Draft FB 2015: clarification – but not as we know it

Technical

01 March 2015

The CIOT and the ATT responded to the draft legislation on the use of fixed rate deduction for use of home that was published on 10 December 2014. The explanatory note published at the same time stated that the purpose of the amendments was ‘to clarify how those provisions should be applied for partnerships in respect of the use of a home and where business premises are also a home’.

The ATT focused on the restriction (applicable to partnerships and sole traders alike) of recognition of relevant hours where more than one person is working in the home at the same time. The legislation is at least ambiguous on this and it could reasonably be argued that no restriction has been in place since the fixed-rate facility was introduced in April 2013.

The ATT also questioned why it was necessary to require all the partners in a partnership to adopt either the fixed-rate method or the actual expenditure basis. The response noted that the extent of use of home might differ significantly between individual partners and that imposing a one-size-fits-all approach could be mutually disadvantageous to individual partners, the partnership, HMRC and the Exchequer.

The CIOT questioned why the extension of the provisions to partnerships would apply only to the tax year 2015/16 onwards and are not backdated to 2013/14, when the deductions were introduced. This, it said, was inconsistent with HMRC’s statement in the explanatory notes to the draft legislation that ‘it was always intended that the provisions would apply equally to most partnerships and individuals’.

The ATT response can be viewed at www.tinyurl.com/qbzu3q4

The CIOT response can be viewed at www.tinyurl.com/m3d9gk3