President's page, September 2018

Welcomes

01 September 2018

Let the really busy season begin

September already! The busy season is coming to an end and the really busy season is about to begin! Chris Jones told me once: ‘You wait years to be President, and then it’s over in a flash’. It certainly feels that way. There is so much going on at present: the office move I mentioned last month continues at a pace and we have just gone through a process to find a new Editor in Chief for Tax Adviser and this month is the first issue under Bill Dodwell.

But there is lots more beside that. The Technical team and Committees have been busy responding to numerous consultation documents including HMRC’s plans to review its Schedule 36 powers. Then there is the 30 September ‘requirement to correct’ (RTC) deadline that I am sure has kept many of you busy this year. The whole RTC is baffling; recently I was discussing with two very experienced tax barristers whether 2016/2017 was within requirement to correct and total confusion ensued (don’t panic, Mr Mainwaring, we got there in the end, I think!)

Of course, it’s possible that RTC and the increased risk of being caught will finally see UK residents with hidden offshore assets coming clean. But what if they don’t? After this month what incentive is there to do so if the minimum penalty is 100%? And if they don’t come forward in droves, what then, even more draconian rules? Recent practice suggests ‘yes’; however, if RTC fails (remember the relatively low yield from the ‘LDF’, the Swiss tax agreement, and the other ‘facilities’) the Government must seriously question whether the huge pot of gold hidden offshore by UK residents, that has been promised to it by HMRC for so many years, actually exists?

Dave Hartnett, the former HMRC boss, used to lament the amount of talent the professions seemingly employed in planning whizzy tax schemes; how do we

respond to a tax authority that appears to prioritise reducing a ‘tax gap’ – with more and more Parliamentary time and HMRC resource spent on what is only ever a small proportion of the overall tax take – at the expense of so many other things that leave ordinary taxpayers struggling to make sense of their obligations?

The other big tax story has been Amazon. This has become the tax equivalent of the Elgin marbles, appearing each year in the summer. Even among CTAs opinions are sharply divided so the general public can be forgiven for being utterly confused. Amazon is first and foremost an amazing business that has revolutionised shopping for millions. Leaving aside whether Amazon pay too little tax, there are some really interesting questions as to how any large corporate should respond in circumstances where the spotlight is on them? Publicly at least Amazon have taken the ‘we pay all of the tax legally due’ approach and many will question whether this is an adequate response (we obviously don’t know what such companies say privately) to its thousands of employees, shareholders, and the communities Amazon serves. But the total tax paid by Amazon (and by others as a result of the business it generates) is almost certain to be very many times the reported numbers and globally its overall tax contribution is likely to put a different complexion on the debate.

Of course we all know that cross border tax rules did not have global enterprises such as Amazon, Apple and Google in mind when they were designed. It is therefore unlikely that such companies can explain their tax position in a way that is out of line with what we all assume is the position, but the pressure for a transaction tax on online businesses (so cutting the cake differently) steadily builds; the online giants risk tax changes being imposed on them by the UK and Europe further increasing tensions with the United States. The controversy also raises really important questions for Government and others as to whether in the end the general public really care about the tax paid by online companies? We all to some extent assume they do but the continued growth in online business would possibly suggest otherwise!

What has the CIOT ever done for us? I would really like to hear from you with your views on that question, good and bad. In recent years Council has been faced with hard financial and strategic choices. Costs continue to increase and as digital delivery becomes the standard, maintaining paper copies that many (me included) prefer becomes ever more expensive. We also ‘waste’ money every year chasing unpaid members’ subs, missing annual returns, money that could be put to much better use. Making sure your personal details are up to date, paying your fee

subscriptions by direct debit, and completing your annual return promptly – these are easy and personal ways of helping keep your Institute’s costs down!

Finally, congratulations to Victoria Todd on becoming the new head of the LITRG team, succeeding Robin Williamson. I am looking forward to working with her and I wish her success in taking LITRG forward from its already formidable position!