Engagement with politicians and parliament

General Features

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A summary of CIOT, ATT and LITRG recent activity

As a not-for-profit organisation, the CIOT's primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. LITRG is an initiative of the CIOT and works to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. The ATT's primary charitable objective is to promote education and the study of tax administration and practice. Key to achieving these aims is constant interaction with policy-makers and parliament, and we report on some of the recent activity below.

Meeting with David Gauke

In mid-January, representatives from the CIOT met David Gauke MP (financial secretary to the Treasury), John Mundy (private secretary to the financial secretary), Theresa Middleton (HMRC's director of business customer and strategy), and Jeremy Tyler (HMRC's deputy director of business and agent strategy).

The agenda included digitalisation and agent access, HMRC powers, glitches in new legislation, and benefits of tax roadmaps and consultation, and the scrutiny of tax reliefs.

Making Tax Digital for business – briefing for MPs

The CIOT and LITRG provided a briefing note to MPs on the Making Tax Digital project for the Westminster Hall debate on 25 January 2016 on e-petition 115895, relating to tax reporting for small businesses and the self-employed.

Both organisations were quoted directly a couple of times during the debate. Read the full briefing at here.

House of Lords Economic Affairs Committee Finance Bill submission

The Finance Bill sub-committee's (FBSC's) inquiries focus on technical issues of tax administration, clarification and simplification. This year the FBSC is concentrating its inquiry on the extent to which the measures proposed in the draft Bill contribute to the simplification of the personal tax system and their impact on the compliance burdens of individual taxpayers. The FBSC invited evidence on these cross-cutting issues with particular reference to three topics:

1. Proposed changes to the taxation of savings and dividends (clauses 1 to 4);
2. Simple assessments (clause 71); and
3. Office of Tax Simplification (clauses 83–88).

The written submissions can be found on the CIOT, LITRG and ATT websites and largely mirror the submissions made to HMRC in relation to those draft Finance Bill clauses. John Cullinane (tax policy director of CIOT) and Robin Williamson (technical director of LITRG) gave oral evidence on behalf of their organisations.

Contribution to APPG on BEPS

The CIOT responded to the consultation by the All-Party Parliamentary Group on responsible tax on the impact of the G20/OECD base erosion and profit-shifting (BEPS) proposals.

The CIOT continues to be broadly supportive of the BEPS. Noting the significant achievement of the OECD in pulling together the reports from the BEPS project, we said there is still much work to be done in implementing the BEPS outputs. There remain significant obstacles to reaching an international agreement for a set of rule changes that reduce unintended outcomes and increase the quality of information available to tax authorities without leading to excessive reporting requirements and harming international trade.

We also cautioned that the timing of any changes to UK tax legislation must be carefully planned to ensure they are implemented at the same times as other countries to ensure the UK is not placed at a competitive disadvantage, risking investment and jobs. It is also important that there is time for companies to adjust and for co-ordinated introduction across jurisdictions.

We remain of the view that transfer pricing should be at the heart of the rules for taxing multinational companies. Transfer pricing, based on arm's-length prices, has its difficulties, especially when measuring the value that should be attached to intangible assets such as brands. However, the underlying principle–that profit should be taxed in the country where it is generated–is sound, and we anticipate that it will endure, strengthened by tax authorities' improved access to information.

The challenges facing tax administrations in developing countries are different from those in developed economies. Corruption and absence of the rule of law are probably the biggest obstacles to effective tax administration in developing countries, along with lack of administrative expertise and/or lack of understanding of the broader international tax and reporting context in which multinationals operate. Measures to improve governance, strengthen the rule of law and develop expertise are at least as important to effective tax administration as any tax-specific measures.

We concluded that it is too early to judge with any certainty the impact of the BEPS project on the UK or elsewhere. The implementation phase, which we are now entering, will be as important as the drawing up of recommendations.

House of Lords submission re: housing

The CIOT responded to the call for evidence from the House of Lords select committee's inquiry into the economics of the UK housing market. The inquiry will consider the economic factors that influence the demand for and availability of low-cost housing to buy and to rent. The call for evidence asked these questions about taxation:

- Are there tax measures that would improve housing supply and affordability?
    - will the proposed changes to inheritance tax due to come into effect in April 2017 have any impact on 'downsizing' or housing supply in general? And

    - has the 2014 reform of stamp duty land tax improved the affordability of houses for first time buyers? Should there be further reform to stamp duty?
- Will the reduction of tax relief available to private landlords announced by the chancellor in the 2015 Budget increase the cost of privately rented accommodation?
- A copy of the CIOT's submission can be found here.

The shifting sands of UK tax policy and the tax base

The House of Commons' Treasury committee has also launched an inquiry into 'the shifting sands of UK tax policy and the tax base'. Further information can be found here. The CIOT plans to prepare a response to the inquiry.

As an introductory part of that inquiry, John Cullinane was part of a panel of three quizzed by the committee as it began to consider whether radical changes were needed to corporate taxation.