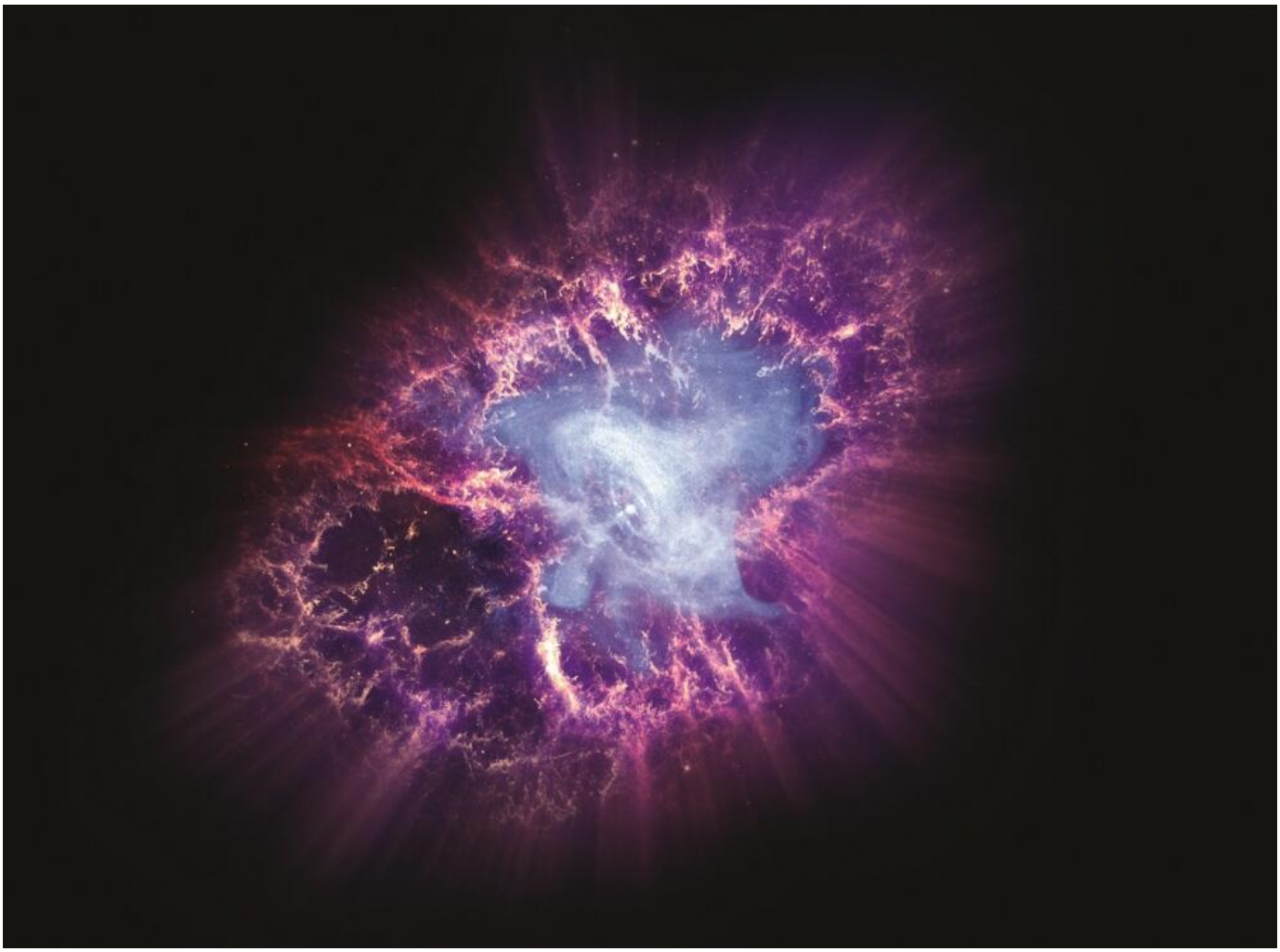
The evolution of LITRG

Management of taxes | OMB | Personal tax



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Kelly Sizer provides an overview of the work undertaken by the Low Incomes Tax Reform Group

Key Points

What is the issue?

LITRG aims to persuade politicians and HM Revenue & Customs to make the tax system easier and fairer for all while making tax and tax credit information available to those who are unable to afford professional advice.

What does it mean to me?

Since the beginning of the year, LITRG has been working on a number of initiatives to achieve this aim, including the publication of the report 'A future for the low income taxpayer' in March.

What can I take away?

Those wishing to help low-income taxpayers can do so in a variety of ways detailed in this article.

Throughout its 19 years as a committee of the Chartered Institute of Taxation (CIOT), the Low Incomes Tax Reform Group (LITRG) has steadily evolved. The issues may be different (though sadly some are still the same!), but the group and its work remain as relevant and much-needed as ever. Indeed, the group's activities and spectrum of work have grown. So, how have things changed? Where are we now? And what does the future look like?

Evolution of matter

1998. The big bang! Or, perhaps slightly less dramatically, LITRG's founder and first long-serving chairman John Andrews developed an inkling that all was not well for the low income, unrepresented taxpayer trying to navigate the tax and related welfare benefits systems alone.

Various particles (also known as volunteers), pulled in by John's irresistible gravitational field, then got together to form the LITRG committee and set out the group's commitment to: 'Target for help and information those least able in the community to afford to pay for advice and make a real difference to their understanding of the systems of taxation and related benefits whilst working to make them more equitable and accessible for their needs.'

LITRG initially gave priority to three groups:

- pensioners;
- ‘ins and outs’ (those whose work patterns alternate between employment, self-employment and unemployment); and
- students.

Since 1998, we have been through much evolution of (subject) matter. Now, in 2017, LITRG lists the following as its core areas of interest:

- Low income employees, in particular the challenges of PAYE for those with multiple jobs or moving between jobs.
- Self-employed workers and the complexities of business records, calculating and reporting income to HMRC, claiming appropriate deductions and then doing the same again, but with potentially confusing differences in the rules and deadlines for tax credits and benefits purposes.
- Agency and casual workers – for example, those wrestling with status issues in the grey, often complex, area between employment and self-employment.
- Pensioners – multiple sources of income such as state pension, benefits, private pensions and income from savings and investments often result in frequent and complicated interactions with government. Resolving affairs following a bereavement can be difficult and stressful.
- Disabled people and carers – independent living means that more people with disabilities are employing personal assistants to provide care, with consequent tax and national insurance responsibilities. Carers are also poorly supported, facing difficult interactions between the minimum wages rules, state benefits and tax.
- Students can face complexities, for example due to working part-time to help finance their studies. Internationally mobile students can run into complex interactions with the tax authorities in relation to their country of residence and home country. The repayment of student loans via the tax system and how such repayments are calculated commonly cause confusion.
- Migrants can encounter difficulties understanding the UK tax system, compounded by language barriers. Awareness of the records that need to be kept – for example to consider the statutory residence test – is low.
- Digital exclusion is often a problem for people on low incomes and cuts across the above groups; but because affordability is not the only factor in digital exclusion, it also affects many other taxpayers.

- We also provide information for some whose income may not necessarily be low but who encounter particular complexities – this includes the armed forces, and parents and users of the various childcare support schemes.

Evolution of life and mind

LITRG's life force now consists of a committee of more than 30 people, bringing together former and current tax and welfare rights professionals, including ex-'big four' partners and ex-HMRC senior officials who work alongside experts on tax and tax credits from within our own staff. It also includes specialists from other organisations with an interest in this area such as Tax Help for Older People and TaxAid, and we have close contacts with other charitable organisations and a number of academics.

These collective minds are led by LITRG's chairman. For the past five years up until May 2017, this has been CIOT past President Anthony Thomas, to whom we are extremely grateful for his time and dedication. We are fortunate to welcome past CIOT President, Anne Fairpo, as Anthony's successor. Another former CIOT President, Chris Jones, will act as Deputy Chairman.

Though there is sadly no archaeological dig to be done (stand down, Time Team), we can easily trace the origins and evolution of LITRG's work on the group's main website: www.litrg.org.uk

The website's news archive takes us back through history. Those so inclined can wistfully remember the likes of the 2012 Budget's 'Grannytax' (removing the indexation of age allowances – now consigned to history and arguably a welcome simplification). Or indeed we can wonder at January 2006's announcement of a 'new appointments system at HMRC enquiry centres'. What is one of those?!

Natural selection or selective breeding?

The LITRG we see today is a product of both natural selection by reacting to the tax environment as it has changed around us, and conscious selection of topics to pursue and groups to focus attention on. As above, LITRG's news items and press releases focus on developments around us and through which, together with other media work, we aim to help fulfil one of the CIOT's primary charitable objectives of

educating the public in taxation.

The vast archive of submissions on the LITRG website also shows the extent of our work in responding to consultation documents and calls for evidence, and issuing briefings on draft legislation and on other matters such as last year's topical tax credits compliance process failings (brought into the spotlight due to HMRC's contract with third party 'Concentrix').

Readers of Tax Adviser's Technical Newsdesk will note that we keep members informed of LITRG's activities on topics that might be relevant to your work through regular articles. For example, our commentary over the last year on the inability to claim marriage allowance where one spouse or civil partner has died before the claim has been made has sparked significant interest from members. We are always grateful for your time in putting forward comments on relevant topics, as these are helpful in evidencing our work with HMRC and government generally.

In addition to being reactive, the LITRG 'being' has developed a powerful proactive arm. Our main successful early initiative was to give life to the Tax Help for Older People service – run since 2004 by a separate charity, Tax Volunteers. See www.taxvol.org.uk

Together, Tax Help for Older People and TaxAid (www.taxaid.org.uk) aim to support individuals on low incomes who cannot afford to pay for tax advice. Examples of those needing such help are low-income pensioners, or the self-employed who have fallen into self assessment arrears and tax debt. Those charities' first-hand experience of problems, coupled with comments and questions received from visitors to our websites, helps to feed into LITRG's work.

Using this kind of evidence, LITRG proactively delves into areas of the tax system that we believe to be causing difficulty, rooting out the problems and publishing our findings in original reports.

These reports have often taken on lives of their own. Our work on pensioner taxation, for instance, helped inform a subsequent National Audit Office report and the Office of Tax Simplification Review of Pensioner Taxation. This longstanding campaign has resulted in such developments as the composite PAYE notice of coding, helping to reduce some of the confusion experienced by pensioners receiving multiple notices for different income sources.

Evolution of technology

Primitive man learned how to make fire and to use tools. LITRG's technological developments may be somewhat less revolutionary, but have been nonetheless well received by those we aim to assist.

In addition to our main LITRG website, we maintain three others. Between all four websites, we get in the region of 2.5 to 3 million visits a year.

Alongside news items, reports and submissions, the main LITRG website provides up to date tax guides. We aim to write these in clear language for the unrepresented taxpayer to use, and we know that many agents also find them useful. They cover mainly income tax, National Insurance and tax credits, although other taxes and state benefits are included to a certain extent, particularly where they interact with the tax system. A good example of this is pensions freedom, where we highlight the pitfalls for an unrepresented taxpayer of potentially triggering a large tax liability, a tax credits overpayment and a high income child benefit charge on taking a pension lump sum. The overall 'tax rate' can be exorbitant for the unwitting, leaving them with much less in the bank than anticipated and significantly worse off than if they had better planned their pension withdrawals.

There is also a 'contact us' service for people to send us their experiences of the tax system which helps to inform our work. We do not provide an advice service but will point enquirers towards suitable guidance and, in appropriate cases, tell people how to find a tax adviser.

Tax Guide for Students: This concentrates on matters affecting students and apprentices – for example, whether training costs are taxable; payments to interns and volunteers; and how student loans are repaid through the tax system.

RevenueBenefits: Winner of Taxation's 2012 award for Technological Innovation, this is a unique website aimed at advisers. Supported by HMRC funding, it provides up to date information on tax credits and universal credit as well as information on eligibility for some other state benefits such as child benefit and the tax-free childcare scheme. It is a must-read for anyone with clients who claim tax credits, including those who might be subject to tax credits compliance checks or for whom overpayments have arisen. Over the next few years, we hope that it will be an invaluable resource as tax credits transition to universal credit – which could prove

to be a minefield, especially for the self-employed.

Disability Tax Guide: This covers points to be considered when taking on a personal assistant (carer). Many people now find themselves in the unfamiliar role of being an employer, with all of the associated responsibilities, due to direct payments being made to the individual. It contains a unique payslip tool, which is a handy supplement to HMRC's Basic Payroll Tools. The information will also be of interest to other small business employers and those employing domestic staff in the home who need to comply with real time information for PAYE and auto enrolment pensions duties.

Future evolution

Our March 2017 report 'A future for the low income taxpayer' provides an agenda for making the tax system fairer and easier to use for taxpayers on low incomes.

The world continues to change apace, not least with Making Tax Digital (MTD) in prospect. Our report recognises the challenges for the self-employed presented by MTD. While we support the concept of taxpayers using digital systems, it is the mandating of them that concerns us. Readers may remember that we supported three lead appellants in the 2013 first tier tribunal case of *LH Bishop Electric Co Ltd & Others v HMRC Commissioners*. Appealing against mandatory online filing of VAT returns, the case established that satisfactory non-digital procedures need to be in place for the digitally excluded.

Another major change is the eventual transition of in-work state support from tax credits to universal credit. You may have clients who are affected and, as noted above, you will therefore find our www.revenuebenefits.org.uk guidance of interest.

Some unfairness may arise under universal credit, with some people who are self-employed finding themselves in a less favourable position to employees in otherwise very similar financial and personal situations. Not only that, but unless there is a specific MTD exemption for them, or ways found to join up the Department for Work and Pensions and HMRC reporting requirements, universal credit claimants may find themselves reporting self-employment twice, under separate benefits and tax regimes.

Communications in connection with MTD and other tax matters need to be fit for purpose, enabling the non-expert taxpayer to understand clearly what is expected of them and what extra information is available to them if they require it. Without this fundamental store of information, it is difficult to see how taxpayers will be able to comply with their obligations or make appropriate choices. This is very clear in relation to the various childcare schemes that will soon be available – a dizzying array of tax-free childcare, support for childcare costs under tax credits or universal credit and the legacy of employer-supported childcare by way of vouchers. We want parents and carers to be able to make appropriate choices both now and with an eye to the future. If the materials are not available to help them do this, there is a possibility of families falling into hardship and relying more on state benefits in the future.

Get involved?

Those wishing to help low-income taxpayers can do so in a variety of ways. In monetary terms, the tax advice charities' Bridge the Gap campaign continues to need support. If it is time you wish to offer, volunteering is a possibility. Information about volunteering for LITRG can be found on our website.

Or if you wish to help taxpayers at the frontline, you should contact TaxAid or Tax Help for Older People to discuss volunteering opportunities.

Finally, keep up with LITRG activities by subscribing to our newsfeed, following us on Twitter (@litrgnews), and sending in your experiences of issues you come across which affect the low-income population, via our Contact Us page. We do read, and aim to reply to, all enquiries.