Finance Bill measures hailed

Briefings

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CIOT and ATT have welcomed the publication of draft Finance Bill legislation containing measures the two bodies had been calling for.

Draft legislation on support for pension saving addresses a longstanding inequality which the CIOT's Low Incomes Tax Reform Group (LITRG) have been campaigning on since 2018.

The legislation aims to address the issue of an estimated more than one million low-income workers (mostly women) not receiving a government incentive to save into their workplace pensions. The issue arises because workers contributing to net pay arrangement workplace pensions do not get tax relief on some or all of their pension contributions if they do not earn enough. By contrast, if their employer chooses to operate a relief at source scheme, the worker obtains tax relief via a separate mechanism, even if they are a non-taxpayer.

The government's proposal will give equivalent payments to those missing out on tax relief, enabling those affected to claim an average estimated rebate of £53 a year.

CIOT President Susan Ball said: 'This is another step towards ending this pension injustice affecting more than a million low-income workers. LITRG deserve huge credit for their role in building support and momentum for this much-needed change.'

However, Kelly Sizer, who has been leading LITRG's campaign on this issue, expressed disappointment that HMRC will only be implementing payments to those affected from 2025/26 – backdated to 2024/25. 'Given that this issue has been known about for many years, and the numbers affected have been steadily increasing, we would have liked to have seen backdating to at least the 2021/22 tax year,' she said.

CIOT and ATT also both welcomed draft legislation making it less likely that divorcing couples will be hit by capital gains tax (CGT) charges. The proposal to give separating couples a longer window in which to transfer assets on a ‘no gain, no loss’ basis had been suggested by both bodies during an Office of Tax Simplification (OTS) review of CGT which reported last year, and reflects a recommendation from that review.

Jon Stride, Vice Chair of the ATT Technical Steering Group, said: ‘The proposals will benefit many divorcing couples. It can take time to agree a fair split of assets and the current rules operate in an unfair and inconsistent way.’

The easement for divorcing couples is the second recommendation from the OTS CGT report to be legislated for, following the extension of the UK property CGT return window (another measure CIOT and ATT had pressed for). However, CIOT have pointed out that most of the OTS’s recommendations for simplifying CGT remain unimplemented, including some measures accepted by the government.

One measure not in the draft Finance Bill is any change to the timing of when the self-employed and landlords have to register with HMRC, following HMRC’s announcement that it has decided against changes in this area. CIOT and ATT welcomed this announcement. In responses to HMRC’s call for evidence, both had argued that any advantages to requiring earlier registration would be outweighed by the disadvantages.

John Cullinane, CIOT Director of Public Policy, said the proposed change would have meant ‘significant upheaval’ for the newly self-employed and first time landlords.

Jon Stride said he was ‘very disappointed’ not to see any response to the criticism from ATT and others about HMRC’s IT systems. ‘Feedback from our members suggests that improving the operation of HMRC’s IT systems and processes for dealing with self-assessment registration would greatly improve the experience both for taxpayers and their agents,’ he said.

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