ATT President's page, April 2017

Welcomes

01 April 2017

May the grassroots continue to grow

As I approach the third quarter-point of my time as ATT President, I would like to take the opportunity to thank our branches for their ongoing commitment to the goals of the ATT to advance public education in, and promote the study of, the administration and practice of taxation.

The recent joint ATT/CIOT branches conference gave branch chairpersons from across the UK the chance as a business community to take a collective breath of the early spring air and take stock of the usual inundation of tax changes in the past 12 months. Among the debates was a session on the tax aspects of Brexit, the biggest constitutional change to our country since the end of the Second World War. Although it is too early to say with authority what its impact will be on the way people are taxed and how the system is administered, the ATT is keen to play a part in that debate and to ensure that any attempts to rewrite aspects of the tax code post-Brexit are informed by the insights and practical experience of tax professionals. I was delighted to learn that we had attendees from Jersey for the first time in a long time at the conference. I am told there was lively debate with high level representation from the branches throughout the two days, especially on the session on what Head Office and the branches themselves can do to help members manage the requirements of MTD.

The government announced in the spring Budget that it will provide an extra year, until April 2019, before MTD is mandated for unincorporated businesses and landlords with a turnover below the VAT threshold. We called on HMRC to postpone the introduction of quarterly digital reporting by at least a year, back in May 2016, to allow time for a proper consultation and development of the necessary digital solutions, as well as time to allow those businesses to evaluate the best solution for them.

To come back to grassroots tax practitioners, let us remember that a survey of members of the ATT and the CIOT last year found that 89 per cent of members believed that the timeframe for implementing quarterly reporting should be extended to help businesses. All the evidence from that pivotal survey showed that respondents foresaw that Making Tax Digital would lead to significant costs and burdens for small businesses in additional accounting systems and support from their accountants.

Postponing the digital mandation by one year for some small businesses as announced by Philip Hammond will provide a useful period of reflection and consolidation for HMRC and helpful breathing space for those who will have to deal with these new requirements. But while we welcome the delay, it does not take away the fact that in complying with their Making Tax Digital obligations, small and embryonic businesses will find the cost of complying disproportionately expensive. We do not doubt that digital interfacing between taxpayers and HMRC is the way to go, but we have always said that those who are within the cross-hairs of this process are sometimes those who are least able to deal with the changes, such as very small businesses. We look forward to HMRC finally responding to requests to publish how it has worked out what the financial cost for small businesses will be. We worry that the cost and benefits of the system are not as HMRC claims and we would like to work with them to establish the true costs and benefits. I will not digress by pointing out that HMRC are perhaps deluded in believing that all mistakes avoided will be in their favour.

I hope that the quieter spring Budget is a sign of things to come. It is hard to disagree with the view that the current UK system of fiscal events is not allowing organisations to focus on long-term planning and instead creates a burden for British business. I am a natural optimistic, so I hope this leads to fewer changes to the tax system which are done better, with longer and more in-depth consultation with stakeholders such as ATT. This should give us hope of achieving our goal of contributing to improvements in, and the simplification of, the administration and practice of taxation in the UK.

It was billed as the last spring Budget but as a prediction, my more cynical side is reminded of another prediction by a former Chancellor, ‘the end of boom and bust’.

Another item that will interest members from the Budget is the reduction of the dividend tax-free allowance by more than half, from £5,000 to £2,000 annually as of

April 2018. The allowance was only introduced by George Osborne in July 2015, alongside the scrapping of the dividend tax credit. The government seems to be playing hard and fast with this; it estimates that the latest reduction will hit 2.3 million people in 2018/19. This is an example of where a better consultation process on policy could have led to less disruption for millions of people.