Basis periods: government commits to explore further easements

Briefings

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The government has accepted recommendations from a House of Lords sub-committee that it should reassess the compliance costs of basis period reform and consider further mitigations to the additional tax liabilities that the reform will generate.

The sub-committee had drawn heavily on evidence provided to it by ATT, CIOT and LITRG. In its response, the government states that it is ‘planning to explore the issue of provisional figures with stakeholders and will consider whether and how to introduce further easements… After this, the government will reassess the administrative costs and savings to businesses of basis period reform under the options being considered.’

In addition to accepting two of the sub-committee’s recommendations, the government has partly accepted a further six, including promising to inform businesses of overlap figures HMRC hold where they have them, and looking into the feasibility of reconstructing overlap figures where records are not held. This positive move was largely in response to evidence provided to the committee by LITRG and CIOT.

On a number of recommendations, the government is talking to stakeholders and considering the way forward, including LITRG’s proposal that HMRC should ‘proactively identify … unincorporated businesses with accounting period ends other than 31 March or 5 April to encourage them to consider the impact of basis period change as soon as possible’.

However, the government rejected recommendations that: MTD for Income Tax should be further deferred for some taxpayers; all consultations involving a significant reform of the tax system should begin at Stage 1; and there should be an

independent report on HMRC customer service levels and capacity.

A fuller report can be found at: www.tax.org.uk/basis-periods-government-commits-to-explore-further-easements