.eventbrite.co.uk/e/international-womens-day-embrace-equity-tickets-557736012427

WELCOME

March Technical newsdesk

This week I joined colleagues from CIOT, ATT and LITRG, along with lots of other professional colleagues, at HMRC's Annual Stakeholder Conference. It is always good to meet contacts, particularly from HMRC, in person. Not only does it help build relationships, but it reminds us all that they are people too, and it means that otherwise challenging or critical conversations can be held in a more collegiate manner.

I was flattered to be asked to facilitate one of the break-out sessions, 'Short term solutions to customer challenges in the tax system', alongside Richard Hawthorn (Director of HMRC's Operational Excellence Support Services). We have been concerned about HMRC's performance for some time and continue to raise this with them both publicly and privately – so this was a good opportunity to discuss the types of thing that create 'grit' in the system and make processes more difficult, as well as what might be done to smooth things. You would be correct in thinking that we have been doing this for years; originally through the 'working together' initiative, and more recently via the agent forum and the Issues Overview Group (tinyurl.com/wdfxhvmv). You might, therefore, wonder what good it has done, as the difficulties with navigating the tax system seem to have increased rather than reduced.

But perhaps the pressures on HMRC's resources, their telephone and postal challenges, and their systems issues provide a greater impetus for us to work together to resolve problems. Fixing these things will save HMRC resources, whilst also making that part of the tax system work better.

An example of this – which it is fair to say is still being refined – is the HMRC service dashboard (tinyurl.com/3e9sdvae). A large proportion of calls to HMRC (including the agent dedicated lines) are to chase progress. Putting aside for a moment how quickly something should actually be done, a realistic processing date on the dashboard or the 'Check when you can expect a reply from HMRC' service (tinyurl.com/fza4ms88) can reduce chaser calls to HMRC, freeing up their resources to deal with other matters (including the thing you are chasing about) and saving you the time on hold. A 'win win', you might say.

Perhaps more challenging to deal with is where the tax measure itself causes problems. An example of this is the marriage allowance. This was introduced in 2015, with over 4 million married couples standing to gain from it. But take-up has been well below expectations, and there are many problems with its operation. Would a policy ever get reversed? Perhaps that leads into tax simplification, which is a topic for another day, but at least identifying the problems and any necessary workarounds would be progress.

Perhaps this is all a bit naive, and we might simply resolve one issue to find that five more are created. But as I mentioned to a member this morning, I am feeling 'glass-half-full', so perhaps we can make a difference after all.

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Contact

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OMB MANAGEMENT OF TAXES
EMPLOYMENT TAXES

CIOT Spring Budget 2023 Representations

The CIOT has made several representations to HM Treasury ahead of the Spring Budget on Wednesday 15 March 2023.

Company purchase of own shares: multiple completion contracts

In early 2022, HMRC clarified their position on the purchase of own shares legislation at Corporation Tax Act (CTA) 2010 s 1033 in circumstances where the transaction is effected through a multiple completion contract, and whether the seller remains connected with the company immediately after the purchase; in particular, their view that the word 'possesses' in CTA 2010 s 1062(2) refers to legal, as opposed to beneficial, ownership. HMRC provided the CIOT with a note to explain their interpretation of the meaning of the word 'possesses', which we published on our website on 21 February 2022 (see www.tax.org.uk/purchase_own_shares). However, as is acknowledged by HMRC in their note, we understand that clearances have been given for many years on the basis that the test was of beneficial, rather than legal, ownership.

There has been further debate with HMRC around their interpretation of this provision, with several advisers contending that the correct interpretation is that the test should be beneficial ownership of the shares. In addition, there seems to be no particular policy reason for the test to be one of legal rather than beneficial ownership. Therefore, we have suggested that the legislation should be amended to put the matter beyond doubt. We have also suggested that it should be made clear that the test is beneficial ownership.

We explore three possible solutions in our representation, which can be read in full on our website (see below).

Capital gains tax: relief for gifts of business assets

Our representation concerned the legislation for holdover relief for gifts of business assets in Taxation of Capital Gains Tax Act (TCGA) 1992 s 165. On the transfer of shares in a trading company, a specific consequence can arise for companies which have both trading and non-trading activities and assets, because there is a restriction to the amount of s 165 gift relief available when the gift is of shares in a company which owns non-business assets, as provided for by TCGA 1992 Sch 7 para 7. We provided some examples to illustrate how the restriction can operate when a company owns non-business chargeable assets and assets which are not chargeable assets, such as intangible fixed assets like goodwill.

There seems to be no policy reason why the legislation operates in this way. As s 165 predates the intangible fixed assets regime, it seems clear that this was not the intended result as it disadvantages owners of newer businesses. We suggest that a legislative amendment to para 7 of Sch 7 is explored to rectify the problem.

We also note that in some cases it may be possible to put in place arrangements to mitigate the restriction to the relief that might otherwise arise. However, such arrangements are likely to be costly and complex. Ultimately, the issue is the application and drafting of the business asset gift relief legislation.

Repayment interest on overpaid tax

We are concerned that unless something is done to bridge the gap between repayment interest and late payment interest, the government will struggle to achieve its objectives of building a trusted, modern tax administration system that is seen as fair and even-handed. We note that the issue of low repayment interest rates for delayed repayments is particularly acute while HMRC are struggling to deal in a timely fashion with many types of tax repayment, and we illustrated the significant differentials that can arise. We have therefore recommended that the government consults on the rate and approach to repayment interest on overpaid tax.

Simplification of the employment taxes and pensions tax systems

Our representation included 34 suggestions for the upcoming Budget in respect of simplification of employment taxes and the pensions tax regime. Our suggestions fell into three categories:

1. cost of living;
2. employment taxes simplification; and
3. pensions tax regime simplification.

We recommend reviewing fixed allowances and flat rate deductions contained in the Income Tax (Earnings and Pensions) Act 2003, and related legislation and guidance, with a view to uprating these figures in line with inflation and current market rates. We include specific examples of amounts that we believe need to be increased.

We also suggest a number of simplifications and easements to the benefits-in-kind and taxable expenses regime aimed at reducing administrative burdens for employers, employees and HMRC. In particular, we recommend removing the distinction between employer provided/employer paid and employer reimbursed expenses, as the tax consequences should not depend on whether the employer directly incurs the cost or reimburses an expense the employee has incurred. We also recommend a number of measures aimed at enabling employers to better support employees.

In addition, we make some recommendations aimed at reducing administrative burdens on employers and HMRC. For example, removing the tax charge when equipment is retained by an employee on leaving the employment, as often the equipment is of little or no use to the employer, or at least taking into account the cost to the employer of recovering the item when valuing the benefit-in-kind under the transfer of assets provisions. Further recommendations are made for using artificial intelligence to automatically approve applications to HMRC where certain criteria are met.

Lastly, we make some recommendations for removing complexity in the pensions tax regime.

The CIOT's Budget Representations can be read at: www.tax.org.uk/2023_budget_reps

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GENERAL FEATURE OMB PERSONAL TAX
EMPLOYMENT TAX INHERITANCE TAX
MANAGEMENT OF TAXES

ATT Spring Budget 2023 Representations

The ATT has submitted four representations to HM Treasury ahead of the Spring Budget on Wednesday 15 March 2023.

Extending relief for self-employed training costs

The ATT considers that, as far as possible, employed and self-employed individuals should have a level-playing field when it comes to tax relief on work-related training expenses. However, that is not currently the case, with self-employed individuals only able

GENERAL FEATURE

Changes to HMRC statistics publications

CIOT responded to HMRC's consultation proposing changes to its statistics publications.

HMRC state that they are committed to producing high value and good quality statistical publications that meet the needs of their users, while using their limited resource in the most effective ways. The consultation encouraged users of their statistical publications to provide their views on changes HMRC are considering to their suite of statistical publications, which includes potential new information being included where sufficient user interest is established.

Prior to responding to the consultation, we obtained HMRC's confirmation that the proposed changes to statistics publications do not affect the actual collection of data by HMRC. This would have been of great concern, and so we are reassured that this is not the case.

Our comments focused on the proposed changes to statistics regarding inheritance tax, non-domiciled taxpayers in the UK and trusts.

On inheritance tax, we agree with the proposals to add the average effective tax rate faced by taxpaying estates in each 'net estate' band, and detailed statistics on the exit charges paid by trusts. We feel that this would enhance transparency and public understanding of the effective impact of inheritance tax on a deceased's estate, as well as improving understanding of how trusts operate generally and when they pay inheritance tax. We are concerned, however, at proposals to discontinue publishing certain statistical tables. For example, ceasing the publication of table 12.1 (analysis of receipts) would mean that the amount of inheritance tax raised from each of the various categories of charge (death, lifetime chargeable transfers, trust charges) will cease to be made available. Discontinuing table 12.7 would cease the disclosure of the numbers of trusts falling within certain value bands. We consider that these tables should be retained.

On non-domiciled taxpayers, we raised concerns regarding the proposal to shorten the time series of all tables and charts to cover the last eight years. We feel it is important to retain an overall summary of total non-domiciled numbers since 2008 so as to compare the current position to when the domicile rules were overhauled in 2008, and particularly following the 2017 changes.

On trusts, the main proposal is to shorten the time series of all tables and charts to cover the last eight years. We feel that the 18 year span of some of the tables might seem excessive. However, we suggest that it may be more appropriate for the tables for trusts to be reduced to 11 years. (Inheritance tax charges may occur on a 10 yearly basis and so the combined impact of inheritance tax, income tax and capital gains tax is relevant to understand the impact of taxation on trusts generally, and their contribution to the exchequer.) We also feel that proposals to publish annual statistics (rather than a time series) would not assist an understanding of the impact of the trust registration service.

Our full response can be found at: www.tax.org.uk/ref1047

Richard Wild *rwild@ciot.org.uk*

to obtain tax relief for updating existing skills.

We propose that existing tax reliefs for the self-employed should be extended to cover the costs of work-related upskilling and retraining. In our view, such a change would benefit not just the individuals in question, but also ultimately the Exchequer, as the resulting new or more profitable trades generate additional tax revenues. It could also help to address the current skills shortage seen in some areas of the labour market.

We also suggest that, if relief were to be extended in this way, one approach to ensure that costs of retraining are only relieved where they result in a new trade would be to allow costs to be deducted as part of an extension to the existing pre-trading expenditure rules.

Extending the window for inheritance tax relief for losses on share sales from deceased estates

In this Budget Representation, we express concern that, due to ongoing processing delays with probate applications, executors are losing the opportunity to claim relief from inheritance tax under Inheritance Tax Act 1984 s 179 when the value of certain shares and investments held by an estate fall in value after death.

The current rules allow for executors to effectively replace the probate value with the sale value for inheritance tax purposes where shares are sold within 12 months of the date of death. However, many estates are struggling to obtain the grant of probate (or letters of administration) in time due to delays in the processing of probate applications.

We propose that the current 12 month window is extended to a two year period, or at least an 18 month period from the date of death, on a permanent or temporary basis.

Uprating mileage allowances

As set out in this Budget Representation (www.att.org.uk/ref414), the ATT considers that, in the light of inflation reaching a nearly 40 year high last year, the Approved Mileage Allowance Payments (AMAPs) in Income Tax (Earnings and Pensions) Act 2003 s 230 should be uprated to better reflect the current costs of running and maintaining a personal vehicle which is used for business travel. Thereafter, AMAPs should be reviewed and updated, if required, on an annual basis.

The current AMAP rates have been unchanged for at least 10 years and in some cases many decades more. While ideally, we would like to see all reliefs and allowances uprated annually, we have focused this representation on AMAPs as they are used by the vast majority of employers that reimburse business travel. AMAP rates affect a large number of employees, including those at the lower end of the wage spectrum, such as care workers. As such, changes here would benefit a great many individuals.

Annual Investment Allowance

Whilst the ATT welcomed the announcement at the Autumn Statement that the permanent level of the Annual Investment Allowance (AIA) will be increased to £1 million from 1 April 2023, we are concerned that the current drafting of the legislation could restrict the overall allowances available where a business has an accounting period straddling this date.

In our Budget Representation, we recommend that sub-paragraph 2(3) of Schedule 13, Finance Act 2019 should be

deleted in its entirety. This would ensure an unbroken entitlement to a full AIA of £1 million for periods which straddle 1 April 2023 (which many businesses and their advisers may consider has already been promised).

All of the ATT's Budget Representations can be read at www.att.org.uk/technical/submissions.

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GENERAL FEATURE

CIOT meeting with Jim Harra

CIOT representatives met with Jim Harra, HMRC's Chief Executive, on 18 January. An agreed summary of the meeting is set out below.

1. HMRC service levels

This is an overriding concern to members, though mostly this relates to the 'taxpayer/customer' rather than specifically to agent services. We mentioned the agent line restriction. Jim would obviously be well aware of issues and concerns. We provided examples we had received from members, which it was agreed would be useful to share so HMRC could confirm that their understanding of the picture was similar.

Jim characterised HMRC's position as stretched but not drowning: he advised that they try to prioritise repayments where possible. He spoke of managing the demand on services through existing channels and gave examples, such as webchat, to be encouraged; for example, the digital assistant answers 50% of self-assessment queries. We had some discussion of what diversion of demand was and was not appropriate, and the plight of the citizen if not appropriate.

We discussed the new 'intelligent SMS' plan. Jim said that in only 20% of cases customers had tried to find answers online before calling but they would evaluate, for example, whether customers sent a link by SMS had to return to the helpline. We said evaluation would be key. In the course of discussion, we stressed the importance of consulting, of informing us early if consultation is not possible, and reaching out to us to help where appropriate. The President suggested a postal tracking system where advisers and taxpayers could receive notification that their item had been received, with an expectation of a response time.

1A. The Financial Secretary to the Treasury

In the course of transitioning from this topic to the next, Jim described the Financial Secretary to the Treasury's (FST) priorities, which include simplification, guidance and evaluating the impact of the tax system not just financially but also in terms of people's experience. We need to find things which will reduce demand on HMRC, as well as improve end user experience. The FST, Victoria Atkins MP, is keen on hearing stakeholder voices and we talked briefly about approaching this from a consumer impact angle.

2. Tax simplification: how will HMRC embed it?

Jim confirmed that this is high on the FST's agenda and that she would be keen to hear about simplification for individuals and small businesses. There was mention of simplification of HMRC forms and guidance. We mentioned the work of LITRG and made brief reference of looking at other countries and, in the context of the VAT threshold (should it be lower), the productivity issues and large failure rate in smaller businesses.

3. Making Tax Digital post 19 December announcement

It had been quite a challenging period before 19 December because of the turnover of Ministers. Ministerial approval has been needed, given that the 'savings' from greater accuracy that Making Tax Digital (MTD) was anticipated to bring had been 'scored' in the government's fiscal projections. The relaxations therefore had a fiscal impact.

Stakeholder engagement was important to them on how to make best use of the extra time. We offered help with testing, which we said was the type of area that had been more of a concern as things had progressed. HMRC were pleased that MTD for VAT had gone off with no major problems. We did not dispute that the 'light touch' on introduction had compensated for the lack of extensive testing but counselled that the population was possibly 'easier' than at least the smaller in scope people covered by self-assessment, even after the 19 December concessions. We will echo the preference for a staged approach when the President meets the FST and the need for appropriate testing periods, as well as avoiding adding further requirements which add more complexity.

4. Future regular meetings

We agreed to arrange future meetings, where appropriate with other senior HMRC officials, and not to duplicate topics which are covered in more detail at the various HMRC forums in which we participate.

5. AOB

We asked whether there would be any communication about the self-assessment deadline and approach to late penalties, as per last year.

Richard Wild *rwild@ciot.org.uk*

INTERNATIONAL TAX

OECD continues its work in developing the two-pillar solution

The CIOT has responded to the recent consultations published by the OECD in relation to the two-pillar solution to reform international tax,

In December 2022, the OECD published a number of consultation documents in relation to the two-pillar solution to reform international tax agreed by the OECD/G20 Inclusive Framework on BEPS to deal with the challenges arising from the digitalisation of the global economy. The two-pillar solution aims to ensure that multinational enterprises (MNEs) pay a fair share of tax wherever they operate and generate profits.

'Pillar One' involves a partial reallocation of taxing rights over the profits of MNEs to the jurisdictions where consumers are located. The detailed rules that will deliver this are still under development by the Inclusive Framework. It has two components:

- Amount A aims to reallocate a portion of the profits of the largest 100 or so multinationals to the jurisdictions they operate in; and
- Amount B relates to the application of the arm's length basis to in-country baseline marketing and distribution activities.

'Pillar Two' intends to ensure that MNEs pay a minimum rate of 15% corporation tax (or their version of it) in every country they operate in. The Inclusive Framework published model legislation, known as the Global Anti-Base Erosion (GloBE) Rules) and agreed Commentary to assist countries with the implementation of these rules in 2022.

Pillar One

The first consultation published by the OECD early in December 2022 was on Pillar One – Amount B. In response to this consultation, we said that the CIOT supports the principles and the intentions around Amount B which are, broadly:

- to simplify and streamline the transfer pricing of baseline marketing and distribution activities in accordance with the arm's length principle;
- to provide an advantage to low capacity jurisdictions by guaranteeing a certain amount of income from baseline activities; and
- to increase tax certainty and reduce resource-intensive disputes between taxpayers and tax administrations in respect of these transactions.

We concluded that, unfortunately, the proposal in the consultation document fell significantly short of meeting these principles or achieving these aims. We said that, in taking this work forward, the Inclusive Framework should take the opportunity to provide real simplification in order to ensure that Amount B provides businesses and tax administrations with a tangible benefit and achieve its objectives.

We also highlighted our concern that, in addition to the significant compliance burden that will be placed on MNEs, there will be a significant resourcing burden on tax authorities. We said that the further work required on Amount B should focus on meaningful simplification to ensure that the rules achieve the intended policy objectives.

Our full response can be found at: www.tax.org.uk/ref1063

The OECD also published a consultation on the draft multilateral convention provisions that will repeal digital services taxes (and similar) as part of Amount A of Pillar One (tinyurl.com/3nukzab4). This is intended to be an integral part of achieving Pillar One's goal of stabilising the international tax architecture. The CIOT did not have any specific comments on the short clauses in the consultation document.

Pillar Two: Global Anti Base Erosion

In December, the OECD published an implementation package on the Pillar Two GloBE Rules, including details on the agreed transitional safe harbour and framework for a potential permanent safe harbour (tinyurl.com/yc745e8a). Further, on 2 February 2023 the Inclusive Framework published the first package of Administrative Guidance (tinyurl.com/4kpk4sm7) on the interpretation and administration of Pillar Two.

The OECD also published two consultations on aspects of the GloBE Rules:

- Pillar Two: Tax Certainty for the GloBE Rules: tinyurl.com/yckrmwdr; and
- Pillar Two: GloBE Information Return: tinyurl.com/msjpvsvd

Tax certainty

In our response to the consultation on Tax Certainty for the GloBE Rules, we said that this was an important step in the ongoing work in relation to Pillar Two, which is due to come into effect from 31 December 2023 in many jurisdictions, including the UK. The UK government has said that the Finance Bill due to be published after the Spring Budget 2023 will contain the rules for implementing the GloBE Rules in the UK with effect from 31 December 2023.

We noted that the consultation document scoped out some possible proposals for tax certainty developed by the OECD Secretariat, but that the Inclusive Framework has not reached consensus on them. We said that the consultation document contains some welcome ideas, but the practicality and viability of any of them is currently unclear; it is not clear to see whether there will be consensus on the potential avenues to prevent and resolve disputes in the near future, nor where this consensus would fall.

We reiterated what we have said in our previous submissions to the OECD in respect of both of the pillars: effective dispute prevention and resolution mechanisms that achieve tax certainty will be critical to the success of the new rules. In our view, robust mechanisms will be required to prevent double (or multiple levels of) taxation and also to ensure that tax administrations and MNEs can achieve certainty as to the amounts of tax that are due. It is also our strong view that dispute prevention and resolution mechanisms should be binding on tax administrations.

Also, as we have said previously, resource will be one of the key challenges in achieving tax certainty. We said that countries should be encouraged to commit to providing the additional resource that will be required.

We agreed that there are two aspects of certainty arising from the GloBE Rules. The first is around clarity of the rules, in order to prevent disputes so far as possible. The second is around resolving disputes that will inevitably arise. We welcome the continued focus on dispute prevention as, while dispute resolution is necessary, it is not the best solution for business because of the time it takes; businesses need certainty, so far as possible, from the outset.

We said that determining what will be recognised as a 'Qualified' Income Inclusion Rule, Under Tax Payment Rule or Domestic Minimum Top-up Tax will be fundamental for ensuring the coordinated application of the GloBE Rules, and we welcomed the focus in the consultation document on a review process to achieve this. We said that developing this review process should be given the highest priority by the Inclusive Framework going forward to ensure that domestic rules are able to be considered, and their qualified status determined, before they are implemented.

The consultation document considered several possible mechanisms for delivering dispute resolution of the differences in the interpretation or application of the rules that may arise between two or more jurisdictions. Mechanisms considered in the consultation document include multilateral conventions, the use of competent authority agreements under the Convention on Mutual Administrative Assistance in Tax matters (MAAC), reliance on existing treaties, and the creation of a dispute resolution provision in domestic law. Each of these mechanisms have pros and cons, and require further work to develop them and test their viability.

Our full response can be found at: www.tax.org.uk/ref1069

GloBE Information Return

The second consultation published by the OECD was on the proposed GloBE Information Return (GIR). Whilst welcoming the opportunity to comment on the proposals for the GIR scoped out in the consultation document, we noted that the proposed rules represent the work of the OECD Secretariat and that the Inclusive Framework has not reached consensus on them.

We noted that the GIR will establish an enormously complex tax return and that complying with its requirements will be extremely difficult, even for sophisticated businesses. In addition, we said that examining the voluminous information provided will be very challenging, even for sophisticated tax authorities.

We welcomed the principle of a standard form in order to develop a consistent and transparent set of standards for information collection. However, this comes with a significant increase in taxpayer and tax administrations' compliance burdens. We said that in part this is inevitable, as the GloBE rules require consideration of historical and non-tax information

GENERAL FEATURE PERSONAL TAX MANAGEMENT OF TAXES

Making Tax Digital for Income Tax Self-Assessment: key points to note

The announcement in December 2022 that Making Tax Digital for Income Tax would not only be postponed, but that the thresholds would be increased and staggered, was welcome news. However, nothing else about the proposed rollout has changed and concerns still remain.

HMRC gave sole traders and landlords an early Christmas present in December 2022. The original April 2024 mandation date for Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) was fast approaching but it was apparent that the infrastructure simply would not be ready in time. The take-up of the pilot remained very low, there was a very limited range of software ready to go, little guidance from HMRC, and the CIOT, ATT and others had warned of the lack of readiness and ignorance amongst affected taxpayers (www.tax.org.uk/taxpayers_unready). Concerns also existed about the burdens on taxpayers, having to submit at least one set of quarterly reports and End of Period Statement (EOPS) followed by a Final Declaration; likewise, the changes to basis periods from 2023/24 was causing some concern from businesses without March year-ends. However, CIOT and ATT remain in constant communication with HMRC about the progress of these developments.

On 19 December 2022, HMRC announced that the £10,000 turnover threshold would become £50,000 from April 2026 and £30,000 in 2027. In addition, the mandation date for general partnerships, due to be 2025, was also postponed to a later date which is yet to be confirmed. HMRC will widen the pilot with a view to having it as open as possible by 2025/26. For those businesses/landlords with a turnover of less than £30,000, the government will review the position and how (and if) MTD can assist them.

Whilst this is indeed welcome news for taxpayers and their agents, these were the only changes announced. In particular, the changes to the basis period rules to align with the tax year are still going ahead, despite the MTD postponement. 2023/24 is still the transition year with the ‘current year basis’ of taxation ending from April 2024. For those businesses with a 31 March or 5 April year-end, this will make no difference, but those with accounting periods ending in other months will have to submit their tax returns based upon two sets of accounts – the latter of which may not have been finalised, meaning that estimates may be required. There had been some concern about how HMRC will treat these apportionments and estimates, and it was recently confirmed that changes to provisional figures can be made within the existing amendment timeframe.

Another concern lies with quarterly reporting. It appears that nothing about this has changed either, nor the data sets requirement for UK/non-UK and furnished holiday lettings (FHL)/non-FHL properties, nor even the concept of quarterly reporting itself. The CIOT, ATT and other professional bodies have, for some time, been calling on HMRC to allow any errors made during quarterly reporting to be remedied in the following quarter’s return; i.e. for the reports to be cumulative. However, the rules currently state that each quarter’s return must be correct and complete upon submission.

Other longstanding issues, which are yet to be resolved, include the involvement of multiple agents. Currently, HMRC’s system will not allow for more than one agent in an individual’s tax affairs, so there cannot be a ‘file-only’ agent. The only alternative currently is for the client themselves to complete quarterly reporting and allow the agent to focus on the EOPS and final declarations. However, uncertainty remains about how the client and agent’s software can tie in together, and with HMRC’s. Also uncertain is precisely how the income and expenditure of jointly-owned properties are to be reported.

HMRC insist that they are aware of these concerns and that they are open to reviewing the fundamentals of MTD for ITSA. Only time will tell whether this will lead to any further changes. However, CIOT and ATT will continue with their engagement with HMRC, who have been very keen to share details of progress and have been very receptive to the feedback we have given. Members should continue to forward to CIOT and ATT any feedback which they would like us to share with HMRC on MTD for ITSA matters. Practical examples of client issues can only help with further reform and ensure that future developments are as constructive as these recent changes.

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on a jurisdictional basis that is not routinely collected by MNEs currently, but also that it will be important for the practicability of the new rules to minimise the burdens to the greatest extent possible.

Accordingly, we encouraged the OECD and the Inclusive Framework in the work going forward to be mindful of practical advice and experience that is received from businesses, trade associations and other groupings, in order to make the GIR more administrable and less burdensome, while continuing to deliver on the overall objectives of the proposals.

Our full response can be found at: www.tax.org.uk/ref1068

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GENERAL FEATURE PERSONAL TAX MANAGEMENT OF TAXES

Tax and the Woodland and Peatland Codes

The Natural Capital Working Group is now in dialogue with HMRC on tax issues around the Woodland and Peatland Codes and is now looking at other similar schemes.

It has a been a little over a year since our first article in January 2022 inviting feedback from members with clients involved in the Woodland and Peatland Codes and a lot has happened since then. The Natural Capital Working Group, of which the ATT was a founder member, first met in July last year, and now boasts members across the spectrum of tax, accountancy and law, as well as specialist consultants and representatives from the Woodland and Peatland Codes. We are now meeting regularly with HMRC, HMT and the Department for Environment, Food and Rural Affairs and are in the process of setting up two sub-groups to look more closely at the issues with VAT and accounting.

As a quick recap, the Woodland and Peatland Codes enable landowners who plant trees or restore peatbogs to earn income in the form of carbon credits. Each credit, which is recorded on a central registry, represents one tonne of carbon dioxide removed from the atmosphere (or the avoidance of a tonne

of emissions in the case of peatland). The credits can be kept to offset the landowner's own emissions or sold to third parties. The schemes are voluntary and distinct from the rules applying to those businesses within the Emissions Trading Scheme.

A number of tax issues have arisen in connection with these credit schemes. They include uncertainties about how income from the sale of credits is taxed, whether the commercial woodlands exemption applies and the consequences for inheritance tax reliefs, such as agricultural property relief or business property relief, given the change in land use. There are also issues with VAT, where we consider that HMRC's guidance, which says that credit income from voluntary carbon schemes is outside the scope of VAT, is out of date.

However, woodland and peatlands are not the only way to remove or reduce greenhouse gas emissions. Schemes involving hedgerows and also so-called *blue carbon* – consisting of carbon capture in marine landscapes – are in development. Wider than just carbon capture, there are also similar schemes looking at improving biodiversity and minimising nutrient run-off into watercourses. From some point later this year, all planning permissions will require the developer to leave land in a measurably better state in respect of biodiversity than it was prior to the development. This *biodiversity net gain* must occur either onsite, or through buying credits from other landowners who have taken specific actions to improve biodiversity.

We are keen to hear from members about the sort of situations they are seeing in practice involving any of these schemes. In particular, if tax uncertainties are providing a barrier to engaging with these schemes, we would be happy to feed this back to HMRC.

Helen Thornley *hthornley@att.org.uk*

GENERAL FEATURE OMB

New business review of Making Tax Digital

In December, the government announced a delay to the mandation of Making Tax Digital for Income Tax. At the same time, they announced a review of the needs of smaller businesses, focusing on whether, and how, Making Tax Digital can be shaped to meet their needs and fulfil their income tax obligations. Here we summarise the key areas that the Low Incomes Tax Reform Group want to see covered by the review in due course.

Although it was widely thought that a delay to the launch of Making Tax Digital (MTD) from the planned start date of April 2024 had become inevitable, the government announcement on 19 December 2022 was more far-reaching than expected. In addition to the changes announced to the entry thresholds (see above), there will be a review looking at the needs of smaller businesses which will inform the approach for any further roll out of MTD after April 2027, with a particular focus on those with gross income under £30,000.

The Low Incomes Tax Reform Group (LITRG) welcomed the delay to MTD and the forthcoming business review (see our press release: www.litrg.org.uk/Digital-Reporting-Delay-PR). We are concerned that some low-income, unrepresented self-employed and landlords will struggle with the current MTD requirements for digital record-keeping, submitting quarterly returns, end of period statements and final declarations. The government is keen to consult with stakeholders and therefore we have urged them to think again about the following as part of their review:

- The current mandatory gross income threshold of £10,000 is far too low. It brings businesses and landlords who are not liable for income tax into the MTD regime.
- HMRC should provide free basic software that allows small businesses and landlords to comply with their tax obligations and realise some of the benefits that, HMRC say, MTD will bring them. Businesses and landlords who currently do not use commercial software to prepare their tax return may be unable to afford software and/or feel overwhelmed by choosing and learning to use the most appropriate product for their MTD requirements.
- It should not be mandatory for small businesses and landlords to follow the MTD reporting requirements; instead it should be optional. If it is beneficial, businesses will opt to join MTD as is the case with Self-Assessment online filing. There is currently a choice whether to file online or on paper; however, filing online provides advantages such as an immediate tax calculation and a later filing deadline. Over time, online filing has become by far a more popular route, with the vast majority (over 96%) of tax returns now being filed online. However, there is still an alternative through filing paper tax returns for those who cannot or do not wish to file online.
- Review of quarterly reporting requirements for the smallest businesses and landlords. We are concerned that those who currently get help from friends or family members once a year to file their tax return may feel unable to ask for similar support for the four quarterly returns, as well as the end of period statement. We also question the benefit to HMRC of quarterly updates from the smallest businesses, as they will only be providing three-line entries (sales/expenses/profit) in any event.
- Consideration should be given to the interaction of quarterly reporting for MTD and monthly reporting of business income and expenses for universal credit. The current proposed system will require universal credit claimants to report their business information five times under MTD (four quarterly reports and one end of period statement), in addition to 12 monthly universal credit reports. This would be a significant administrative burden, especially as the reporting requirements for tax and universal credit are not fully aligned. For more on this see the 2017 LITRG report 'Self-employed claimants of universal credit- lifting the burdens': www.litrg.org.uk/Universal-Credit-for-Self-employed
- HMRC should review what data they already hold to see if the quarterly reporting requirements could be simplified so that self-employed and landlords only report information that HMRC does not already know about. This could be particularly relevant in the construction sector, which we understand is one of the largest sectors that will need to comply with MTD, as information on the income of subcontractors is already reported monthly under the Construction Industry Scheme.
- HMRC should consider what support they will provide for small businesses and landlords who have limited digital capability but are not exempt from MTD. For example, will HMRC's Extra Support Team, who currently support vulnerable customers with completing their Self-Assessment tax returns, be able to support MTD compliance? If so,

will this team be adequately resourced to help these taxpayers with four quarterly returns and end of period statement which have the same fixed deadlines and will be prepared using a variety of commercial software products?

LITRG look forward to engaging further with HMRC during the business review.

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PERSONAL TAX

K codes: collection of old debts

LITRG reports on a recent spate of tax code adjustments to collect historic tax debt, some giving rise to K codes and severely reducing take home pay.

LITRG has recently heard about individuals who have had their tax code changed in-year – to a K code – to collect a tax return late filing penalty debt. TaxAid reported a number of callers to their helpline facing the same issue.

HMRC have the ability to collect historic debt through tax code adjustments (see the Debt Management and Banking (DMB) Manual page 618010ff) but, until recently, we had not seen this as common practice for late filing penalties. The contact from taxpayers on this matter suggests a change of approach from HMRC, and we have been in touch with them to understand more about this.

There are various safeguards built into tax code adjustments, for example:

- Tax deducted under a PAYE code cannot exceed 50% of relevant payments (essentially being PAYE income, less any pension contributions to net pay arrangements and/or payroll giving).
- Liabilities coded out are limited based on the taxpayer's expected PAYE income for the tax year for which the code is determined (SI 2003/2682, Reg 14D). For most taxpayers that LITRG comes into contact with, the relevant limit is £3,000 (where expected PAYE income is less than £30,000), but this can be up to as much as £17,000 for those on higher incomes. A full list of the coding out limits can be found in the DMB Manual page 618090.

We have seen an apparently fairly low income example where the £3,000 limit appears to have been exceeded, so we have asked HMRC for more information about how expected PAYE income is calculated for the purposes of determining the overall coding out limit set out in Reg 14D.

The DMB Manual page 618050 also suggests that HMRC can split any coded-out liability over more than one tax year. We are unclear if cases are being looked at on a case by case basis, as the codes we are hearing of (K codes on a W1/M1 basis) seem intended to collect the liabilities as quickly as possible. Again, this question is one we have put to HMRC.

Taxpayers should have received prior communication from HMRC about the debt and to let them know that there was a possibility of coding out action if the outstanding debt was not settled, as well as receiving a P2 coding notice. We are concerned that some taxpayers are reporting a change to their tax code without receiving any prior correspondence from HMRC and, indeed, some who say they were entirely unaware that there was a debt in the first place.

Finally, it is well understood among tax professionals that tax debt may be overstated or, in the case of late filing penalties, may be appealable. In some cases that TaxAid have dealt with, HMRC have agreed to cancel the late filing penalties after the taxpayer or TaxAid have contacted them – but not before the K code has had a considerable impact on the individual.

LITRG have produced an article aimed at letting taxpayers know what they can do if their tax code is changed, particularly if the amendment gives rise to a severe drop in net income that causes the taxpayer hardship, and drawing attention to certain situations where the late filing penalties might be challenged. The article can be read here: www.litrg.org.uk/K-code_PAYE.

We would be interested to hear if any members have been seeing a similar increase in tax code changes amongst their clients to collect late filing penalties, and in particular, any instances where it is suspected that coding-out limits are being breached, or where the necessary prior contact from HMRC appears to be missing.

Antonia Stokes *astokes@litrg.org.uk*

CIOT		Date sent
Stamp Duty Land Tax (Reduction) Bill	www.tax.org.uk/ref1070	05/01/2023
Consultation on changes to HMRC statistics publications	www.tax.org.uk/ref1047	20/01/2023
Pillar One: Amount B	www.tax.org.uk/ref1063	25/01/2023
Budget representation on company purchase of own shares multiple completion contracts	www.tax.org.uk/ref1075	30/01/2023
Budget representation on s 165 gift relief: non-business chargeable asset restriction	www.tax.org.uk/ref1074	30/01/2023
Budget representation on repayment and late payment interest	www.tax.org.uk/ref1078	01/02/2023
Budget representation on Employment Taxes and Pensions Tax Regime	www.tax.org.uk/ref1079	01/02/2023
Public Consultation Document: Pillar Two – GloBE Information Return	www.tax.org.uk/ref1068	03/02/2023
Public Consultation Document: Pillar Two – tax certainty for the GloBE Rules	www.tax.org.uk/ref1069	03/02/2023

ATT		
Budget representation on mileage allowances	www.att.org.uk/ref414	6/02/2023

News from CIOT and ATT

Lords' call for pause in R&D changes welcomed

ATT and CIOT have welcomed a House of Lords' report expressing concern over proposed changes to the R&D tax relief rules, and calling for them to be delayed while work is undertaken on the wider future of the regime.

The inquiry of the Lords Economic Affairs Finance Bill Sub-Committee focused on proposed changes to the reliefs, including a reduction in the rate of relief available under the small and medium sized enterprise (SME) regime, and additional administrative requirements. Evidence provided by CIOT, ATT and other professional bodies was at the heart of the Lords' case, with CIOT's evidence cited 39 times and ATT's 19 times.

The sub-committee's chair, Lord Leigh of Hurley, a Chartered Tax Adviser, said: 'The government should use its review of R&D tax relief as an opportunity to look beyond the initial measures within the draft Bill and hold an open-ended consultation on how the scheme can be improved. This will be integral to future proofing the UK's competitiveness as a hub of R&D activity.' (See the opinion piece by Lord Leigh of Hurley on page 10 of this issue.)

The sub-committee called on the government to drop its proposal to introduce advance notifications for R&D tax relief applications, describing the requirement as 'uniquely onerous' on claimants. It noted CIOT's warning that it would prevent some genuine claimants from accessing the relief, while not necessarily leading to a significant reduction in abuse. It also noted ATT's view that the proposal was simply 'introducing more hurdles for genuine claimants without getting to the root cause and tackling the abuse'.

David O'Keeffe   Senga Prior

David O'Keeffe, CIOT spokesperson on R&D tax relief, said: 'This is an impressive report. The Lords sub-committee has carried out a thorough inquiry into the UK's R&D tax credits system, taking evidence from a wide range of witnesses and makes some sensible recommendations which the government should heed.'

Senga Prior, chair of ATT's Technical Steering Group, said: 'We share concerns over fraud and abuse of the R&D relief schemes and strongly support efforts to crack down on such abuse of the tax system and improve compliance. However, we do not consider that the government's recent proposals are the best way to achieve this.'

She said the best approach to tackle abuse of R&D relief 'is to do so head on by targeting the minority of advisers behind incorrect or spurious R&D claims. This will prove more effective than simply reducing the relief available to genuine claimants or making it harder for them to claim.'

Political update

CIOT, ATT and LITRG work with politicians from all parties in pursuit of better informed tax policymaking.

We were pleased to welcome the House of Lords report on R&D tax credits (see above). The chair of the sub-committee which produced the report was Lord Leigh of Hurley, a Chartered Tax Adviser. This is not the first report from a parliamentary select committee chaired by a CTA (Karen Bradley MP has been chairing the Commons Procedure Committee since 2019) but we think it is the first in the Lords, and the first on a tax topic!

LITRG provided a briefing to Lords and MPs on the tax and benefit consequences of the Bereavement Benefits (Remedial) Order 2022, which provides for cohabitees of a deceased partner to claim bereavement benefits, where there are children to support following the death. We supported the extension (which has passed) but sought clarification of how potentially large backdated payments will be treated for tax and benefits purposes. Our briefing was quoted in the Lords and Commons, and the minister, Mims Davies, thanked us for our work in support of the change. In December, LITRG's concerns had been cited in a Joint Committee on Human Rights report on the order.

We provided a short technical submission to the Scottish Parliament's Finance and Public Administration Committee setting out some of our concerns with the processes being used by the Scottish government to reform land and buildings transaction tax. It was good to hear some of these concerns raised during the debate.

We've been totting up our political engagement in 2022. Across the year we engaged with 64 politicians from six parties (plus crossbenchers/non-affiliated peers), and we were cited or otherwise mentioned 87 times in parliamentary debates and reports.

CIOT poll suggests growing confusion over Scottish taxes

A poll commissioned by CIOT has found that a growing number of adults are unaware how taxes are decided in Scotland.

The survey of 1,145 adults in Scotland was undertaken by the Scottish polling firm Diffley Partnership. It is the fourth of its kind to be carried out since 2018. Our surveys are used to support our media and political engagement in Scotland and our objective of creating a well-informed debate on tax policy.

The fieldwork took place in January 2023, a month after the Scottish government's draft budget for 2023/24 proposed increasing the higher and top rates of tax paid by Scottish taxpayers.

The poll found that just 20% of those surveyed could correctly identify that powers over income tax are shared between the Scottish and UK parliaments. This is the lowest figure to be recorded since the survey began. 52% incorrectly believed that income taxes were set wholly by the Scottish Parliament, the highest figure recorded since 2018.

Our poll also asked Scots for their views on the issue of council tax reform, a subject expected to increase in prominence in the lead up to the next Scottish Parliament election in 2026. It found that 48% of Scots agree that the present system of council tax should end. However, when given a range of options to choose from, a reformed council tax, using the existing band-based system but based on up to date valuations, commanded the most support. It was endorsed by 44% of respondents. None of the other options – a local income tax, land value tax or a property tax based on the percentage of a property's value – achieved the support of more than 26% of respondents.

You can read more about our polling here: Awareness: tinyurl.com/2p8vznr3 Council tax: tinyurl.com/4bm7nczb

Our next event

Better Budgets – six years on

Six years ago, CIOT, the Institute for Government and the Institute for Fiscal Studies published a joint report: 'Better Budgets: making tax policy better'. Based on extensive interviews with tax policy stakeholders, the report concluded that the tax policy-making process was seriously flawed and that – to reduce taxpayer confusion, cut down costly errors and avoid embarrassing U-turns – the government should overhaul how it makes tax and budget decisions.

Six years on, as Jeremy Hunt prepares to present his first Budget, the three institutes are holding a joint event to look back on the conclusions we reached and the recommendations we made. Did we identify the right problems and solutions? Have there been any improvements in tax policymaking since then? And have any new problems or unexpected solutions appeared?

Our expert panel will include: **Bill Dodwell**, Outgoing Tax Director at the Office of Tax Simplification and

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former CIOT President; **Paul Johnson**, Director of the Institute for Fiscal Studies; **Jill Rutter**, Senior Fellow at the Institute for Government; and **Sir Edward Troup**, former HMRC chairman. The event is chaired by **Gemma Tetlow**, Chief Economist at the Institute for Government.

Join us on Monday 6 March 2023, 17:45 - 19:00, in person in Westminster or online. If you're reading this after 6 March the event will also be available as a recording.

For more information or to register: tinyurl.com/bb6yearson

In the news

Coverage of CIOT and ATT in the print, broadcast and online media

'Alison Hobbs, chair of the digital strategy committee of the CIOT and the ATT, said the delay "had to happen" owing to "incredibly limited testing" of MTD and the "significant problems still to be resolved"… A survey of tax professionals carried out by CIOT and ATT earlier this month found that 97% of tax agents were uncomfortable with the low level of taxpayer awareness of MTD.'

Financial Times, 20 December

'If call connection services are not found to be in breach of their industry Code of Practice, they can continue to operate. LITRG is therefore also urging people to be vigilant.'

Antonia Stokes of the LITRG, quoted in the Daily Telegraph, 5 Jan

'John Stockdale, a technical officer at the CIOT, said that a rise in recent years in the number of people reporting the value of estates to HMRC personally – without using an adviser – may have led to more errors in application.'

Financial Times, 6 Jan

'Susan Ball, president of the CIOT, said: "The delays that taxpayers and their advisers face are not acceptable. Our members tell us every day of the delays getting answers and action from HMRC."'

The Times, 11 Jan. CIOT reaction to the Public Accounts Committee report was also covered by Sky News, the Daily Telegraph and the Financial Times, among others.

'John Cullinane, director of public policy at the CIOT, said Brexit had added "significantly" to the workload of the tax authorities. "Brexit, Covid and the war in Ukraine have required HMRC to reallocate people from their existing work, leaving other areas badly stretched," he said. "These things came on top of long-running tendencies for governments to introduce tax policy changes tending to lengthen the tax code and complicate the system."'

Financial Times, 17 Jan

'"Due to ongoing processing delays with probate applications, executors are losing the opportunity to claim relief from IHT," the ATT told parliament in a letter this month, requesting changes be made in the upcoming Budget on March 15. "The ATT therefore considers that the current 12 month window is too short and needs to be extended … on a permanent or temporary basis," the letter said.'

Financial Times, 8 Feb

Charities

Looking forward for the tax charities

TaxAid, Tax Help for Older People and the volunteers that support them relieved a total tax debt of over £2 million in the last tax year. We look to their plans in these even more complicated times.

© Getty images/iStockphoto

In 2023, we have already seen increased demand for our services as the cost of living crisis increases the number of people who are struggling with debt issues. The work we have already done to triage calls has helped us to meet this demand and enable us to have a call connection rate of 87% and an average wait time of just 1.5 minutes for those who don't get through immediately.

This year, we are further adapting our services, having listened to the needs of our beneficiaries old and young at both TaxAid and Tax Help for Older People. A more complex tax system and a harsher, more complicated working environment are making tax more difficult for our vulnerable clients. The causes of their vulnerability include mental health problems, learning difficulties and the loss of a business – and, above all, poverty and their inability to pay for the professional tax support they need. The charities continue to provide that essential support, helping to resolve their issues and lift the huge burden of tax debt from their shoulders.

To succeed in our work to adapt our services, increase awareness of them, and deliver help to more people, it is essential to work hand in hand with our volunteers.

In the year to 31 March 2022, our volunteers – alongside our staff across both TaxAid and Tax Help for Older People – had a direct impact on the financial health of our beneficiaries and relieved a total tax debt of £2,081,347.

Technical

Spotlight on the Scottish Technical Committee

The Scottish Technical Committee was involved in significant consultation in 2022 relating to devolved taxes in Scotland.

The Scottish Technical Committee has undergone a bit of a renaissance since Alexander Garden stepped down as chair in early 2022. We have appointed a new chair Sean Cockburn and vice-chair Professor Melanie Wilson, who have both been involved in the work of the Technical Committee and Scottish Branches.

For some time now, CIOT (along with ICAS and other professional bodies) has been pressing the Scottish government to resume the work of the Devolved Taxes Legislation Working Group (DTLWG), which was suspended at the outbreak of Covid in 2020. The DTLWG had been looking at how to improve the way that tax policy is scrutinised. CIOT believes that the introduction of a Scottish equivalent of the UK Finance Bill would help to facilitate this. We are continuing to press for the work of the DTLWG to resume and for changes to be made.

These points, and concerns about the disparity between Scottish and rest-of-UK burdens, were conveyed by Sean Cockburn and Chris Thorpe when they recently met with Tom Arthur MSP, Minister for Public Finance, Planning and Community Wealth, as part of a series of roundtable discussions held by the Scottish government prior to the Scottish Budget in December 2022. Members of LITRG also met with the Interim Finance Secretary and Deputy First Minister John Swinney MSP as part of this process.

There have been two significant consultations in 2022 concerning devolved taxes in Scotland.

Additional dwelling supplement

The first concerns the additional dwelling supplement to the land and buildings transaction tax. This is similar to England and Northern Ireland's stamp duty land tax's 3% surcharge on additional residential properties purchased. (Scotland's additional dwelling supplement rate increased from 4% to 6% on 16 December 2022.)

Whilst it has been in place since 1 April 2016, there are several aspects of the additional dwelling supplement that are not satisfactory:

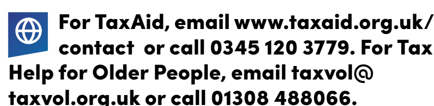
- in divorcing or separating couples, when the person leaving the joint-home still owns part of that property and tries to buy another;
- inherited properties and the lack of any grace-period for subsequent purchases (as there is for England and Northern Ireland's stamp duty land tax and Wales's land transactions tax);

In the same period, £621,252 of tax refunds were generated.

The services provided by the charities is unique, concentrating on resolving the problem directly with HMRC. We bring together the power of expertise with face to face support, free of charge. We know from the many letters and cards received that our beneficiaries' lives are changed by the help we give. While there may be other challenges to meet in the coming year, with the continued support of all we will continue to help vulnerable people who need tax advice but cannot afford to pay for it.

We hope we can garner your support with our CPD sessions partnered with the CIOT, and our London Legal Walk in June. If you would like to make a donation to the tax charities, use our Bridge the Gap page: cafdonate.cafonline.org/18211#!/DonationDetails

We hope you will consider donating. Please do get in touch if you have any questions about our work or how we might use your donation.


For TaxAid, email www.taxaid.org.uk/contact or call 0345 120 3779. For Tax Help for Older People, email taxvol@taxvol.org.uk or call 01308 488066.

- in particular, the lack of any statutory discretion for Revenue Scotland or the tax tribunals to allow relief for those homeowners who are unable to occupy properties within the criteria due to situations beyond their control.

A consultation on legislative changes was launched on 8 February, and the committee will be leading the CIOT's response.

Aggregates levy

The other consultation concerned the introduction of a new devolved tax – an aggregates levy to replace the existing UK-wide levy in Scotland.

The position taken by CIOT was to ensure that, subject to Scottish government policy, there should be as little divergence from the existing levy as possible; in particular, there should be minimal disruption to import and exports to and from the rest of the UK.

This is the first devolved piece of legislation which may impact on customers outside of Scotland and on whom there is already an aggregates levy, so care needs to be taken on how that will operate in practice. Draft legislation is expected shortly, alongside a more focused consultation.

A MEMBER'S VIEW

Aira Sheraz

Tax Adviser, Shiraz & Co Ltd

This month we shine the spotlight on Aira Sheraz, ATT member, and ask her how she came to work in the world of tax.

How did you find out about a career in tax?

Very often you will hear people working in tax telling you how they ended up there by chance. This was not the case for me. I've always been interested in how businesses operate and was fortunate enough to have parents in tax and accounting. Growing up, I had the opportunity to become familiar with accounting and tax terminology. I was intrigued by how tax works and wanted to specialise in something of practical value. I became ATT qualified at the age of 18 after starting this journey at 16 and will sit my last two CTA papers in May.

Why is the ATT qualification important?

Particularly when starting out your tax career, the ATT qualification helps you to become a well-rounded tax advisor with a thorough understanding of the major taxes. In my opinion, it is of immense importance in the tax industry as it signifies a solid level of knowledge and expertise in tax law, regulation and tax practice. The broad curriculum – and the exams that ensure your knowledge is being applied – both set a high standard for tax professionals. This the first step in establishing a career in tax.

Who has influenced you in your career so far?

My parents have been a huge influence in my career. I always felt supported in achieving my goals and they inspired me to have a strong work ethic and aim high in life. Having attended Birmingham's top grammar school and growing up in a supportive environment, I began to think about where I wanted to be in the next couple of years. That small seed of an idea motivated me to accomplish something for my future.

What advice would you give to someone thinking of doing the ATT qualification?

Be prepared to work hard and stay focused on your goals. The course is demanding, but once you get that certificate the feeling is extremely rewarding and is absolutely worth the effort. Create a well-planned out study timetable and make sure you challenge yourself, especially in the revision phase. Regardless of your age, attaining this qualification is certainly possible with consistency and organisation.

What are your predictions for tax advisers and the tax industry?

Tax is becoming more digitalised; however, I believe that MTD is just the first step in the industry shifting to be more technology oriented. Nevertheless, clients will always prefer talking to someone, and maintaining a strong client relationship will remain a major part of this profession. Most compliance-based jobs will be automated, but consulting and advisory roles will remain high in demand. I am excited about the future of tax consultancy as it will raise the standard of the profession even higher.

Describe yourself in three words.

Creative, determined and pragmatic.

What advice would you give to your future self?

Never stop learning and growing, stay true to my values, and strive for excellence in every endeavour. It's not always easy at work, but those challenges are what help you grow and learn. Stay positive and motivated, especially since CTA can be quite demanding!

Tell me something that others may not know about you.

Arts and crafts have always been a passion and I recently discovered crocheting, in particular amigurumi. These projects require a good deal of time and patience, and creating something from scratch gives me a sense of accomplishment.

Contact

If you would like to take part in A Member's View, please contact Jo Herman at: jherman@ciot.org.uk

Exams

ADIT exam results

Students should feel 'extremely proud', says CIOT, after hundreds of students pass the latest round of ADIT exams.

The CIOT is delighted to announce the latest cohort of successful ADIT (Advanced Diploma in International Taxation) students, graduates and award winners, following December's examinations.

A total of 570 students sat 609 online exams in 58 different countries, with 377 of those passing at least one exam. The latest results also saw 73 students join the growing ranks of ADIT graduates by successfully completing their third ADIT module, including 11 who achieved the distinction grade for excellence in their exams.

The ADIT qualification is now held by 1762 tax practitioners in 86 countries and territories around the world, including more than 300 who have chosen to subscribe with the CIOT as International Tax Affiliates.

CIOT President Susan Ball said: 'On behalf of the CIOT, I extended warm congratulations to the many ADIT students around the world who have passed their latest exams. We continue to be impressed by the international tax knowledge and skills demonstrated by our students. It is truly inspiring to witness their achievements, and we look forward to welcoming the latest group of graduates to our next ADIT Awards Ceremony.

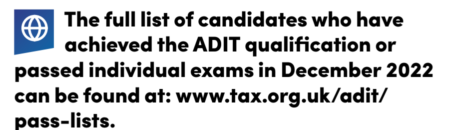
'The ADIT exams are not easy, and certification is increasingly viewed as a mark of excellence by international tax employers around the world. Any professional who attains the full qualification should feel extremely proud of their achievement, while students who still have exams left to sit can mark their progress through a range of standalone and modular certificates that recognise partial achievement of the qualification.

'We're also seeing increased numbers of successful ADIT students take up our International Tax Affiliate subscription package upon completion of the qualification, as a means of continuing their professional development and demonstrating their commitment to the high professional and ethical standards that the Affiliate status entails.'

The following candidates will receive awards for their achievements:

- Matthew Birchall of Macclesfield, United Kingdom, who is employed by HMRC in Salford, is awarded the Heather Self Medal for the best overall performance in Module 1 Principles of International Taxation.
- Chia Chiang Tan of London, United Kingdom, is awarded the Raymond Kelly Medal for the best overall performance in Module 2.09 United Kingdom option.
- Scott Huxford of Gerrards Cross, United Kingdom, who is employed by HMRC in London, is awarded the Tom O'Shea Prize for the best overall performance in Module 3.01 EU Direct Tax option.
- Priyanka Dhamotharan of Chennai, India, is awarded the Croner-i Prize for the best overall performance in Module 3.03 Transfer Pricing option.
- Mashaal Amir Khan of Sharjah, United Arab Emirates, who is employed by Deloitte in Dubai and sat Module 3.02 EU VAT option, is awarded the Worshipful Company of Tax Advisers Prize for the highest mark in Module 3 (All other options).

Susan Ball continued: 'In addition to the 73 new ADIT graduates, it is also my great pleasure to highlight the achievements of seven students who have today completed the ACA CTA Joint Programme by passing one of the available ADIT options, and one student who has completed the CA CTA Joint Programme through the ADIT exam route. We look forward to welcoming them as members of the CIOT.'



The full list of candidates who have achieved the ADIT qualification or passed individual exams in December 2022 can be found at: www.tax.org.uk/adit/pass-lists.

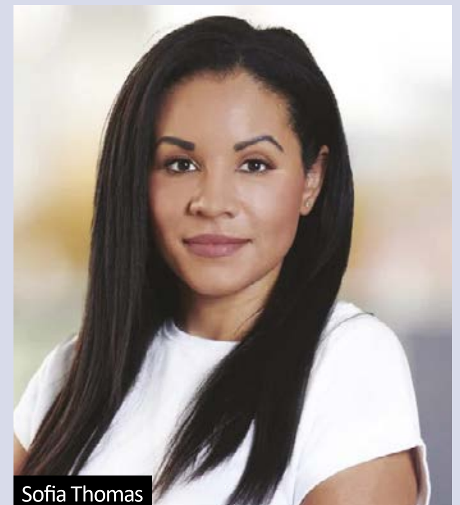
Award

Chartered Tax Adviser named in 'Football Black List'

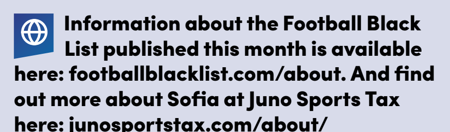
Chartered Tax Adviser Sofia Thomas (Director & Co-Founder of Juno Sports Tax) has been named in the most recent Football Black List – the most respected celebration of black excellence in football – alongside the likes of Arsenal's Bukayo Saka, Chelsea's Raheem Sterling and Manchester United's Marcus Rashford, as well as pundit and ex-England player Lianne Sanderson.

Sofia is the only tax adviser to be named in the list. Her company, Juno Sports Tax, founded in 2021, provides specialist tax advice to a range of international athletes, primarily footballers.

Sofia said: 'We set up Juno Sports Tax because we felt there was a clear gap in the market for high quality, independent, professional specialist tax advice in this area. This was especially true of high net worth sports people who have often been the subject of poor advice and targeting around tax evasion. It's fantastic that in such a short space of time our work has been so widely recognised and to have been included in the prestigious Football Black List is a very welcome acknowledgement of our efforts.'

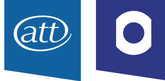


Sofia Thomas



Information about the Football Black List published this month is available here: footballblacklist.com/about. And find out more about Sofia at Juno Sports Tax here: junosportstax.com/about/

Continuing Professional Development



Thinking about CPD in 2023? Here's what you need to know…

Emma Barklamb, Head of Member Services and Helen Ballantine, Professional Standards Officer, set out the requirements and signpost some CPD opportunities for the year ahead.

The CIOT and ATT require members working in tax, or using their designations (CTA, ATT, ADIT and other variations) to assess and perform CPD appropriate to their duties. There is no minimum required number of hours and no stipulations regarding structured versus unstructured CPD. We keep the requirements under regular review but we have no plans to change the basic approach of looking to the member to assess their own needs.

The latest update to the CPD regulations and guidance came into force on 1 January 2023, with changes to clarify requirements on members undertaking pro bono work and for members still using the designations CTA or ATT in their retirement. You can find details of on the CIOT website: www.tax.org.uk/cpd_regs_guidance and ATT website: www.att.org.uk/CPD

Members must certify their compliance with the CPD regulations when completing their annual return and may be selected for the annual CPD check (see below), so Spring is a great time of year to review what CPD you have done so far this year and plan how you will meet your requirements for 2023.

The CPD market is very competitive. Whilst there is a lot on offer for accountants generally, for Chartered Tax Advisers and Taxation Technicians these offerings don't always have the depth of technical analysis or level of practical application our members are seeking. Our members are more likely to be asked to deliver the session! So where can our members go to obtain excellent, affordable and accessible CPD?

Our educational primary purposes mean that we provide both free and 'at cost' CPD events, part of the value of member subscriptions. Branches now hold events and local groups online and have valiantly led on the return to in-person events in their region. See: www.tax.org.uk/local-branches

The CIOT Spring Virtual Conference is taking place over 26 and 27 April. See: www.tax.org.uk/svc2023

The ATT Annual conferences on 19, 21 and 29 June provide a mixture of online and in person sessions. See: tinyurl.com/27dd5ua3

Finally, we have links to a significant amount of CPD resources available on the information page via the ATT website: www.att.org.uk/cpd_materials and CIOT website: www.tax.org.uk/cpd_materials

Each year, the Professional Standards Team select members for a check of CPD records. If chosen, you will be contacted in March 2023 and asked to submit your records for the year to 31 December 2022. Please don't delay in responding, even if you think you have no requirement to do CPD, as those who do not provide their records or an explanation as to why no CPD is required will be referred to the Taxation Disciplinary Board.

Records are accepted in any format provided the details are clear. Our CPD form is available if you wish to use it and ensures all the relevant details we need are included in your record: tinyurl.com/bdze4hxr. Remember that a wide variety of activities count as CPD, and records should include sufficient details to demonstrate your competency to undertake your professional duties.

We hope we see you at a conference or event at your local branch, online or in person in 2023.

ADIT

Celebrating success at our latest Awards Ceremony

Nearly 50 achievers from the December 2021 and June 2022 ADIT exams, together with their guests, were welcomed to our recent Autumn 2022 Awards Ceremony, which took place virtually on Tuesday 22 November.

The event featured a speech from CIOT President Susan Ball highlighting the importance of ADIT learning in a fast-changing international tax landscape, while ADIT Academic Board chair Jim Robertson delivered the roll call celebrating the achievements of the various award winners, graduates and International Tax Affiliates in attendance.

The online event also enabled our award winners, and members of the growing community of ADIT holders

from countries across Europe, Africa, Asia and North America, to meet and converse, with an informal networking session led by regional representatives of the ADIT Committee and our network of ADIT Champions. We would like to thank Anas Salhieh, Ann Barnshaw Kengaaju, Katia Papanicolaou, Mukesh Butani, Philip Baker and Tracey Brooks for taking part.

If you're an ADIT student, you can look forward to an invitation to a future Awards Ceremony once you complete the qualification, or if you are successful in winning one of the medals and prizes that we award in each exam session.

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Private Client Tax Director

Surrey / Hybrid

£Six Figures

A rare opportunity to join a respected Private Client Tax team at an exciting time in its growth. Our client is keen to appoint a Personal Tax Director, with strong non dom tax technical skills and business development experience. They will undertake London and international personal tax planning, working alongside high profile private client tax Partners. **Ref 5066**

Personal Tax Manager

London Mid-Tier

To £70,000 + Bens

Our client is one of London's most respected mid-sized accountancy practices. Their Private Client team advises an impressive list of HNW entrepreneurs, non doms, media, entertainment and sports clients. Their expertise attracts high-quality work (and staff) and the team continues to grow. They are keen to recruit a CTA Personal Tax Manager, to undertake ad hoc tax planning and complex compliance work. **Ref 5058**

Private Client Tax Manager

Guildford / Hybrid

£60,000 – £70,000

Handle high-end London and international private client tax work, without commuting into the Capital. Our client has a high-profile Personal Tax team, offering the opportunity to advise HNW/ UHNW individuals on a broad range of income and capital taxes planning issues. They seek an additional CTA Manager with strong personal tax advisory experience, to perform a key client-facing role. Genuine Senior Manager prospects. **Ref 5033**

Assistant Manager, Personal Tax

London / Hybrid

£50,000 – £58,000

A fantastic opportunity to join one of London's premier Private Client Tax teams. Our client advises a high-end client base of UHNW entrepreneurs, Times Rich List names, international families, family offices and trusts. Many of their clients have international aspects to their affairs. The team is busy, growing and keen to appoint an additional CTA Personal Tax Assistant Manager. **Ref 5042**

Trusts Director

London / Hybrid

£Six Figures

Due to the retirement later this year of their current Head of Trusts, this high-profile London Private Client team seeks to appoint a Trust Director to lead their busy team. Working closely with Private Client Partners, the role will involve ad hoc trust planning, as well as overseeing the annual tax and accounts compliance on an UHNW portfolio. **Ref 678**

Tax Investigations Manager

London / Hybrid

£60,000 – £70,000

Working closely with leading tax investigations specialists, you will support a range of clients with their representations to HMRC. This will include managing tax investigation, tax dispute and tax disclosure cases, including agreeing strategies and fee structures. You will have a strong technical grasp of UK personal tax and be ATT, CTA or HMRC qualified. Previous experience of COP8/9 is desirable. **Ref 5054**

Trusts Managers

London / Hybrid

£60,000 – £70,000

We are keen to speak with Trusts Managers and Assistant Managers, who may be interested in two roles we are handling for leading Private Client teams. One an accountancy firm, the other a law firm. Both operate in the UHNW field and are independently recognised for their Private Client expertise. Trust accounts and tax return preparation / review experience is essential. **Ref 679**

CTA Personal Tax Senior

London / Hybrid

£44,000 – £50,000

We have been instructed by the multi award-winning Private Client Tax team at one of London's most respected accountancy firms. They are commencing the search for a CTA qualified personal tax Senior, who can advise a portfolio of UHNW entrepreneurs, non doms and wealthy families. Sociable and supportive team, offering full support with progression towards Manager grade. **Ref 4973**

Our clients support hybrid working and offer scope for homeworking 2–3 days a week, if one wishes.

E: michaelhowells@howellsconsulting.co.uk
T: 07891 692514

LinkedIn Personal Tax Network

www.howellsconsulting.co.uk

Private Client Tax Manager
Wimbledon, London

Schoolgate Accounting Services is a boutique firm of Chartered Management Accountants, Chartered Tax Advisors and Business Consultants based in Wimbledon and Blackfriars, London. The company specialises in assisting both UK national and international businesses to grow. We take a highly personalised approach to our clients, so if they succeed, we succeed. The company started life in 2014 as an accountancy practice, specialising in assisting entrepreneurs and businesses from the UK and overseas to establish and grow in the UK. Since then, we have helped hundreds of businesses with market entry and expansion across the country.

There is a new exciting opportunity to join our friendly team as a Private Client Tax Manager dealing with taxation of resident non-domicile individuals.

We put our people first and it is our core to value and develop every individual! We believe in work and life balance too!

We offer a salary of up to £60,000 p.a. depending on experience, plus bonuses, professional training support, friendly environment, flexible hybrid working arrangements, medical insurance, training support.

The person we are looking for will be either qualified by experience or CTA/ATT part or fully qualified, with a with minimum of 3 years of experience in a Private Client Tax environment, ideally in a compliance/advisory role.

She or he will have experience and knowledge of the following:
- statutory residency rules
- taxation of residents/non-domicile using remittance and arising basis
- understanding of clean capital and segregation of accounts for res/non-doms
- producing Self-Assessment tax returns using all above and DTT

If you speak Russian/Ukrainian, then it would be advantage.

If it sounds like yourself, we would like to hear from you to arrange an interview!

luda.beanland@schoolgateaccounts.co.uk

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Taxation Recruitment

GEORGIANA HEAD

Director

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georgiana@ghrtax.com

Head of Tax – In-house
Peterborough
£excellent

This is a key role in a large FS business. They are looking to establish an in-house tax team from scratch, and seek an experienced tax professional to head up and build a team. It's likely that you will have strong UK corporate tax experience gained in industry or a large accounting firm. You will need experience of team management and be able to introduce tax policy and process. You may be an existing Head of Tax or a Director looking for a step up. **Call Georgiana Ref: 4001**

Tax Lawyer – Property
Nationwide remote
£excellent

Our client is a niche law firm that just deals with tax work for large commercial law firms. They seek an experienced lawyer (likely 6 years' plus pqe). This role can be worked remotely from anywhere in the UK. The firm will consider a full or part time employment, so a real chance at work-life balance. The focus of the role is property transaction work including SDLT. Great client base and work make this a great opportunity. **Call Georgiana Ref:3328**

Tax Adviser
Leeds
£excellent

Our client is a niche firm of tax advisors based in Leeds city centre. They seek a Chartered Tax Advisor (CTA) for an advisory focused role dealing with OMB clients and their owner managers. This role would suit either someone from a mixed tax background or someone with a strong private client tax background who is happy to develop new skills. This role would suit a tax practitioner who genuinely enjoys technical tax work and problem solving. As a trusted advisor to your clients, you will advise on the whole gamut of their tax affairs. Hybrid working – 3 days in the office. **Call Georgiana Ref: 3324**

Personal Tax Role
Cheshire or remote
£43,000 to £60,000 flexible

This is an exciting opportunity to be part of a small but rapidly growing firm which specialises in dealing with medical professionals. This is a modern, forward-thinking firm which can offer a great work-life balance including remote working and flexible working (including term time hours). Working directly to the principal, you will have the opportunity to learn new skills including advising on NHS pensions. You'll get the chance to train new graduates, and there is scope for promotion. Ideally, you will have a personal tax background with experience of small businesses. **Call Georgiana Ref: 3322**

International Tax Manager – In-house
Liverpool
£attractive + benefits

Our client is a major international group. They seek an international tax manager for an international role running tax for Europe (not UK), Africa and Asia. You will contribute to group-wide international tax compliance initiatives such as OECD BEPS Pillar 2 developments and will support specialist projects such as M&A corporate restructuring and rationalisation of legal entities. Would suit an experienced manager or senior manager who is happy to roll their sleeves up for reporting work. Based in Liverpool city centre, excellent salary, bonus and benefits package and a parking space. **Call Georgiana Ref: 3333**

Group Tax Role
Lincoln – clear promotion prospects
£attractive + profit related pay + share scheme

Our client is a UK based group in the construction sector. They seek a qualified tax professional (ideally ACA, ICAS, ACCA or CTA) to join an in-house tax function. What differentiates this opportunity is that the position is part of the succession plan for the Group Tax Manager and could lead to a Head of Tax role. Applicants will be considered from a range of backgrounds; you might be an ACCA who is studying for CTA and currently working in an accounts role with some tax; you might be an Assistant Manager in corporate tax or VAT in a larger accountancy firm or perhaps in mixed tax. You will be given training on areas of the role that you are unfamiliar with. **Call Georgiana Ref: 5000**

www.georgianaheadrecruitment.com

Head of Tax for a Family Office
Outskirts of Chester
£excellent + benefits

This is a really exciting opportunity for a senior private client professional to work in-house.

It is a key role in a Family Office which supports the shareholders of a privately owned business operating in property, food and agtech, and also provides advice to a range of agricultural, trading and investment businesses. In this role, you will provide tax advice on private client, trust and related tax matters. You will lead a team of tax professionals and will also work closely with other senior finance leaders and a property tax team (based in London).

The role ideally requires a minimum of 3 days a week on site and some travel to London. Day to day, this will include:

- Managing all aspects of taxation and structuring for the Family Office and associated businesses, including managing external advisors.
- Ensuring an effective tax compliance and advisory service is delivered to all Family Office clients/Trustees/family members and businesses.
- To manage the Family Office relationship with HMRC.
- Agree IHT charges and seek clearances as necessary.
- Consider and identify tax planning and structuring opportunities and requirements.
- Support businesses and other teams in the Family Office on trading matters, investment structuring and support the Property Tax team on trust aspects of tax advice.
- Management and development of a team of tax staff.

This role would suit an experienced private client professional who has dealt with Ultra High Net Worth families and their complex tax affairs, or an Owner Managed Business specialist who has experience of considering trust taxation matters. You may currently work in practice or within a family office. Candidates looking to relocate will also be considered. A familiarity with UK accounting concepts is important.

For more information, call Georgiana Head on 07957 842 402 or email her at georgiana@ghrtax.com

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TAX ADVISOR

REMOTE **£42,000-£47,500**

Join a growing team supporting Sole Practitioners & Top 100 practices by providing a telephone consultancy service on all aspects of Tax. You'll be providing critical advice & guidance to ensure that businesses stay compliant and meet their legal obligations. You will establish full facts, research & communicate full answers, with reference to the appropriate legislation and will be expected to manage each case to a resolution.

VAT ADVISOR

REMOTE **£42,00-£47,500**

Join the VIP VAT team to support a portfolio of accountancy firms by providing a telephone consultancy service on all aspects of VAT. Share your VAT expertise to deliver a 5* VIP service ensuring your clients stay compliant and meet their legal obligations. Every day you will be met with new queries and challenges and will be expected to manage each case to a resolution.

TAX CONSULTANT

REMOTE **£50,000-£60,000**

Join a large team of Advisors & Consultants supporting a portfolio of accountants. This role provides the opportunity to share your Tax expertise providing critical technical tax written consultancy including written requests for reorganisations, IHT and CGT issues surrounding UK trusts, offshore trusts, residence, domicile, and property/land development transactions to name a few of the most popular services.

R & D CONSULTANT

REMOTE **£50,000-£60,000**

Join a team of expert consultants providing a R & D Tax consultancy service to a diverse portfolio of client across range of sectors. As an R & D professional, you'll be working within a team of Tax & VAT Consultants, responsible for the provision of written R & D Consultancy carrying out in depth research, producing assignments, and undertaking reports for clients.

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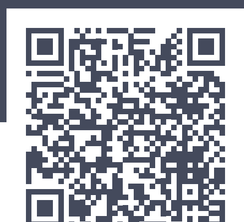

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TAX ADVISORY SENIOR MANAGER

CUMBRIA To £75,000

Rare opportunity for an experienced tax advisory specialist at either Manager or Senior Manager level to join this leading and dynamic regional firm in a role that could lead to partnership in the short to medium term. Prior experience of advising OMBs is essential.

REF: **A3433**

IN-HOUSE SENIOR TAX ACC'T

SOUTH MANCHESTER To £55,000 + bonus

Working the Senior Tax Manager a crucial part of the role will be to oversee the international tax compliance process and manage the relationship with external tax advisers. You will also work closely with the commercial and corporate teams across the group to identify tax related issues and opportunities. This role would suit a recently qualified AM who can quickly learn new skills on the job and can demonstrate drive and willingness to take on an exciting new challenge.

REF: **R3428**

PRIVATE CLIENT SENIOR MANAGER

LANCASHIRE To £75,000 dep on exp

A great role for an experienced private client specialist looking for high quality, interesting advisory work in areas such as ad hoc personal tax planning projects, offshore structuring, domicile advice and succession planning. Would suit a manager looking for a step up in grade or an experienced senior manager. Excellent potential for further progression if desired.

REF: **A3337**

TRUST MANAGER

LIVERPOOL £highly competitive

Our client is a forward-thinking financial services business based in Liverpool that places a high emphasis on looking after its people and being a great place to work. As a result of expansion it is now seeking a highly experienced Trusts and Accounts Manager who will manage an experienced team whilst working on their own portfolio of trust clients. You will have detailed knowledge of Trusts and Estates with related tax knowledge, and the ability to communicate with all levels of clients. This is critical role for the business and has exciting prospects.

REF: **C3425**

CORPORATE TAX AM / MANAGER

LIVERPOOL To £60,000

This independent central Liverpool firm with an impressive reputation and exciting growth plans are seeking a Corporate Tax Assistant Manager or Manager to join their Tax team reporting into the Tax Partner. You will be working with a diverse and genuinely exciting range of clients, on interesting and at times challenging complex tax technical work.

REF: **C3422**

MIXED TAX MANAGER

SHEFFIELD £highly competitive

Our client is a respected, forward-thinking practice with offices across Yorkshire and the Midlands. It is seeking a mixed tax manager to strengthen its tax offering. Joining an established team you will be working for an impressive Tax Partner who is keen to support and develop someone new to the role. The role is perfect for an experienced Tax Senior or Assistant Manager ready to take the next step and become more actively involved with more complex clients.

REF: **C3429**

IN HOUSE SENIOR TAX MANAGER

MANCHESTER £75,000-90,000 + great bens

You will manage all aspects of the group corporation tax, VAT, and employment tax matters, working closely with the senior finance management team on the overall finance & tax strategy. Tax compliance is a significant part of the role but it will also involve tax planning work. Given the nature of the role you will need to be comfortable working on a stand alone basis from a tax perspective.

REF: **R3431**

CORPORATE TAX SENIOR M'GER

YORKSHIRE To £75,000

A superb opportunity for a proven and technical corporate tax senior manager to join the Yorkshire office of an outstanding national practice. The client base and complex advisory work you will be responsible for offers interest and challenge, and you will have the chance to help shape the corporate tax team strategy working closely with the most senior colleagues in the business. This firm sets high technical standards and expects nothing but the best and in return you will have the opportunity to take control of your career with no limits.

REF: **A3435**

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