Welcome to the December Technical Newsdesk

Welcomes

30 November 2021

Well, it’s been a busy few weeks for the CIOT, ATT and LITRG technical teams.

The Chancellor delivered his Budget on 27 October 2021 and, whilst it might have been light on headline grabbing tax announcements, there was still plenty of detail for us to work through. All three bodies published several press releases on Budget Day itself.

The announcements in the Budget meant the UK could get its 21 st new tax since the year 2000, if the government goes ahead with a proposal to introduce an online sales tax. We were, though, pleasantly surprised to see the announcement of a consultation to explore the arguments for and against such a tax, rather than it being presented as a fait accompli, seemingly bucking recent trends (see below).

The CIOT said that the government should not just keep adding to the number of taxes the UK has (see www.tax.org.uk/pr21newtaxes). The Chancellor referred eight times in his speech to tax simplification, yet we could be looking at six new taxes in the space of a couple of years – as many as in the previous eight years. Meanwhile, no taxes have been abolished over this period. This includes only taxes introduced by the UK government.

If Scottish and Welsh taxes are included, this would add at least four further taxes to the total. Adding this number of new taxes to the tax code is not simplification!

On the topic of simplification, the ATT highlighted that the extension of the temporary increase in the annual investment allowance (AIA) to 31 March 2023 creates an opportunity to simplify the transitional rules to help smaller businesses (see www.att.org.uk/PR_AIA).

The CIOT also commented on the spending review as it affects HMRC, noting that the HMRC settlement amounts to a real-terms growth rate of 1.2% per year over this Parliament. Whilst we are not experts in running a large customer services organisation, given the significant pressures on HMRC and the changes – digitalisation, new taxes, new customs arrangements – they have to manage, we worry it is less than they need.

LITRG produced a very helpful summary of the Budget's tax and related announcements of most interest to those on low incomes (see www.litrg.org.uk/ref2575).

The Finance Bill, which covers many of the measures announced, as well as updated legislation on basis period reform, was published on 4 November.

The CIOT has also provided evidence (which included observations from LITRG) to the Treasury Committee Inquiry into the Autumn Budget and Spending Review 2021, which included observations from LITRG. We expressed our disappointment that, unlike the Spring Budget and 'tax consultation day', subsequent tax policy making has largely ignored the tax policy making process (see tinyurl.com/f5kutuwy).

Significant tax announcements are made outside of fiscal events, and consultations on substantial changes are being condensed into multiple stages over short periods. We continue to see that where the tax policy making process is not followed, the resulting legislation fails to meet the policy aim and brings many implementation problems. Our evidence to the committee can be found on our website at: www.tax.org.uk/ref865.

We have set out in more detail below our work on the Budget and Finance Bill, and if you have any comments on these measures please do send them to technical@ciot.org.uk, atttechnical@att.org.uk or LITRG@ciot.org.uk.