Finance Bill: Ministers pressed over wide scope of HMRC powers

Briefings

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Shadow ministers highlighted CIOT and ATT concerns over scope, safeguards and complexity during committee stage debate.

CIOT and ATT views and analysis were cited in 28 different debates during the Finance Bill's committee stage, as MPs subjected the Bill to clause-by-clause scrutiny over five days in January and February. CIOT had provided 16 briefings to MPs ahead of the debates, the ATT 14 and LITRG a further five.

Tax adviser registration

Our concerns were particularly prominent in relation to the impact of the proposals for registration of tax advisers on reputable firms and practitioners. CIOT had warned that the legislation was too broadly written, with HMRC asking tax advisers

to trust it not to use the powers inappropriately.

The Shadow Economic Secretary Mark Garnier took up this issue during the debate, expressing concern that the registration conditions in the Bill contain neither sufficient safeguards nor a reasonable excuse defence (a CIOT suggestion) for late filing or minor underpayment. CIOT's representation also urged the inclusion of a clause to provide that HMRC must act in a 'reasonable and proportionate' manner, reflecting the nature and scale of any alleged misconduct. This proposal was put to the minister by Joshua Reynolds, the Liberal Democrat spokesperson.

Responding, the Exchequer Secretary Dan Tomlinson said the tax authority would only suspend a firm or adviser 'after due process, including offering opportunities to comply and a chance for the adviser to explain whether there is a good reason why they are unable to do so. HMRC will not use these powers for minor breaches.' However, he did not believe there was a need to put anything further into legislation.

In its representation to the committee, ATT expressed concern at the speed with which registration is being introduced. ATT called (as did CIOT) for mandatory registration to be delayed. The Shadow Economic Secretary put this to the minister, stressing the importance of 'getting this right'. The minister replied that while registration comes in from 18 May, it will be phased in.

Also raised by CIOT and ATT, and highlighted in debate, were the change from targeting 'dishonest conduct' to 'sanctionable conduct', and the injustice of a statutory review automatically concluding in HMRC's favour if the authority fails to deal with the review request in a timely way.

The minister declined to make further changes in these areas. He did, however, bring forward a series of amendments so that the issuing of a DOTAS or DASVOIT penalty will no longer be an automatic breach of the registration conditions. This was an issue the professional bodies had raised with the government.

Attention was also drawn to a number of CIOT and ATT concerns about the scope and wording of Part 6 of the Bill (Avoidance). Shadow ministers asked how the government would tackle offshore promoters and how 'likely to be marketed' would be defined. The Economic Secretary responded that the wording had already been narrowed but that HMRC would 'work with stakeholders in developing the fine detail'

of the measure.

Former non-doms

CIOT made detailed representations on the parts of the Bill amending last year's legislation on the taxation of non-doms. The Shadow Exchequer Secretary James Wild encouraged the government to take account of the 'sensible steps' suggested by CIOT to address complexity, retrospectivity and unintended consequences in the legislation. The Conservatives tabled an amendment in support of CIOT's proposal to extend the temporary repatriation facility (TRF) to non-UK residents and trusts.

Responding, the Economic Secretary Lucy Rigby quoted CIOT's overall welcome for the shift from domicile to residence as the basis for taxing people who are internationally mobile. However, she resisted the amendment, arguing that: 'Widening the scope of the [TRF] to allow non-residents to benefit from the reduced charge without living or contributing in the UK would remove any incentive to become or remain a UK resident.'

Employment expenses

ATT suggested that the new statutory exemption applying to flu vaccinations (among other things) should also be extended to COVID vaccines. This was raised by both Garnier, the shadow minister, and by a Labour backbencher. The minister resisted, stating that flu jabs are low in cost and seasonal, while other vaccinations 'vary significantly in cost and frequency'.

CIOT's observation that the current situation means two employees with identical working arrangements and costs are treated differently for tax purposes solely on the basis of their employer's reimbursement policy was also highlighted during the debate.

Other issues

Other issues discussed by the committee included ATT's concerns about the VAT treatment of charitable donations by businesses and about disproportionate penalties for not updating digital contact details.

Shadow ministers also took up LITRG's concerns about the potential complexity of the new winter fuel payment charge, as well as the failure to extend the loan charge settlement opportunity to those who have already fully settled and/or paid the charge.

CIOT concerns about definitions and safeguards in the umbrella companies legislation, the broad drafting of the clause bringing 'diverted profits' within corporation tax, and a lack of clarity and certainty within the carbon border adjustment mechanism were also raised and debated.

Wild, the shadow minister, thanked CIOT and ATT at the end of the committee stage for their 'valuable submissions'.

Reports on Finance Bill debates can be read on the CIOT website: tax.org.uk/finance-bill-2025-26