Welcome from the editor, July 2017

Welcomes

01 July 2017

Back to the contractor future

As Bill Dodwell notes, it was back in 1999 that Gordon Brown announced measures to counter tax avoidance by the use of so-called ‘personal service companies’. The latest focus on this everlasting quest comes from Finance Act 2017 which introduces a new Chapter 10 of Part 2 of ITEPA 2003. The effect of this is that we now have an extremely blunt tool to attempt to solve the off-payroll working issue in the public sector.

Marion Hodgkiss and Michael Steed consider the challenges of giving advice relating to IR35 in the public sector. They conclude that this is very likely to be a dress rehearsal for the private sector.

Bill suggests that the problem with these changes is that we seem to be tinkering with the issue. There still remains a huge tax gap in the system, which lets individuals provide services through companies and cut their tax bill, so is it time to ring last orders on personal service companies. Bill considers three steps that could be introduced.

Home is where the heart’s deemed to be

Tax legislation often contains deeming provisions, which ask the reader to pretend a legal fiction is real. Interpreting and applying deeming provisions remains a far from straightforward task and careful thought should be given to taking appropriate legal advice. Harriet Brown considers deemed domicile status in the context of the new rules for non-UK domicilaries.

If HMRC have previously decided a taxpayer is not UK domiciled, when can they reconsider this matter? Each tax year is treated in isolation, meaning that issues

resolved in one year can be revisited in another year. Keith Gordon discusses a recent case which considers the extent to which HMRC are bound by a previous domicile decision.

The reconstruction of tax

Mark Purdue considers how Making Tax Digital will affect the work undertaken for clients. Mark considers that the underpinning foundation of MTD is the role of the adviser in the MTD process. Although agents won't be able to directly access their client's HMRC digital account, they will have access to the underlying data via authorised software. Mark highlights that understanding how the software companies that you interact with are engaging with HMRC is an important part of the preparation for MTD.

Riding the tax rollercoaster

While you are liaising with your software house you may want to check that their 2016/17 personal tax calculations are correct. HMRC have had to concede that the changes to dividend tax, the starting savings rate band and the introduction of the personal savings allowance have made the personal tax computation too complicated for the Revenue technicians to program their tax computation accurately. Giles Mooney and Tim Good provide guidance on navigating the complex field of personal tax calculations.