President's page, December 2019

Welcomes

01 December 2019

Not a traditional December...

December is traditionally a month for looking back over the year and reflecting on what has been achieved. However, at the time of writing it seems to me that the defining moment for 2019 will come after this month's Tax Adviser has hit your desk or inbox; this being the general election on 12 December. It doesn't yet feel like a time for reflection, so you will need to wait for my President's Report in the Institute's Annual Report for my thoughts on 2019, I am afraid.

As I compose this page, the election campaign is in its very early stages, and the parties are giving prominence to spending plans rather than tax changes. However, it does appear that we are back to a position where there are significant differences on taxation policy between the two largest parties at Westminster, compared with elections up to 2015, where the differences were relatively small. We are also in a position where the impact of policies on devolved taxes has to be analysed. It is not the CIOT's role to pass judgement on any party's policies; however, we may be asked from time to time to provide expert unbiased comment, which we can and will do within public interest requirements and constraints.

On 31 October, there was a Ministerial Statement issued stating that the next Finance Bill would include legislation to ensure certain notices issued automatically by HMRC were valid; and that the legislation would be retrospective to cover notices issued prior to that date. This retrospection in particular caused legitimate concerns in the tax community, and the CIOT has been in discussions with HMRC on this announcement. By the time you read this, the particular issue may have progressed. However, whatever the actual legislation finally introduced, the reality is there is much in the tax system that can benefit from automation, and it has an important part to play in ensuring the system runs cost-efficiently. Many taxpayers' liabilities could be fully determined and confirmed by transmission of the correct data to the

tax authorities from sources such as employers, pension providers, financial institutions and share registrars; moving towards such a position is sensible. However, profit based taxes and capital taxes involving asset valuations and complex reliefs do not lend themselves so easily to automation. It is no coincidence that the first tax to come into Making Tax Digital is VAT, a transaction based tax.

As well as the taxes themselves, the difficulty of a digital transition is being increased by changes in the economy. More people are finding themselves in a position of self-employment or a mixture of self-employment and employment; and through the growth of buy to let and 'pension freedoms', more people are moving into more complex areas around the taxation of savings and investments. In the short to medium term, a lot of taxpayers are going to require help in transitioning to a more digital environment. Both the CIOT and the ATT have consistently given HMRC the message that it is vital they see the agent community as partners in MTD, rather than seeing digitalisation 'replace' agents with a 'direct relationship' between taxpayer and tax authority. The latter would, in my view lead to many more errors in compliance and payments, and an increase in the tax gap.

In the longer run, digitalisation is likely to mean that CTAs will need greater insight into how technology can capture and transmit data from taxpayers to tax authorities, and vice versa, so that tax advisers can intervene in the process in the most appropriate way and at the right time. Developing the CIOT's educational offerings to meet this challenge was one of the themes at the Council Strategy Day on 15 November, and I suspect this is something to which future Presidents will return often in these columns.

It has become something of a tradition for HMRC to announce how many people file their self-assessment returns on Christmas Day. This is, perhaps, a reminder that whilst most of us will be celebrating at the end of December – Christmas, another religious festival or just celebrating – for some this is not a time for joy. Whilst I suspect a number of those filing tax returns are doing so out of choice (and for some it may be a form of celebration), many people find themselves in circumstances where there is no option to celebrate. I am aware that the tax community is a generous one, and you will have your chosen charities at this time of year. Could I ask you though to please consider an extra donation this year to our Tax Charities? Either directly through Bridge the Gap, or through sponsoring the Kilimanjaro Challenge? My page is now open and you can find the other walkers on the team page.

Many thanks for all your support for the Institute in 2019. Seasons Greetings, and see you in 2020!