CIOT Vice President's page: 200,000 member milestone

Welcomes



20 March 2024

Exciting times: we have hit our 20,000 member milestone! A couple of presidents before now had hoped that we would hit the target on their watch, but member retirements meant that even with fantastic exam results bringing new joiners we didn’t quite get there! The wait is now over – too soon for me, but it’s great for Gary Ashford, that it happened during his presidency.

In March, we had the Spring Budget, which was designed to be attractive to the electorate and was as a result blissfully quite short. In terms of innovative new measures, there were big changes to the non-domicile (‘non-dom’) rules for individuals, which overshadowed extending the scope of the creative industries reliefs for corporation tax. Furnished holiday lettings, special tax status and multiple dwellings relief for stamp duty land tax are to be abolished.

I wasn’t alone in not quite expecting some of the non-doms measures to take the form announced. They are now congealing into the new ‘marmite’ – with tax

advisers quite divided in their opinions about the changes! I look forward to seeing how the details pan out. I know the CIOT Technical Officers and volunteers have been hard at work analysing what the changes could mean.

Away from the Budget, I've been looking with interest at some of HMRC's manual updates. In particular, what outwardly appears as quite an innocuous update on relief for training costs for the self-employed in HMRC's Business Income Manual may have been overlooked by some, as it was published the day before the Budget. In reality, it brings what could be a welcome relaxation since HMRC last published its view on the issue in 1991. However, I also question whether we will need some much needed clarity as to the legal position, given that the change in guidance now appears to conflict with the case law.

The Autumn Statement 2023 led us to expect new guidance in this area, and HMRC has now stated that a training course will be tax-deductible if wholly and exclusively incurred for the purposes or 'ancillary purposes' of the trade or business. In short, some new skills will not now be automatically capital in nature.

This is likely to affect many of us and our clients, so I'd recommend having a look at the updated BIM35660. It includes some examples as to when HMRC thinks that the training costs will be allowable. They are possibly not comprehensive but one particularly resonates with me because it pays homage to the new skillset that sole proprietors will need ahead of Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA).

HMRC's BIM35660 example looks at the case of Ryan, a plumber who attends a beginners' bookkeeping course. It states that: 'Although the course will not help Ryan with the skills he needs as a plumber, it will teach him how to keep accurate accounting records, which will help him run his business better. The cost of the course is likely to be an allowable expense.'

If Ryan needs bookkeeping as a business skill, surely he needs tax skills too – so why stop at bookkeeping? Once MTD for ITSA kicks in, Ryan will have to be navigating the complex point based late filing penalty system (and making suitably timed appeals).

The training concession has the potential for a new generation of sole traders to take not only bookkeeping but tax exams. A great marketing opportunity for the ATT and CIOT!

The change in HMRC’s position is welcome. If it is desirable for the workforce to upskill, it seems contrary to disallow tax relief on training costs. However, there was no announcement in the Spring Budget 2024 (nor am I aware of anything at the time of writing this) confirming a change in the law so perhaps HMRC’s change to its manual indicates that this is more of a concession.

This adds a tricky angle for tax advisers as HMRC’s old guidance has also been reflected in the decision of *Dass v Special Commissioner and others* [2006] EWHC2491 (Ch). Do we follow legal precent or HMRC’s manuals? We know the answer to that: we follow legal precedent. That begs the question as to whether the government will change the Income Tax (Trading and Other Income) Act 2005 to provide some much needed clarity on this point.

I’ll leave you with that thought and wish you well for the new tax year. I’m looking forward to hearing from our 20,000th member next month!