We’re still here to help: LITRG at 25

General Features | Personal tax



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2023 marks the 25th anniversary of the CIOT’s Low Incomes Tax Reform Group. In this article, we look back at some of the group’s notable achievements.

Key Points

What is the issue?

The CIOT’s Low Incomes Tax Reform Group celebrates its 25th anniversary this year. Since 1998, the group has worked to secure improvements to the tax system for the benefit of low-income, unrepresented taxpayers through policy and process changes.

What does it mean for me?

One of the CIOT’s key aims is to achieve a more efficient and less complex tax system for all. The LITRG supports these aims by seeking to make the tax system simpler and fairer for those on the lowest incomes who are unable to pay for advice.

What can I take away?

People on low incomes who are unable to afford tax advice need their taxes to be as simple as possible and need to be able to access guidance and support. While there is always more to be done, thanks to the dedication of its staff and volunteers, LITRG has had many notable achievements.

The Low Incomes Tax Reform Group (LITRG) was established in 1998, when John Andrews, then President of the CIOT, identified the need for low income, unrepresented and often vulnerable taxpayers to be better supported by the tax profession and for their voice to be heard by those administering the tax, and related benefits, system.

With the approval of CIOT Council, LITRG was created with a remit:

‘To target for help and information those least able in the community to afford tax advice and make a real difference to their understanding of taxation and to work to make the tax system more friendly to their needs.’

In the quarter of a century that has passed since it was formed, LITRG has fulfilled the mandate originally given to it by campaigning for, and securing, improvements to the tax and related welfare benefits systems for unrepresented taxpayers.

Today, LITRG’s website guidance is used by over 5 million people each year. This includes low-income taxpayers in employment and self-employment (complicated these days by the rise of the gig economy and ‘false self-employment’ issues), students, migrants, pensioners, those who have been bereaved, and disabled people and their carers. Its guidance is also used by advisers, both those in the profession and in the welfare advice sector.

Thanks to the hard work and dedication of our staff and volunteers, and the relationships that have been established and nurtured over two and a half decades, there is much to reflect on with pride. LITRG’s 25th anniversary offers an opportunity to look back at the evolution of the group, its successes in making the tax system better for those on low incomes and its plans for the future.

A helping hand for older taxpayers

One particular focus of LITRG's early work was on improving the tax system for older people. Having heard from hundreds of pensioners who had written to share their experiences of dealing with the then Inland Revenue, LITRG published its first report, 'Older people on low incomes: the case for a friendlier tax system', in December 1998.

The report helped to lay the groundwork for a number of changes to the tax system in the early 2000s. They included: revisions to the guidance for claiming Blind Person's Allowance; the reversal of a government decision not to extend the starting rate of taxation to savings income; changes to the timing of coding notices for age-related tax allowances; and alterations to the taxation of retirement annuities, ensuring that pensioners would have the correct amount of tax deducted at source rather than at the automatic basic rate amount.

LITRG's early work also led to the creation in 2003 of Tax Volunteers, who provide the Tax Help for Older People service, a charity born from pilot tax advice surgeries pioneered by LITRG in 2001 to help older people with their tax affairs. Today Tax Help works closely with the other frontline advice tax charity Tax Aid, and overall they provide free help and advice to nearly 20,000 people a year.

LITRG has also secured changes to the tax system for those saving ahead of retirement. The 2021 commitment from the government to address an inequality that had been preventing some low earners from receiving tax relief on their pension contributions was the result of a campaigning coalition led by LITRG in partnership with others including the pensions industry and leading politicians.

Having first secured a commitment to act in the 2019 Conservative election manifesto, legislation in the Finance (No.2) Bill 2022-23 will mean that, from 2024/25, over a million low-income workers (around three quarters of whom are women) will be entitled to receive a rebate of up to £63 per year from HMRC, equivalent to the tax relief they would receive on their pension contributions.

Branching out

As well as older taxpayers, among the other groups LITRG identified as having the potential to be on low incomes and experiencing difficulties with the tax system were students and people with irregular working patterns; for example, those moving between employment, self-employment and unemployment.

LITRG's 2001 report 'Students: the case for making life easier' convinced the Inland Revenue to embark on a major review of the way in which they communicated with students. Other successes around this same time were:

- persuading the Inland Revenue to launch a 'Taxback' campaign encouraging non-taxpayers to reclaim tax incorrectly deducted from their wages and savings income; and
- significant simplification of the working families tax credit application process for the self-employed, with the original 30 box application form reduced to three lines.

Tax credits

The introduction of tax credits in 2002/03 became an important focus for LITRG due to the measure of income being based broadly on a person's taxable income and the credits being administered by the tax authority. A particular area of focus was tax credit overpayments, with LITRG helping to challenge government policy to make it easier for affected taxpayers to better manage their debts. LITRG helped to achieve an increase in the amount of extra income a taxpayer could receive before having to repay overpaid tax credits from £2,500 to £25,000. Fairer processes were also secured for determining how and when overpayments should be repaid, especially in cases of official (as opposed to claimant) error.

LITRG also led an alliance of charities in campaigning for the right to 'notional entitlement'. This involved situations where taxpayers may not have realised the need to report a change of circumstances (or had been slow to do so), such as the start or break-up of a relationship. This meant that any overpayment could be reduced by the amount they would have been entitled to had they reported the change and made the new correct claim at the right time.

In 2016, following a government announcement that it planned to cut working tax credit entitlements, LITRG's parliamentary briefings were highly influential and much quoted, particularly in the House of Lords, in explaining the very complex proposals which allowed them to be properly debated.

Building relationships

LITRG's reputation has grown steadily over the last 25 years, allowing us to give a voice to the unrepresented taxpayer in the development of tax policy and administration. Much of this is possible thanks to the relationships that we have built with officials across the UK and in the devolved governments and parliaments in Scotland and Wales. These are built on trust and respect and have allowed us to contribute to the development of legislation, often before any definite policy has been decided by those in charge. These early interactions can deliver meaningful change for those taxpayers we seek to help.

However, when things go wrong, we are also not afraid to speak out in public with the aim of influencing change and shining a light on areas of concern. A recent example of this was our work over the last year to raise awareness of the potential problems associated with certain tax refund companies. Our work in this area resulted in HMRC agreeing to take action not just to tackle the specific concerns that had been raised with us by refunding over 60,000 customers of one particular refund company, but to improve their processes relating to the wider repayment agent market, including the removal of assignments and the strengthening of standards for agents.

Communicating with taxpayers

One of LITRG's big successes has been the development of its website as a source of comprehensive information, guidance and support for taxpayers, providing access to practical guidance and detailed information to help them feel more confident when dealing with HMRC.

> ‘I already knew various snippets of information but one sentence on your website joined all of those bits together. Just that has really made my day… Thank you for simplifying the heaps of garbage that I’ve read about this.
>
> *Member of the public commenting on LITRG website guidance on student loan repayments*

Although aimed at those unable to pay for advice, the information on LITRG’s website is widely used by tax professionals who have told us that they find it a helpful source of guidance for areas of tax that they may not deal with on a regular basis.

The site also helps users to join the dots within – and between – the tax and benefits systems. Such are the concerns with the way tax guidance is now provided via GOV.UK that LITRG recently produced a major report on ‘good guidance’ highlighting the need for improvements.

An example of the power of LITRG’s website came during the Coronavirus pandemic. HMRC had to work at speed to deliver government support schemes like the Self Employment Income Support Scheme and Coronavirus Job Retention Scheme. LITRG contributed to discussions as these and other support mechanisms were developed, which not only allowed us to help improve them for unrepresented taxpayers but also put us in a good position to provide a central and comprehensive source of guidance for the public. LITRG’s dedicated pandemic support pages, containing guidance on the suite of government measures designed to support the economy through the emergency, were viewed by more than 1 million people.

Most of LITRG’s guidance can be accessed on www.litrg.org.uk. In 2022, 5 million people visited LITRG’s websites looking for support. In 2011, funding from HMRC enabled us to set up www.revenuebenefits.org.uk, a website designed to provide information on HMRC entitlements including tax credits and child benefit. It won a Taxation Award in 2012 for ‘Best Technological Innovation Award’ and funding is expected to continue to 2024. This site will then be wound down due to the transition from tax credits to universal credit.

Our people

LITRG is part of CIOT's public policy directorate. The group is headed by Victoria Todd and supported by a staff team of Chartered Tax Advisers (6FTE), an administrator, part-time website manager and a secondee from HMRC. The staff team continue to be supported by the LITRG advisory panel made up of volunteers, some of whom have been part of LITRG since it began (see www.litrg.org.uk/about-us/litrg-volunteers). The team's recent accomplishments were recognised in 2020 when LITRG won the Best Specialist Team in a Public or Not for Profit Organisation category at the Tolley's Taxation Awards.

The LITRG that exists today would not have been possible without the dedication and hard work of many people. Included in this is the foresight of John Andrews, who saw the need for an initiative such as ours, and the guidance and counsel of subsequent committee chairs.

An article about the last 25 years cannot be written without tribute to Robin Williamson, LITRG's long time Technical Director until 2018 and subsequent volunteer, who sadly passed away last year. Robin was a role model and mentor to many of us and directly responsible for many of the successes discussed in this article. His legacy will continue to live through the 'Robin Williamson Grant', which is being launched this year to support research into issues affecting low income taxpayers, the rights of whom Robin was a steadfast champion.

Towards the next 25 years

Many of the issues LITRG has grappled with in its first 25 years remain as relevant today as they did back in 1998. But there are new challenges too. The rise of the gig economy, the continued strains on HMRC's resources and the push to digitise the tax system all present challenges for low-income, unpresented taxpayers.

This is a reminder, if one was needed, that LITRG's role, while evolving, still plays an important role in delivering on CIOT's charitable purpose, and is needed as much as it was 25 years ago.

Image

LITRG AT 25: A TIMELINE OF SUCCESS

1998	LITRG is established by CIOT Council. Its first report, 'Older People on Low Incomes – the case for a friendlier tax system', leads to changes to the tax system helping the pensioner population.
1999	LITRG's influence leads to the government retrospectively extending the starting rate of tax to savings income.
2000	The then Inland Revenue agrees to LITRG representations to simplify the working families tax credits application process for the self-employed. A 30-box form is reduced to three lines as a result.
2001	LITRG launches pilot tax advice surgeries in Wolverhampton and Dorset to make the case for a free advice service called Tax Help for Older People.
2002	LITRG participates in a major Inland Revenue project to revise its guidance for students following the publication of its report 'Students, the case for making life easier'.
2003	The success of LITRG's pilot surgeries leads to the creation of the company Tax Volunteers, which shortly after became the charity providing the Tax Help for Older People service.
2004	A major LITRG report on disability and the tax and benefits system leads to legislation removing offensive terms like 'lunatic' and 'insane' from tax statutes.
2005	Retirement annuities are taxed under PAYE, ensuring the correct amount of tax is deducted at source following a LITRG campaign.
2006	Treasury Select Committee adopts a LITRG recommendation to achieve greater fairness in the way HMRC decides to collect or write-off tax credit overpayments as a result of official error.
2007	LITRG and other groups produce a report on the interactions between benefits and tax credits that will be cited in a 2010 White Paper making the case for universal credit.
2008	LITRG leads the debate on the abolition of the 10p rate of tax, securing a change in government policy increasing the personal allowance to ensure those affected would not lose out.
2009	A coalition led by LITRG persuades HMRC not to collect the tax arrears of 420,000 low-income pensioners.
2010	LITRG successfully campaigns for legislation that ensures low-income migrants do not need to declare small amounts of money held overseas.
2011	The 'Revenuebenefits' website is launched, the first of its kind providing a one-stop shop to advisers for information on HMRC entitlements like tax credits and child benefit.
2012	Couples, where one is receiving carer's allowance, are excluded from tougher working tax credit requirements thanks to an exemption secured through LITRG lobbying.
2013	LITRG obtains a provision in Finance Act 2013 allowing care and support employers to file Real Time Information (RTI) returns on paper.
2014	HMRC relaxes mandatory online VAT return rules for certain groups unable to file online due to age, disability or their location. Taxpayers backed by LITRG successfully argue in court that it breaches their human rights.
2015	Draft legislation is amended, safeguarding vulnerable taxpayers from HMRC debt recovery processes that allow debts to be taken directly from bank accounts following LITRG talks.
2016	LITRG secures a near doubling of rent-a-room relief, helping homeowners offer accommodation and improving the availability of housing.
2017	Marriage Allowance legislation is updated allowing claims to be made on behalf of deceased spouses and civil partners, backdated by four years.
2019	Financial Secretary to the Treasury publicly acknowledges LITRG's field-leading work publishing practical guidance on the implications of the Loan Charge.
2020	Over 1 million people access LITRG's coronavirus guidance. LITRG secures changes to a range of pandemic support schemes, as well as improved guidance, helping a wide range of low-income taxpayers.
2021	An action group coordinated by LITRG ensures the government will address an anomaly preventing over a million low-income workers from receiving pension tax relief. This year LITRG also publishes its influential report on Labour Market Intermediaries.
2022	LITRG raises concerns with the actions of some tax refund companies, leading to direct action by HMRC, refunds to over 60,000 taxpayers and better standards for agents.
2023	LITRG publishes a report on what makes good guidance, setting out 40 recommendations, which has received praise both from HMRC and other external individuals. Changes have been secured as a result of the report.

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