Connections at Christmas

General Features



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Julie Cameron reflects on the relevance of the Christmas story to the work of the tax charities

Whittling away at tax debt

At this time of year, I often see carved wooden nativity scenes at craft markets. I could never aspire to the skill of hand carving so am full of admiration for those who

can fashion figures from pieces of tree. Inevitably, my thoughts are never far from tax and they lead me to wonder how craftspeople like wood carvers survive when they are not reimagining the Christmas story. Craft-related activities don't exactly make for millionaires after all.

The situation must be worse when other life issues complicate the already stressful task of earning a living. TaxAid had one such client – whom I will call Noel. Noel had mental health problems including psychotic episodes, which were precipitated by a relationship breakdown. He found it difficult engaging with the NHS mental health support on offer and medication only made things worse. By the time he came to TaxAid, a despairing Noel was weighed down with multiple debts.

Noel had originally registered as a self-employed artist and wood carver, sporadically boosting his income by labouring, interspersed with periods claiming Job Seeker's Allowance (JSA). When he contacted TaxAid, Noel's debt was about £5,000. He was incredulous that the tax was only £1,200, so penalties and interest made up over 75% of what was owed. Noel had managed to complete tax returns online (but not on time) so had no returns outstanding. He was making payments to HMRC when he could, but it was not reducing the scale of his debt.

TaxAid appealed against the late-filing penalties and managed to persuade HMRC to cancel them. This drastically reduced the debt for Noel, and gave him the confidence to take on negotiating with HMRC on the outstanding amount. TaxAid director Valerie Boggs told me that this was an unusually good result for the client: 'We don't often succeed on a penalty appeal where the client is still working. HMRC's view is that if you can work you can complete your tax return on time.'

Connecting the old and the new

The circumstances of the Christmas story portrayed by those wooden figures I mentioned is still very much in evidence: homeless couples, temporary accommodation, refugees, all are part of our world. Gabriel's case was typical. He is illiterate, so it was his partner who got in touch with TaxAid. Gabriel's debt was some £12,000, made up of tax determinations and penalties. He was struggling with drug addiction, but when he became homeless Gabriel was offered temporary accommodation at his partner's family home. Unfortunately, he was then arrested for the possession of a 'bladed article', so he moved into his brother's address, followed eventually by accommodation in social housing with his partner. She then

obtained a NVQ and was able to secure work.

During this period, however, Gabriel had not worked. For him it was a constant battle with his addiction and he fell into crime; he spent much of this time carrying out community service orders, resulting from various criminal convictions. By 2015, keen to escape the cycle of crime and drugs, Gabriel found work as a labourer in the construction industry. Now aware of his need to file a return, he submitted his 2016 tax return, which showed an overpayment of CIS tax withheld. To his horror, this was set against outstanding tax from earlier years and Gabriel was suddenly aware of his precarious tax position. During the long period of instability, Gabriel had become registered as self-employed, possibly through his brother and, of course, the inevitable happened: HMRC had issued penalties for non-compliance, followed by determinations, which surfaced once Gabriel was in the tax system.

As ever, TaxAid's approach was pragmatic: the charity made every effort to find details of income in earlier years, including a request under the Data Protection Act for any employment income or JSA. TaxAid also obtained evidence of the convictions. The result of this in depth approach was a claim for special relief for three years, supported by completed tax returns – which demonstrated that no tax was due.

Gabriel was overjoyed when the claim was accepted and the determinations reduced to nil. Even better, the CIS overpaid for 2015/16 was repaid to him, amounting to just less than £2,000. He and his partner now have three children, so the refund has helped them with all the costs that a family brings. Especially at Christmas.

The tax advice charities

TaxAid and Tax Help for Older People, the two sister tax advice charities, helped some 22,000 people in the year to March 2017. People like Noel and Gabriel come to them because they critically need professional advice – but can't afford to pay for it. All of them are vulnerable and many are in crisis. The help they receive is frequently life changing, and gets them back on their feet.

But demand for the charities' services outstrips their resources; and the funding environment for charities is becoming more challenging. Their Bridge the Gap appeal is therefore seeking support from the tax profession for their vital work.

Donate at www.bridge-the-gap.org.uk or email: grace@taxvol.org.uk

Image

