The future looks… varied and busy: a roundup of Budget consultations

General Features



18 November 2024

The Budget announcements included a large number of consultations that the technical teams of the CIOT, LITRG and ATT will be looking at over the coming months. As ever, input from our members is always valuable and welcome.

Our work on the day of Autumn Budget 2024 and immediately afterwards are covered in the article by George Crozier in the Briefings on page xx. We will also be providing briefings to MPs ahead of their Parliamentary scrutiny of the budget and the Finance Bill.

As well as the measures that were announced or confirmed, and which will be legislated for in the Finance Bill, the government announced a large number of consultations on a broad spectrum of other measures that are being considered and/or need further work. The technical teams of CIOT, LITRG and ATT will be busy looking at these in the coming months and we always welcome input from our members.

We summarise the consultations that have been published below.

The Tax Administration Framework Review: new ways to tackle non-compliance

This consultation (see tinyurl.com/yv9m7sf5) forms part of the government's commitment to modernising and reforming the tax administration framework. The government is seeking views on how HMRC tackles non-compliance and how this could be made more efficient and effective. Two areas for potential improvement are considered in the consultation document:

1. Changes to HMRC's existing powers and processes:

- introducing additional information requirements for claims for tax reliefs and allowances;
- reforming the revenue correction notice provisions; and
- introducing a 'partial enquiry' power to allow an enquiry into a specific issue.

2. A new power for HMRC to issue a 'taxpayer self-correction notice' to impose a legal obligation on taxpayers to self-correct inaccuracies in a submitted return, without needing HMRC to pursue the risk by using their enquiry powers.

Simplifying the taxation of offshore interest

The government is seeking views on how to simplify the taxation of offshore investment income to reduce administrative burdens for taxpayers and to improve the efficiency of HMRC's compliance work.

The consultation document, 'Simplifying the taxation of offshore interest' (see tinyurl.com/3pett53v), explains the challenges arising from information on offshore interest being provided under international exchange of information agreements on a calendar year basis, rather than on a UK tax year basis. It asks for views on how to address these challenges, including the option of taxing individuals on non-UK interest arising in the year ended 31 December in their self-assessment tax returns. It notes that the number of taxpayers affected is likely to increase with the reform of the non-dom rules and removal of the remittance basis.

Inheritance tax on pensions: liability, reporting and payment

The government has published a technical consultation on the processes required to implement changes to inheritance tax rules for pension funds and death benefits, 'Inheritance tax on pensions: liability, reporting and payment' (see tinyurl.com/d9hmpu8p). The government has also said that after the consultation, it will publish a response document and carry out a technical consultation on draft legislation for these changes in 2025.

Business rates

The government has published a discussion paper which sets out its priority areas for reform of the current business rates system, 'Transforming business rates' (see tinyurl.com/2knvbcn8). These include:

- whether the current 12 months improvement relief is effective;
- the importance of business rates and other taxes and reliefs, such as capital allowances, in making investment decisions;
- the impact of losing small business rates relief on expanding to a second property;
- the effect of cliff edges in the multipliers (that is, the current system is a 'slab' not a 'slice' system); and
- the efficacy of empty property relief in facilitating improvements to property.

The government will also consider shortening the gap between the antecedent valuation date and valuations coming into effect, increasing the frequency of revaluations. It will consult separately on introducing a business rates general anti-avoidance rule.

The new information obligation (broadly, a requirement to notify of business rates liability) will now begin rollout from 1 April 2026. Digitisation of business rates (matching business rates data with HMRC business level tax data) will be delivered by March 2028.

Tackling the hidden economy by expanding tax conditionality to new sectors

This consultation discusses expanding tax conditionality to new sectors, namely waste, animal welfare and transport, 'Tackling the hidden economy by expanding tax conditionality to new sectors' (see tinyurl.com/bp6awbmk). This would require licence holders in these sectors to undertake checks that confirm they are

appropriately registered for tax. Tax conditionality is already in force in the taxi and scrap metal sectors. We are particularly interested in hearing from members who have some knowledge of how it is working in these two sectors.

Carried interest

Broadly, carried interest is the allocation of an equity fund's profit share paid to investment managers in connection with their management activities. The CIOT responded to a consultation earlier this year considering how carried interest should be taxed. In our response, we said that any decision to subject these payments to income tax, rather than capital gains tax, should be made with a complete understanding of the likely commercial implications (particularly amongst international markets). Thought should also be given to how any changes would apply to non-UK resident individuals and entities as part of a wider review of the rules. Our submission can be found here: www.tax.org.uk/ref1354.

The government published a summary of responses to this consultation, and this document also included a further consultation around its plans to introduce a revised tax regime for carried interest which sits wholly within the income tax framework. The consultation asks about the qualifying conditions that would put a carried interest within the new regime. Further details can be found at: tinyurl.com/yd8w9ua4.

Offshore anti-avoidance legislation

The government has published a call for evidence, 'Personal tax: offshore anti-avoidance legislation' (see tinyurl.com/3unpjm5v) that seeks to understand and identify areas where the personal tax offshore anti-avoidance rules could be improved or updated, including the settlements legislation and transfer of assets abroad rules. The government intends to explore options to modernise these rules to remove ambiguity and uncertainty in the legislation, make the rules simpler to apply in practice and ensure these anti-avoidance provisions are effective. It is intended that this exercise will be the beginning of a process, with responses to the call for evidence being used to inform areas which will be subject to a formal consultation in 2025.

International tax compliance and cryptoasset reporting

The previous government announced its intention to implement the Organisation for Economic Co-operation and Development's (OECD) amendments to the Common Reporting Standard and the OECD's Cryptoasset Reporting Framework (CARF). A consultation was launched at Spring Budget 2024 seeking views on the implementation of these new rules and changes. The government has now published draft regulations.

The International Tax Compliance (Amendment) Regulations 2025 (see tinyurl.com/2whacdrn) will amend the existing rules to reflect the OECD's recent amendments to the Common Reporting Standard. The Cryptoasset Service Providers (Due Diligence and Reporting Requirements) Regulations 2025 (see tinyurl.com/2tkcesn8) will implement the OECD's CARF.

The draft regulations are open for consultation and have been published alongside the summary of responses 'Cryptoasset Reporting Framework and Common Reporting Standard' (see tinyurl.com/3nf92hnw) to the previous consultation.

Reform of air passenger duty for private jets

The government is consulting on a proposal to extend the scope of the higher rate of air passenger duty (APD) to all private jets, including business jets, 'Reform of air passenger duty for private jets' (seetinyurl.com/mhtr5fdj).

Soft drinks industry levy review

The government is reviewing the soft drinks industry levy's sugar content thresholds and the exemptions for milk-based and milk substitute drinks. It has published a policy paper, 'Soft drinks industry levy review' (see tinyurl.com/4ajhn97s) setting out the objectives, scope, approach and points of contact for the review, welcoming contributions from all interested stakeholders.

We would welcome your thoughts and comments on any of the above calls for evidence, consultations, discussion and policy papers. Please send these to your organisation's technical inbox – technical@ciot.org.uk, atttechnical@att.org.uk or technical@litrg.org.uk –
or to one of the technical officers.

Looking further ahead

The Budget also trailed a significant number of consultations for 2025, so watch this space for these coming out as well.

Strengthening the controls on access to HMRC's agent services

The government has said that it will invest in improvements to HMRC's tax practitioner registration services and will mandate registration of tax practitioners who interact with HMRC. In the summary of responses to the 'Raising standards' consultation undertaken earlier this year, 'Raising standards in the tax advice market: strengthening the regulatory framework and improving registration' (see tinyurl.com/2d95h9bh), it is noted that consultation respondents were strongly in favour of taking this step.

Consequently, it is the government's intention that from April 2026 onwards, all practitioners who interact with HMRC on behalf of a client will have to register with HMRC before doing so. HMRC will apply checks to all tax practitioners who register. HMRC will publish a technical consultation on the legislation ahead of Budget 2025 that our Professional Standards team will respond to.

Other future consultations are listed below, with their paragraph reference in the Autumn Budget document (Autumn Budget 2024 (see tinyurl.com/2jckkjym):

- E-invoicing (5.20);
- Enhancing HMRC's powers and sanctions against tax adviser facilitated non-compliance (5.25);
- Ending contrived car ownership schemes (5.28);
- Tackling promoters of marketed tax avoidance (5.36);
- Making better use of third-party data (5.45);
- Energy profits levy (5.76);
- Land remediation relief (5.97);
- Guest beers consultation (5.99);
- Spirit Drinks Verification Scheme (5.100);
- Remote gambling duty reform (5.107);
- R&D tax reliefs: improving administration (5.111);
- Advance tax certainty for major projects (5.112);
- Capital allowances: tax treatment of predevelopment costs (5.116); and

- Modernising transfer pricing (5.119).

Look out for these in the New Year – our technical teams certainly will be.

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