CIOT technical team successes: May 2025

General Features



23 April 2025

An outline of the changes influenced by the CIOT's technical team, alongside the recognition of efforts made by the CIOT to deliver on our charitable objectives for a better, more efficient tax system for all affected by it. Here are our successes for the quarter ending 31 March 2025.

Changes to draft legislation, guidance, interpretation and procedure

- Following representations made by CIOT, HMRC have changed their guidance on Condition C of the LLP salaried members rules to reflect the position as it was understood to be pre-February 2024. Revised guidance published in February 2024 suggested that a capital contribution made into an LLP by a member would be caught by the rules if their remuneration increased and a contribution was subsequently made to avoid the application of Condition C.

The more recent amendments to the guidance now confirm that a further contribution like that, if made as a genuine and enduring investment, will not trigger Condition C.

- Following concerns raised by CIOT (and others), the government has decided not to introduce an obligation on employer businesses to report the number of paid hours worked by employees because of the administrative burden it would create. The draft Income Tax (Pay As You Earn) (Amendment) Regulations 2024 will not be progressed further after the results of a consultation were published on 28 January 2025 (see tinyurl.com/bdde6ayb). The CIOT warned in May last year that the estimated one-off cost to businesses of £58 million and ongoing costs of £10 million – an average per business of £29 and £5 respectively – were 'significantly underestimated' and that gathering additional data to provide to HMRC would lead to extra work for many employers. It was also not clear why HMRC needed the information or what they would do with it.
- Following questions asked by the CIOT about discrepancies between the data published annually by HMRC and the Ministry of Justice in relation to appeals at the First-tier Tax Tribunal, both organisations have said that they are exploring including an explanatory footnote alongside future data tables.
- Following representations made by CIOT, amendments were tabled to the Finance Bill 2024/25 during its passage through Parliament concerning employee ownership trusts. Concerns were raised about the narrow statutory exemption from income tax treatment for contributions to the trust by the trading company. The perimeters of that allowance were extended by the amendments to cover most share purchase costs and associated expenditure. Other government amendments within the Finance Bill concerning non-dom reform were also tabled to reflect concerns which the CIOT had put forward. These amendments are reflected in Finance Act 2025 that received Royal Assent on 20 March 2025.
- Suggestions made by CIOT have been incorporated into the guidance for the Digitalisation of VAT Grouping Forms 50/51.
- HMRC have fully adopted 57 of the 69 suggestions made by CIOT for the Economic Operators Registration and Identification (EORI) Customs Technical Handbook (see tinyurl.com/yedysz6b). A further two suggestions have been partly incorporated.
- The CIOT raised a technical question about student loan repayments being calculated on payrolled benefits-in-kind for taxpayers in self-assessment when

benefits-in-kind should be excluded from the calculation. HMRC have confirmed that the 2025 self-assessment return has been amended to ensure that payrolled benefits-in-kind are excluded from the self-assessment calculation. An announcement of this change was included in March's Agent Update (see tinyurl.com/4k2franj).

- Following a submission by the CIOT to the Guidance Strategy Forum, HMRC confirmed that it will remind VAT content designers that 'change notes' in VAT public notices should include enough information so that users can understand what has changed without visiting the page. HMRC also confirmed that our points on change notes have been disseminated to the Making Tax Digital team for learning.
- Following a submission by the CIOT, HMRC have fixed the printing issues for the VAT forms VAT1614A (option to tax land and buildings) and VAT642 (error correction) for taxpayers using paper applications.
- On 11 March, James Murray, Exchequer Secretary to the Treasury, announced at the joint ICAEW and CIOT conference that HMRC will be introducing a new service for agents on 31 March to help escalate and resolve PAYE and self-assessment queries. An escalation service for complex cases was one of our ten key recommendations from our joint CIOT and ICAEW report 'Tackling HMRC's customer service challenge', which was published in December 2024 (see tinyurl.com/y5hwuszc).
- The CIOT had previously made representations recommending permitting employers to 'self-service' that 'section 690 directions' can be applied by them to a particular employee. Income Tax (Earnings and Pensions) Act 2003 s 690 allows employers to request a direction from HMRC that they can limit the application of PAYE to the proportion of a qualifying employee's employment income that will relate to work duties that are physically performed in the UK. Applications to HMRC for section 690 directions have been subject to long delays. Finance Act 2025 makes changes such that HMRC approval will no longer be required for section 690 treatment to apply and an auto acknowledgement from HMRC on submission of the application is all that is required. Essentially, HMRC will be adopting the process now, check later approach that the CIOT recommended in 2023.

Parliamentary mentions

- At the Public Bill Committee stage of the passage of the Finance Bill 2024-25 through Parliament, the CIOT received 38 separate mentions in the debates, including for the ‘excellent CIOT’ and the ‘now-famous CIOT’. These mentions were made with respect of changes to the rules for:
    - employee-ownership trusts;
    - furnished holiday lets;
    - alternative finance;
    - annual tax on enveloped dwellings; and
    - non-dom foreign income and gains, and inheritance tax.
- In the Scottish Parliament, LITRG was called upon to give in-person evidence before the Housing and Planning Committee on the issue of council tax. The CIOT was also cited in a debate on the increase in employers’ NIC.

Other recognition of the CIOT’s contribution

- The CIOT is recognised as a key stakeholder in the Welsh government’s Tax Policy Report for 2024 (see para 152 at tinyurl.com/yc4wwrzv).
- The CIOT has been invited to join the Valuation Office Agency’s Agent Working Group, which is helping to design and deliver changes to the business rates system to implement the new information duty that will begin to be rolled out from April 2026.

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