Welcome to the March Technical Newsdesk

Welcomes

28 February 2020

Much of this month's Technical Newsdesk reports on the Budget representations that the CIOT, ATT and LITRG recently submitted. These set out our recommendations for action regarding particular areas of concern.

A Budget representation is a written representation from an interest group, individual or representative body to HM Treasury with the aim of commenting on government policy and suggesting new policy ideas for inclusion in the next Budget. HM Treasury welcomes representations as part of the policy making process.

The deadline for Budget representations was 7 February 2020. The ATT, CIOT and LITRG submitted a number of representations, which we report on below. None of these representations 'stand alone', but are part of a wider engagement we are having with HMRC and other policymakers on the relevant issues.
Some of the themes addressed within the Budget representations carry over into the other activities which we report on this month. Employment taxes continue to figure prominently, whether regarding the draft legislation covering the application of Class 1A NIC contributions on termination payments and sporting testimonials from April 2020, liaison with HMRC and others around the review of the proposed new off-payroll working rules, or the call for evidence on taxation issued by the Women's Budget Group and its Commission on a Gender-Equal Economy.

Our Welsh Technical Committee tackled the difficult question in the context of devolved taxes (I'm paraphrasing) of how much you can flex rates of income tax before there is a significant behavioural shift, as well as how to make Welsh law more accessible, clear and straightforward to use.

How many of us glaze over a little when we hear words such as cryptoassets, blockchain and AI? We continue our engagement with HMRC and others in this area,

and as we report guidance has recently been published by HMRC. But this is still a niche area, and it would be wise to seek an expert opinion if you or your clients need advice.

Finally, returning to the theme of making representations to government and HMRC, there is something which is causing me increasing concern – and is in part borne out in the Budget representation we made on MTD.

The government typically consults on tax changes. Yes, the process might start later than it should, but we normally get some form of consultation on the proposed changes, and then an opportunity to comment on the draft legislation. This is all well and good in getting the wording of the legislation right, but what about the practical implementation of the measure? I am thinking in particular of those which will require software or systems to be changed, or even created from scratch, in order to enable compliance.

Let’s take the forthcoming 30 day CGT reporting and payment period which comes in for disposals of certain residential properties this April (which is particularly on my mind as Helen Thornley and I are raising this at a Representative Bodies Steering Group meeting with HMRC this week). The changes are being implemented as a new, stand-alone ‘property account’, which is not integrated into the Personal Tax Account, and requires clients to be able to digitally authorise their agents. With two months to go, testing is still ongoing and, contrary to HMRC’s ‘API first’ strategy, no API is available to allow agents to report directly from software. So, even if individuals know they have a disposal to report (and communications are a further concern, as there’s limited information on GOV.UK at present), we have yet to see the finished reporting system, while the process for doing reporting will not be intuitive and seems to depart from HMRC’s wider digital strategy.

This is not an isolated concern. The lack of sufficient time to develop and test new software and systems was one of the difficulties with the roll-out of MTD for VAT, and the same could be said for the VAT reverse charge for the construction sector, the off-payroll working rules, and ‘DAC 6’. You can probably think of others.

We have highlighted this concern to the Tax Professionals Forum (see https://www.gov.uk/government/groups/tax-professionals-forum), and continue to raise it with HMRC and ministers. Let’s hope the 11 March Budget does not give us more examples.