President's page, January 2018

Welcomes

01 January 2018

So, that was 2017

I thought I'd start the new year with a reflection on some of the key tax-related issues that arose during 2017.

However, I have to start with two events of the past year that are not purely tax related as they have much broader impact. The first was the General Election in June. A minority government faces difficult challenges at the best of times and this is certainly not the 'best of times'. The consequences of that election result have had a significant impact on the UK's ability to make progress on many vital areas, including tax and will continue to do so. The second event was the UK government giving formal notice under Article 50 of the Treaty of European Union of our intention to leave the EU on 29 March 2019. However one voted in the referendum, the practical implications of that decision are huge. It is crucial that all branches of government, including HMRC in particular, are given the resources to prepare for the new environment. Similarly, a lot more of our members will need to become familiar with customs duty issues as their clients start to interact with them for the first time.

The CIOT is proud of the report we produced jointly with the Institute for Fiscal Studies and the Institute for Government at the beginning of the year entitled Better Budgets: Making Tax Policy Better. One of the key recommendations of the report was to move to a single fiscal event and we are delighted that is happening. However, the report contained a number of other suggestions and it is good to see that the Chair of the Treasury Select Committee has recently been in open correspondence with the Financial Secretary to the Treasury picking up on a number of them. Of course, we have still had two Budgets this year but at least they have been shorter, with fewer (but still some) rabbits from hats! Whether that results from a commitment to better policy making or the fact that we have a minority government and Brexit is taking all of policymakers' attention is unclear.

In March, the revised version of Professional Conduct in Relation to Taxation ('PCRT') came into effect. Jointly sponsored by seven leading bodies whose members operate in tax, this was a significant step in the tax profession recognising the expectations of the society of which we are a part. I am pleased to say that all branches of government have reacted positively to our actions as have the overwhelming majority of our members.

The changes to the MTD proposals following the election are clearly welcome. Naturally all parties need to ensure we keep our focus and use the delay in implementation of the income tax elements of the proposals to prepare properly. Similarly, we need to focus on how we make the VAT elements as trouble free as possible, but this is an example of the government listening to representations and we should acknowledge that. Another example was the changes to the penalties for 'Enablers' of tax avoidance introduced in 2017 where the final proposals – although far from perfect – were less draconian than the first draft that had been proposed. One of the suggestions in Better Budgets is greater consultation so here's hoping these are indications of that. By contrast, the 'rabbit from hat' nature of the flawed attempt to address some of the employment/self-employment problem in the Spring Budget (which ignored the key issue of Employers NICs) was an example of the opposite. More generally, the growth in the number of people working in the 'gig economy' means this topic will remain a significant challenge for tax policymakers.

It is encouraging that government are consulting on proposals for taxing companies within the digital economy rather than rushing to legislate. It is also encouraging that they have confirmed a commitment to tax where value is created, but we would continue to counsel against the possibility of the UK taking unilateral action in this area, even on an 'interim basis'. Combined with some US tax proposals and CCCTB, we might see a reversal of a 30+ year trend towards consistency in international tax leading to an increased risk of double taxation and a reduction in cross border investment and trade.

Finally, all of us within the CIOT are struggling to come to terms with the sudden and tragic death of former President Chris Jones at the end of November. Chris contributed so much to the life and development of our Institute over such a long time that it is literally impossible to do justice to his efforts in just a few lines. As I write, dates are being finalised for a memorial service to celebrate Chris's life in late January, and a fuller tribute appears in the magazine. However, I know I speak for many readers who knew Chris when I say that we have all lost a great friend. Our

thoughts and prayers are with his family at this difficult time.

I wish you all a happy and successful 2018.

John Preston
President, CIOT