April 2022

att

Chartered Institute of Taxation.

TAXADVISER

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The alternative investment space

From April 2022, a new regime will remove the obstacles preventing many funds from using UK resident asset holding companies, write Adeline Chan and Hayley Moran

Spring Statement

Rishi Sunak pushes to be known as the tax-cutting chancellor

Male allies

The importance of men in achieving gender parity in the workplace

Growing inflation

How businesses can mitigate its impact on corporate profits

HELEN WHITEMAN
JANE ASHTON

Welcome
We are living in shocking and humbling times.

It's amazing how quickly things have changed, not only in the tax world but in Europe. We have been shocked by the devastation in Ukraine, and humbled by the worldwide efforts to try to help with the humanitarian crisis. Our CFE Tax Advisers Europe friends in the Polish tax body KIDP tell us that large numbers of the profession in Poland have stepped up to the challenge and are doing all they can to support refugees – currently over 2 million in Poland alone – and deliver humanitarian support into Ukraine. This includes:

- coordinating members who have been collecting refugees from the border and delivering them to a safe place;
- the purchase and delivery of 23 tonnes of flour to Ukraine; and
- the warehousing of 40 tonnes of supplies, including medicine, dressings, food, clothes and hygiene products from the UK, to be distributed to Ukraine and to Polish orphanages.

They have signed an agreement with the Association of Polish Judges to help Ukrainian war refugees to find a job in the profession in which they practice, helping them change career, fostering orphans, providing legal aid and learning Polish. To support their work or find out more, please see bit.ly/36jkQX0. The site is in Polish but popular browsers will translate it.

New sanctions imposed by the UK government appear on an almost daily basis and we have been publishing regular updates on what our AML supervised members need to do in order to stay compliant with the regulations. We will be continually updating bit.ly/3KZ1p4T and bit.ly/3N8Yus7 to provide you with the latest guidance.

The Government's Economic Crime (Transparency and Enforcement) Bill was rushed through the House of Commons, in response to renewed pressure in the wake of Russia's invasion of Ukraine. Among other things, the Bill creates a register of the beneficial owners of overseas companies and entities that own land in the UK. The CIOT provided comments to MPs in a briefing and issued a press release, pointing out that a lack of clarity around the legislation could leave many disappointed that the register will not achieve what they expect it to. These concerns were raised by Conservative and opposition MPs during the debate.

Public benefit: As Educational charities, we provide information both to our members and also the public. The ATT's resident crypto asset expert Helen Thornley was quoted giving advice in a Yahoo! Finance article 'What you need to know about crypto profits and HMRC'. And LITRG's Victoria Todd was quoted encouraging people to file their tax return in a BBC News Online article 'Fines loom for late self-assessment tax returns.' We are very proud of our Technical Teams and the collective reach they now have.

Annual returns: All members, except those that are fully retired, need to complete an annual return, whether or not your employer pays your annual subscription, so that we can ensure you are upholding the standards we require of our members. If you have not yet done so, please access your online account. Our Professional Standards team will be referring people who have not completed their return to our Tax Disciplinary Board.

Yet another Budget: Finally, at the time of writing we are anticipating the 'Spring 2022 forecast statement' on 23 March 2022. At a time of global unrest, rising energy costs and a cost of living crisis, the Chancellor has been under extensive pressure to announce new tax measures. Whatever he comes up with, we are sure there will plenty to keep us all occupied for the remainder of 2022 and beyond.

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CONTENTS

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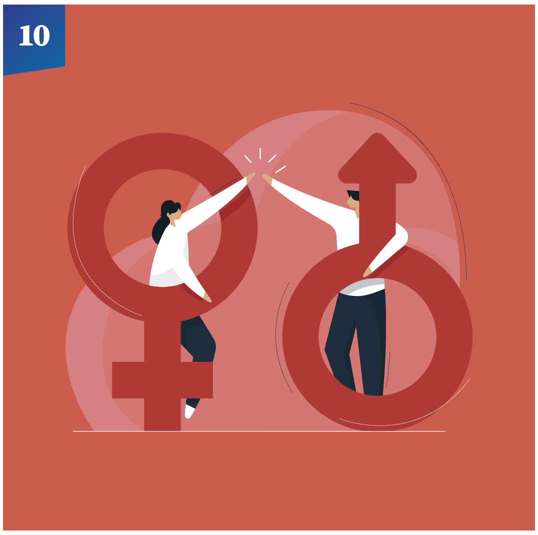

Regulars

ONLINE PICKS OF THE MONTH

Tax Inspectors Without Borders
Practical hands-on assistance to support developing countries
bit.ly/36edpAT

Capital tax
How it affects residential property investment
bit.ly/3L877kK

Company shares
Multiple completion contracts
bit.ly/3tuteMm

GARY ASHFORD
VICE PRESIDENT

Too many complicated and difficult scenarios

> All tax advisers, not just those of us in the contentious area, must become fully cognisant of the risks of money laundering.

I am writing this on a Saturday morning in early March 2022, whilst my 16 year old son plays football on a cold winter English morning. But it is impossible for me to write this page without mentioning the horrific scenes that we see every day in Ukraine.

This is not a political message, but more a human plea: why are innocent people still having to face such things in 2022? They all have my prayers. I'm sure they would give literally anything to be watching their children play football, or any other sport or activity for that matter.

But our general life continues and my role here is to welcome you to the latest April 2022 version of *Tax Adviser*.

First of all, I would like to say that I, personally, really like the new format, so I would like to compliment Helen and the *Tax Adviser* team for the work undertaken in the space. *Tax Adviser* magazine, along with *Taxation* and *Tax Journal*, has been part of my stable tax diet throughout my career in tax (now very long, I'm shocked to say!). That has been the case since I left the Inland Revenue in 1999 to join the profession with Ernst and Young (as they were called then) and my personal career investment in studying ATT and then CTA, post my Inland Revenue studies.

One thing that is particularly topical is anti-money laundering, and our obligations as Obliged Entities under the Money Laundering Regulations to undertake adequate take-on procedures, source of funds information, and so on.

I believe that, as a profession, we all understand the importance of these things, and certainly I always see evidence of good practice both in my day job in a law firm, and also from within the CIOT. In this regard, I want to mention Heather Brehcist, Head of Professional Standards at CIOT, who has been a rock on all such matters over the years and who will retire on 30 April. Thanks Heather, and good luck for the future.

But I would expect the issue of anti-money laundering and associated matters to further tighten in the months and years to come, not least with the Economic Crime (Transparency and Enforcement) Act 2022.

As someone who is a so-called expert in contentious tax, I probably see more complicated and difficult tax scenarios than most, and so am always alive to anti-money laundering issues, particularly linked to tax evasion. I do think it is important that all tax advisers, not just those of us in the contentious area, become fully cognisant of the risks of money laundering and do not feel uncomfortable or embarrassed to call it out where they see it, or are worried it may be present.

In terms of AML a number of changes have taken place in recent times, which I think it will be important to better understand. By way of implementing the 4th and 5th Money Laundering Directives, the Money Laundering and Terrorist Financing (Amendment) 2019 broadened the 2017 Money Laundering Regulations definition of auditors and tax advisers, as Obliged Entities, to include those who provide 'material aid, or assistance or advice, in connection with the tax affairs of other persons, whether provided directly or through a third party'. The effect of these rules is to extend Know Your Client onboarding procedures to many businesses that previously saw themselves as outside of those rules. This is an important change, as it will capture many online tax tools, often created to handle crypto asset calculations.

I would expect the OECD to bring crypto into full financial account reporting in the coming years, and this will help, in my opinion. Indeed, the OECD has recently issued a public consultation on the matter. Separately, HMRC are helping investors and advisers to better understand the taxation implications with the provision of guidance and knowing the team quite well, I compliment them on their very hard and detailed work.

Finally, I am now jumping out of the car to watch the second half of my son's match (the half time score is 2-2). I wish you a nice month ahead, but please spend a few moments always to think about those poor people in Ukraine. We are all human beings and share the same planet. I just wish we could all get on with each other! Take care and god bless. (The match finished 2-2 if you're interested!)

Gary Ashford
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Chartered Institute of Taxation.

THE CIOT IN 2021

764
new members welcomed , taking us to a record 19,311

4,056
students sat 4,970 CTA tax exams

2,350
ADIT exams sat in 71 countries

31,000+
registrations for our online debates and webinars

Met with HMRC and other policymakers **600 TIMES**

177 consultation responses

Featured **131** times in the mainstream media

Cited **129** times in parliamentary debates and reports

6 MILLION + visitors to LITRG's website

SUCCESSES WE CONTRIBUTED TO

- Pension tax relief equality for low earners
- Extended loss-relief carry-back to help businesses recover
- Easements around late filing and late payment penalties
- Longer timetable for roll out of MTD for Income Tax
- SEISS and furlough schemes – on which we worked closely with HMRC

DAVID BRADSHAW
DEPUTY PRESIDENT

I thought I had survived Coronavirus...

> Our technical team have seen delays in the processing of income tax returns where the wrong amounts of SEISS grants were reported, or the right amounts but in the wrong boxes.

I happily started the year with my flourish of early corporation tax accounting for our friends across the Atlantic who like to get their numbers in superfast. I then turned my attention to some March year end corporation tax submissions. In sympathy with my personal tax colleagues, I do like to leave everything until the deadline.

Suddenly my CT600 software is demanding all sorts of information about reporting coronavirus support payments and grants, and what to do if my clients have claimed too much and the records they need to keep. An email from HMRC has just dropped into my inbox – Declaring your grants on your Company Tax Return (CT600). I have registered and will be expert by the time you read this.

These grants have been claimed by clients without my involvement and it isn't always immediately obvious what has been received and where it has gone in the accounts. Additional questions will need to be asked if we are to ensure that everything gets reported in the right way.

And suddenly I find myself fully engaged – I wasn't expecting that!

The various grants such as the self-employment income support scheme (SEISS) and job retention scheme, which provided a welcome lifeline for businesses during the pandemic, may seem like a distant memory but we can't put them behind us just yet. In particular, it's important to remember that many of these grants are taxable, and reporting the right amounts in the right places on the right returns is very important. Our technical team have seen delays in the processing of income tax returns where the wrong amounts of SEISS grants were reported, or the right amounts but in the wrong boxes.

Technical matters

Once again our technical team have been very active. The ATT response to HMRC's call for evidence on the reforming registration for Income Tax Self-Assessment was submitted last month, and a number of ATT volunteers also contributed their time across a total of six workshops with HMRC. The call for evidence explored whether the taxpayer experience could be improved by changing the point at which they have to register. Whilst we received plenty of feedback from members on how HMRC's systems and processes could be improved, it's not entirely clear how changing the time when registration is required would help taxpayers. In summary, this may be a case of 'if it ain't broke, don't fix it'.

MTD continues to be an area of focus for ATT members and the technical team. From April, all VAT registered businesses regardless of size will be in the scope of MTD for VAT. It will be interesting to see how this goes – will voluntary registered and overseas businesses be aware of the MTD requirements and in a position to meet them? Will we see an uptick in the number of businesses choosing to deregister for VAT? Only time will tell.

The next stage in the MTD roll out is, of course, Income Tax Self-Assessment from April 2024. Whilst this may still feel like quite a long way off, it will come round surprisingly quickly and there is a lot for HMRC, taxpayers and the agent community to do in the meantime. Fortunately, the ATT technical team are on the case, taking part in frequent discussions with HMRC. Please do send them any feedback on practical challenges and concerns. In particular, we are expecting HMRC's very limited pilot to be extended from this month, and we would be interested in hearing from members who get involved. Alternatively, if you aren't interested in the pilot, what might change your mind? Answers on the back of a postcard please – or more practically by email to atttechnical@att.org.uk.

ATT annual conferences

Looking ahead to the summer, planning for the ATT annual conferences is now in full swing. By popular demand, the conferences will again be brought to you online this year by Michael Steed and the technical officers, combining live sessions with pre-recorded content. This year's live sessions will include a topical tax update, as well as a session looking at MTD, basis period reform, penalties and CGT reporting. Pre-recorded content will cover subjects as diverse as cryptoassets, capital allowances, employment taxes and R&D relief. For a fully rounded and value for money tax update, you really can't beat it. You can find an advert with more information, and how to sign up, in this month's magazine. We hope to see as many of you there as possible.

David Bradshaw
ATT Deputy President
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THE ATT IN 2021

1,467
student registrations

5,023
exams sat – all online

503
new members

9,387
members

6,860
students

55+
technical articles

25
technical submissions

27
press releases issued

Represented on over 35 different HMRC groups

Featured 31 times in the mainstream media

Cited 16 times in parliamentary debates and reports

97 webinars to help members and students continue their professional development

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The Spring Statement
Capital, People, Ideas

Against a background of challenging times and a rapidly rising cost of living, Rishi Sunak pushes to be known as a tax-cutting chancellor.

by Bill Dodwell

Chancellor Rishi Sunak delivered the Spring Statement on 23 March amidst a difficult UK and global context. The Statement (see bit.ly/37QT58V) set out some immediate measures to support people; a significant programme of national insurance and income tax cuts; and discussion around new measures to boost UK productivity, with decisions promised at the Autumn Budget.

Support for energy costs

Two new measures are announced to support families with cost rises in energy. Firstly, a 5p per litre fuel duty cut takes effect immediately (worth 6p per litre with VAT). This is probably worth £1 per week for a motorist travelling about 5,000 to 6,000 miles annually. Fuel duty is so widely spread across the population that the cost of the cut is over £5 billion. The Chancellor announced the cut for a year – but most of us can't remember when fuel duty was last increased.

The second measure is £500 million to top up the Household Support Fund, administered by local councils, adding to £500 million allocated in October 2021. There is also a small measure to zero-rate for five years energy saving materials for residential use.

National insurance cuts

The big headline grabbing measure is the plan to increase the National Insurance threshold by £3,000, so that from July 2022 it will be aligned with the personal allowance. The Treasury document states that the thresholds will remain aligned in future. The broad effect is that an employee earning up to about £35,000 in 2022/23 will be better off, even taking account of the Health and Social Care levy (which takes the form of National Insurance in 2022/23).

The threshold increase cannot be implemented before July, so as to give payroll systems time to manage the change from the pre-planned increase to £9,880. The result will therefore be that almost everyone will pay more national insurance from April to June before the majority see a cut from July. Employers do not benefit from an increased secondary threshold, which remains at the planned £9,100 (up from £8,840 in 2021/22). However, the employment allowance, which applies where employer National Insurance liability was less than £100,000 in the prior year, goes up from £4,000 to £5,000 from April 2022, benefiting about 450,000 businesses.

The self-employed pay National Insurance on an annual basis and so the threshold for 2022/23 will be £11,908. This will be the same threshold for Class 2, with the added benefit that 500,000 people with earnings between the lower earnings level of £6,725 and £11,908 will have no liability but will still receive National Insurance credits towards the state pension. The Low Incomes Tax Reform Group has pointed out that individuals will need to file a self-assessment tax return to claim the credits. Others will no doubt mention that benefit claimants will see part of the benefit of the threshold increase clawed back.

Overall, the effect of these changes and the introduction of the Health and Social Care levy will be to widen the gap between the National Insurance costs of employment and self-employment.

Promoting enterprise

The Chancellor announced a package to promote economic growth. He first discussed the areas of focus in his Mais lecture on 24 February (see bit.ly/3wGdRCq), where he said: 'We must put all our energies into three priorities: Capital. People. Ideas.' The Tax Plan announces that the government will consult with business on how best to deliver additional tax relief for capital investment. The accompanying documents make various suggestions for increasing capital allowances, including adding a first-year allowance component; enhancing the annual investment allowance; or improving writing down allowances. The OECD has highlighted for some time that the UK has not been competitive in the allowances it gives for capital expenditure.

The next area of concern is investment in people. The government said it is looking at reforming the use of apprenticeship levy funds, whilst still supporting apprenticeships as an important part of improving training. The third area – Ideas – will look at additional reforms to the R&D tax credit system.

Income tax cut

The final flourish of the Spring Statement was the announcement of a cut in the basic rate of income tax to 19%, from April 2024. Charities will be protected from the potential fall in gift aid for three years. Scotland will receive additional funding, which the Scottish government may choose how it is used.

The Tax Plan also mentions that the government will consider reforms to tax reliefs and allowances, with decisions before 2024.

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Profile Bill is Tax Director of the Office of Tax Simplification and Editor in Chief of *Tax Adviser* magazine. He is a past president of the Chartered Institute of Taxation and was formerly head of tax policy at Deloitte. He is a member of the GAAR Advisory Panel. Bill writes in a personal capacity.

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MAKING TAX DIGITAL *READY*

*based on a survey run by Xero in the UK in August 2021 of 375 Xero subscribers

Working together
The role of male allies

by Angela Partington

To achieve true gender parity we need both men and women to be on this journey. How do we get males allies on board in the tax profession to help achieve gender parity?

The position that women hold across the world of work has been a matter of contention for decades. Although we would like to think that the tax profession has tackled these issues, we still have some way to go. (See **The finances: facts and figures** for some interesting details.) Many businesses have been making significant efforts on this front but it is becoming increasingly apparent that women cannot do it alone – and nor should they. Men in tax must play their part toward achieving equality, and the role of male allies is a great way of building the support network that is necessary.

To mark International Women's Day, the CIOT and ATT held a Zoom webinar on Male Allies, programmed and hosted by Tasneem Kadiri, chair of Women in Tax and UK & Ireland Tax Director for L'Oréal. She was joined by Simon Gallow, an advocate and HeForShe Lead for UN Women UK; Jeremy Coker, a past ATT President and Council member of the ATT; Lee Holloway, a Corporate Tax Partner at Grant Thornton; Toyim Oyeneyin, the chair of CIOT and ATT's new tax professional committee; and Susan Ball, the upcoming President of CIOT. Three of the women featured in last year's *Tax Adviser* article on Women in Tax – Joanne Clarke, Dilpreet Dhanoa and Belema Obuoforibo – also spoke.

As Tasneem said, when introducing the event: 'We still unfortunately do not have proportionate female representation at partner and director level in the tax profession and that begs the question as to why we haven't achieved that parity yet. I strongly believe that the only way to get true gender parity in the tax profession is for more men to stand up as male allies.'

The HeForShe campaign has been developed by UN Women UK to directly address these issues by encouraging men to take a more active role in developing gender equality.

Simon Gallow explained the motivation behind the campaign. 'I was sick and tired of gender equality being framed as a women's issue – to be discussed by women, solved by women and fought for by women – when most of the issues that women face are because of men. Until we get men to be part of the conversation and solution, we will not actually have a genuine long term change in the workplace and beyond.' He also shared his belief that equality for women is 'progress for all'.

Some basic principles

Men can act as advocates, allies and champions in the workplace and beyond. In his presentation, Simon set out some basic principles that can be adopted by CEOs, senior directors and managers to shift our behaviours and practices in the workplace:

- **Educate yourself:** Ask each other what our experiences are, and how we can support each other. If you show positivity and respect to others, you will get a positive response.
- **Accept feedback:** We don't always get things right. We should not see that feedback as something offensive – it's a continuous learning process.
- **Listen to all people:** People aren't one homogenous group. We need to listen to the voices of all women, including women of diverse sexualities, ethnicities, abilities, socioeconomic backgrounds, co-parents, single mothers and others.

AVERAGE SALARIES IN TAXATION

Women
£23.19 per hour

Men
£26.79 per hour

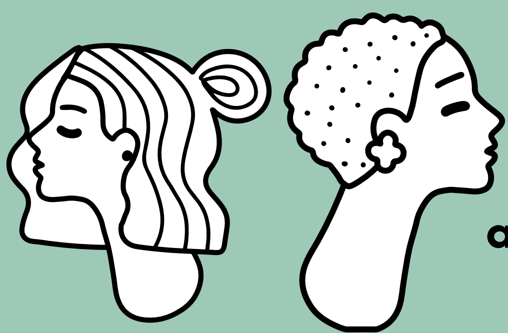
Source: ONS

© Getty images/iStockphoto

FTSE 350 CEOS

Of top 350 companies listed on the FTSE stock exchange:

16
are women



2
are women of colour

Source: UN Women UK

VENTURE CAPITAL

Of all venture capital worldwide:

2%
goes to women entrepreneurs

Source: UN Women UK

- **Amplify voices:** We are not speaking *for* women, we are amplifying the voices *of* those women.
- **See something, say something:** It's very easy to stand back and not say anything. No matter how small, as an ally you should stand forward and say it.
- **Reverse mentor:** If you are senior in the business, ask someone younger or more junior to share their experiences with you.
- **We cannot do it alone:** We need to work together to build a community of advocates so we don't tackle these issues alone.

Male allies

As this shows, there are many ways in which men can contribute to gender equality. Men can do more to highlight talent in the workplace, making sure that we publicly celebrate accomplishments, both formally and informally.

Male allyship may take the form of coaching and mentoring, where men in the business work with women to promote and support talent. This can include offering advice and time, sharing opportunities, and helping women take on a more active role on high-profile projects and in management opportunities.

Remember that this is a two way process, and that men can learn from this relationship too. As Lee Holloway, who is mentoring two women at Grant Thornton, said: 'It adds to my working life as well.' But if businesses need any further encouragement to take part in such activities, he pointed out that there are also benefits to the business: 'It's massively important to ensure equality, but it's also about attracting and retaining talent. We're in a talent war and want to make sure that we're leading the way as a profession. The commercial aspect is important, as well as the social benefits.'

Dilpreet Dhanoa also spoke about the broader benefits to the business. 'Women shouldn't be counted for the sake of statistics, but rather for their expertise and ability to bring a truly different perspective. The tax profession

THE FINANCES: FACTS AND FIGURES

In October 2021, the Office for National Statistics released 'Gender pay gap in the UK', its latest survey of average male and female earnings. It found that in April 2021, the gender pay gap across full time employees was 7.9%. Although this was a slight increase on the year before, the pandemic will have had an impact on these figures. There has been an improvement on the 9.0% pay gap recorded in April 2019.

It may come as a surprise, however, that the tax profession shows a much more significant pay gap than the average. In the category that the ONS labels 'Taxation experts' (an encouragingly specific breakdown), women are shown to earn 13.4% less than men. Women earn on average £23.19 per hour (equating to £36,176 a year for a 30 hour week, without any bonus or additional payments). Men earn on average £26.79 per hour (or £41,792 a year on the same measure). (The average median pay across all full time employees is £15.59.)

Given the efforts that many firms have been making to address these issues, this pay gap could be considered unexpected. However, higher earners experience a much larger difference in hourly pay between the sexes than lower-paid earners. Disappointingly, there also remains a large difference in the gender pay gap between employees aged 40 years and over and those aged below 40 years – and as tax advisers commonly remain in the profession until retirement, this will also be a factor.

The gender pay gap among professional occupations at large (which includes business and administration professionals, including finance professionals) remains fairly static at 9.2%. However, the largest fall in the pay gap since before the pandemic is among managers, directors and senior officials, from 16.3% in 2019 to 10.2% in 2021, reflecting some signs of more women holding higher-paid managerial roles. For a number of reasons, women may want to consider putting themselves forward that promotion!

SUSAN BALL: HOW THIS IMPACTS US

Susan Ball is currently the Deputy President of the CIOT and will take on the role of President in May. She is a Fellow of CIOT and a member of ATT. Susan is a partner in the employer solutions team at RSM with over 30 years' experience in the employment tax, investigations and reward field. She spoke at the webinar on Male Allies.

No workplace is perfect, and the best workplaces are environments where learning and growth are encouraged. Women in leading roles have an opportunity to influence the advancement of others within their field. We should all be role models. I strongly believe that you have to step up, and when you do you have to lift others as well. It reminds me of the famous quote by Madeleine Albright: 'There's a special place in hell for women who don't help each other.' But how do we do this?

We need to take action. I'm really grateful for the male sponsors and allies I've had during the course of my career. Perhaps the most recent example is actually stepping up to become the president of the CIOT from May. I didn't do that without actually having a number of men push me to do it. It's really interesting that I will only be the fourth woman to have held that role in 80-odd years, and it required men to encourage me. Like a lot of women, I didn't think I was 100% suitable for the role. And we hear that often. Sometimes, you need to push yourself forward.

In the context of the CIOT (and as Jeremy said, in relation to the ATT), we're in a great position now where 62% of the senior management team are female, and 67% of staff. We launched a mentor programme for speakers so we would have more female speakers, and now about 50% of our speakers are female.

If you can see it, you can be it. I encourage people to do what they can. Be bold, be brave and raise awareness.

is good at bringing intellectually diverse people together – accountants, lawyers, economists, policy makers – and that diverse approach means that very often traditional labels can be set to one side.

'As women, we do face challenges in the workplace. But tax gives us a platform to say that what's really critical is an organisational framework that is set up to create an enabling culture – and that says, we are proactively looking to develop true diversity and bring together people from different walks of life.'

Two-way representation

Not all elements of male allying require men to do more, though. Sometimes, men should take a step back and allow women to share the opportunities. The principle that women should be included on all panels and in all group discussions is an established one, but they still often consist of a disproportionate number of male participants. And once included, we need to make sure that women are treated with the same respect as their male counterparts and that their voice is heard. Have the awareness to pass on questions in meetings to the women round the table who may have more expertise in the area in question. Make sure that women take on an equal role in large, visible projects in your company.

We need to make sure that women are treated with the same respect as their male counterparts and their voices are heard.

The corollary of this, though, is that we should remember to include men in workplace events about gender equality and gender bias. Men may feel that they are encroaching on women's space and politely stay away. They may feel insecure or afraid to step forwards. Inviting men to events such as these will help them to learn about the issues, realise that they are also part of the narrative and find solutions.

Developing broader programmes within the business can also support women with issues such as maternity leave, return to work and parenting responsibilities, enabling them to play a vital part in the business and to develop their careers. Sometimes, taking a more flexible approach to time management and our working lives can make all the difference in the world.

And, of course, we should remember that these flexibilities do not benefit women alone. Improving paternity leave and flexible working for fathers will have a direct impact on the working lives of both men and women – provided men take up these opportunities.

Jeremy Coker summed the whole message up beautifully: 'If we continue to focus on women as the solution, we are not solving the root problem. Men need to take responsibility. And whatever we do has to have long-term sustainability.'

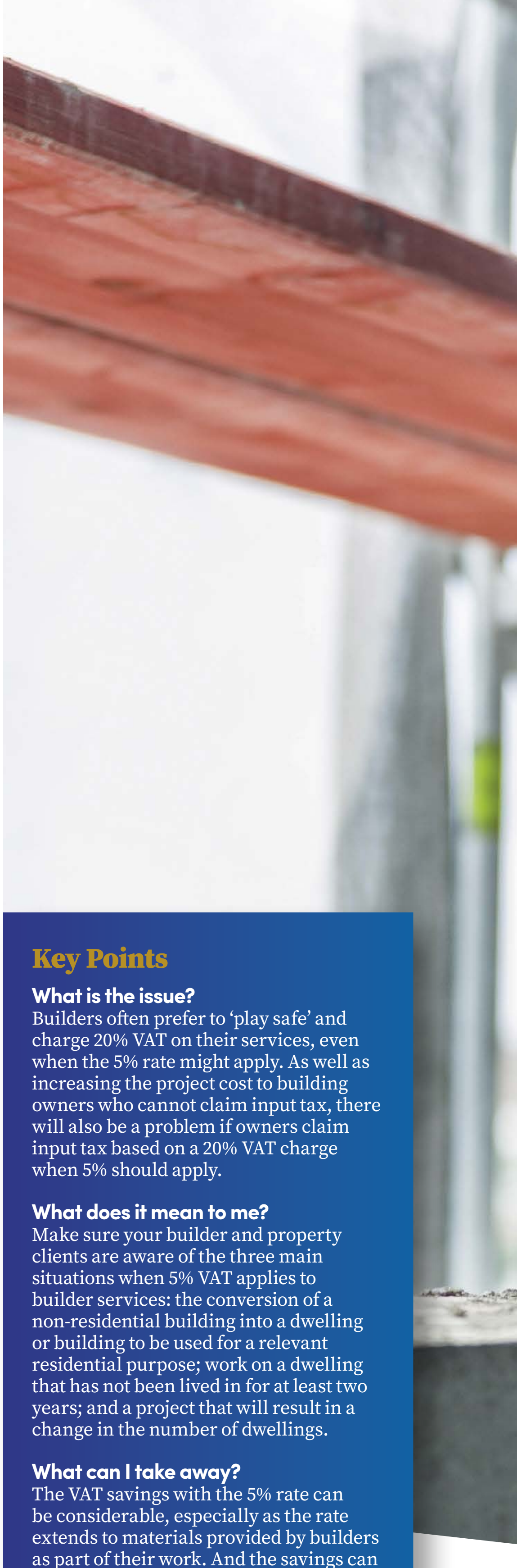
HeForShe is an invitation for men and people of all genders to stand in solidarity with women to create a bold, visible and united force for gender equality. To find out more information, see www.heforshe.org/en/movement

Saving VAT on builder services

A window in the legislation

Work carried out by builders is sometimes subject to 5% VAT rather than 20%, a big saving for property owners who cannot claim input tax. The lower rate applies in three main situations.

by Neil Warren



The starting point with any supply of goods or services in the UK is that they are subject to VAT at 20%. You must then consider if there is a potential window in the legislation for either zero-rating or exemption to apply or, in some cases, a reduced rate of 5%. I will focus on the latter rate in this article and when it applies to builder services.

> **It is logical for property owners to buy materials through their chosen builders and save 15% VAT.**

Materials and labour

In the case of builder services subject to 5% VAT, there is an extra 'win' because the reduced rate also applies to any materials provided by builders as part of their work. So, if a plumber supplies labour and materials to fit a new bathroom suite, the entire job will be subject to 5% VAT if the labour charge qualifies for the lower rate.

Materials purchased on a stand-alone basis from, say, builder merchants are always standard rated. It is therefore logical for property owners to buy materials through their chosen builders and save 15% VAT, as long as the builder doesn't wipe out the VAT saving by applying a mark-up of 16% or more for the materials in question.

Situation 1: Non-residential building converted to residential use

I recently read that a stone-built church is being sold in Scotland, and it was described as having 'potential for development or conversion'. The logical outcome is that the church will be purchased by a property developer and converted into flats which will then be rented out or sold when they are complete.

This is the first situation when builder services will qualify for 5% VAT, when a non-residential building is converted into either dwellings or a building that will be used for a 'relevant residential purpose'. Dwellings include houses, bungalows, apartments and bedsits (see VAT Notice 708 para 14.4 for the conditions of a 'dwelling'). Buildings to be used for a relevant residential purpose include homes for elderly people, and student and nursing accommodation. In the case of relevant residential purpose work, the builder must be given a certificate by the property owner (see VAT Notice 708 para 18.1).

Key Points

What is the issue?
Builders often prefer to 'play safe' and charge 20% VAT on their services, even when the 5% rate might apply. As well as increasing the project cost to building owners who cannot claim input tax, there will also be a problem if owners claim input tax based on a 20% VAT charge when 5% should apply.

What does it mean to me?
Make sure your builder and property clients are aware of the three main situations when 5% VAT applies to builder services: the conversion of a non-residential building into a dwelling or building to be used for a relevant residential purpose; work on a dwelling that has not been lived in for at least two years; and a project that will result in a change in the number of dwellings.

What can I take away?
The VAT savings with the 5% rate can be considerable, especially as the rate extends to materials provided by builders as part of their work. And the savings can be further extended by having a 'design and build' project; i.e. a lower rate of VAT will also extend to professional fees.

Residential conversions are very common in our big cities; for example, the Northern Quarter in Manchester has many apartments that used to be factories and warehouses. Barn and office conversions are also popular (see ***Office converted into flats***).

OFFICE CONVERTED INTO FLATS

Property Ltd has purchased the freehold of an office block, consisting of three floors. The directors will retain commercial use on the ground floor but convert the other two floors into apartments.

The building work on the ground floor will be subject to 20% VAT but the reduced rate of 5% will apply to work on the other floors as it relates to a residential conversion. The builders must be given proof that the conditions of a 'dwelling' have been met for the work to qualify for 5% VAT.

Situation 2: Change in number of residential units

Imagine that you have purchased a detached house, and intend to convert it into two semi-detached houses and hopefully sell them for a profit. The sale of the houses will be exempt from VAT, which means there is no scope to reclaim input tax, even if you are VAT registered. However, the work carried out by builders will again be subject to 5% VAT because the project is producing a ***change*** in the number of dwellings; i.e. from one to two.

> **Building work will qualify for 5% VAT when a residential property has been empty for at least two years.**

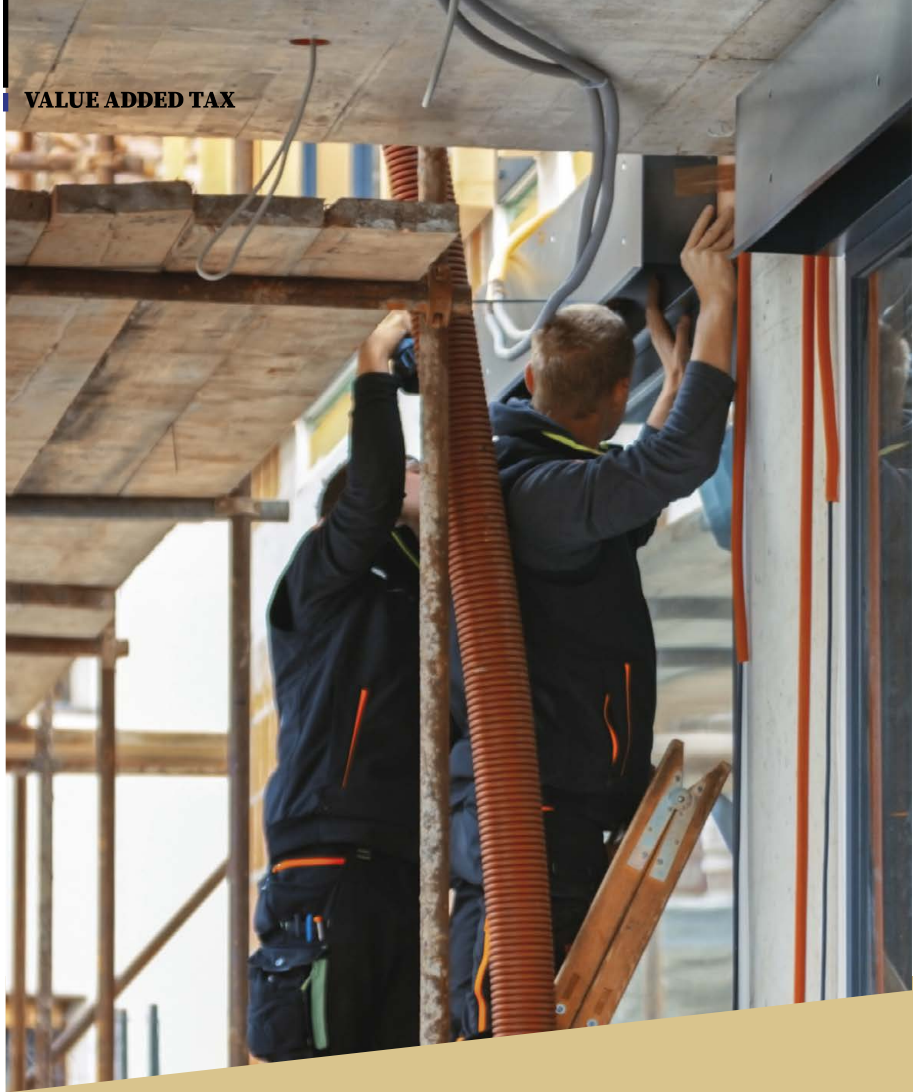
My emphasis of the word 'change' is deliberate. The 5% rate also applies if the number of residential units is reduced with a project; e.g. two semi-detached houses are converted into one detached house. This is perhaps surprising because the purpose of the 5% rate has always been to increase the number of habitable dwellings on our shores. But it is the change in number that attracts the lower rate of VAT (see VAT Notice 708 para 7.3).

Apartments are considered on floor-by-floor basis

If a project involves building work being carried out on a block of apartments, the number of units is always considered on a floor-by-floor basis. So, if a block consists of 12 apartments before a project starts – four on each of three different floors – and ends with the same number but two on the ground floor, six on the first floor and four on the second floor, the building work will be subject to 5% VAT in relation to work on the ground and first floors. However, work on the second floor will be standard rated because the number of units is unchanged (see VAT Notice 708 para 7.3.1).

Situation 3: Residential property not lived in for at least two years

The third situation when building work will qualify for 5% VAT is when a residential property has been empty for at least two years; i.e. not lived in during that period of time. However, there is an extra hurdle: the builder(s) carrying out the work will need proof of the empty period, such as council tax information, electoral register data, housing office



VAT SAVING ON PROFESSIONAL FEES: DESIGN AND BUILD

Jack and Jill have purchased the freehold of an office block for £5 million and intend to convert it into ten flats, which they will rent out on a long-term basis. The rental income will be exempt from VAT, which means they cannot claim input tax on their costs. They will spend £800,000 (excluding VAT) on building costs, and £200,000 on professional fees.

If Jack and Jill engage the services of the professionals, they will pay VAT of £40,000; i.e. at 20%. If their main building contractor engages the professionals, however, the builder will claim input tax of £40,000 on these fees. His onward charge to Jack and Jill will be made at 5% VAT as a 'design and build' supply for a residential conversion.

records, and so on. The evidence must be from a third-party source. It would not be acceptable for the property owner to sign a statement stating the property has not been lived in for at least two years, or ask his accountant or solicitor to write a letter on his behalf.

As an amusing aside, HMRC helpfully confirms in its guidance that illegal occupation of a property by squatters is ignored for the purpose of the two-year window. Was this ever in doubt? Hopefully not (see VAT Notice 708 para 8.3.3).

VAT saving on professional fees

Professional fees are always subject to 20% VAT; e.g. the services of architects, surveyors and project managers. A potential VAT planning solution is for the professionals to provide their services directly to the builder in cases where a 5% project applies to building work; and then the builder's contract to the property owner is for a 'design and build' service, which attracts a 5% VAT rate on the entire fee, including materials and professional fees (see HMRC VAT Manual VCONST02720). See ***VAT saving on professional fees: design and build.***

Dispelling four common myths

Builders often know some basic rules about VAT but struggle with the finer points of the legislation, similar to a teenager on holiday in Paris trying to get by with a bit of half-remembered GCSE French. Here are four important facts that are often misunderstood:

1. VAT certificates are not needed for dwellings

If a builder is working for a property owner and the building will be used for either a 'relevant charitable purpose' or a 'relevant residential purpose', the owner must issue a certificate to the contractor confirming the intended use of the building to support any 0% or 5% rates of VAT. But certificates are not necessary for any work carried out on dwellings (see VAT Notice 708 para 17.1).

2. Reduced VAT rate also applies to subcontractors

With work carried out on dwellings, if the project qualifies for the reduced rate of VAT, the same rate is charged by all builders carrying out work; i.e. subcontractors working for other builders, as well as the main contractor working for the owner.

3. Reverse charge applies to 5% work

If a builder invoices another builder, and the builder receiving the invoice is both registered for VAT and CIS, the reverse charge has applied to these invoices since 1 March 2021. In other words, the first builder does not charge VAT on his sales invoices, and his customer accounts for the VAT in Box 1 instead, also claiming input tax in Box 4. The reverse charge applies to construction services subject to 5% and 20% VAT but – quite logically – not zero-rated services.

4. Correct VAT rate must always be charged

One of my favourite tales is about a builder who insisted on charging a property owner 20% VAT on a job that qualified for the 5% rate, on the basis that he used the flat rate scheme and would be out of pocket if he only collected 5% VAT. He argued that this should not be an issue for the owner because input tax could be claimed for the project in question.

The builder is partly correct: the 5% rate is not a good deal if he uses the flat rate scheme but that is irrelevant. The correct VAT rate must always be charged and customers can only claim input tax based on the correct rate of VAT that applies for the supply in question.

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An inflationary environment
Mitigating the worst impacts

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by Laurence Field

High and increasing inflation will have unexpected consequences. How can businesses mitigate its impact on corporate profits and tax risk?

Tax revenue in the UK is rising to sustained levels not seen since the 1950s (see bit.ly/3MPhqMv). High and increasing inflation will enhance the tax take and have unexpected consequences on both after tax returns and the corporate approach to tax risk. Much has been made of the impact on individuals, but the impact on companies has had little attention. They need to brace themselves for an assault on their post-tax profitability and understand what, if any, actions they can take to make the position better. Alongside this, HMRC is increasingly focused on risk-based reviews of company tax affairs. Accelerating inflation means that companies need to be aware of thresholds that require them to take action that in less inflationary times would have seemed less relevant.

Inflation will run at higher than 7% by Spring 2022 according to the Bank of England – not far short of four times the Bank of England's target and well in excess of the 5% predicted in late October at the time of the Budget.

The increase in prices is increasing the nominal size of the economy, thus driving tax receipts. In cash terms, the economy is forecast to be a lot larger in 2025/26 than was expected a year ago. At the time of the last Budget, this was expected to create around £50 billion of additional tax receipts. 7% inflation should produce even more tax for the government in cash terms.

Remember that 7% inflation halves the value of money in 10 years, which impacts the real value of corporate as well as government debts. Geared companies can expect to make a windfall which may offset some of the increased costs of taxation.

It is vital that companies are aware of the impact of an inflationary environment on their tax position and make sure they plan appropriately. The potential impacts are broad and far-reaching.

Tax rate hike

From 1 April 2023, corporate tax rates on profits above £250,000 are going to increase from 19% to 25% – a 31% increase in the rate. If corporate profits remain flat, shareholders can expect a decrease in post-tax returns – that's without any inflationary pressures coming through the supply chain. The small profits rate of 19% remains in place for profits of up to £50,000, with taper relief of up to £250,000 – except for close investment holding companies. By 2023, these limits will be worth less in real terms than when the legislation was passed, pulling more companies into a higher tax rate.

Where possible, companies may want to consider deferring the use of losses until 2023, thereby saving an extra 6%. This could represent a higher return than can currently be achieved on cash holdings. The impact of fiscal drag on tax payment date is discussed below and it will be important that companies are on top of their payments to ensure they retain a low-risk tax rating.

Increase in employers' national insurance

Employers will have to pay an additional 1.25% national insurance on payroll (an above inflation 9% increase). While NICs are tax deductible, reducing the net cost of the increase to around 1%, this represents a further cost to the business. Employers may want to review the use of salary sacrifice schemes, which can result in savings in national insurance to both employers and employees. However, most benefits fall within the optional remuneration arrangements rules, when there are no savings.

National minimum wage

The NMW is to increase to £8.91 per hour. When the chancellor announced this, the rise was well above the rate of inflation, but on current predictions it seems unlikely to match the rate. Further increases are to be expected. Enforcement of the NMW is rightly vigorous and companies should not take shortcuts to maintain profitability. Failure to meet the requirements can result in public naming and shaming.

VAT thresholds

The VAT threshold remains fixed at the 2017 level of £85,000. Businesses that make taxable supplies above this level need to register for VAT. Once registered, a business needs to make regular filings and deal with more administration. This needs to be monitored regularly as there are penalties for late registration.

Inflation of 7% reduces the real terms value of the threshold to just under £79,500 after a year. This doesn't just impact microbusinesses; it has a knock-on effect on the value of the thresholds for registering for the flat rate scheme, cash accounting and the annual accounting scheme. The thresholds remain fixed, but the real terms value can decline rapidly, forcing changes to the VAT position. Companies need to monitor revenue in response to increasing inflation and ensure that all registrations remain appropriate.

Tax payment date

Companies and groups that make taxable profits of less than £1.5 million pay their tax nine months and a day after the end of the accounting period. Those with profits over this threshold have to pay their taxes earlier (in some cases 18 months earlier). With 7% inflation this limit is £100,000 less in real terms after the first year.

Companies that manage to keep profits in line with inflation will quickly find themselves paying tax earlier, potentially changing their cash-flow profiles and funding requirements. The thresholds need to be divided by the number of worldwide group companies – so even quite small subsidiaries can find themselves having to make accelerated payments. Good advance planning is required, monitoring profits and cash, and understanding when the thresholds may be breached.

Superdeductions

Superdeductions for capital spend will start to fall away from 1 April 2022. The enhanced 130% deduction for capital spend is due to be phased out on 1 April 2023. However, due to the way the tax legislation was drafted, companies with accounting periods starting after 1 April 2022 will find the tax benefit is reduced through time apportionment. This little-noted effect means that taxable income may be higher than anticipated in future years, especially with the increase in tax to 25%. Companies should carefully plan their capital spend to ensure that they get the maximum benefit of the enhanced allowances available. Good records will be required to cover the always contentious issues of cut-off between the different regimes. HMRC can be expected to take a keen interest in this.

Interest deductions

Companies can deduct interest of up to £2 million a year with few restrictions. Above this level, interest deductions are restricted to (broadly) 30% of the company's profits. Increasing inflation may result in increased nominal profits, making more interest potentially deductible. Any benefit may, of course, be offset by increased interest rates – but the ability to deduct a portion of the increase (at the higher 25% rate) may provide some comfort to corporate taxpayers that are able to pass on cost increases to their customers.

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The law is complex and confusing, but interest deductions have a material impact on tax liabilities. Finance departments will want to have good models to forecast and update their projections to understand the after-tax cost of capital and minimise the risk of errors in calculation and reporting.

Transfer pricing

In times of inflation, we can be confident that tax authorities will expect that intra group transactions are priced to reflect changing markets. In a low inflation environment, reviewing the pricing maybe once a year might be acceptable. In a more volatile high inflation environment, contract terms and repricing could be expected on a more frequent basis.

> **A combination of inflation and tax rises will mean that laws designed for larger companies will apply to some smaller ones.**

Where the parties are in countries with differing inflation rates, squaring off an appropriate pricing structure will be an added level of complexity. Inflation expectations and interest rates can cause currency fluctuations, which in turn means that arm's length prices will be less stable in times of higher inflation.

The threshold for UK companies having to comply with the full transfer pricing requirements are €50 million turnover and a balance sheet total of €43 million. These haven't been adjusted for a number of years. With inflation running at 7%, the real terms value of these thresholds declines significantly.

Companies that have been able to take a light-touch approach to their transfer pricing could quickly find themselves needing to get their documentation in order. It is probably worthwhile for such businesses to start thinking about what documentation they need to have in place and identifying those transactions that might need to be reviewed. Waiting until HMRC asks the questions is unlikely to produce the best results.

Senior Accounting Officer

Companies with turnovers in excess of £200 million and/or balance sheet totals of more than £2 billion are required to appoint an individual to take responsibility for the maintenance of systems that can report tax liabilities. Again, these apparently high thresholds can be quickly eroded. Two years of 7% inflation would reduce the threshold by a little over £25 million in real terms, pulling more companies into the regime and increasing the risk of penalties and fines.

International matters

The UK is not alone in having complex, threshold-driven, cliff-edge tax provisions. Companies operating overseas need to understand the local regime, the expected growth in revenues and costs and make sure they understand the impact of the local inflationary environment on compliance.

The impact can also be seen in the UK. Controlled foreign company provisions are designed to stop UK groups from rolling up profits in locations with low tax rates. Some of the exemptions depend on there being limited sales – higher inflation can cause the nominal value of the sales to increase and thus change the reporting position. Companies should be managing the risk of non-compliance by having a detailed understanding of how the exemptions work and the impact of inflation on them.

In summary

A combination of inflation and tax rises will mean that laws designed for larger businesses will apply to some smaller ones. Companies are seen as a prime source of revenue for a Treasury needing cash. Allowing fiscal drag at a time of generationally high inflation and tax rates will prove lucrative to the Chancellor. His last Budget did much of the pitch rolling for these tax rises and talk of stealth taxes has focused mainly on individuals. Inflation will prove a valuable friend in extending their reach.

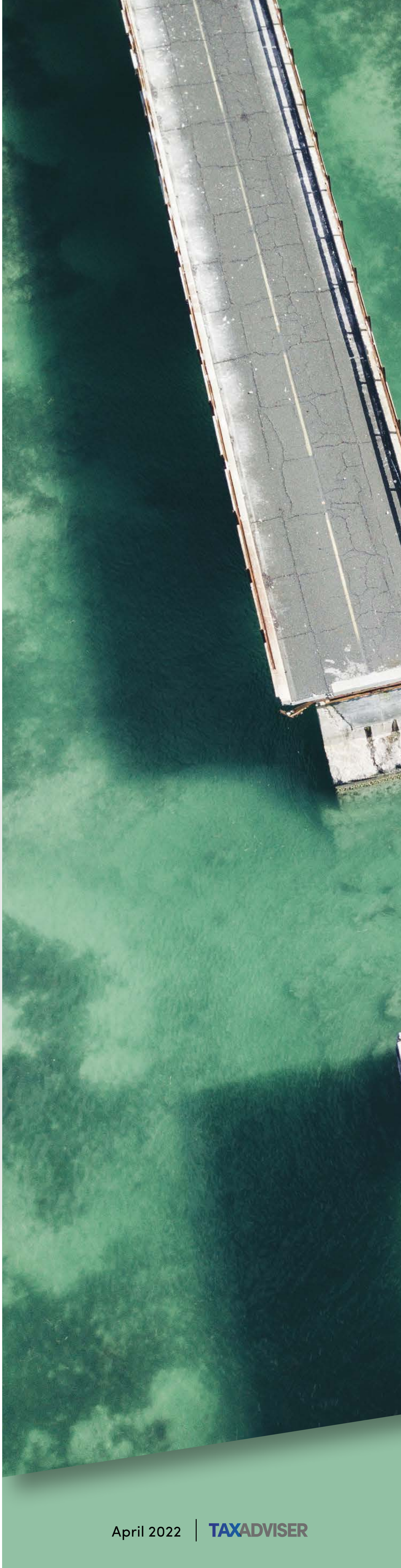
Some of the effects are unavoidable, but companies can take steps to mitigate the worst of them by careful planning and monitoring of the situation. Failure to do so will lead to even more unpleasant surprises.

Reverting to the standard allowance

The second struggling period?

by Will Silsby

Unless there is a further extension to the temporarily increased annual investment allowance, the transitional provisions will apply to any chargeable period which straddles 1 April 2023. We examine the impact on unincorporated businesses.



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Key Points

What is the issue?
The reversion to the standard £200,000 AIA limit from 1 April 2023 means that the more months in the second straddling period that fall after 31 March 2023, the lower will be the overall AIA limit for that whole period and the greater the potential benefit of incurring any qualifying expenditure before that date.

What does it mean for me?
The conjunction of the transitional rules for both the AIA and basis periods can produce surprising results in the 2023/24 assessment.

What can I take away?
Taxpayers with a 5 April year end should take great care to avoid being treated as having incurred qualifying expenditure in any of the five low-scoring days at the beginning of April 2023.

The annual investment allowance (AIA) has been with us for 14 years, helpfully blurring the tax significance for many taxpayers of whether expenditure is capital or revenue. In the last nine years, however, the AIA's more affluent cousin, the temporarily increased AIA, has usurped the AIA's position as the really useful capital allowance. In 87 of the 123 months between 1 January 2013 (when the temporarily increased AIA arrived) and 31 March 2023 (when it is next scheduled to depart), the temporarily increased AIA will have held sway, although the levels of both allowances have varied in that period (see Table A).

I wrote an article for *Tax Adviser* in March 2013 which highlighted the arithmetical intricacies required by the transitional provisions when the temporarily increased AIA arrived or departed during a chargeable period. Broadly speaking, the provisions applying whenever the temporarily increased AIA expenditure ceiling is introduced during a chargeable period (or increased as happened from April 2014) are logical. The provisions which apply whenever the ceiling reverts to the standard AIA level are by contrast counterintuitive.

Successive extensions to the duration of the temporarily increased AIA have meant that there has so far been only one occasion when the limit reverted to the standard AIA level – on 1 January 2016. Businesses whose chargeable period aligned with the calendar year were spared any strange arithmetic. However, for a business with (say) a 31 March 2016 year-end, the transitional provisions meant that, if all its qualifying expenditure on plant and machinery in that chargeable period was incurred in

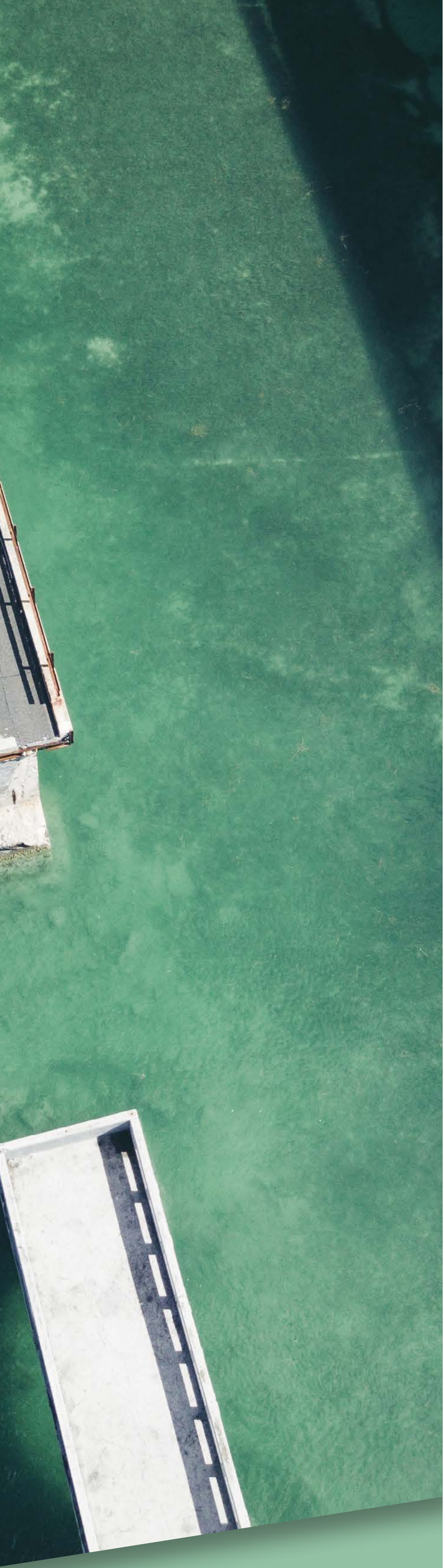


TABLE A: EXPENDITURE LIMITS FOR AIA AND TEMPORARILY INCREASED AIA

	AIA	Temporarily increased AIA
April 2008 – March 2010	£50,000	
April 2010 – March 2012	£100,000	
April 2012 – Dec 2012	£25,000	
Jan 2013 – March 2014		£250,000
April 2014 – Dec 2015		£500,000
Jan 2016 – Dec 2018	£200,000	
Jan 2019 – March 2023		£1,000,000

the three months from 1 January 2016, its actual AIA limit was only £50,000 (three twelfths of £200,000). By contrast, the limit for expenditure in the first nine months of that period would have been £425,000 (nine twelfths of £500,000, plus three twelfths of £200,000).

Unless there is a further extension to the temporarily increased AIA, the ending of the current extension to 31 March 2023 (announced in the 27 October 2021 Budget) means the transitional provisions in Finance Act 2019 Sch 13 para 2 will apply to any chargeable period which straddles 1 April 2023 (defined in the legislation as the second straddling period).

In this article, I assume that there will be no extension of the temporarily increased AIA beyond 31 March 2023 and that the standard level of AIA will remain at £200,000. Unless otherwise indicated, all calculations use rounded months for simplicity, even where statute requires calculations to be made in days. The whole article considers the implications of capital expenditure for businesses with a year-end other than 31 March.

The choice of 31 March 2023 as the departure date for the temporarily increased AIA is understandable. For incorporated businesses, it coincides with the scheduled end-date for both the 130% super deduction and the 50% special rate allowance, and the introduction from 1 April 2023 of the 25% corporation tax rate. For unincorporated businesses, it avoids adding complexity to the calculations of taxable income for 2023/24 in which the unrelated transitional rules for basis periods may apply.

The reversion to the standard £200,000 AIA limit from 1 April 2023 means that the more months that fall after 31 March 2023 in the second straddling period, the lower will be the overall AIA limit for that whole period, and the greater the potential benefit of incurring any qualifying expenditure before that date. That is the case for both incorporated and unincorporated businesses.

The choice of 31 March 2023 as the departure date for the temporarily increased AIA is understandable.

Table B summarises the effective AIA limit in the second straddling period with different year ends, assuming that the standard AIA limit will remain at £200,000:

- The limit for expenditure incurred *before* 1 April 2023 is the aggregate of the time-apportioned parts of the £1 million and £200,000 limits.
- By contrast, the limit for expenditure *after* 31 March 2023 is confined to the time-apportioned part of the £200,000 limit. That is further restricted to the extent that expenditure before 1 April 2023 'borrowed' AIA from the later part of the period. Such borrowing would occur, for example, if expenditure before 1 April 2023 exceeded the time-apportioned part of the £1,000,000 limit.

The tax saving effect of AIA eligible expenditure in the second straddling period will of course depend on the tax rate at which profits are charged.

Implications for unincorporated businesses

For any unincorporated business with a second straddling period other than one which ends between 1 and 5 April 2023, the taxable profits of that chargeable period will be assessable for 2023/24. However, the time-apportioned profits for the months from the end of the second straddling period up to 5 April 2024 (the 'transition part') will also be assessed

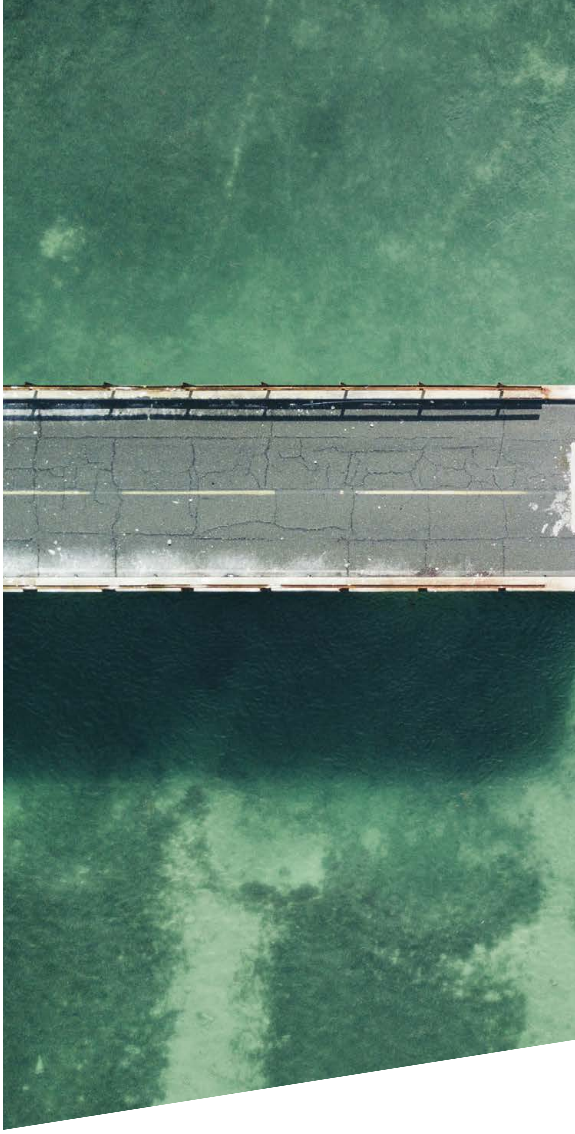


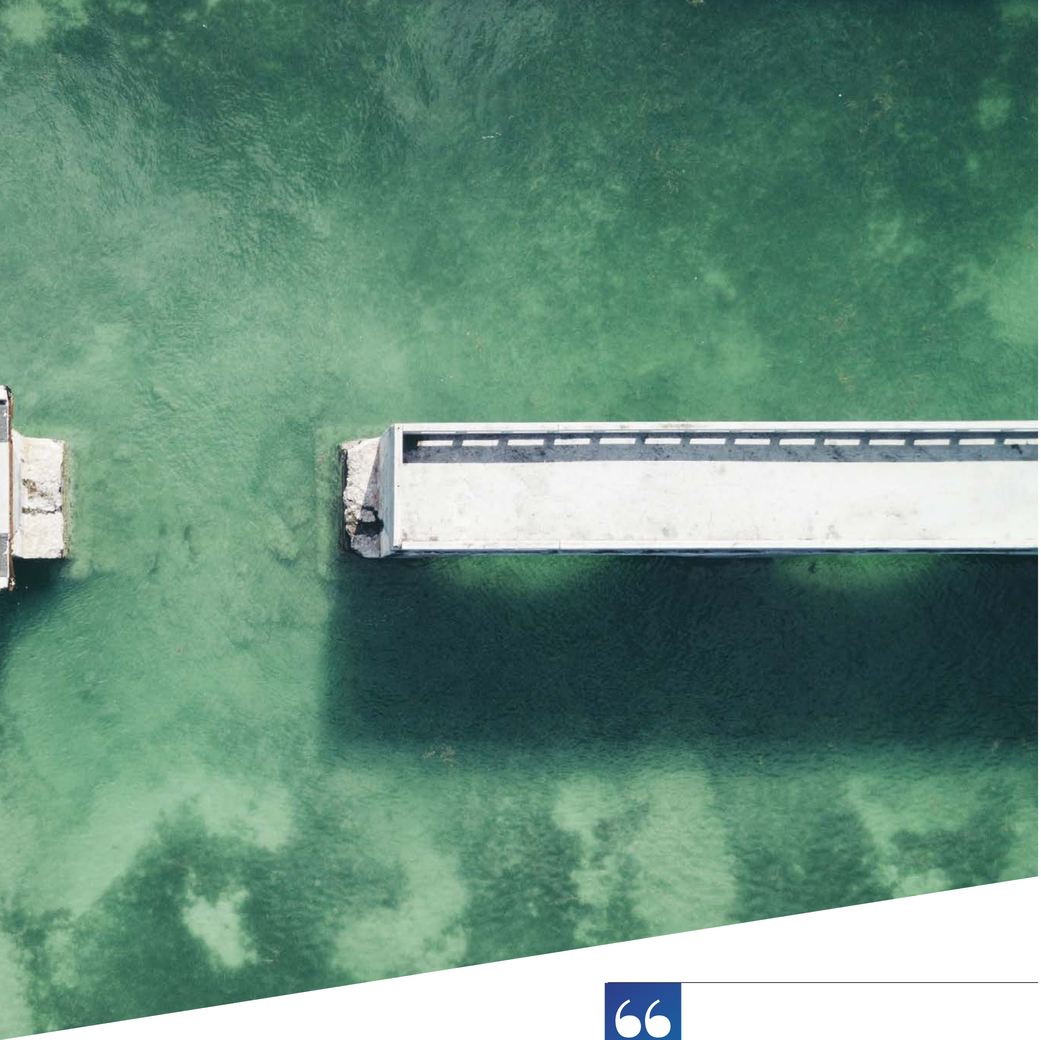
TABLE B: SECOND STRADDLING PERIOD AIA LIMITS (ROUNDED MONTHS)

	Respective parts of:			
Expenditure incurred			**Up to**	**From**
	1,000,000	**200,000**	**31.03.23***	**01.04.23***
12 month chargeable period to:				
30 April 2023	916,667	16,667	933,333	16,667
31 May 2023	833,333	33,333	866,667	33,333
30 June 2023	750,000	50,000	800,000	50,000
31 July 2023	666,667	66,667	733,333	66,667
31 August 2023	583,333	83,333	666,667	83,333
30 September 2023	500,000	100,000	600,000	100,000
31 October 2023	416,667	116,667	533,333	116,667
30 November 2023	333,333	133,333	466,667	133,333
31 December 2023	250,000	150,000	400,000	150,000
31 January 2024	166,667	166,667	333,333	166,667
29 February 2024	83,333	183,333	266,667	183,333

* The AIA limit for expenditure incurred before 1 April 2023 is the aggregate of both parts. The AIA limit for expenditure incurred after 31 March is confined to the second part and is further reduced to the extent that expenditure before 1 April 2023 exceeded the limit for the first part.

TABLE C: EFFECTIVE AIA FOR UNINCORPORATED BUSINESS IN STRETCHED 2023/24 BASIS PERIOD ON QUALIFYING EXPENDITURE (INCURRED ON SINGLE DATE) OF: £150,000

	Second straddling period				Succeeding period	
	Before 1 April 2023		**Between 1 April 2023**		**Any time in the 12**	
	but after:		**and:**		**months to:**	
Accounts Year End:		**£**		**£**		**£**
30 April	30.04.22	150,000	30.04.23	16,667	30.04.24	137,500
31 May	31.05.22	150,000	31.05.23	33,333	31.05.24	125,000
30 June	30.06.22	150,000	30.06.23	50,000	30.06.24	112,500
31 July	31.07.22	150,000	31.07.23	66,667	31.07.24	100,000
31 August	31.08.22	150,000	31.08.23	83,333	31.08.24	87,500
30 September	30.09.22	150,000	30.09.23	100,000	30.09.24	75,000
31 October	31.10.22	150,000	31.10.23	116,667	31.10.24	62,500
30 November	30.11.22	150,000	30.11.23	133,333	30.11.24	50,000
31 December	31.12.22	150,000	31.12.23	150,000	31.12.24	37,500
31 January	31.01.23	150,000	31.01.24	150,000	31.01.25	25,000
28 February	28.02.23	150,000	29.02.24	150,000	28.02.25	12,500
31 March	*The transitional basis period rules do not effect businesses with a year end of 31 March or 5 April.*					



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in 2023/24 (because of the abolition of basis periods – see the Finance Act 2022 Sch 1 para 65). For example, the 2023/24 assessment for a business with a 31 October year end will be:

- the aggregate of its profits for the year to 31 October 2023 and its profits for the subsequent five months to 31 March/5 April 2024 (determined by time-apportionment);
- less any permitted adjustments in respect of overlap profits, spreading of the transition profits, etc.

Any capital allowances due on expenditure incurred at any time in the year to 31 October 2024 would in that situation be subjected automatically to that time-apportionment. This transitional stretching of the basis period has the potential to change the marginal tax rate on the income assessable in 2023/24. It also gives added significance to the capital allowances that can be claimed for 2023/24, whether related to expenditure in the second straddling period or in what I refer to as the succeeding period – the period whose profits have to be time-apportioned.

The conjunction of the transitional rules for both the AIA and basis periods can produce surprising results in the 2023/24 assessment. Whereas the timing of expenditure within the second straddling period is critical, the impact in that assessment of AIA on expenditure incurred in the succeeding period depends not on

The conjunction of the transitional rules for both the AIA and the basis periods can produce surprising results in the 2023/24 assessment.

the timing of the expenditure within that period, but rather on how many of the months in that period fall in the tax year to 5 April 2024. Expenditure incurred after that date is just as effective as expenditure incurred on or before that date; however, the more months in that period which fall after that date, the less tax relief will be due on that expenditure, even if it was incurred on or before 5 April 2024.

Table C compares the effective AIA available in the 2023/24 assessment on a single item of qualifying expenditure of £150,000 incurred at different times between the beginning of a business's second straddling period and the end of the succeeding period.

Table C shows that, regardless of the accounts year end, full AIA is available in the 2023/24 assessment on expenditure of £150,000 incurred before 1 April 2023. However, if expenditure of £150,000 is incurred after 31 March 2023, the interaction of the two separate transitional provisions is more complex. If the second straddling period ends *before* 1 August 2023, it will (at that level of expenditure) be more effective to delay the expenditure until the succeeding period. Conversely, if the second straddling period ends *after* 31 August 2023, the 2023/24 assessment would benefit more if the expenditure was incurred in the second straddling period than in the succeeding period. It is essential to appreciate that the advantage between incurring expenditure before and after the end of the second straddling period changes with the level of expenditure in addition to the accounts year end.

Before concluding, it is appropriate to consider the impact of the AIA transitional provisions on a business with a year end of 5 April 2023. Section 12 of the Finance Act 2022 gives no indication of any exceptional treatment for a business which has only five days after 31 March 2023. Such a business (typically but not necessarily unincorporated) therefore has an aggregate AIA ceiling for its second straddling period of £989,041:

(360/365 x £1,000,000) + (5/365 x £200,000).

Expenditure up to that level could all qualify for AIA if incurred before 1 April 2023. However, expenditure incurred in the five days up to 5 April 2023 would have an AIA ceiling of just £2,740, even if the business had no qualifying expenditure in the whole of the previous 360 days.

A quick revision on when expenditure is treated as incurred for capital allowance purposes might be useful at this stage (see Capital Allowances Act 2001 s 5 and any more specific provisions which might be relevant) before advising any client with a 5 April year end that they should take great care in agreeing dates, delivery times, etc. in order to avoid being treated as having incurred qualifying expenditure in any of these five low-scoring days at the beginning of April 2023. A practical alternative could be to adopt a 31 March year-end starting with the accounts year to 31 March 2023 (or indeed 2022), although any wider implications of this would need careful consideration.

In his next article, Will Silsby will consider the impact of the reversion to the standard £200,000 AIA limit on incorporated businesses.

Reporting obligations for employee benefits

To P11D or not to P11D

An overview of the income tax, National Insurance and reporting obligations arising for benefits provided to employees, and what should be reported on an employee's Form P11D.

by Sarah Hewson and Brontë Etherington-Cooper

Often considered to be a simple process, employee benefits reporting can be complex. This is increasingly so with the advent of the statutory payrolling benefits regime, the introduction of the optional remuneration arrangement rules and changes to what benefits can be treated as exempt (such that no employer reporting obligation arises). Complexity can arise from both legislation and HMRC's approach to the application of exemptions (particularly in respect of the trivial benefits exemption).

The first part of this article looks to give an overview of the various benefits reporting regimes, and when each can or should be utilised. The second part, to be published in the May issue of *Tax Adviser*, will set out some of the items that we would expect to commonly be exempt, such that tax, National Insurance or reporting obligations do not arise for employers, as well as covering PAYE Settlement Agreements and payrolling benefits under HMRC's statutory regime.

Tax

As a general rule, any expenses and non-cash benefits provided to employees (including a member of their family or household) should be reported on an employee's Form P11D for tax purposes unless they are:

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- exempt;
- included in a PAYE Settlement Agreement;
- payrolled under HMRC's statutory regime; or
- taxable cash reimbursements (in which case the amounts must be processed via the payroll, see ***Box: Benefits and expenses: an overview of treatment and reporting***.

Subject to the above, a Form P11D is required for each employee to whom benefits and/or expenses are provided. The Form P11D is broken down into 14 sections (sections A to N) for returning different types of benefits and expenses; e.g. private medical and dental treatment or insurance should be reported in P11D box I. Once the Form P11D has been submitted, HMRC will charge the employee income tax on these benefits at their marginal rate, typically via an adjustment to their tax code in the following tax year.

National Insurance

Most benefits attract a Class 1A (employer only) National Insurance (NI) liability. Any benefits subject to Class 1A must be included on Form P11D(b), which is used to report the Class 1A liability to HMRC. Only one Form P11D(b) is required per PAYE reference to summarise the Class 1A NI payable by the employer.

For the 2021/22 tax year, the value of any benefits reported on Form P11D(b) for Class 1A purposes will be subject to Class 1A at 13.8%. This will not be impacted by the forthcoming Health and Social Care Levy (see ***Box: Health and Social Care Levy***).

It should be noted that the income tax and NI treatment does not always align and some items reportable on Form P11D should be subject to Class 1 (employee and employer) NI via the payroll. Whether an item should be subject to Class 1A or Class 1 NI is indicated on the Form P11D itself: items attracting Class 1A are in brown boxes with '1A' on the right hand side, whilst items not subject to Class 1A are indicated by blue boxes. Some common items subject to Class 1 NI include:

- where an employer settles an employee's personal liability (referred to as a pecuniary liability); e.g. the employee has the contract with the supplier but the employer makes payment directly to the supplier. The specified items should be reported in P11D box N, with any other items to be reported in P11D box B;
- non-cash gift vouchers (P11D box C); and
- mileage allowance payments in excess of the exempt amounts (P11D box E). Note that the exempt amount differs for tax and NI purposes.

Care should be taken to ensure that anything reported as an 'other' item (P11D box M) is included in the correct box for NI purposes, as this can include items subject to either Class 1A or Class 1 NI.

BENEFITS AND EXPENSES: AN OVERVIEW OF TREATMENT AND REPORTING

	Benefit in kind	Pecuniary liability	Cash reimbursement
Contracting parties	Employer and supplier	Supplier and employee	Supplier and employee
Payment arrangement	Employer to supplier	Employer to supplier	Employer to employee
Tax reporting	Form P11D	Form P11D	Pay As You Earn via the payroll
National Insurance Class	Class 1A (employer only) via Form P11D(b)	Class 1 (employee and employer) via the payroll	Class 1 (employee and employer) via the payroll

HEALTH AND SOCIAL CARE LEVY

In September 2021, the UK government announced that National Insurance will increase by 1.25% for one year only for employees and employers (and the self-employed) for the 2022/23 tax year, which will cover Class 1 (employee and employer), Class 1A and 1B, and Class 4 (self-employed) National Insurance (NI).

For completeness, please note the following:

- Any benefits and expenses provided in the 2021/22 tax year will be subject to NI at the 2021/22 rates, as the rate of NI to be applied is based on the tax year in which the benefit was provided rather than the date that any filings (such as Forms P11D and P11D(b)) are submitted.
- The temporary NI increase during the 2022/23 tax year will not impact those above state pension age.

This temporary increase will be replaced by a new ringfenced Health and Social Care (HSC) Levy of 1.25% from the 2023/24 tax year. This will again apply to those who pay Class 1 (employee and employer), Class 1A and 1B, and Class 4 (self-employed) NI. It will also be extended to those over state pension age with employment income or profits from self-employment above the National Insurance primary threshold (£9,880 for the 2022/23 tax year). When the HSC Levy comes into effect (subject to any future announcements) NI rates will revert back to current levels.

Like NI, HSC Levy contributions will apply UK wide, meaning that people will pay the same rates in England, Scotland, Wales and Northern Ireland.

The above should strictly have been processed via the payroll in the pay period in which the benefit was provided or the expense was reimbursed for Class 1 (employee and employer) NI purposes.

Value of benefit

The value of the benefit to be charged to tax is referred to as the 'cash equivalent'. As a general rule, the cash equivalent is:

- the expense incurred by the person who provided the benefit; less
- any amount made good by the director or employee to the person providing it.

If VAT was incurred by the person providing the benefit, the cash equivalent is the VAT inclusive cost (even if the VAT can be reclaimed).

Exceptions to the general rule

Special rules apply in relation to calculating the cash equivalent of certain benefits (see Tax guide 480 in 'Useful links' below), including:

- living accommodation (P11D box D);
- employment related loans (P11D box H);
- company cars or vans, and fuel (P11D boxes F and G respectively);
- use and/or transfer of employer owned assets (P11D boxes L and A respectively);
- in-house benefits (for which the marginal cost to the employer is considered) (P11D box K for in-house services); and
- optional remuneration arrangements (see below).

HMRC provides working sheets (see 'Useful links' below) to aid with calculating the cash equivalent of some of the more complex benefits, including some of the above.

Optional remuneration arrangements

Changes restricting the income tax and NI advantages in relation to benefits provided as part of an optional remuneration arrangement (OpRA) were introduced with effect from 6 April 2017. These apply to benefits provided under a salary sacrifice arrangement (Type A) or any other arrangement whereby cash can be exchanged for a benefit (Type B).

Subject to some specific exclusions, the value of the benefit to be reported is the higher of:

- the cash equivalent calculated under the ordinary rules (as outlined above); and
- the value of the salary sacrifice or cash given up (referred to as the 'amount foregone').

Excluded benefits from the OpRA rules include (but are not limited to) payments by employers into registered pension schemes, employer provided pensions advice, childcare vouchers, workplace nurseries, cycle to work schemes and company cars with CO2 emissions of 75g/km or less (ULEVs).

Where a benefit would otherwise be exempt from tax but for the OpRA rules, HMRC considers that the 'cost' of the benefit is nil so that the value of the benefit is the cash foregone by the employee (i.e. where a salary sacrifice arrangement is in place, the value of the sacrifice).

To address concerns about the impact of the OpRA rules on employees who were potentially locked into salary sacrifice arrangements, the legislation included grandfathering provisions such that salary sacrifice arrangements entered into before 6 April 2017 in respect of company cars, accommodation and school fees would not be included in the OpRA regime until the earlier of the arrangement coming to an end, being varied or renewed and 6 April 2021.

Given that all grandfathering fell away with effect from 6 April 2021, particular care should be taken when considering the value of any car, accommodation and school fees which were previously grandfathered. The OpRA rules will need to be considered for all relevant benefits for the 2021/22 tax year.

KEY BENEFITS REPORTING DEADLINES FOR THE 2021/22 TAX YEAR

Date	Activity
31 May 2022	If not already included on the payslip, provide a statement to employees providing specified information for payrolled benefits
4 July 2022	Make good any unrecovered PAYE on notional payments to avoid a section 222 charge
5 July 2022	• Last day to register for payrolling benefits in kind in 2022/23 • Agree a new PSA or amend an existing PSA with HMRC for the 2021/22 and subsequent tax years
6 July 2022	• General deadline for making good any non-payrolled benefits in kind provided by the employer to avoid P11D benefit reporting • Forms P11D and Form P11D(b) filing deadline
22 July 2022	Due date for payment of Class 1A NI liability on employee non-cash benefits as set out in the Form P11D(b). Due date is 19 July 2022 if not paid electronically
No statutory deadline	Usually 31 July or 31 August 2022 per individual agreement with HMRC. Submit calculations to notify HMRC of the PSA liability due
22 October 2022	Due date for payment of PSA liabilities (income tax and Class 1B NI); note that 21 October 2022 is the last preceding working day. Due date is 19 October 2022 if not paid electronically.

Useful links

- How to complete Forms P11D and P11D(b): bit.ly/3sEOUFc
- PAYE draft forms: P11D and P11D Working Sheets (2021 to 2022): bit.ly/3vByAXR
- Class 1A NICs on benefits in kind (CWG5): bit.ly/3hAWvyh
- Expenses and benefits for directors and employees: Tax guide 480: bit.ly/3MwsLkz

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ATT FELLOWS' WEBINAR

Wednesday 4 May 2022

13:00 – 14:30 BST

Following the success of the first two Fellows' Webinars held last year, the President and Council of the Association would like to invite all Fellows of the Association to our next Fellows' Webinar on Wednesday 4 May 2022.

This free event provides a unique opportunity for all Fellows to enjoy the company of members of similar standing within the Association and participate in discussion sessions led by our Technical Officers.

On the day:

Welcome from the President, Richard Todd

Followed by a talk on "Basis Period Reform" with Emma Rawson (with Q&A).

After Emma's talk you can choose to attend one of the following discussion groups led by our Technical Officers:

- The Trust Registration Service – where are we now? – Helen Thornley
- Why don't we make better use of Statutory Reviews? – Will Silsby
- The future of tax in a digital world – Emma Rawson

Book online:
https://cvent.me/RRobnR

Any questions? Email us: events@att.org.uk

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The alternative investment space

A new regime

A special tax regime has been created for qualifying companies to remove the obstacles preventing many funds from using UK resident asset holding companies.

by Adeline Chan and Hayley Moran

Key Points

What is the issue?
From April 2022, there is a new regime for qualifying asset holding companies (QAHCs). Companies that meet the eligibility conditions can choose to enter into the regime.

What does it mean for me?
Advisers operating in the alternative investments space should familiarise themselves with the new UK regime. More generally, advisers should be aware that UK QAHCs will become features of holding stacks and consideration should be given to the implications on M&A scenarios.

What can I take away?
This article outlines the criteria for joining the QAHC regime and its key benefits. It then provides an illustration of how the tax computation of a QAHC might look, before discussing some of the administrative points applicable to QAHCs and how to seek assistance from HMRC's dedicated QAHCs team.

The UK has done much in recent years to build its reputation as a location for fund management. However, until now, for a variety of mainly tax reasons, industry has considered the UK to be a less attractive place to locate an asset holding company within an alternative investment fund structure. These companies sit between funds and their investments, facilitating the flow of funds between investments and investors.

Historically, industry has been content to locate management professionals in the UK serving funds whose asset holding companies were elsewhere – most commonly, although not exclusively, in Luxembourg. In recent years, the growing importance of substance in obtaining reliefs, including under tax treaties, has led to calls to facilitate co-location of fund management teams and their investment structures.

Following extensive consultation with industry stakeholders, the UK government has created a special tax regime for 'qualifying asset holding companies' (QAHCs) to remove the obstacles preventing many funds from using UK resident asset holding companies. In turn, this should enable those funds to be comfortable retaining or establishing a management team in the UK. This regime confers a selection of tax benefits on QAHCs and their UK resident investors.

These benefits are designed to ensure that, in common with many other fund vehicles in use around the world, as far as possible QAHCs enable fund investors to achieve the same result as if they had invested in the fund's underlying assets directly.

The QAHCs reforms are being taken forward as part of a wider review of the UK's funds regime. This review is seeking to further improve the UK's attractiveness for funds, whilst supporting a wider range of efficient investments suited to investors' needs.

Qualifying for the regime

In order to qualify for the regime, a QAHC must meet criteria as to its ownership and its activities. Summarising considerably, it must be at least 70% owned by:

TAX COMPUTATION OF ELIGIBLE AND NON-RING FENCE BUSINESS

Year 1:

QAHC ring fence business	Exempt	Taxable	QAHC non-ring fence business	Taxable
Loan relationship deficit		(£4m)	-	-
Management expenses		(£4m)	Management expenses	(£1m)
Exempt overseas property business profits (taxable in a foreign jurisdiction)	£10m		UK property business profits	£9m
Total taxable profits		**Nil**	**Total taxable profits**	**£8m**
Loan relationship deficit c/f		(£4m)		
Surplus management expenses c/f		(£4m)		

The QAHC has total taxable profits of £8 million arising from its non-ring fence business.

Management expenses incurred for the whole of the QAHC should be apportioned between the QAHC ring fence and non-ring fence business on a just and reasonable basis. Instead of carrying forward the net non-trading loan relationship deficit and surplus management expenses, these could be surrendered as group relief against profits arising within the QAHC ring fence of another QAHC, if there is another QAHC within the same corporate group that could claim the group relief. The loan relationship deficit relates to losses on debt assets.

The UK property business profits remain taxable in the usual way, whereas the overseas property business profits are not taxable provided those profits are taxable in a foreign jurisdiction.

Year 2:

QAHC ring fence business	Exempt	Taxable	QAHC non-ring fence business	Taxable
Loan relationship credits		£5m	-	-
Less: loan relationship deficit b/f		(£4m)	-	-
Management expenses		(£3m)	Management expenses	(£2m)
Plus: management expenses b/f		(£4m)	-	-
Exempt overseas property business profits (taxable in a foreign jurisdiction)	£10m		UK property business profits	£11m
Exempt chargeable gain on qualifying shares (that would not be eligible for substantial shareholdings exemption)	£20m		Chargeable gain on non-qualifying shares	£18m
Non-allowable capital loss	(£20m)			
Total taxable profits		**Nil**	**Total taxable profits**	**£27m**
Surplus management expenses c/f		(£6m)	-	-

The QAHC has total taxable profits of £27 million arising from its non-ring fence business. The capital loss arising on an asset within the QAHC ring fence business cannot be set off against the chargeable gain arising on non-qualifying shares within the QAHC non-ring fence business. Non-qualifying shares are shares where at least 75% of their value is derived from UK real property.

- investment funds;
- entities such as pension funds or life insurers which make investments for a pool of beneficiaries; or
- other entities which are tax exempt for good policy reasons (such as most charities and many public bodies).

A QAHC must predominantly have an investment business. Anything else it does must be ancillary to that business, and not be substantial. This effectively limits trading activity of a QAHC to such things as the provision of some management services to its investee companies.

The intention is that QAHCs will play a role in facilitating the management of investments and the flow of funds from investments to ultimate investors. This role is necessarily intended to be limited, but not entirely passive.

Benefits of the regime

When a company enters the regime, a number of tax benefits become available to it and its investors, as follows:

- an exemption from tax on gains on the sale of shares, except where those shares are in UK real property rich companies;
- an exemption from tax on gains on the sale of non-UK real property;
- an exemption from tax on non-UK source real property income, as long as that income has been subject to tax in the source country;
- an ability to claim deductions in respect of the coupons on instruments such as convertibles or results dependent loans, which

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might otherwise be treated as distributions;
- an exemption from withholding tax on interest payments made by the QAHC;
- an exemption from stamp duties on share repurchases by the QAHC;
- disapplication of the rules which may treat the premium on a share buyback by the QAHC as a distribution; and
- an ability for UK resident non-domiciled shareholders to treat returns as non-UK source (and so eligible for the remittance basis) to the extent they derive from non-UK situs investments of the QAHC.

Companies entering the regime with certain assets will be treated as disposing of those assets and reacquiring them at market value at the point of entry.

Fluctuations in the value of loan relationships held as investments give rise to the same tax consequences for a QAHC as for any other UK resident company. However, it is expected that credit funds, where the QAHCs will be investing in portfolios of debt, will typically be funded by profit participating loans with the result that a QAHC pays tax on a profit commensurate with its contribution to overall profit generation, in line with the transfer pricing rules.

A QAHC may carry on some business that is not eligible for any of the relieving rules – this is referred to as the non-ring fence business. It may carry on a very limited trade, as long as it is not substantial and is ancillary to the investment business. It may also carry on an investment business which falls outside the reliefs, such as the holding of UK real property or shares in companies that are UK real property rich. Any such business is effectively taxed as normal, and the QAHC must prepare a tax computation showing both elements of its business. This streaming is illustrated in the example in the box on the left.

> **A QAHC may carry on a very limited trade, as long as it is not substantial and is ancillary to the investment business.**

Tax rules relating to groups reflect the above; e.g. no gain/no loss treatment does not apply if a capital asset is transferred to a QAHC from a normal company with which it is grouped, if that asset would be exempt in the QAHC's hands. Effectively, the tax-privileged business of the QAHC is treated as if it was carried on by a different company from any other business, and that notional company can only access group treatment with the tax-privileged businesses of other QAHCs.

Administrative issues

Those familiar with HMRC's Collective Investment Scheme Centre (CISC) will recognise the benefits of working with a dedicated team responsible for procedural matters and monitoring compliance. HMRC will be replicating the CISC model with a new QAHC team. You can contact the team at qahc@hmrc.gov.uk, 03000 515900 or at Wealthy and Mid-Size Business Compliance, HMRC, BX9 1QW.

A company that meets the eligibility conditions and wishes to join the QAHC regime must notify the QAHC team, electronically via bit.ly/3IB2hMf. Please do not send notifications to the QAHC team by email or post as they will not be accepted by HMRC as valid.

Once a company joins the QAHC regime, as well as the usual company tax return, it must make a return of certain information for each accounting period:
- name and unique taxpayer reference (UTR) of the QAHC;
- name, address and UTR of any person who has provided investment management services to the QAHC during the accounting period;
- an estimate of the market value of the gross assets of the QAHC's ring fence business at the end of that accounting period;
- the gross proceeds arising from disposals of assets from the QAHC ring fence business during the accounting period; and
- the amounts of any payments made by the QAHC on the redemption, repayment or purchase of its own shares.

The annual QAHC information return must be made electronically via the link above. A penalty of £300 may be levied for failure to provide this information.

In addition, the company is expected to indicate that it is a QAHC by entering the appropriate code in box 4 (type of company) of the form CT600 for each accounting period.

Technical guidance is in HMRC's Investment Funds Manual at IFM40000+ at bit.ly/3psPQuw. The QAHC legislation is at Finance Act 2022 Schedule 2.

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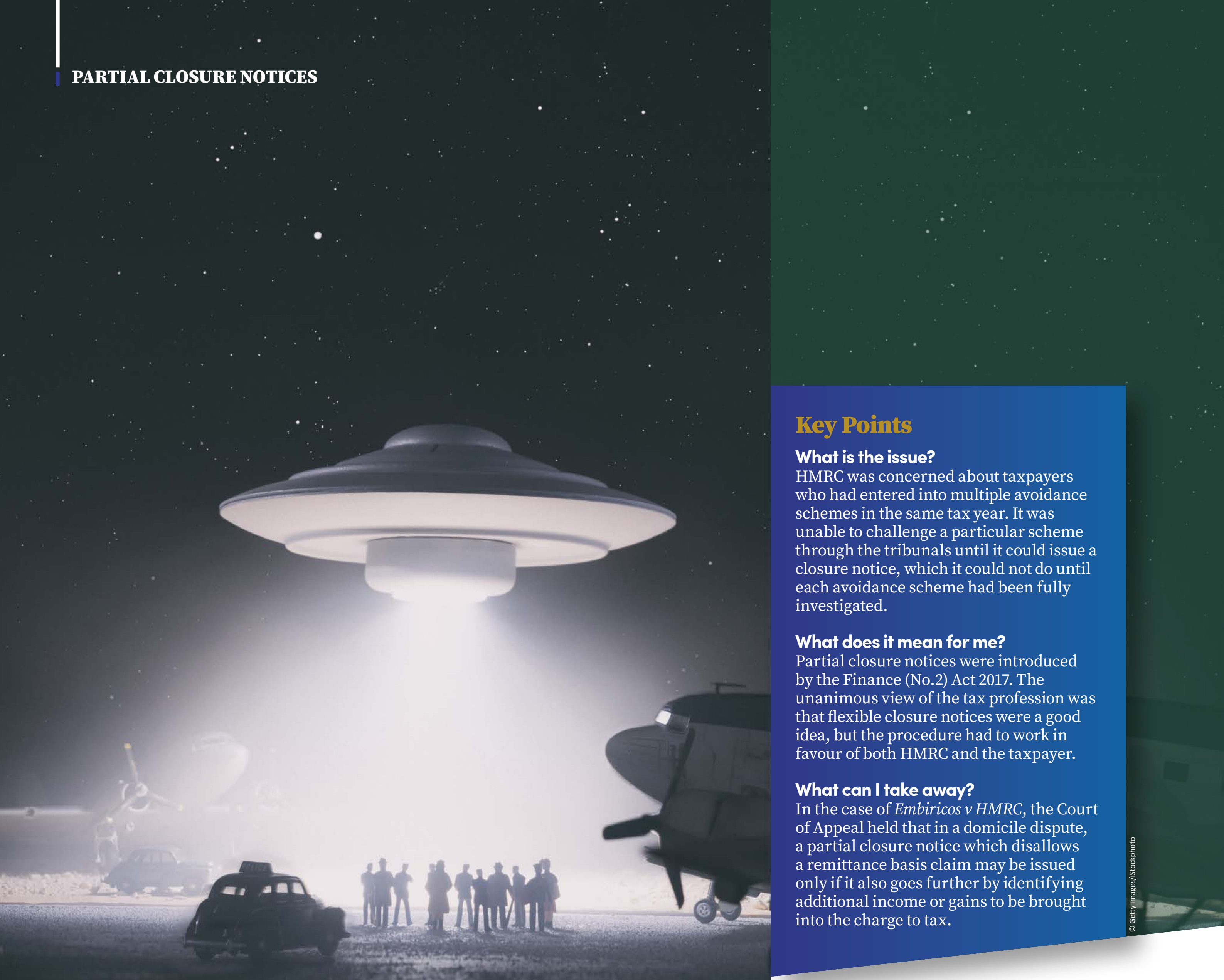

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An unexpected encounter? Closure Notices of the Second Kind

The Court of Appeal's view of the scope of partial closure notices is set out in the case of *Embiricos v HMRC*.

by Keith Gordon

Key Points

What is the issue?
HMRC was concerned about taxpayers who had entered into multiple avoidance schemes in the same tax year. It was unable to challenge a particular scheme through the tribunals until it could issue a closure notice, which it could not do until each avoidance scheme had been fully investigated.

What does it mean for me?
Partial closure notices were introduced by the Finance (No.2) Act 2017. The unanimous view of the tax profession was that flexible closure notices were a good idea, but the procedure had to work in favour of both HMRC and the taxpayer.

What can I take away?
In the case of *Embiricos v HMRC*, the Court of Appeal held that in a domicile dispute, a partial closure notice which disallows a remittance basis claim may be issued only if it also goes further by identifying additional income or gains to be brought into the charge to tax.

The original Self-Assessment code was drafted almost 30 years ago and it might be said that its age is showing in places, although some enhancements and modernisations have been introduced piecemeal over the years.

One potentially welcome change was the introduction of partial closure notices by the Finance (No.2) Act 2017. These were first mooted in the 2014 Autumn Statement with the proposed name 'flexible closure notices'. It had become apparent to HMRC that, until then, the closure notice process had a singular disadvantage in that an enquiry into a return could not be closed until all strands of HMRC's investigations into a particular tax return had run their course.

Although this was a minor problem in most cases, HMRC was concerned about taxpayers who had entered into multiple avoidance schemes in the same tax year, the enquiries into which were progressing at different speeds. In such cases, HMRC was unable to challenge a particular scheme through the tribunals until it could issue a closure notice; and that was something that it could not do until each avoidance scheme had been fully investigated.

It should also be noted that I had come across a case where HMRC had issued a closure notice prematurely, inasmuch as the taxpayer who was party to a number of different schemes received a closure notice which reflected HMRC's view of one scheme but before other scheme investigations had concluded. This meant that the taxpayer was not subject to HMRC's adverse conclusions in relation to those other schemes.

Those with a close knowledge of the Taxes Management Act 1970 would know that the above concern could have been sidestepped by a reference to the tribunal under s 28ZA partway through an enquiry. Section 28ZA allows the parties to take any question that arises in the course of an enquiry to be resolved by the tribunal as if there were a full appeal on the point. Indeed, the tribunal's conclusion (as modified in the course of any appeals to the Upper Tribunal or beyond) is binding on the parties so that the point cannot be re-argued in a standard appeal at the end of the enquiry.

However, s 28ZA is subject to some potential drawbacks. First, it requires both parties to consent to the matter being escalated to the tribunal. Secondly, a decision by the tribunal cannot lead to the taxpayer being required to pay any additional tax that he or she might now be known to be liable for – the crystallisation of the tax debt can follow only once the closure notice is given. Indeed, HMRC made clear in 2014 that part of its motivation for introducing flexible closure notices was to accelerate the time when tax debts would be payable. (Of course, the date from which interest would run would be unaffected.)

I remember cautiously welcoming the 2014 announcement, but perhaps for a different reason. I had recently seen a case where HMRC had covered a wide range of issues in relation to a taxpayer's affairs in the course of the enquiry into his return.

By the time I was instructed, most of the strands had been resolved (in that no further questions were being asked) and I was required to look at the final strand. Nevertheless, I was conscious that there was a risk that what might have been understood as an agreement by HMRC of the taxpayer's position in relation to those other strands might be subject to a rude awakening (if HMRC were to announce suddenly that its earlier silence did not amount to acquiescence). Thus, I too could see the benefits of a procedure whereby discrete parts of an enquiry could be formally closed. As I said in a Tweet on the date of the Autumn Statement: 'Flexible closure notices seem like a good idea – both for HMRC and taxpayers. Can they be implemented properly? One can but hope.'

However, over the following weeks, it transpired that HMRC's plans were somewhat different from what I (and others in the profession) had envisaged. HMRC wanted a procedure whereby it could close down aspects of a taxpayer's enquiry (and therefore accelerate a tax payment), without the corresponding right of taxpayers to obtain some certainty in relation to matters that had been resolved in their favour. The unanimous view of the tax profession was that flexible closure notices were a good idea, but the procedure had to work both ways.

HMRC, it seems, accepted the criticism and I was invited to join a small panel to work up a set of proposals that would bring some symmetry to the process. The aim of those proposals would be:

> **Section 28ZA requires both parties to consent to the matter being escalated to the tribunal.**

- to permit HMRC to issue partial closure notices (as originally put forward by HMRC); but
- also to enable taxpayers to ask (and, if necessary, to apply to the First-tier Tribunal so as to direct) HMRC to issue such partial closure notices.

The proposals were enacted as part of the Finance (No.2) Act 2017.

The extent to which the 2017 changes have met their objective is the subject of the Court of Appeal's recent decision in *Embiricos v HMRC* [2022] EWCA Civ 3.

The facts of the case

Mr Embiricos was born in Greece and had a domicile of origin there. However, by the time of the 2014/15 and 2015/16 tax years, he was resident in the UK. Mr Embiricos has taken the view that he has not acquired a domicile of choice in any part of the UK (and has instead retained his Greek domicile of origin).

On the basis of his view as to his domicile status, Mr Embiricos considered himself entitled to be taxed on the remittance basis, so that non-UK income and capital gains would be taxable in the UK only to the extent that Mr Embiricos remitted the income or gains to the UK. Accordingly, in his returns for each of those two tax years, Mr Embiricos ticked the box to indicate that he wished to be taxed on the remittance basis.

HMRC opened enquiries into Mr Embiricos's tax returns, with the enquiries focused on Mr Embiricos's domicile status. After just under two years, HMRC concluded that, contrary to his own views of the matter, Mr Embiricos had in fact acquired a domicile of choice in a part of the UK and was therefore not entitled to be taxed on the remittance basis. As a result, Mr Embiricos would be liable to UK tax on his worldwide income and gains (irrespective of whether or not he had remitted the sums to the UK).

HMRC duly asked for details of Mr Embiricos's non-UK income and gains in the two tax years in question, with a view to issuing closure notices that would bring those sums into charge. However, Mr Embiricos felt that HMRC was not entitled to that information – not at least until the question of Mr Embiricos's domicile status had been resolved.

HMRC then issued formal Schedule 36 notices seeking the details of Mr Embiricos's non-UK income and gains, against which Mr Embiricos duly appealed. Mr Embiricos also applied to the First-tier Tribunal for a direction that the enquiries be closed. However, he then amended his application so as to ask for partial closure notices instead. Such partial closure notices would (on the basis of HMRC's view of Mr Embiricos's domicile status) involve an amendment of Mr Embiricos's tax returns, amounting to the removal of his remittance basis election in each year. If such partial closure notices were issued, Mr Embiricos could then appeal against them and argue that he had not lost his Greek domicile and, accordingly, was entitled to have his remittance basis claim reinstated.

The First-tier Tribunal agreed with Mr Embiricos, but HMRC appealed to the Upper Tribunal. The Upper Tribunal allowed HMRC's appeal: it concluded that it would not be possible for the amendments accompanying a partial closure to be limited to the removal of a remittance basis election. Instead, according to the Upper Tribunal, amendments by a partial closure notice must have a direct impact on a taxpayer's tax computation. In other words, it would have been possible for a partial closure notice to lead to the removal of a remittance basis claim, but only if HMRC could also increase the taxable

income and gains and (if relevant) remove the remittance basis charge.

Mr Embiricos appealed against the Upper Tribunal's decision to the Court of Appeal.

The Court of Appeal's decision

The case came before Lady Justices Nicola Davies and Simler and Mr Justice Francis. Lady Justice Simler gave the main judgment, with the other two judges giving concurring judgments.

Lady Justice Simler referred to the various policy documents published at the time of the original proposal in 2014 and also when the revised scheme was announced in 2016 and introduced to Parliament in 2017. She summarised the policy objectives in the following terms:

> '[I]t seems to me to be clear that while a plain purpose of the changes was to make the enquiry process more efficient and flexible for both HMRC and the taxpayer by enabling early resolution of one or more aspects of an enquiry while other matters continue to be investigated, there was another equally important purpose. This was to provide greater finality by early resolution of discrete matters at the enquiry stage, and thereby accelerate the payment and collection of tax.'

The judge was referred to the rarely invoked provisions in s 28ZA which permit a tribunal to consider 'any question arising in connection with the subject-matter of the enquiry' and held that this confirms that the word 'matter' means something wider than merely any discrete question that might arise in the course of an enquiry.

Furthermore, as the judge continued, the structure of the partial closure notice rules in s 28A is so closely modelled on the previous rules for closure notices (and those now for final closure notices), it must be taken that the consequences following a final closure notice should generally be assumed to apply to partial closure notices as well. She continued by noting that both partial and final closure notices are statutorily deemed to 'take effect when … issued' and likened this to tax assessments which is what closure notices in effect usually are. This was then taken as the basis for concluding that partial closure notices must have a substantive tax effect, this being a major distinction between closure notices and any question that might be referred to the tribunal under s 28ZA.

The judge acknowledged that immediate tax effects are not an inevitable consequence of closure notices, even if the closure notices do lead to some amendments to a taxpayer's return. However, the judge held that, in the present context – a domicile dispute – a partial closure notice which disallows a remittance basis claim may be issued only if it also goes further by identifying additional income or gains to be brought into the charge to tax.

For these reasons, Mr Embiricos's appeal was dismissed.

Commentary

In my respectful view, the court reached the wrong decision as it does not sit comfortably with a straightforward reading of the legislation. Indeed, the learned judge did concede that she was initially attracted to 'the apparent simplicity and logic' of the taxpayer's argument. In short, Mr Embiricos argued that where the legislation defines the potential scope of a partial closure notice as 'any matter to which the enquiry relates', there is no rule that prevents 'any matter' from being indeed any matter. Similarly, there is nothing in the legislation itself that requires 'any matter' to read as if it said that 'any matter that could on its own lead to a quantifiable change in the taxpayer's tax liability'.

> **Challenge any formal information notice seeking the details of the non-UK income and gains.**

Indeed, the potential scope of statutory enquiries is expressly defined in Taxes Management Act 1970 s 9A as 'anything contained in the return, or required to be contained in the return, including any claim or election included in the return'. Furthermore, the statute contains a safeguard to prevent taxpayers from taking the right to ask for a partial closure notice to a ridiculous extreme, because the tribunal has the power not to accede to a taxpayer's request (see the Court of Appeal's decision in *Eastern Power Networks plc v HMRC* [2021] EWCA Civ 283).

However, as noted above the court felt that the policy papers justified the narrower reading of the partial closure notice regime. It is my respectful view that the court erred in this respect.

First, it would be wrong to place too much reliance on the 2014 papers because the later legislation was drafted so as to overcome their acknowledged shortcomings. Secondly, the revised provisions were heralded by the following statements (as cited by the judge, but with my emphasis and annotation):

- 'A partial closure notice will **almost always** [i.e. but not every time] be followed by HMRC making an amendment to the tax return and that **may** mean more tax is payable.'
- 'where HMRC issues a partial closure notice and makes an amendment to the tax return, taxpayers will be able to appeal against, and apply for postponement of, **any** [i.e. not 'the'] tax arising from the amendment'.

In short, by 2016, there was nothing in the (then proposed) statutory scheme that automatically linked a partial closure notice (and any subsequent appeal against it) to an immediate tax liability.

The court also took some comfort for its views by seeking to minimise the overlap between the scope of any appeal against a partial closure notice and what might have been the subject of a joint referral to the tribunal under s 28ZA.

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However, I think that there are three reasons as to why the court was wrong to be so comforted:

- First, it is beyond doubt that there is a difference in the potential scope of the two procedures.
- Secondly, the ability of taxpayers to seek a partial closure notice unilaterally can be partly seen as a response to HMRC's general refusal to consent to s 28ZA referrals, with the tribunal able to act as arbiter as to whether the process is being used appropriately.
- Thirdly, as noted by the Supreme Court in the *Rangers* case: 'The legislative code … has developed over time to reflect changing governmental policies in relation to taxation … As a result, the legislative code is not a seamless garment but is in certain respects a patchwork of provisions.' Accordingly, some overlap is not surprising.

For me, the most persuasive reason given by the court was a point about HMRC's own powers to issue partial closure notices without compulsion. In particular, it could be possible to conceive of a case where, under the current statutory residence test, an individual would be held to be UK-resident for a particular year if at least one of three facts is established. As the court pointed out, having too narrow a definition of the word 'matter' could mean that a partial closure notice might be issued in relation to one of those three facts, leaving the other two unresolved. In such a situation, the taxpayer might be required to appeal against three separate partial closure notices, each potentially involving a separate trip to the tribunal.

However, for two different reasons, even this argument does not fully answer the question before the court. First, just because one can identify a situation in which the word 'matter' is applied to a very narrow element of a dispute but with unattractive procedural consequences, it does not mean that the meaning of the word 'matter' has to be limited to a very wide aspect of the enquiry. Secondly, the unattractive procedural consequences are more imaginary than real because a tribunal is most likely to accede to any request for all aspects of the case to be brought together (rather than be litigated separately). Furthermore, were HMRC to issue a partial closure notice in respect of one narrow element of the enquiry, a tribunal is going to need very good arguments as to why other, related parts of the enquiry, should not be closed at the same time.

What to do next

I would like to think that this case would attract the interest of the Supreme Court (assuming that Mr Embiricos wishes to take the matter further). However, the issue might be considered a bit too niche to get admitted by that court.

Assuming, therefore, that this is the final word on the subject, what can taxpayers do when faced with an assertion by HMRC that they are UK-domiciled but they dispute that assertion and do not wish to (or cannot) provide details of non-UK income or gains pending determination of that fundamental question? There is an answer and that is to challenge any formal information notice seeking the details of the non-UK income and gains. That should allow the taxpayer's domicile to be considered by the tribunal and that would then answer the question as to whether the non-UK income and gains information will need to be provided.

However, HMRC disputes the validity of that approach as well (as evidenced by the recent cases of *Levy*, *Henkes* and *Perlman* which have been decided differently). Indeed, the sad irony is that Mr Embiricos probably foresaw such problems, which is why he modified his strategy to ask for a partial closure notice. Fortunately, it is likely that the appropriateness of the Schedule 36 route will be considered by the Upper Tribunal at some stage in the next year.

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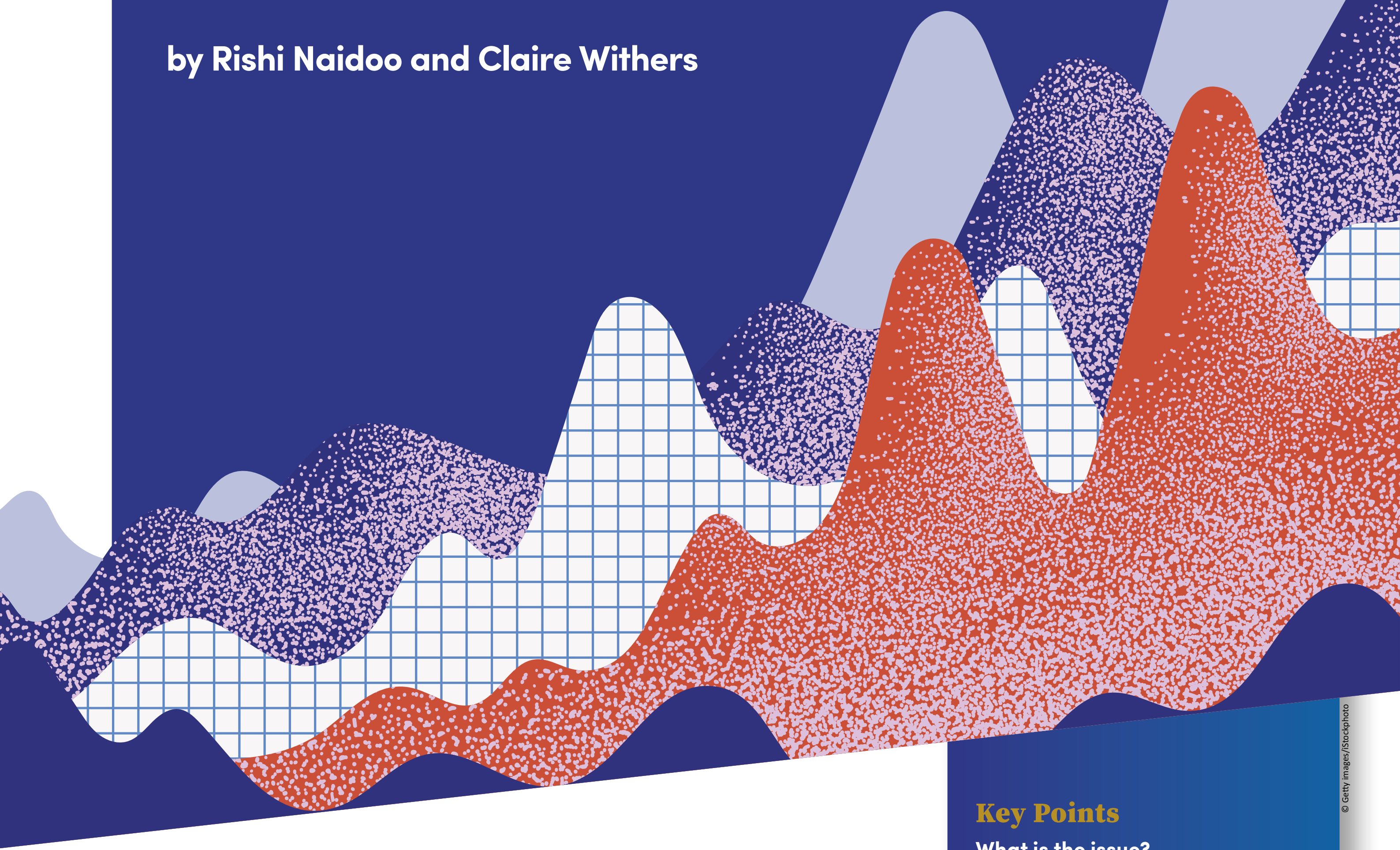
Schrödinger's warrant? SPACs and employment-related securities

by Rishi Naidoo and Claire Withers



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Key Points

What is the issue?
A special purpose acquisition company is a company without a business or assets but with a management team and a strategy to identify and acquire attractive targets.

What does it mean to me?
There are potentially different outcomes for warrants which are taxed solely under employment related securities rules, solely under the securities options code, or taxed under both.

What can I take away?
It is unclear whether HMRC is splitting the warrant into two separate assets and applying the rules separately, or treating the warrant as a single asset to which both sets of rules apply.

The recent popularity of the special purpose acquisition company as an investment vehicle raises interesting questions about the taxation of warrants for UK sponsors.

When we talk about employment related securities, we usually think about shares being acquired by employees. Warrants are a tool that businesses can use to reward key employees or investors. They give an individual the opportunity to buy stock in a company at a preset price, for a set period of time. While stock option terms are often short, warrant contracts are often long, lasting up to 15 years.

The recent popularity of the special purpose acquisition company (SPAC) as an investment vehicle raises interesting questions about the taxation of warrants for UK sponsors. Are they employment related securities or not? Or could they be both at the same time (a Schrödinger warrant?), leading to a surprising and potentially beneficial outcome for the sponsor.

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What are SPAC sponsor warrants?

A SPAC is a company without a business or assets but with a management team and a strategy to identify and acquire attractive targets. Based on the credentials and experience of management and the strength of its strategy, the SPAC raises capital through an initial public offering. It then has a defined period of time to identify and acquire an appropriate target or business (often known as the 'business combination'). Compared to traditional investment structures, the ability of a SPAC to raise funds quickly and flexibly makes it attractive to potential investors.

The typical equity structure of a SPAC will often comprise a combination of both shares and warrants, which are held by the sponsors and public shareholders. A sponsor typically subscribes for its warrants by paying an acquisition price, which grants the holder the future right (usually on a business combination) to purchase shares in the SPAC at the exercise price.

If the value of the shares at the point of exercise exceeds the price paid for the shares (i.e. the acquisition price of the sponsor warrants plus the exercise price), the sponsor will acquire a valuable SPAC shareholding for a relatively modest capital outlay.

Why are employment related security considerations relevant?

Employment related securities are 'securities' acquired by an employee by reason of their employment (which includes by a director in connection with their holding of office). Normally, this is a straightforward factual test that can be determined by looking at the context in which an individual acquired the securities in question.

However, securities can also be *deemed* to have been acquired by reason of an individual's employment, as a result of the application of ITEPA 2003 s 421(B)(3) (the deeming provision). Under the deeming provision, where a right or opportunity to acquire securities is made available by a person's employer (or by a person connected with a person's employer), it is automatically deemed to have been acquired 'by reason of' that person's employment or office.

This gives rise to the practical risk that individual sponsors who are also directors of the SPAC are treated as acquiring employment related securities.

It might be argued, justifiably, that sponsor warrants are not being acquired by reason of an individual sponsors' employment or office; instead, the warrants simply reflect the commitment of significant upfront value in exchange for the highest level of risk capital. However, the potential for the deeming provision to apply means that it is prudent to consider the possible employment related security implications.

Dead or alive?

The question is then whether sponsor warrants are employment related securities or not – or perhaps whether they are both.

The difficulty in applying the employment related securities legislation to warrants is that the legislation expressly *includes* warrants within the definition of 'securities', whilst also expressly *excluding* 'securities options'. Since 'securities options' is defined as a '*right to acquire securities*' (and a warrant is essentially a right to acquire securities), the legislation is effectively saying that warrants are both employment related securities (taxable under the employment related securities rules) and not employment related securities (and so taxable under the securities options code).

HMRC acknowledges this conflict (ERSM20150). It attempts to resolve it by taking the view that if warrants are straightforward options to acquire securities which do not carry any additional rights (the example is given of voting or dividend rights), then they should be classed as 'securities options' and not securities for employment related securities purposes.

Alternatively if the warrants do contain other rights, HMRC says that both sets of rules may potentially apply, as it may be the case that a warrant is a security in respect of the additional rights but one which also contains a securities option to be regarded separately. It is unclear in this scenario whether HMRC is effectively splitting the warrant into two separate assets (one being the option and the other consisting of other rights) and applying the two sets of rules separately, or whether HMRC would treat the warrant as a single asset to which both sets of rules apply.

Potential outcomes

Warrants taxed solely under the employment related securities rules

Very broadly, if a sponsor warrant is an employment related security that constitutes a 'restricted security', a chargeable event may arise for the sponsor warrant holder, triggering an income tax liability. Sponsor warrants are likely to be treated as 'restricted securities' (ITEPA 2003 s 423) if there are provisions attaching to the securities which reduce their market value.

Being an employment related security, the income tax charge that could arise when the restrictions cease to apply can be mitigated by making an election under ITEPA 2003 s 431, the effect of which is that the tax point under the restricted securities regime is moved to the date the warrant is acquired.

If the price paid for the warrant is equal to or exceeds the unrestricted market value of the warrant at the time of acquisition (which should be relatively easy to achieve if the SPAC has little or negligible value at the time of grant), there should be no future liability to income tax on exercise. Instead, any growth in the value of the warrant should be subject to capital gains tax.

Warrants taxed solely under the securities options code

If a sponsor warrant is treated as a 'securities option' acquired by reason of the sponsor's employment, the warrant should be taxed under the securities options code (the Code).

No income tax should be payable on acquisition of the warrant by the sponsor; however, the exercise of the sponsor warrants to acquire shares in the SPAC in the event of a business combination could constitute a chargeable event.

Where a chargeable event occurs, the amount of any gain that would be subject to income tax would broadly be calculated by deducting the consideration given for the shares in the SPAC (i.e. the acquisition price of the sponsor warrants plus the exercise price) from their market value.

For illustration purposes, suppose each sponsor warrant is acquired for £1 and each sponsor warrant entitles the warrant holder to purchase one share in the SPAC for £10. At exercise the market value of each share in the SPAC is £40. Income tax would be payable on:

£40 – (£1 + £10) = £29 per warrant.

Where the shares acquired are not disposed of, this could lead to a large dry income tax charge when the sponsor warrants are exercised.

Unlike the position under the employment related securities rules, it is not possible under the Code to make a s 431 election to take any future growth in value outside of the income tax regime.

Taxation under both the employment related securities rules and the securities options code

Treating sponsor warrants with additional rights as a single asset, and applying both the employment related securities rules and the Code, could be seen as a recipe for double taxation. However, if HMRC's manuals are interpreted in this way, it could lead to a surprising and potentially beneficial outcome – a result that arguably is more aligned with the true nature of sponsor warrants as a capital investment.

If both regimes apply, under the employment related securities rules, a s 431 election could be made at the time the sponsor warrants are acquired, moving the tax point upfront with no income tax to pay provided unrestricted market value is paid.

Under the Code, there would still be an income tax charge when the sponsor warrants are exercised. However, as well as deducting the acquisition cost and the exercise price when calculating the gain, ITEPA 2003 s 480(3) also allows a deduction for 'the reduction in value of any employment related securities' (the 's 480 deduction').

Although the purpose of the s 480 deduction is primarily aimed at situations where exercising options will dilute other shares which the same person holds, there is nothing on the face of s 480 which talks about any 'other' securities reducing in value: the reference is to 'any' (employment related) securities reducing in value.

Could the s 480 deduction therefore apply to the reduction in value of the sponsor warrant itself? In other words, could it be said that exercising the warrant is both the exercise of an option under the Code and extinguishes the warrant as a security in its own right? A sort of Schrödinger warrant?

If correct, then the value lost on the warrant being exercised would need to be calculated. If exercise is close to a business combination, it might be anticipated that the value of the warrant is close to the market value of the shares into which they would convert (such that the value of the warrant is essentially the market value of the SPAC share less the acquisition cost and the exercise price).

Using the same facts in the above illustration, the amount in respect of which an income tax charge might arise on exercise under the Code could therefore be broadly said to be the market value of the SPAC shares at the time of exercise (£40) less (the acquisition price (£1) plus the exercise price (£10) plus the s 480 deduction (£40 - £11 = £29)); i.e. nil.

WELCOME

April Technical newsdesk

April 2022 marks the second major milestone in the roll-out of Making Tax Digital (MTD), bringing businesses with a taxable turnover below the VAT threshold into the requirements of MTD for VAT. HMRC have been contacting these businesses to put this on their radar, and it's important that they (or their agents) sign up to MTD for VAT at the right time (see www.tax.org.uk/mtd_sign_up). Most of these will be small businesses, which may have to adopt digital record-keeping for the first time. As many will be registered for VAT voluntarily, it will be interesting to see if the next few months brings an increase in deregistrations.

Will MTD for VAT prove worthwhile? According to the government and HMRC, it has. As reported in AccountingWEB, Financial Secretary to the Treasury Lucy Frazer MP says: 'MTD is succeeding in its central aim to reduce errors, while also making it faster to prepare and submit returns, therefore boosting productivity for firms'. Agents' comments below the article might suggest otherwise.

Support for the FST's comments derive from the recent research 'Evaluating additional tax revenue from Making Tax Digital for VAT' (see bit.ly/3q9yVxc). But, spoiler alert, the research concludes that 'there is likely to be a positive additional tax revenue'. For those below the VAT threshold, this increase is estimated at £19 per business per quarter on average (a 2.2% increase); and for those above the VAT threshold £57 (a 0.9% increase). For 2019/20, this equates to additional revenues of around £190 million from all businesses that had joined MTD for VAT.

Whether these figures can be considered reliable is debatable. Even an inspection of individual business's returns would lead to the question of whether errors made pre-MTD would have recurred. A statistical analysis is perhaps the best we will get. So, if the exchequer is £190 million better off because of MTD for VAT, what has been the cost to businesses? In September 2021, HMRC published 'Extension of Making Tax Digital for VAT' (see bit.ly/35VYuew), followed by 'Customer costs and benefits for the next phases of Making Tax Digital' (see bit.ly/367KT3w), which address the most recent step of extending MTD for VAT in April 2022. We should praise HMRC for the work they put into this process, with input from professional bodies such as CIOT and ATT, to fully understand the 'journey' that different types of business will face.

For these businesses, transition costs are estimated to be £157 per business on average (£173 million in total across approximately 1.1 million businesses), with ongoing costs of around £69 per year on average (£76 million in total). While I accept that I'm comparing apples and oranges, the exchequer benefit is only £7 more (4 x £19 – £69).

For some, the position will be more extreme, as HMRC's own examples highlight. A company director who already uses accounting software has transition costs of just £45 and no additional ongoing costs. A self-employed VAT-registered business owner who buys software has transition costs of £335 and ongoing costs of £132 per year.

The biggest unknown is the extent of any efficiencies that MTD for VAT brings. HMRC estimate this at around £75 per business per year, which means it will take the average business 26 years to recover the initial costs. I don't think we will ever fully determine the precise impact of MTD for VAT, but perhaps all this is irrelevant. As a key government priority, MTD is something we all need to engage with in whatever capacity we operate.

NEWSDESK ARTICLES

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EMPLOYMENT TAXES

Freeports national insurance contributions exemption

The CIOT has responded to a technical consultation on draft regulations relating to the freeports zero rate of secondary Class 1 national insurance contributions, which will relax the working time requirement for certain freeport site employees.

The National Insurance Contributions Act 2022 introduces a new zero rate of secondary Class 1 national insurance contributions (NICs) for employers taking on new employees to work in a freeport site. Employers will be able to claim relief on the earnings of eligible employees up to £25,000 per year, for three years. The zero rate will apply from April 2022.

To qualify for the relief an eligible employer must take on the new employee at some point between 6 April 2022 and 5 April 2026. Note that employers will not be eligible to claim relief for a new employee if that person had either worked for them, or had been 'connected' with them, up to two years before the start of their engagement. The 'qualifying period' then starts either when the employee starts work or sees 'a substantial change' in their 'working arrangements'. The 'qualifying period' ends when either the employment ends, or if there is a substantial change in the employee's working arrangements. Employers are required to make an assessment at the start of the employment and maintain that assessment until there is a substantial change of circumstances in the earner's working arrangements, at which point an employer must reassess qualification for the relief.

At the start of the 'qualifying period', the employer must have a 'reasonable expectation' that 60% of the employee's working time over the 'qualifying period' will be at a single freeport site, where the employer must have business premises. Employment ceases to qualify for relief should the employer's expectation that the 60% test is met '*ceases to be reasonable in any given tax week*'.

This 60% test is being relaxed in certain situations. Draft secondary regulations provide for relaxations in the 60% test where the employer makes an adjustment to their employee's working pattern to accommodate the following protected characteristics: disability, pregnancy and maternity.

In our response, while we considered that the draft regulations would achieve their aim, we suggested that the proposed 'period of maternity' under which working pattern adjustments will not cause the 60% test to fail should be extended from 26 weeks to 52 weeks. We also queried why the relaxation of the working time requirement did not extend to include employees that work during a period of 'adoption leave'. Similar reasoning in respect of employees that have recently adopted a child would seem to apply as that which is proposed to apply to mothers in post-birth periods of maternity.

We also suggested that HMRC clarify in guidance the meaning of 'reasonable expectation' in respect of the 60% test and when the assessment of reasonable expectation should take place. It appears to us that the legislation means that so long as an employer had a 'reasonable expectation' at the start of an employee's employment that they would spend 60% or more of their time at a single freeport site, or would do so but for an adjustment to their working conditions due to disability, that employee will be a qualifying freeports employee, even if once the employment is underway their actual working time does not match the expected working time (assuming no substantial change in working arrangements).

The full response can be found here: www.tax.org.uk/ref930.

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MANAGEMENT OF TAXES INDIRECT TAXES GENERAL FEATURE

Modernising tax debt collection from non-paying businesses: HMRC call for evidence: CIOT and LITRG response

The CIOT and LITRG have recently responded to HMRC's call for evidence which looked at modernising tax debt collection from non-paying businesses.

The call for evidence considered how HMRC can modernise its collection of tax debts to reflect the changing nature of the UK economy and new business practices, including businesses which operate in the UK without having a presence or physical assets here. It also sought views on HMRC's approach to what appears to be the small minority of taxpayers who can afford to pay tax but do not engage with HMRC and hold off paying for as long as they can, forcing HMRC to resort to costly and time-consuming enforcement action.

The CIOT welcomed HMRC's early-stage evidence gathering through the call for evidence. We said that, based on the evidence gathered, we would expect to see further consultation before any specific measures are announced. Our impression from reading the call for evidence is that there is little actual evidence of abuse and that, in the small minority of cases where intentional non-payment is evident, the answer is for HMRC to use their existing powers more fully. So, for example, if a business chooses not to pay, HMRC could use Direct Recovery of Debts (introduced in 2014), take control of goods or use security deposits.

While it is not clear to us that any extension of HMRC's powers is necessary to target this small minority of businesses, if the evidence supports an extension, any new or extended powers must be subject to appropriate safeguards and oversight. An appendix to our response set out ten principles against which the CIOT considers HMRC's use of its powers, sanctions and safeguards (and any proposed powers, sanctions and safeguards) should be measured.

To help establish the level of tax debt that is outstanding and from which businesses, we suggested that HMRC should improve their IT systems so they are updated across the board as soon as the taxpayer has made their tax payment or agreed a Time to Pay arrangement. There are too many examples of people having paid or agreed time to pay but still being chased for the money, because HMRC's systems do not appear to be joined up, or are not updated in real time.

We noted that the new VAT penalty regime that is being introduced in January 2023, and extended to income tax in 2024 and 2025, may encourage more timely payment of taxes. We recommend that the impact of the new regime is appraised before making any further changes to HMRC's debt recovery powers.

In response to HMRC's question about how agents might play a greater role in helping their clients to engage with and pay tax due to HMRC, we pointed out that if a taxpayer has engaged an agent to look after their tax affairs, that adviser should already be informing them about their tax liabilities and the timing of payments, including late payment penalties and interest, as part of their compliance services. However, an adviser is not responsible for ensuring that their client actually pays the tax due. We also highlighted some difficulties agents can encounter engaging with HMRC where their client does want them to help them with tax debt issues.

LITRG's response concentrated on the part of the call for evidence relating to how collection of debt from non-paying businesses could be improved. We reminded HMRC that when a debt is not being settled and there is no engagement from the taxpayer, this could be indicative of there being underlying issues. For example, there may be barriers such as mental health conditions, a lack of numeracy or literacy skills, or a lack of understanding if English is not the person's first language. We recommended HMRC proceed with caution and with a greater awareness of what might be causing delay when pursuing collection of these debts.

We also advised HMRC that sometimes an apparent 'won't pay' case will be in that position because they do not agree that the debt is due but are unable to successfully dispute the quantum of the debt with HMRC as they simply do not know how to do this. In our view, HMRC's debt recovery staff need to be better able to deal with taxpayer queries about the cause or amount of the debt and should be aware of the options available to rectify incorrect debts at a relatively late stage, for example by making late appeals and submitting late tax returns.

We also recommended that HMRC carry out specific research to better understand why some debtors tend to pay when enforcement action is either begun or threatened. We suggested that HMRC make their Voluntary Sector Taxes Resolution Service more widely available in the voluntary sector community to aid advocacy on behalf of debtors by specialists such as money advisers.

The CIOT's response is available here: www.tax.org.uk/ref891

The LITRG response is available here: www.litrg.org.uk/ref2614

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INDIRECT TAX GENERAL FEATURE

HMRC consults on changes to the calculation of stamp duty land tax and multiple dwellings relief

The CIOT and ATT responded to HMRC's consultation on amending the stamp duty land tax rules for acquisitions of mixed-use property and for multiple dwellings relief.

HMRC's consultation on *Stamp Duty Land Tax: Mixed – Property Purchases and Multiple Dwellings Relief* considers two areas: applying an apportionment basis to the acquisition of mixed-use properties (properties consisting of both residential and non-residential property); and changes to stamp duty land tax (SDLT) multiple dwellings relief (MDR) for purchases of two or more dwellings.

PERSONAL TAX EMPLOYMENT TAXES MANAGEMENT OF TAXES

Umbrella company market: call for evidence: CIOT and LITRG response

The CIOT and LITRG have responded to HMRC's call for evidence on the umbrella company marketplace which invited views from stakeholders on the role that umbrella companies play in the labour market, and for views on the government's understanding of umbrella company behaviours that are causing concern.

Umbrella companies are unregulated and there is a wide spectrum of operators. LITRG's 150 page report (www.litrg.org.uk/labour-market-intermediaries), published in March 2021, found a lot of good practice but outlined several major concerns, including around the use of disguised remuneration schemes to pay workers. Both the CIOT and LITRG think that although there is a place for well-run umbrella companies, it is right for the government to take appropriate action in this area to protect the rights of workers and protect exchequer revenues.

In their response, LITRG provided an update on the developments in the umbrella company marketplace since the publication of their earlier report. We flagged up reports from the trade press and the media indicating the continuation of potentially concerning practices by certain non-compliant umbrellas, such as disguised remuneration, issues with holiday pay, lack of transparency with pay rates, non-provision of payslips, cloning, mini-umbrellas, cyber-attacks and so forth. As highlighted by the CIOT in their response, there has been a substantial rise in the use of umbrella companies because of the introduction of the IR35/off-payroll working rules, so now would be an appropriate time for the government to get to grips with these issues!

The CIOT also listed several suggested actions to tackle the problem of disguised remuneration. These include improving awareness around avoidance schemes with workers, using existing provisions to issue assessment to the non-compliant companies for a PAYE failure (as opposed to chasing the workers), transferring the liability/debt to other entities in the supply chain/their directors, and tackling the scheme promoters and enablers, etc. With regards to mini-umbrella companies, the CIOT said the key to tackling this kind of fraud is HMRC's Fraud Investigation Service investigating and prosecuting the criminals involved and publicising this widely.

The call for evidence was accompanied by a simple worker survey for those that did not want to send a formal written submission. As the departments running the call for evidence were keen to hear from a full range of voices, including those of workers who might prefer to give evidence orally, they also ran video calls with different populations of workers (from the ex-personal service company demographic to lower paid agency workers who have found themselves paid through disguised remuneration). Two such opportunities were facilitated by LITRG and TaxAid.

Both the CIOT and LITRG said in their responses that by listening to and understanding *the first-hand* experiences of those workers that have been affected, the government can form a targeted, robust and proportionate response to combat avoidance schemes; we believe that this is key.

More widely, the CIOT said that more could be done by HMRC to assist end clients and temporary work agencies to assess the bona fides of their labour supply chain where an umbrella company is involved, such as by introducing some kind of umbrella registration/validation scheme to enable them to verify umbrella companies more easily.

LITRG finished their response by saying that one practical response would be for HMRC to appoint someone senior to take overall responsibility for umbrella companies, enabling them to start to translate thoughts and ideas about how to tackle problematic umbrella companies into a tangible reality. Their remit should include developing an action plan to tackle non-compliant umbrella companies from a tax perspective. This should include the formation of a trusted, expert stakeholder group (which could include compliant umbrella companies) to help challenge and guide HMRC in this area and hold HMRC to account.

The CIOT's response can be found here: www.tax.org.uk/ref885

The LITRG response can be found here: www.litrg.org.uk/ref2613

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The aim is to stop buyers classifying or re-classifying their purchases as mixed-use to take advantage of the lower non-residential rates or to claim multiple dwellings relief in a way that is considered inappropriate.

The consultation is a stage 1 consultation seeking views on the policy design and any alternatives before consulting further on specific proposals for reform.

Apportionment

Purchases of mixed-use property are currently wholly charged to the lower non-residential rates of SDLT (a maximum of 5% compared to a top rate of 17% for residential property). The consultation seeks views on introducing an apportionment method of calculating SDLT to apply residential rates to the residential element and non-residential rates to the non-residential part of the mixed-use property.

In the CIOT's response, we agreed that apportionment should remove the incentive to put forward unmerited claims (or reclaims) for small elements of non-residential use to obtain the benefit of the much lower SDLT mixed-use rates in what is, in effect, a residential property acquisition. However, apportionment adds complexity to what is already a complicated area, particularly for conveyancers who are not tax advisers, and the need for a valuation for more transactions.

Introducing apportionment would lead to a higher rate of SDLT than is currently paid on some mixed-use transactions that are predominantly commercial. Recent HMRC research points to a 1% increase in the effective rate of SDLT on commercial transactions, giving rise to an 11.7% decrease in the number of non-residential transactions.

The method of apportionment proposed in the consultation has the potential to tax the residential elements of a high value transaction with a relatively low value dwelling (such as farms with a low value farmhouse or a development site with a small residential element) at disproportionately high rates and to introduce inconsistency in that similar transactions could suffer a significantly different tax treatment.

Those disadvantages could be overcome by using a calculation method similar to the existing method for MDR with:

- the residential element being assessed at rates appropriate to the consideration for the residential element only (as under existing MDR rules in FA 2003 Schedule 6B, but allowing the higher rates to apply, where appropriate); and
- the non-residential element being charged at rates applicable to the overall price.

An alternative proposal put forward in the consultation is to introduce a rule whereby an acquisition of mixed-use property is only taxed wholly at the non-residential SDLT rates if the non-residential element of the transaction is above a certain threshold of the consideration (50% is suggested). This approach would remove the possibility of including a token amount of non-residential property in a purchase to gain the benefit of the lower mixed-use rates with the advantage of a reasonable degree of certainty at a relatively low valuation cost. However, it introduces an inevitable cliff edge and therefore potential for dispute at the boundaries and raises the question of the level of an appropriate threshold that would be consistent with wider policy aims.

One option would be to consider whether a lower threshold than half (perhaps a one-third non-residential threshold to match the subsidiary dwelling proportion or a 25% threshold having some parallels with indirect disposals for non-resident CGT) would meet the policy intent without unintended consequences for business mixed-use acquisitions.

Multiple dwellings relief (MDR)

MDR reduces the SDLT payable per dwelling so it is closer to the amount payable on the purchase of a single residential property.

The consultation puts forward four options to address MDR claims outside the policy intent. While all the options largely achieve the aim of eliminating perceived inappropriate MDR claims, they each have disadvantages in terms of further adverse consequences, such as requiring an intention test that is not wholly consistent with a transaction tax (options one and two) and potentially impacting business transactions, whereas the targeted abuse occurs in transactions by individuals. Option four would not rule out the claims HMRC wishes to address and would create a distortion between the purchase of two dwellings (no MDR) or three dwellings (MDR available).

Option three is to restrict MDR by introducing a 'subsidiary dwelling rule' for business and non-business purchasers, such that subsidiary dwellings (the value is less than a third of the total price) are ignored for MDR. Option three appears to achieve HMRC's aim of eliminating perceived inappropriate MDR claims by private individuals because requiring the subsidiary dwelling to be valued at more than a third would eliminate the possibility of claims for utility rooms, garages, pool rooms, etc. Aligning the treatment for MDR with the higher rates subsidiary dwelling exclusion would remove the anomaly/inconsistency that allows, as the consultation notes, an individual purchaser to both escape the higher rates and to claim MDR. However, the potential need for a valuation of the subsidiary element (particularly complex where there are restrictions on separate sale or letting) to identify the value has cost and timing implications, although the potential need

OMB

Company purchase of own shares: multiple completion contracts

HMRC have recently clarified their position on the company purchase of own shares legislation where the transaction is effected through a multiple completion contract.

For capital treatment to apply on a purchase of own shares, Corporation Tax Act 2010 s 1042 imposes a condition that the seller must not, immediately after the purchase, be connected with the company making the purchase (or any other company which is a member of the same group).

HMRC have recently clarified their view that the word 'possesses' in s 1062(2) (the section which contains the rules for determining whether a person is connected with a company) refers to legal, as opposed to beneficial, ownership. Therefore, where the transaction is effected through a multiple completion contract, they will remain connected with the company by virtue of s 1062(2)(a) as long as the seller remains a legal owner of more than the 30% limit of 'non-completed' shares (possession of ordinary share capital). In such circumstances, the seller would not qualify for capital treatment under s 1033.

HMRC have confirmed that they will not disturb clearances that have already been given where the connection test might not have been met due to retained legal ownership of the shares.

For further details, see HMRC's note on the CIOT website: www.tax.org.uk/purchase_own_shares and Peter Rayney's article in the March edition of *Tax Adviser*: www.taxadvisermagazine.com/multiple_completion.

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for a valuation already exists for the higher rates exclusion.

The examples of claims HMRC wish to exclude appear to be confined to non-business purchases; this might suggest that option three could apply solely to non-business purchases to meet the government's aims.

The consultation provides a partial post-legislative evaluation of MDR in identifying areas where it is being used in ways that were not intended. However, it does not provide any indication or data to indicate whether MDR is achieving the policy aim of promoting the supply of private rented housing more generally and whether it should be retained or reformed in other ways. We noted our strong support for the systematic evaluation of reliefs to ensure they are achieving their objectives at a reasonable cost.

The ATT also made a short response to the consultation and the points we made largely overlapped with the CIOT response as detailed above. While we acknowledge that there is a definite problem with individuals seeking to reduce SDLT rates on residential property, the ATT response emphasised concerns about some of the solutions proposed. We consider that apportionment would introduce challenges, particularly for smaller businesses purchasing mixed use properties, and introduce uncertainties. In respect of the proposed changes to MDR, we felt that option three was a fair solution which should address HMRC's primary concern in this area, while all the other options proposed would affect a much larger group of purchasers unnecessarily.

The CIOT's response is available here: www.tax.org.uk/ref894

The ATT's response is available here: www.att.org.uk/ref393

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OMB LARGE CORPORATE
MANAGEMENT OF TAXES

Business rates: new reporting obligations for businesses

A recent business rates consultation includes details of new 30-day and annual reporting obligations for businesses to facilitate three yearly business rates valuations – the CIOT has responded.

The Department for Levelling Up, Housing and Communities and HM Treasury have consulted on the technical detail of the government's proposed changes to business rates following the conclusion of the fundamental review of business rates at the 2021 Autumn Budget. The changes include:

- a more frequent (three-yearly) valuation cycle; and
- introducing a new relief for improvements to properties.

New reporting obligations – anticipated for 2023

To support the three yearly valuation cycle, new legal obligations will require ratepayers (including those businesses that pay no rates due to a relief) to notify the Valuation Office Agency, via a new online service, of changes to the occupier or the property, and to provide rent and lease information in real time, usually within 30 days, and through a mandatory annual return (30 days after 31 March). The consultation indicates it will be a 'recognisable GOV.UK digital service akin to other tax services'.

The new obligations will impose requirements on businesses which have had little engagement with the business rates systems to date; in particular, for small businesses eligible for 100% small business rate relief. The government's proposed extensive communications campaign is therefore essential and welcome. We suggest that direct engagement with representative bodies in the accountancy and legal sectors will help to raise awareness of the new requirements at an early stage.

We note that agents will have a very significant role in ensuring that the new system operates as intended and early consideration should be given to facilitating this interaction through the online service. It is possible that more ratepayers will wish to use an agent to meet their new filing obligations.

We suggest there should be a paper alternative for ratepayers who are digitally excluded and therefore unable to access the new service online.

We welcomed the commitment to designing a system that works for small businesses and businesses with large property portfolios. For large businesses with multiple properties, the ability to provide bulk data via the online system will be essential to minimise burdens, as will a facility for group registration for the online process.

We expressed concern that the reporting deadline of 30 days will require a significant increase in monitoring and will in many cases be quite onerous. Businesses, particularly medium and larger sized businesses, are likely to have a system of month-end reporting; therefore a deadline of one calendar month after the month in which the reportable event occurs would align more closely with existing practices.

We welcomed the commitment to greater transparency for ratepayers on their valuations. However, we note that the 'carrot' of transparency (ratepayers will be able to access fuller analysis of rental evidence) will not benefit ratepayers until 2026, while the 'stick' of information obligations will have been in place for three years from 2023. We would prefer the requirements for greater provision of information in exchange for increased transparency to operate conterminously as far as possible.

A new relief for property improvements

While it may be debatable economically whether it is the occupier or the landlord who ultimately benefits from the improvements relief, we agree that the relief should remove the distortionary effect of improvements disincentivising businesses from equipping or expanding.

Our full response is available here: www.tax.org.uk/ref896

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INDIRCT TAX

HMRC guidance in relation to VAT group registration delays

In our February edition, we reported on the VAT administration issues arising from delays in the processing of VAT group registration applications, or requests to change the membership or deregister existing VAT groups. HMRC have now published some guidance.

Background

During the pandemic, HMRC's service levels were impacted for many teams, with some teams operating with severe delays. VAT group registrations were severely impacted and the delays are ongoing. As VAT is a 'real time' tax, complex issues arise when delays are longer than the service's 30 day processing period, or where the delay is longer than the 90 day VAT group automatic acceptance period. This is because the awaited outcome can impact decisions such as the VAT liability, invoicing, option to tax, partial exemption and mergers and acquisitions.

In January, the CIOT published a communication received from HMRC on actions to take during the delayed response

GENERAL FEATURE

Land and building transaction tax: additional dwelling supplement: CIOT's response to call for evidence

Revenue Scotland issued a call for evidence in December 2021 on the additional dwelling supplement, which levies an additional 4% of land and building transaction tax on the purchase of additional Scottish residential properties valued over £40,000.

In the call for evidence, Revenue Scotland highlighted several specific areas of concern with the additional dwelling supplement (ADS). Those were: the 18 months allowed to replace a main residence; the position for separating/divorcing couples; the provision of social housing; inherited properties; and the ability for the Revenue Scotland to waive the charge in exceptional circumstances.

The timeframe allowed to claim a refund of ADS when buying a replacement residence is 18 months; that is to say, the old home must be sold within 18 months of purchasing the new property, and the old home must have been the main residence in the 18 months prior to sale. These criteria are the same for stamp duty land tax (SDLT) and land transaction tax (LTT), but for both of those taxes the time allowed is 36 months. In Scotland, transactions involving the acquisition of a second property between 24 September 2018 and 24 March 2020 were afforded 36 months for selling the old property (due to the pandemic). The call for evidence asked whether the timeframe should be increased permanently to 36 months.

The CIOT response said that the 36 months (as available in the rest of the UK) should be available in Scotland; besides anything else, having the same timeframe throughout all countries in the UK would create less confusion.

In addition to ensuring that there is sufficient time to sell properties in the current housing market, a 36 month window would assist separating couples when one party needs to buy another property and the time to sell their share in the old home. The CIOT also believes that the current rules are too one-sided with regard to couples: a couple (be they married or not) will have to pay the ADS if they buy a new house together with only one of them owning a second property; whereas if either of them still own properties which the other did not live in, then upon replacement an ADS refund will not be available. We said that the couple should be treated as one in both scenarios.

Inherited property is currently taken into account by Revenue Scotland when a legatee purchases an additional property. If the total value of that inherited property is £40,000 or over, then the total value of the property is factored into the calculation, even if the share the legatee owns is worth less than that amount. We recommended that the ADS should be calculated on an individual's share of the property only. The ADS also applies irrespective of when the inherited property was received. Our response said that there should be a grace period of three years, such that if property was inherited within the three years prior to the relevant purchase, then it can be ignored for the purposes of the corresponding ADS. These changes would also align the ADS rules with those for SDLT and LTT.

Probably the most significant recommendation the CIOT made in our response is for Revenue Scotland to have the discretion to waive the ADS in exceptional circumstances. Whilst HMRC has this for the rest of the UK, the Scottish authorities have no such power.

We discussed our views and recommendations in a recent meeting with Revenue Scotland and our full response is available here: www.tax.org.uk/ref902

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period whilst waiting for the VAT group registration administration to be completed. However, we are aware that agents and taxpayers were receiving differing advice from HMRC on steps to take during that period, including advice different to that which we published. As our preference (and that of other stakeholders) was still for formal guidance to be published on gov.uk, we continued to communicate with HMRC on this matter.

New gov.uk guidance

On 2 March, HMRC published Revenue & Customs Brief 5 (2022) (tinyurl.com/veu37ppm) and updated VAT Notice 700/2 at paragraph 2.17 (tinyurl.com/4mshhjtt), setting out what actions taxpayers should take whilst waiting for a response from HMRC for a new VAT group registration or an amendment request for an existing VAT group. An important point that has been confirmed is that taxpayers that have applied for new VAT groups should treat the effective date of registration (EDR) requested as provisionally accepted and account for VAT on that basis.

The guidance also sets out that automated VAT compliance communications, such as central VAT assessments for missing returns and the subsequent requests for their payment, and default surcharge communications, will be cancelled by HMRC where they relate to the VAT group processing delays so require no action by the taxpayer. This would apply to groups that already have members with existing individual VAT numbers.

Member experiences

Where a taxpayer has requested a new VAT group, but the members are already individually registered for VAT, it can be a common scenario for their individual VAT returns to become due while waiting to hear about the group registration. Feedback from CIOT members is that, prior to the new guidance being published, there have been different experiences when asking HMRC whether these VAT returns should be submitted. Additionally, in cases where the individual businesses' VAT returns were submitted, this has subsequently and unexpectedly affected the EDR of the pending VAT group registration application, by making this a date which falls later than the last day of the VAT return period for the last individual VAT return that was submitted. For some businesses, this has caused administrative and financial issues, such as a different VAT position on intra group supplies in the period.

For taxpayers that have received automated VAT compliance communications, we understand that some have had consequences over and above those mentioned in the guidance: such as the central assessments causing issues with payments on account, or where 'debts' accrued from the automated compliance have been elevated to proactive steps by the debt management service. We have submitted examples of these consequences to HMRC and would hope that the new guidance provides a uniform treatment of taxpayers going forward until such time that the delays come to an end.

A return to normality?

At the time of writing, HMRC's projected date for the VAT group registration service to return to the normal service level standards of a 30 day turnaround is by the end of April 2022. We understand that additional staff have been recruited to the team and in addition, that the work carried out during the closure of the VAT helpline on Fridays in February and March this year also addresses delays for this service line caused by the post backlog that accrued during the pandemic.

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INDIRECT TAX GENERAL FEATURE

Plastic packaging tax

The new environmental tax, the plastic packaging tax, comes into effect from 1 April 2022 and aims to change behaviour by encouraging the creation and use of plastic packaging containing a minimum of 30% of recycled content. Businesses must register for the plastic packaging tax if they have manufactured or imported ten or more tonnes of finished plastic packaging products in the past 12 months, or if they will breach this threshold in the next 30 days.

Members of the CIOT's Climate Change Working Group and Indirect Taxes Committee recently attended a meeting with HMRC to discuss scenarios raised by members while reviewing and preparing for the tax to come into effect.

Guidance

We discussed what constitutes sufficient evidence and highlighted the difficulties that would arise if the evidence held is deemed insufficient by HMRC: the default position is that the product is taxable and a tax assessment may apply. A common misunderstanding may be that the product specification documentation and invoice needed for the goods to be imported into the UK should suffice, though the plastic packaging tax rules require the source of the recycled content to be proven (tinyurl.com/4uahh49n); this can be particularly difficult where the UK importer is supplied as part of an overseas chain transaction, with components added in several steps of the chain, though the UK importer may only be contracted with the final person who exports to the UK. HMRC will consider whether the guidance needs further information about proving the source in more complex scenarios.

HMRC anticipate that they may review due diligence policies or procedures, though expect this to be limited to the largest businesses that have customer relationship managers.

Invoicing

Due to the impact of the plastic packaging tax, there is a statutory right to increase prices in FA 2021 s 70 (tinyurl.com/27nar3xy) and a question was raised as to whether there was an impact on the VAT liability when charging additional amounts based on the plastic packaging tax incurred.

HMRC confirmed that a recharge based on the value of the plastic packaging tax is additional consideration for the product rather than recharging of the tax itself, hence the VAT is calculated on the increased price basis where that underlying supply is subject to VAT.

Sufficient evidence

It was anticipated that even compliant and prudent taxpayers may still experience data gaps in their administration records in the early stages. It was raised whether, in the absence of full details, estimation can be used. HMRC confirmed that the data must be obtained and that estimation agreements for the absence of evidence would not apply.

Next steps

Although HMRC have been receiving a lot of plastic packaging tax queries, they noted that most of the answers are published in the guidance. The CIOT may route questions to HMRC if they fall outside of what is publicly available, as HMRC are still interested in hearing about situations that are not already covered.

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Recent submissions

CIOT	Date sent
Draft legislation: The Social Security Contributions (Freeports) Regulations 2022 www.tax.org.uk/ref930	17/02/2022
Modernising tax debt collection from non-paying businesses www.tax.org.uk/ref891	18/02/2022
Stamp duty land tax: mixed-property purchases and multiple dwellings relief www.tax.org.uk/ref894	21/02/2022
Business rates review www.tax.org.uk/ref896	22/02/2022
Umbrella company market www.tax.org.uk/ref885	22/02/2022
Land and buildings transaction tax: additional dwelling supplement www.tax.org.uk/ref902	07/03/2022
ATT	
Stamp duty land tax: mixed-property purchases and multiple dwellings relief www.att.org.uk/ref393	21/02/2022
LITRG	
ISA compliance and penalties www.litrg.org.uk/ref2609	21/02/2022
Call for evidence: Umbrella company market www.litrg.org.uk/ref2613	22/02/2022
Modernising tax debt collection from non-paying businesses www.litrg.org.uk/ref2614	28/02/2022

Experts debate windfall taxes

Economists and tax advisers differed as to whether a windfall tax should be imposed on oil and gas company profits, in the first CIOT/Institute for Fiscal Studies (IFS) debate of 2022.

Stuart Adam, Senior Research Economist at the IFS, told the online audience that, rather than introducing a windfall tax, North Sea oil and gas could plausibly be taxed at permanently higher rates than they are today.

Chris Sanger, now of EY, was a policy adviser on the 1997 windfall tax on the privatised utilities. That tax had a long lead-in time, he said, so the market had already factored it into the share price of the utilities by the time of the Budget that introduced it. This had helped to avoid 'contamination of the tax system' through tax uncertainty driving people and companies to fear future windfall taxes.

Heather Self of Blick Rothenberg said that she objects in principle to windfall taxes unless there are clear one-off circumstances which cannot be dealt with by changes to the general tax rules. Such taxes break a fundamental principle in her mind that companies should be able to make investments based on a clear understanding of what the tax consequences will be.

Michael Jacobs, now a professor at the University of Sheffield, was an adviser to Gordon Brown at the Treasury and 10 Downing Street. He argued that a windfall tax is justifiable because people on low incomes are experiencing a 'windfall loss' due to the proportion of their income they spend on energy.

A fuller report on the debate (and link to a recording) is available at tinyurl.com/wtax22

Our next debate

Our next debate will be on whether the government should introduce an online sales tax. It will be held face to face on the evening of Tuesday 10 May at 10-11 Carlton House Terrace in central London and will also be livestreamed for those who prefer to watch it online. To register, or for information on speakers, see tinyurl.com/OSTMay22

Political update

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

- The government's Economic Crime (Transparency and Enforcement) Bill was rushed through Parliament in mid-March, in response to renewed parliamentary and public pressure in the wake of Russia's invasion of Ukraine. Although this is not a tax measure, many of our members have relevant expertise, so we took a keen interest in the Bill and provided a briefing to MPs and peers.

  This briefing focused on the Bill's creation of a register of beneficial ownership of overseas entities that own land in the UK. In particular, we pointed out that the Bill appeared not to achieve the government's stated aim of 'requiring anonymous foreign owners of UK property to reveal their real identity', because it left open the option of maintaining anonymity by owning property through a general nominee company that acts for multiple clients. An amendment addressing this won backing from Lib Dem and Conservative peers and, while not accepted, obtained a commitment from the minister that this area would be kept under review and dealt with through regulations if necessary.
- Back in February, the Finance Bill passed through Parliament and became an Act. Our comments on the new public interest business protection tax – focusing on the way it was being rushed into law – were quoted twice at the Commons report stage.
- Following discussion at a hearing of the Commons Treasury Committee about how HMRC deals with misconduct by tax professionals, CIOT and ATT wrote to the Committee with information about referrals that HMRC has made to the Tax Disciplinary Board and action taken in respect of those cases.
- CIOT and LITRG evidence to a House of Lords Sub-Committee mini-inquiry on off-payroll working was cited in a number of places in the Sub-Committee's findings. A National Audit Office report on the 2017 off-payroll working reforms also reflected CIOT and LITRG evidence, including calls for improvements to the Check Employment Status for Tax (CEST) tool.
- CIOT is increasingly active in Wales. In February, Lakshmi Narain, Chair of CIOT's Welsh Technical Committee, and John Cullinane, CIOT's Director of Public Policy, gave evidence to the Finance Committee of the Welsh Senedd on the Welsh Tax Acts Bill.

Gordon Brown presented with honorary fellowship

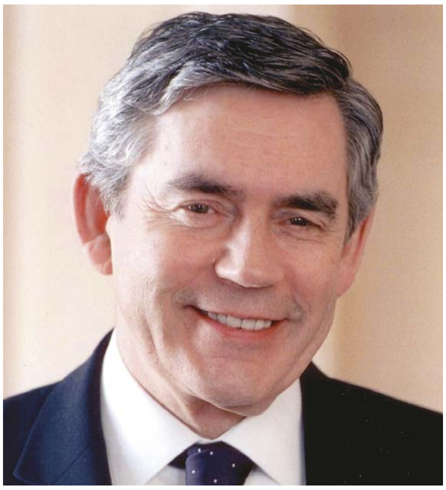
Former Chancellor and Prime Minister Gordon Brown has been presented with an honorary fellowship of the CIOT.

Presenting the award at an online ceremony on 24 February, Institute President Peter Rayney described him as 'one of the great reforming Chancellors who has shaped the tax and related benefits system like few before or since'.

Mr Rayney said that in ten years as Chancellor, Gordon Brown had made significant changes which strengthened the competitiveness of the UK as a location for holding companies and introduced many business friendly tax measures. 'He introduced business asset taper relief, the forerunner of entrepreneurs' relief – which we now call business asset disposal relief. He introduced working tax credits, the first ISAs and a simplified regime for pension tax relief.

'He launched the Disclosure of Tax Avoidance Schemes (DOTAS) regime, which was a game changer to tackling marketed tax avoidance. And he negotiated changes to the EU Savings Directive to focus it around transparency and exchange of information, rather than withholding taxes. This approach has been the blueprint for subsequent international agreements to combat tax evasion.

'In recognition of all of these achievements and many others, Gordon Brown is a deserving recipient of a CIOT Honorary Fellowship.'



Responding, Gordon Brown thanked Peter Rayney for the honour, praising CIOT as 'a highly respected professional institute which has built a reputation for integrity'. He offered his best wishes to the Institute and to the tax charities.

Both men also expressed deep concern over the Russian invasion of Ukraine which had taken place earlier that day and said that their thoughts and prayers were with the Ukrainian people.

Gordon Brown is the 35th recipient of a CIOT honorary fellowship. He is the fifth former Chancellor to receive the honour following Geoffrey Howe (2000), Nigel Lawson (2006), Denis Healey (2009) and Kenneth Clarke (2015).

Buyers beware: warnings over SDLT proposals

ATT and CIOT have both expressed support for a clamp down on stamp duty land tax (SDLT) avoidance around mixed-use properties but warned that HMRC's proposals could create new problems.

Jon Stride, Co-Chair of ATT's Technical Steering Group, said: 'Buyers of mixed-use property should prepare themselves for additional costs and complexity. Apportionment is likely to increase SDLT on the residential elements of a mixed-use property because residential SDLT rates are higher, and there is increased likelihood of higher rates of tax for additional dwellings.'

Marc Selby, Chair of CIOT's Property Taxes Committee, said: 'HMRC's plan will remove unfairness in the system because currently a country estate could pay a lower rate of SDLT, just because it has some small commercial element, than a three-bedroom semi-detached property in London. But the problem is that HMRC's proposed method of apportionment brings in other types of unfairness, resulting in a disproportionately high SDLT cost for a relatively low value residential property bought with commercial property, say a valuable farm with a modest house or an office block with a caretaker's flat.'

ATT and CIOT's comments came as the bodies submitted responses to HMRC's consultation on these proposals in late February.

In the news

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

'Half a million Scots will pay a staggering 54.25% on wages from April, it has emerged... John Cullinane, the CIOT's director of public policy, said: "Any benefit resulting from the Scottish Government's income tax changes in the coming year will be offset by the UK-wide changes to National Insurance that will take effect at the same time."'

The Sun (Scottish edition), 3 February 2022, was among the media outlets covering our comments on tax in Scotland during February.

'LITRG warns leaving filing your tax return until the last minute risks a late filing penalty if something unforeseen happens to prevent you from filing on or before 28 February.'

Victoria Todd, Head of LITRG, quoted on BBC News Online, 24 February 2022.

'Helen Thornley at the Association of Taxation Technicians told Yahoo Finance UK that the penalties for those that fail to adhere to the [crypto transaction] rules will "depend on various factors, such as how much tax has been underdeclared and how cooperative the taxpayer has been".'

Yahoo! Finance, 4 March 2022.

'The CIOT says that if the goal of the [economic crime] bill is to reveal the real identities of foreigners who own UK property, it will not achieve this.'

Financial Times, 9 March 2022, reporting on CIOT's warning that individuals owning UK property can still hide their true identities through nominee agreements with professional services firms.

International tax

The South African Institute of Taxation: A brief tax perspective

The South African Institute of Taxation tell us about South Africa's tax policy and the work of their Institute.

Keith Engel, CEO, SAIT

'In line with international trends, the work of the South African Tax Practitioner has become ever more complex. Tax policy is changing and enforcement is intense. Political emphasis on tax morality has meant that South African tax practitioners are facing a greater scrutiny from revenue authorities and the public in general.'

Keith Engel, CEO, South African Institute of Taxation (SAIT)

South Africa has historically faced a difficult paradigm. The country is one of the most uneven in terms of wealth and income. A small proportion of the citizens are being requested to carry a higher share of the tax burden. Government challenges and international events have put pressure on tax, leading to loss of jobs and static growth. The government is reluctant to increase taxes despite pressure for revenue. Time will tell whether growth, fiscal restraint or the bigger government will prevail.

Revenue outlook and collection: Revenue collection from the struggling economy was severely impacted by the Covid-19 pandemic. However, the 2021/22 collection period saw an improvement, with corporate income tax receipts from the mining sector accounting for most of the change. Despite the pandemic, personal income tax collections and VAT performed above expectations. The net result was to avoid the need for immediate tax increases.

Tax policy and reforms: In the 2021 Budget Review, the intention was to reduce the number of tax incentives, expenditure deductions and assessed loss offsets, intending to lower the corporate income tax rate over the medium term.

The government proposed to lower the corporate income tax rate from 28% to 27%. The reduction was funded by restricting assessed losses and strengthening base protection measures to curb excessive interest deductions from eroding the tax base. This was a win for profitable companies but had an adverse effect for companies struggling from the pandemic.

The government proposed to reduce tax incentives for individuals and companies. In the 2022 Budget Review, expiring incentives that have not widened social or economic benefits were renewed. The research and development incentive is possibly heading for renewal. The industrial incentive for capital projects has /run out of funding and may steadily pass into the sunset. Job incentives have continued support but are largely ineffective because of the high risk of accidental non-compliance.

Revenue authority: Rebuilding the South African Revenue Service (SARS) post 'state capture era' proceeds apace, with investment in staff and modernisation of its information and communications technology. The challenge is to expand the tax base to cover the non-compliant. Tax evasion will require criminal prosecution for cash businesses and those involved in corruption.

South African tax practitioners: Professionals engaged in tax must be registered with SARS as tax practitioners. Professional body registration is a core requirement. SAIT is the leading body, but accounting and legal bodies also contribute.

Keith Engel, CEO of SAIT, explained the Institute's position: 'Our goal at SAIT is to act as the regulator of tax professionals and to be a respected arbiter of the tax system. Our goal is that of long-term sustainability. An oppressive system will stunt economic activity and chase many into the informal sector. A weak system will lead to revenue shortfalls, followed by heavy taxes falling on the compliant few.

'We believe our collaboration with the CIOT, due to be launched later this month, will be of great assistance. This collaboration will help to uplift the South African tax profession and increase SAIT's ability to be a respected arbiter.'

AGM

Chartered Institute of Taxation: Notice of Annual General Meeting

The Annual General Meeting of Members of the Chartered Institute of Taxation will be held on Tuesday 31 May 2022 at 16.45. The meeting will be held via Zoom.

Civica Election Services have been appointed as scrutineers for the CIOT AGM 2022. Access to the AGM Notice, Annual Report and Statutory Accounts and information regarding those standing for election to Council will be provided through links in an email sent to Institute members by Civica in late April. The Civica proxy voting site can also be accessed via that email, together with information on how to book attendance at the virtual AGM. There will be a reminder email sent in May.

If you prefer to receive a hard copy of the proxy form, please email: support@cesvotes.com or telephone: 0208 889 9203 and a form will be sent to you in the post with a reply-paid envelope. You will have until 29 May 2022 to return the form.

A copy of the proxy form, AGM Notice and Annual Report and Statutory Accounts will also be available on the CIOT website later this month: www.tax.org.uk

A MEMBER'S VIEW

Zivile Parr

UK Tax Adviser, Herbert Smith Freehills LLP

How did you find out about a career in tax?
The first time I heard of a career in tax was when I spotted an advert in a local paper for positions in accountancy and tax at a private practice based in Harold Wood, Essex. I was thinking about working in accountancy at the time, but I took a chance and applied for both roles (accountancy trainee and tax trainee). This was when my career in tax began.

What do people outside the sector not realise about a career in tax?
When people ask me about what I do, and I tell them that I work in tax, many tend to say that it must be boring. They are so wrong! I guess unless you work in tax, it is hard to appreciate what this job actually entails and what it takes to become good at it. I think it deserves as much credit as the top jobs in accountancy.

What skills have you developed since starting the CTA?
When I started studying for my CTA exams, my confidence to advise my clients on tax-related matters grew significantly. It also enabled me to see the broader picture, e.g. when a particular transaction may require consideration of more than one type of tax. Preparing for the CTA exams involves a lot of writing; therefore, studying also improved my writing skills.

What benefits does your CTA qualification bring to your employer?
The greatest benefits that my CTA qualification brings to my employer are my tax technical knowledge and my ability to spot issues that our clients rely on us, as their tax advisers, to identify and advise on.

How would you describe yourself in three words?
Meticulous, analytical and dedicated.

What advice would you give to someone thinking of doing the CTA qualification?
Studying for the CTA exams is hard work and requires a lot of commitment, but it is so worth it in the end. Passing the CTA exams does really feel like a major achievement.

I would also recommend that the gap between getting the ATT or accounting qualification and starting to study for the CTA qualification is kept to a minimum. The longer the gap, the harder it may be to get yourself back into the mood of studying.

What are your predictions for tax advisers and the tax industry in the future?
I believe that there will always be a need for tax advisers, despite technological advancements and the government's plans for Making Tax Digital. No technology will ever be able to provide all the answers due to the complex and ever-changing nature of tax legislation.

> **When I tell people that I work in tax, many tend to say that it must be boring. They are so wrong!**

We are yet to see if radical simplification of the UK tax system, that the government has been promising for years, is going to shift in the right direction any time soon.

What advice would you give your future self?
Don't be afraid to try something new, even if it is outside of my comfort zone!

Tell me something about yourself that others may be surprised to know about you.
I can play the piano, I don't like spiders and I love baking for my family.

Contact

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

WCoTA

As life returns to London, is it time to join WCoTA?

Have you thought about joining the Worshipful Company of Tax Advisers, the City Livery Company for the tax profession?

One of the three principal aims of the Worshipful Company of Tax Advisers', the City of London's livery company for those connected to the tax profession, is to promote fellowship among tax advisers. Membership of the Company is certainly a great way to make friends, build a network and expand one's links within the profession at any stage of a career in tax; and to maintain those friendships and links outside work and beyond retirement.

This has remained particularly true throughout the past two years when such fellowship has been a welcome relief from Covid-19 restrictions and self-isolation. Admittedly, the Company's activities have been largely virtual during the pandemic, although there have been some very real events as and when restrictions allowed, most notably a celebration at Barber-Surgeons' Hall of the Company's 25th anniversary and of the charities it supports. But real or virtual, the Company's events throughout the past two years have attracted a steady flow of new members who have discovered the value and benefits of becoming a member.

Last month, the Company celebrated the post-Covid return of normal life to the City with its annual Budget Banquet in Saddlers' Hall. It now once again offers all its members a full programme of in-person Company and City social events, lunches and dinners as it pursues its two other principal aims: supporting and funding charitable and benevolent causes; and enhancing the standing of the tax profession in the City of London.

If would like to know more about the Worshipful Company of Tax Advisers, what it does, the benefits of membership and how to join, you can obtain full details via the Company's website at www.taxadvisers.org.uk or from the Clerk Stephen Henderson at clerk@taxadvisers.org.uk. Applications for membership of the Company are considered four times a year, in February, April, September and November. So applications received before the end of August will be considered in time to attend the Thanksgiving Service and Installation Dinner on 28 September, which mark the start of the Company's annual cycle of events and activities.

Committee report

Spotlight on the CIOT's Employment Taxes Committee

Matthew Brown takes a look at the work of the CIOT's Employment Taxes Committee.

The CIOT's Employment Taxes Committee addresses all aspects of UK employment taxes, whether in relation to UK based employers or UK based employees. Aside from issues such as IR35/Off-Payroll Working, employment status, expatriate tax, and benefits and expenses, we also take a keen interest in broader matters such as the Construction Industry Scheme, pensions saving and administration, and share schemes.

Every March, committee members contribute articles for our annual publication of Employment Taxes Voice. The March 2022 edition can be read at: www.taxadvisermagazine.com/tax-voice. The articles pick up on topical areas and this year include pieces on working from home, IR35 and managed services, due diligence in labour supply chains, umbrella companies, Coronavirus Job Retention Scheme (CJRS) compliance, electric vehicles and overseas workdays relief.

The Committee is both reactive and proactive. We devote substantial time to responding to public consultations, principally those issued by HMRC and HMT. In the past year, we have submitted written responses to the consultation on off-payroll working/IR35 rules, and calls for evidence on the umbrella company market and enterprise management incentives. We also provide briefings to Parliament on relevant aspects of the Finance Bill, and from time to time we give evidence before Select Committees on matters relevant to the Committee's work. Our written submissions are often supplemented by meetings with HMRC, HMT and the OTS.

Our proactive work is largely driven by the Committee volunteers and ably assisted by members raising with us the issues they experience with the tax system. For example, in the last year we've raised with HMRC issues around the benefit-in-kind implications of electric vehicle charging, cycle-to-work schemes, hybrid working arrangements, PAYE Settlement Agreement calculations, and the Health and Social Care Levy.

As might be expected, much of our in the last couple of years has been pandemic-related, involving frequent discussions with HMRC on the CJRS, including tax return declarations, agent 'audits' of claims and HMRC's compliance activities. This work continues.

We've also engaged with HMRC on other matters such as employer-reimbursed Covid-19 tests, working from home equipment, homeworking allowances and deductions, and private medical insurance rebates. We make regular Budget Representations aimed at simplifying and improving the administration of tax, such as in relation to differences in treatment between employer-paid and employer-reimbursed benefits.

> **As might be expected, much of our work in the last couple of years has been pandemic-related.**

Committee volunteers also attend meetings of various HMRC forums, such as the Employment & Payroll Group, Construction Forum, IR35 Forum, Expatriate Tax Forum, National Minimum Wage Forum, the Pensions Industry Stakeholder Forum and the Share Schemes Forum.

The reforming of the Construction Forum and, more recently, HMRC's new Share Schemes Forum arose from CIOT recommendations to improve dialogue between HMRC and professional bodies. These groups provide for a lot of informal discussion and consultation, as well as helping us to connect with the right person when it is evident that the tax system isn't working as it should!

Matthew Brown, Technical Officer, CIOT matthewbrown@ciot.org.uk

DISCIPLINARY REPORTS

NOTIFICATION

Mr James Guest

At its hearing on 17 January 2022, the Disciplinary Tribunal of the Taxation Disciplinary Board determined that Mr James Guest of Manchester, a member of the Chartered Institute of Taxation, was guilty of the following charges, namely that he:

1. failed to inform the Head of Professional Standards of CIOT in the required form within two months that he was the subject of disciplinary proceedings brought by the Institute of Chartered Accountants of England & Wales (ICAEW) on 27 February 2018;
2. acted dishonestly in failing to declare that he had been the subject of disciplinary action by a professional body, employer or regulatory authority when completing his 2019 Annual Return;
3. was not straightforward in all his professional and business relationships in that he failed to provide information requested by the new accountants of a former client in a timely manner;
4. in his conduct towards a former client, failed to uphold the professional standards of the CIOT, conducted himself in an unbefitting manner, and performed his work improperly;
5. provided a document which purported to be professional clearance to the new accountants of a former client that was not in the form required; and
6. failed to ensure that his company, JA Guest Ltd, was registered for anti-money laundering supervision by the CIOT in that he has failed to provide CIOT with a DBS certificate.

The Tribunal determined that Mr Guest be expelled from membership of the Chartered Institute of Taxation and pay costs in the sum of £5,302.50.

A copy of the Tribunal's decision can be found on the TDB's website www.Tax-Board.org.uk.

spw (UK) LLP

Mixed Tax Senior

Mid-tier Accountancy firm, Finchley, N3

Your new company
An urgent requirement has arisen for a Mixed Tax Senior to join a well established tax team. This practice consists of six partners. You should be experienced to deal with all aspects of taxation including HMRC Enquiries. The Firm has direct access to specialist tax advice for any areas of taxation.

Your new role
You will be responsible for all day to day personal tax compliance affairs of the clients in your portfolio, and be involved with related advisory matters. In addition you will be required to deal with HMRC Enquiries and other tax matters.

What you'll need to succeed
Applicants from a practice or HMRC background will be considered. Relevant tax/accountancy qualifications will be beneficial but not essential – most importantly you will be a personal tax professional able to confidently hit the ground running.

What you'll get in return
Given the urgency of the position the firm are also willing to consider a candidate on a temporary basis until February at least. Part time candidates will also be considered.

To apply, please email **nita@spwca.com**

Corporate / Mixed Tax: Senior Manager - Director

Ever wondered about escaping the rat race? Thought about moving somewhere where good housing is affordable, the schools are great and the quality of life is high?

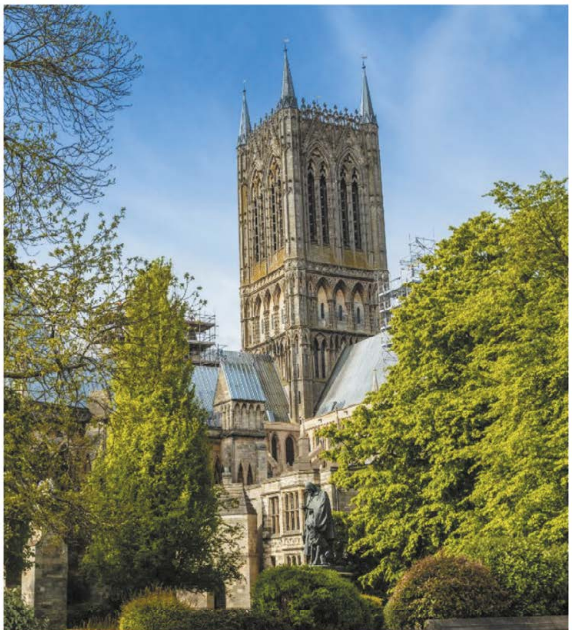
Wright Vigar are experiencing fast growth and as a result, we have opportunities available for experienced senior Corporate Tax or Mixed Tax professionals who can provide advisory services to our growing client base. The role would principally involve providing tax advisory services to our corporate and family company client base, and also supporting and helping to oversee our corporate compliance function.

We are an independent firm with a strong family ethic and our clients are typically owner-managed businesses or high net worth individuals of all different shapes and sizes. We aim to be our clients' long-term trusted partner and many of our clients have been with the firm for many years.

The roles would primarily be based at our Head Office in Lincoln or at our Nottingham office, from which we provide tax advisory services to our offices across the East Midlands region.

We offer flexible hybrid working, competitive salaries, and a range of other benefits and we pride ourselves on being the friendliest place to work in the region.

Please contact our HR Manager John Richmond on WV.HR@wrightvigar.co.uk or 0845 880 5678



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CHARTERED ACCOUNTANTS

GEORGIANA HEAD
Taxation Recruitment

GEORGIANA HEAD
Director
Tel: 0113 426 6672
Mob: 07957 842 402
georgiana@ghrtax.com

Tax Advisor – In-house
Edinburgh – £45,000 to £55,000 + bens

Our client is a major international group. In the UK they are headquartered in Edinburgh near the Herriott Watt Campus. In this new role the business seeks a Direct Tax Adviser for their European Shared Services Accounting department. This role can be remote worked with some travel to Edinburgh (likely first week on site and travel once a month). Ideally you will be qualified (ACA, ICAS or CTA) with proven UK tax experience. Intitially you will focus on UK and Irish tax, and as you develop you will deal with other European territories. **Call Georgiana Ref: 4000**

Private Client Roles in a Law Firm
London – £excellent

Two great roles based in a new team within a successful long-standing commercial law firm. They seek both an experienced senior manager and a consultant/manager. These are client facing roles managing a mix of complex compliance and advisory work for ultra HNW clients, entrepreneurs and business owners. You will work closely with the private client and commercial legal teams. Plenty of scope for progression – these roles are the start of a whole new division. **Call Georgiana Ref: 4001**

Personal Tax Manager
Yorks – to £50,000 + bens

This is a key role in a rapidly growing independent firm. It would suit an experienced personal tax specialist who is able to run a complex portfolio and manage more junior staff. Ideally you will be an organised individual who actively enjoys being a trusted advisor to clients and managing all their tax compliance needs, someone who enjoys improving systems and training others. There is scope to do some advisory work – but the focus of this role is managing a team of more junior staff and the personal tax compliance work from several offices. Scope to progress to director. **Call Georgiana Ref GH3207**

Advisory focused role
Manchester – £excellent

Our client is an award-winning independent accountancy practice with a strong tax offering, well renowned within Manchester for specialisms and excellent service. They offer general accountancy services, tax advisory, audit & assurance, transaction services and forensic accounting. Rapid growth to date has resulted in several roles with the tax advisory team. They seek capable tax advisers familiar with both advisory work and tax compliance. Applicants from corporate tax, personal tax or mixed tax backgrounds are being considered. Ideally you will be CTA qualified (ACA, ICAS or former Inspectors of Taxes also considered). Great prospects, hiring at all levels. **Call Georgiana Ref: GH3203**

Corporate Tax adventure
Dublin and Galway – €65,000 to €120,000

One of the largest accountancy firms in Ireland seeks to hire qualified tax staff at every level from Assistant Manager to experienced Senior Manager. They offer visa sponsorship for individuals trained in the UK, Canada, New Zealand, Australia or South Africa. Excellent quality corporate tax work including full training on Irish tax, and plenty of scope for personal and professional development. So if you have had your travel plans curtailed by Covid, here is a really interesting adventure. ACA, ICAS or CTA ideally. Hybrid working and good holiday allocation to enable you to explore Ireland. **Call Georgiana Ref: 3217**

VAT Manager – In-house
Bradford – £40,000 to £50,000 + bens

Our client is the shared service centre of a major Plc. They seek an experienced VAT specialist to join a friendly team. This in-house role is reporting and compliance focused and would suit someone who already has some in-house experience or who enjoys improving processes. Hybrid working (likely 2 days in the office, and there is parking). You might be someone in a tax accounting role looking to specialise in indirect tax. **Call Georgiana Ref 3213**

In-house Tax Senior
York – to £27,000 +bens + bonus

This is an excellent opportunity for a tax specialist to move into industry. You will likely be an ATT qualified person working in a mixed tax role. This may also be your first move out of the profession and into an industry role having worked for a small/medium sized professional firm. The role may also interest someone qualified by experience or someone holding a higher tax related qualification but looking for reduced hours. You must have experience of preparing corporation tax computations and be able to research a tax problem. Any experience of VAT and property issues desirable. **Call Georgiana Ref 3223**

Corporate Tax Staff – ACA or ICAS qualified
Melbourne and Sydney, Australia

Has Covid interrupted your plan to work overseas? Are you looking for a chance to travel and work abroad? Our client is looking for chartered accountants with a UK or Australian tax background, and you can be based in either Melbourne or Sydney! These roles come with visa sponsorship, help towards relocation if required and plenty of opportunity for personal and professional development. This firm's client base ranges from dynamic family owned businesses to global multinationals. Your role will include a mix of compliance and advisory work and you will also have the chance to work in specialised areas. The firm is renowned for supporting client contact from day one and be mentored by a partner. **Call Georgiana: Ref 3211**

www.georgianaheadrecruitment.com

Clay Knox | GBP Knox

Clay Knox is one of the leading Sports, Media & Entertainment Accountancy firms in the UK, with offices based in Bromsgrove in the midlands and Soho in central London. The firm focuses on providing an extremely personalised service to individuals and businesses in the Sports, Media and Entertainment market and act for some of the biggest worldwide names in these respective industries. As a result of exceptional growth, the firm are looking for three new hires in either Bromsgrove or London:

Tax Senior

In this role you will assist managers with tax planning and day to day will run the compliance cycle for your clients. Ideally you will be ATT qualified and looking to go on do CTA, or are already CTA or equivalent qualified. As your role develops you will have the opportunity to become involved in corporate tax work. The role is ideally suited to a dedicated candidate that can take ownership and responsibility for their workload. From day one this team will expect you to start to build relationships with the clients on your allocation, as personal attentive service is at the heart of the firm and the reason for their continued success.

Personal Tax Assistant Manager

In this role you will ensure that the actors, directors and other key entertainment/sports personnel in your portfolio meet their domestic and international tax obligations and operate in the most tax efficient way possible. The role is ideally suited to a dedicated candidate that can take ownership and responsibility for their workload and work closely with both senior and junior members of the team. As the team and business continue to grow, the role offers a unique opportunity for the candidate to expand on their wider tax knowledge, with the potential to get involved with more complex advisory projects. This firm welcome applications from those qualified by experience, as well as ATT/CTA/ACA or equivalent qualifications.

Private client Advisory Manager

The role is ideally suited to a dedicated candidate that wants to focus mainly on consulting work. In this role you will provide advisory services to HNW clients and will respond to HMRC enquiries. You will also deal with more complex compliance work for some of the practice's most high value personal tax cases. For these clients you will be the first point of contact for all tax matters. Alongside this you will provide tax consulting advice to clients from across the firm. You will also be involved in management and development of more junior staff.

This is a friendly, rapidly growing independent firm with an excellent quality client base, including many high profile international clients. This could suit candidates looking to relocate to Worcestershire or individuals who want to work more locally. Hybrid and flexible working are available. Alongside a competitive salary, Clay Knox offers a range of benefits including parking permits, pension and bonus. Plus, the unusual opportunity to work on entertainment sector clients outside of a major city.

At all levels of role there is a clear pathway of progression. Due to continued expansion, there are no barriers to promotion for the right people. Our client is looking to recruit individuals who will be with the business for the long term and will eventually become directors

For further information contact Georgiana Head on 07957 842 402 or email her at georgiana@ghrtax.com

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