CIOT and LITRG Autumn Budget 2024 representations

General Features



25 September 2024

CIOT and LITRG have made representations to HM Treasury ahead of the Autumn Budget on 30 October 2024.

CIOT representation on repayment interest and commercial restitution

There is an imbalance and unfairness in repayment and late payment interest rates. The rate of interest that HMRC pays taxpayers on money it owes them is much lower than the rate taxpayers are charged on money that they owe to HMRC. This puts businesses that are owed money by HMRC at a disadvantage. There is not a reciprocal incentive to settle debts, as there is no disadvantage to HMRC for unnecessary delay, while penalising taxpayers when they are in the position of owing HMRC money.

At a time when HMRC's service levels are widely recognised as being atanall-time low, the interest regime is doing little to incentivise timely repayments by HMRC. This is suffocating business and personal investment while monies are 'stuck' with HMRC, hurting the ability to do business and hindering growth.

We said that the government should consult on the rate and approach to repayment interest on overpaid tax. This is necessary to ensure that repayment interest provides adequate recompense for the loss of the use of the monies by the business or individual concerned, and an adequate incentive for HMRC to process repayments in a timely fashion. We made a similar representation prior to the Spring 2023 Budget.

In addition, and specifically in relation to VAT, we encouraged the government to re-introduce the concept of 'commercial restitution' when levying interest on underpaid VAT, to prevent interest from being charged in circumstances where there is no loss of tax to the Exchequer. This is an anomaly which arises due to the way the tax operates rather than due to any intentional act on the part of the taxpayer, and came into effect for VAT return periods starting on or after 1 January 2023.

A Budget representation was also made regarding Taxation of Chargeable Gains Act 1992 s 162 incorporation relief, and this is reported separately.

The full CIOT Budget representation can be found here: www.tax.org.uk/ref1361

LITRG representation on reporting rules for digital platforms

LITRG has had concerns for some time that those selling goods and services via online platforms are not adequately supported by HMRC, with a lack of helpful guidance on how such activities are taxed.

Our Budget representation highlights that an opportunity is coming to raise sellers' awareness of their tax obligations, and support them to fill in their tax returns correctly. From 31 January 2025, certain sellers using online platforms should be sent information about the amount of income earned on the platform in the preceding calendar year. This information will also be sent from the platform to HMRC. However, the current requirements on online platforms as to the provision of this information are minimal and we are concerned that the information may be indigestible, which will result in confusion and sellers taking the wrong action, or no

action at all.

We have suggested that the government should amend the Platform Operators (Due Diligence and Reporting Requirements) Regulations 2023 (SI2023/817). These regulations implement the Organisation for Economic Co-operation and Development's Model Reporting Rules for Digital Platforms. They should be amended to make them more prescriptive to ensure that seller information is easily understandable and consistent.

A HMRC template for platforms to follow as a standard could go a long way towards addressing these difficulties, and our representation included a practical illustration of how this could look.

The full LITRG Budget representation can be found here: www.litrg.org.uk/10961

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