CIOT President's page: Navigating tax complexity

Welcomes

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The two words that have come upmost frequently in my conversations over the last six months will not surprise you: complexity and simplification.

When I began training back in 1980, at an independent general practice in Somerset, each of the partners had their own well-thumbed copy of Butterworths Yellow. Even as general practitioners, theyknew their way around the core tax legislation. Forty-six years on, Tolleys (asitnow is) Yellow Tax Handbook runs to five volumes (plus two Orange Handbooks). The volume of legislation and guidance has grown enormously, as has its complexity.

At the CTA Address in June, former Treasury minister David (now Sir David) Gauke gave some insight into the political aspects of tax policy design. He spoke aboutthe lack of clarity in the language oftax legislation, the length of the tax code, structural complexity and the frequency ofchange. He ended with a point that resonated

strongly with me: that for many people, the key issue is not tax policy design, but tax administration. It is an important distinction.

It would be great to see significant simplification of tax law, but I am under no illusions about the extent to which that is likely to happen. It would take a very brave Chancellor to say, ‘I wont change anything. It would take an even braver one to say, ‘Iam going to take significant amounts of tax legislation off the statute book. That does not, however, mean that we should stop making recommendations for simplification of the law and practice oftaxation: indeed, our Royal Charter explicitly requires us to. Most taxpayers will never look at the legislation but, somehow, they have to understand enough to comply with their obligations.

Navigability is the key and a topic close to the heart of one of our panellists at the CTA Address, Dame Teresa Graham, who is chair of HMRCs Administrative Burdens Advisory Board (ABAB). ABAB, on which Ihave served for a number of years, acts as acritical friend to HMRC on issues relating to the regulation and administration of taxfor small businesses. The board looks attheinterface between taxpayers and thetax system, at points where navigation is difficult and at how it could be made easier.

Technology is a key enabler. Over 96% of personal tax returns are now filed electronically using software that processes the numbers and does the calculations. Butcompliance isnt just about processing the numbers; it is about knowing what youhave to do and when. In that context, generative AI presents us with both potential and risk. AI products designed fortax professionals facilitate navigation oftax legislation, guidance and case law. We, as professionals, have the knowledge and experience to know when to trust and when to challenge AI output (and there is topical PCRT guidance on this).

Taxpayers, however, are in a different position. They will not have the same knowledge and experience and are therefore less likely to be able to distinguish between fact and hallucination. They will not, as tax professionals do instinctively, seek the source of an AI-generated answer in order to assess its likely accuracy. For CIOT, as an institute with public interest and education obligations under our RoyalCharter, this presents a particular challenge. Our Low Incomes Tax Reform Group (LITRG) website is a great source of information for unrepresented taxpayers, but generative AI has changed the way inwhich many people seek information. Instead of reading expertly written text, they are increasingly asking AI tools

questions in plain language. I recently joined a LITRG technical team meeting andfound the conversation around this point – and how LITRG is looking to address it – fascinating.

Some of the structural issues that increase complexity and get in the way of simplification were discussed at a meeting of our Technical Policy and Oversight Committee over the summer. Complexity also featured at a roundtable we hosted onthe effectiveness of the tax system in driving entrepreneurship, andIwas able to use some of the examples from that discussion at panel events attheLabour and Conservative Party conferences.

The title of Sir Davids CTA Address was ‘Why tax simplification isnt that simple. Itmost certainly isnt, but through panel events and roundtables, and through the work of our Technical Policy and Oversight Committee and our Low Incomes Tax Reform Group, we are actively trying to address the issue of complexity and to help taxpayers navigate the system safely.