‘Tax Day’ and Budget 2021 – continued

General Features

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A roundup of the CIOT, ATT and LITRG’s ‘Tax Day’ activity, our submissions to the Treasury Committee, and the next steps in the Budget and policy making process.

Last month (www.taxadvisermagazine.com/budget2021), we provided a round-up of our activity in relation to the Budget.

We have since then had the inaugural ‘Tax Day’ on 23 March, submitted our response to the Treasury Committee’s inquiry into the Budget and Tax Day, and started preparing our briefings for MPs on Finance Bill 2021.

‘Tax Day’

I should probably start by explaining that Tax Day is a short-hand name for something probably better described as ‘Tax Policies and Consultations Day’ – though Tax Day is much snappier and sounds much more exciting.

On the one hand, we are pleased that the day lived up to its name by launching a number of early stage consultations. We have become accustomed to consultations starting at stage two of the tax consultation process (see tinyurl.com/2mb4bmhr), missing the vital first step of gathering evidence, setting out objectives and identifying different options to take forward. Indeed, most of the consultations launched on Tax Day were stage one consultations.

On the other hand, we were disappointed that these consultations were largely in relation to administrative matters. Yes, we were expecting these, and it is incredibly important that we have a tax system designed for the 21 st century. However, it seemed to miss the opportunity to consult on some of the structural problems within the tax system such as the ‘three person problem’, or on the future of particular

taxes such as VAT, or wider matters like the taxation of property. We worry that fundamental tax changes will continue to be announced for the first time at the Budget, without adequate prior consultation.

Treasury Committee inquiry

After each fiscal event, the House of Commons Treasury Committee opens an inquiry into the extent to which that event meets its principles of tax policy expressed in its 2011 report 'Principles of Tax Policy' (tinyurl.com/dhyssxd7) – the principles being that tax policy should be fair, support growth and encourage competition, provide certainty and stability, be practicable, and be coherent.

This year, the Committee added the twist of also asking for feedback on Tax Day, and for the comments to also reflect the findings and recommendations of its Inquiry 'Tax after Coronavirus' (tinyurl.com/3rnz7wpe). These findings and recommendations can be loosely summarised as:

- the tax system needs reform (but through a consultative approach), removing distortions which add complexity or promote particular behaviours;
- setting out principles, objectives and strategies resulting in more certainty and long-term decisions; and
- balancing the need to support businesses, whilst raising revenues without damaging growth.

The CIOT (incorporating comments from LITRG) and ATT responded to the Inquiry.

Our comments in relation to Tax Day were largely consistent with those set out above, and so scored highly against the Committee's principles of tax policy, though less so against its Tax after Coronavirus report because of the lack of 'meat' on Tax Day.

Our comments in relation to Budget Day were mixed, but largely favourable. Due to the need to respond to the pandemic, we recognised it would not be possible to undertake the type of consultation that would be expected in relation to 'normal' changes.

On the COVID-19 measures, we again praised the government, HMT and HMRC for the speed in which they rolled out the key support schemes, and have continued to prioritise their delivery. However, we remain disappointed that the government has

not done more to fill the gaps in support, particularly considering the length of time since the Job Retention Scheme and Self-Employment Income Support Scheme were originally announced. In this regard, we noted that this deepened the inevitable tensions between fairness and practicality.

More generally, we recognised that freezing many of the thresholds and allowances complies with many of the Committee's principles, and appears consistent with the aims of raising revenues without damaging growth. However, this will also mean that many will have to deal with the complexity of tax matters for the first time.

We welcomed the extension of the loss carry-back rule, which the CIOT has been suggesting over the past year. We also welcomed the 'super-deduction', to support business investment which might otherwise have been deferred until 2023 when the higher rate of corporation tax comes in. However, we remain concerned at the constant tinkering with the rules and rates of capital allowances – particularly the annual investment allowance, a recurrent ATT theme. On corporation tax, again the early announcement of the future increase also provides some clarity and certainty, but the reintroduction of the small profits rate increases complexity. It also misses an opportunity to allow the increased corporation tax rate to reduce the imbalance between the tax burdens on employment, self-employment and those operating through a company.

Our full responses to the Committee's inquiry will shortly be available on the CIOT and ATT websites.

Next steps

We are currently in different stages of the various Budget cycles. The Finance Bill was published on 11 March 2021 and we are currently preparing written and oral briefings for MPs' debates. More on that next month.

We will be responding to many of the consultations that were launched on Tax Day. Take a look at the consultations pages of our websites, or the Tax Day 'collections' page on GOV.UK (tinyurl.com/ukzsvsdn). We would welcome your views at technical@ciot.org.uk, atttechnical@att.org.uk, or litrg@ciot.org.uk.