June 2024

TAXADVISER

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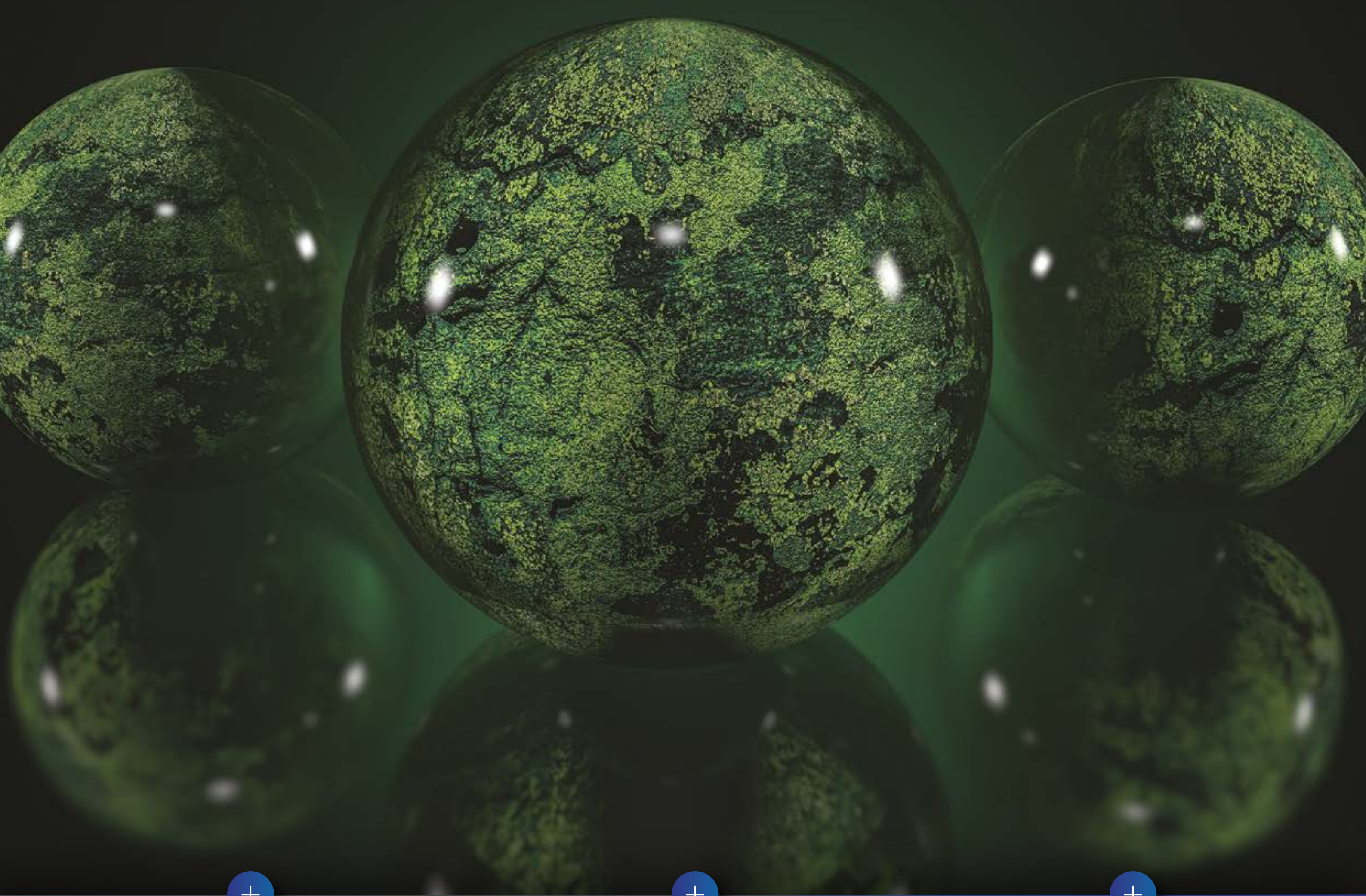
Chartered Institute of Taxation.

Emissions data

As the EU's Carbon Border Adjustment Mechanism enters its next phase from 1 July 2024, we ask what this will mean for UK businesses.



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Now starting in April 2026, how can we prepare for the new regime?

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HELEN WHITEMAN
JANE ASHTON

Welcome
Worth highlighting!

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The May examination season is now complete. For some of our students, their examination days are now well and truly behind them, and they are looking forward to being received as full members of the ATT or CIOT. The ATT admissions ceremony will be held on 27 June at 113 Chancery Lane in London. We thoroughly enjoy attending these admissions events and are looking forward to welcoming our new members into the Association. The CIOT also has an annual admissions event, next to be held on 6 March 2025 at Drapers' Hall in London.

May was another busy month for our technical teams with a number of Budget Day consultation responses that needed to be filed with HMRC and HMT. Responses covered a whole range of subjects from a technical consultation on permanent full expensing through to consultations on vaping products duty and the crypto assets reporting framework.

We thought that two responses were worth highlighting, as they will have a huge impact on all our members in the future, once implemented – the consultations on 'The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards' (tinyurl.com/jm4n7h6n) and 'Raising standards in the tax advice market: strengthening the regulatory framework and improving registration' (tinyurl.com/5n7tcsrw).

The Tax Administration Framework Review looked at how certain aspects of tax administration could be reformed as part of the government commitment to establish a trusted and modern tax administration system. The ATT, CIOT and LITRG all responded to this and were broadly in agreement, supporting the need for reform of the patchwork of policies, legislation and guidance. However, we did all recognise that the consultation was over-ambitious in its scope, calling for 31 reforming opportunities to be considered and reviewed in a consultation period that spanned just 12 weeks!

We want to thank all those members who took part in our 'regulation' survey during April. The results have informed our responses to the consultation on raising the standards in the tax advice market. The survey results indicated that 90% of respondents believe mandatory membership of a recognised professional body both raises and maintains the standards of tax practitioners. Both the ATT and CIOT agree! Our responses were written on the basis that if there is to be oversight in the tax advice market, then mandatory membership of tax practitioners to a recognised professional body that can supervise standards is the most appropriate way forward.

A full list of *all* the responses can be found on our websites: ATT (tinyurl.com/wsra64w4), CIOT (tinyurl.com/5yap6wt5) and LITRG (tinyurl.com/y88nh22x).

There is still time for you to register for one of the ATT Annual Conference sessions being held this month. We are running three sessions to give people a choice of dates: two virtual sessions on Tuesday 4 and Wednesday 12 June, and a face-to-face session on Wednesday 19 June at our London office in Monck Street. We will cover topical tax issues with an emphasis on the practical challenges faced daily by tax practitioners. There will be a tax update by Barry Jefferd, a tax partner of nearly 35 years, as well sessions from the ATT Technical Team on Making Tax Digital (with an HMRC guest for the face-to-face session), avoiding Self Assessment processing problems, a capital taxes update, and the options for avoiding going to the tax tribunal. You can find out more and register at: tinyurl.com/495dea5b.

Finally, huge congratulations go to our Low Incomes Tax Reform Group (LITRG) team on winning the Tolley's Award for Outstanding Contribution to Taxation in 2023-24 by a Not-for-profit Organisation. We are really proud and it's nice to see the team's hard work rewarded.

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London SW1P 2AP.
tel: 020 7340 0550
The CIOT is a registered charity – No. 1037771;
The ATT is a registered charity – No. 803480

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UK print subscription rate 2024: £168.00 for 12 months
UK print subscription rate 2024: £297.00 for 24 months

For *Tax Adviser* magazine subscription queries contact 0330 161 1234. or email customerservice@lexisnexis.co.uk

For any queries regarding late deliveries/non-receipt please direct to Derek Waters, Magazine Distribution Administrator derek.waters@lexisnexis.co.uk

Reprints Any article or issue may be purchased. Details available from customerservice@lexisnexis.co.uk

Printed by William Gibbons & Sons Ltd. West Midlands

ISSN NO: 1472-4502

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CHARLOTTE BARBOUR
PRESIDENT

The start of a journey

> Many accept that there will be further regulation – but in what form? To what extent should the CIOT choose to extend its regulatory reach – or await statute?

In some respects, it's a new year in the CIOT, as we hand over the governance baton, and may I begin by taking the opportunity to thank Gary for his service as President in the last 12 months.

I am honoured to become President – it's a great privilege and I hope to do my best to fulfil the role well. By way of background, I passed the ATII exams in 1988 and have been a proud member since then. Initially, my closest connections with the CIOT, as it later became, were with the Scotland branch and its activities, but I also worked for a brief period with LITRG and then Tax Help for Older People.

Much of my working life, however, has been as a member of staff at the Institute of Chartered Accountants of Scotland, teaching tax for over 10 years, and covering a range of policy and regulatory roles. I believe our professional bodies are an important part of our support mechanisms and it is this, combined with an interest in governance, that makes me really pleased to be involved in the CIOT Council, and now to become President.

In the last 10 years or so, I have been actively involved with the Professional Conduct in Relation to Taxation (PCRT) guidance because an important part of being a professional is in how we conduct ourselves. The tax profession was criticised by the government in 2015 regarding the selling of tax avoidance schemes, with PCRT subsequently amended to include mandatory Tax Planning Standards. However, tax adviser behaviours are again being called into question.

To me, the poor behaviours fall into two categories, one being those around minimising tax (i.e. tax avoidance) but which merge into the fraudulent and now impact more on unrepresented, lower paid taxpayers. The second group causing concern is around competence or, more precisely, incompetence and error that aggravates the tax gap.

HMRC issued its consultation document 'Raising standards in the tax advice market – strengthening the regulatory framework and improving registration' on 6 March and the CIOT and LITRG have each responded to this paper. (The responses are on their respective websites.) There are a number of issues raised that will be difficult to resolve or to adequately cater to in any regulatory scheme in a proportionate and effective manner. Also, the poor practices are with us now and could do with being addressed now but I expect any legislative solution to be some time in the making.

Many accept that there will be further regulation – but in what form? We therefore must start to think whether the compliance activities within the CIOT need to be further developed. If so, will this change the nature of the relationships between the Institute and its members? Will it be costly to implement and operate (and if so, who will pay)? To what extent should the CIOT choose to extend its regulatory reach – or await statute?

I think it is likely that this consultation will be the start of a journey, which may have profound consequences in tax advisers' relationships with both clients and HMRC, and between members and the Institute. The CIOT will continue to liaise with HMRC on this topic.

On a different note, I was delighted to be invited to join the Leeds branch at their 'End of Tax Year' party with opportunities to talk tax, to hear members' interests and concerns, and more generally network. My thanks to Emma Rawson, and her fellow branch committee members, for organising a great evening. I hope to attend other branch events over the course of the coming year.

And do sign up to attend CPD events – the CIOT has a focus on AI at present with an introductory webinar available online. In addition, the CTA Address on 5 June considers AI, a bite size course is coming soon, and there is the CIOT's Diploma in Tax Technology (with over 700 studying this since its launch last year). I'm also a fan of the Cambridge conference (which runs from 13 to 15 September) and have it in my diary to attend.

I look forward to meeting members, volunteers and staff over the coming year and to hearing your views on the issues facing the tax profession.

Charlotte Barbour
President
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Chartered Institute of Taxation.

SENGA PRIOR
DEPUTY PRESIDENT

A busy calendar!

> Do we all see things in our daily non-working lives and think 'I wonder how that is taxed?' Or is it just me?

Hello and welcome to the Deputy President's page for June. May and June are busy months in the social calendar of both ATT and CIOT.

On 10 May, along with fellow officers I attended the Joint Presidents' Luncheon in Edinburgh. This year, we changed location to the Royal College of Physicians, which was a magnificent venue.

This event is one of my favourites – and not just because it is the shortest commute for me of all the ATT and CIOT gatherings! It is a great opportunity for those working in tax in Scotland to mix with Scottish journalists, employers, civil servants and politicians.

Our guest speaker was Graeme Roy, Professor of Economics, Deputy Head of the College of Social Sciences and Assistant Vice Principal at the University of Glasgow. He also chairs the Scottish Fiscal Commission, Scotland's official independent economic and fiscal forecaster. Those attending were interested to hear about the work of the Scottish Fiscal Commission and various statistics relating to the Scottish economy.

On 16 May, we attended the 2024 Tolley Tax Awards at the Hilton London Metropole. After last year's success in winning the Outstanding Contribution to Taxation by a Not-for-profit Organisation, ATT were shortlisted again in the same category. Unfortunately, we were not successful this time around but were delighted to see our LITRG colleagues win the award.

I was still able to celebrate, as in my day job I work in Johnston Carmichael's Private Client Tax Team and we won the Best Private Client Tax Practice category!

On 27 June, we will see one of the most important events of the year – the ATT Admission Ceremony. I look forward to meeting all our prizewinners and new members, along with their families and friends who have supported them throughout their studies.

Our Annual Conferences will also take place on 4, 12 and 19 June, and more information can be found at: tinyurl.com/u7pzrys3. I would encourage you to attend one of these events if you can. They are not only an excellent way to gain CPD but also allow you to keep up with current changes in the world of taxation.

And talking of changes, I was interested to read that some MPs have raised concerns about the changes to the taxation of furnished holiday lets announced in the recent Budget. They argued that the change could lead to significant job losses and impact on the economies of rural and coastal areas.

On holiday recently in rural Northumberland, I stayed in a furnished holiday let with my family. Being the sad tax person I am, my mind started to consider how the furnished holiday lets on the farm we were staying on would be taxed going forward. This was a complex of 15 or so cottages spread over quite a large area. There was a tennis court, football pitch and play park, electric vehicle charging points, a swimming pool and spa, and plenty of woodlands and lands to walk through.

To me, this seemed like a full-time enterprise for the owners, who employed several staff, including cleaners and groundsmen. But is it sufficient to be classed as a business or trade in order that the change to the rules would not affect them too badly? We are back in the same realms of subjectivity that we were in when the change to the tax treatment of double cab pickups was proposed. This does not seem to me to be tax simplification.

The change was announced with no consultation period and we are still awaiting details of the anti-forestalling rule that is to be included in the Finance (No. 2) Bill 2024. This has left many property owners in limbo as they wish to consider the tax consequences of the changes and whether to stay in business, change their type of let or sell up. We also require clear guidance on what would be deemed to constitute a business or trade.

As ever, ATT will be here to support our members with any queries they may have once the situation becomes clearer.

Do we all see things in our daily non-working lives and think 'I wonder how that is taxed?' Or is it just me?

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Private beta
Try it out!

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HMRC has now opened the private beta testing for Making Tax Digital for Income Tax to agents.

by Bill Dodwell

HMRC has embarked on the next step for Making Tax Digital (MTD) for Income Tax by opening up the private beta to agents and their taxpayer clients for 2024-25. A full public beta will open for 2025-26, before mandation starts in 2026 for those with gross income from self-employment and/or property of £50,000 or more.

Individuals may sign up directly for the private beta and tax agents can sign up their clients. There are separate pages for each route – the agent version can be found at tinyurl.com/bd2f9z9p.

Tax agents will need an agent services account, just as for VAT. Once the taxpayer has been added to the private beta, digital records must be kept of business income and expenses. MTD software will need to provide quarterly updates to HMRC and naturally the tax return process will continue as well.

At this stage, there are quite a few limitations and exclusions, as functionality is still being added to HMRC's systems. A new system is being built for MTD and taxpayer records will be transferred to it from the existing legacy system.

Taxpayers may join the private beta provided that they are UK resident, with a National Insurance number and have filed at least one Self Assessment tax return and paid the tax due. This will be the 2022-23 return, as it is too early to consider 2023-24. Their accounting period must be to 5 April, or to 31 March provided that the software used for MTD filings supports this. Bizarrely, the system was built with a default accounting period of 5 April and so an election must be made to use 31 March before the first quarterly update is submitted. At the end of the first tax year, an adjustment must be made by those with March year ends to add in income and expenses from 1 April to 5 April, which would otherwise drop out. Individuals with different accounting year ends (for example, some farmers use 30 September) will have to wait until the system accepts a wider range of accounting dates.

Current exclusions

Since additional functionality is being added to the new system, taxpayers cannot currently be accommodated if they:

- are in receipt of high income child benefit charge, married couple's allowance or blind person's allowance;
- are a partner in a partnership;
- have income from a trust;
- have income from being a foster carer or being in a shared lives scheme;
- have income from a furnished holiday let or a jointly owned property;
- use 'averaging', for example because they are a farmer, writer or artist;
- face an open compliance enquiry;
- are currently, or are going to be, bankrupt or insolvent;
- are an MP, minister of religion or Lloyd's underwriter; or
- have a payment plan with HMRC.

Taxpayers will not be able to carry back losses, change their accounting period, or switch between cash and accruals.

Software

The basic requirements of MTD are that the taxpayer keeps their accounting records digitally and sends quarterly updates of accounting information to HMRC. At the end of the tax year, accounting and tax adjustments may be needed – but these can be carried out in a different system. Most taxpayers (at least 70%) within the scope of MTD have a tax agent, who will typically use agent software to prepare and file the tax return. One model is for the taxpayer to keep digital records, allow the software to upload the quarterly updates and then let their agent take a digital transfer of the data into the agent's tax filing system. The agent can then make accounting adjustments if needed (e.g. adjust for accruals, stock, depreciation if relevant, bad debts, personal expenses) and tax adjustments (disallowable items, capital allowances) before adding other items such as pension contributions, gift aid and other income needed to complete the final return.

HMRC's software page (see tinyurl.com/2tmmu76a) lists software currently available, as well as providers whose software is under development. At the time of writing, there are seven products listed, although most don't seem to have an MTD landing page. Some products are bridging software, in that they will link record keeping from a non-compatible accounting package (such as business-specific software or a spreadsheet) to quarterly updates.

Customer support

HMRC has a dedicated support team with a separate telephone number to help taxpayers and agents with any problems. The team will also be able to help with other tax queries relating to the enrolled taxpayer, which is a welcome bonus for anyone with more complicated tax issues.

Conclusion

Who will get the most out of MTD? Those who use the 'encouragement' to keep better records. The purpose of an accounting system is to help the business owner to understand how well their business is doing and improve efficiency. The benefit for agents in signing up at least one client now is to gain experience with the system, and gain insight into the business changes needed to support MTD from 2026.

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London Tax Network

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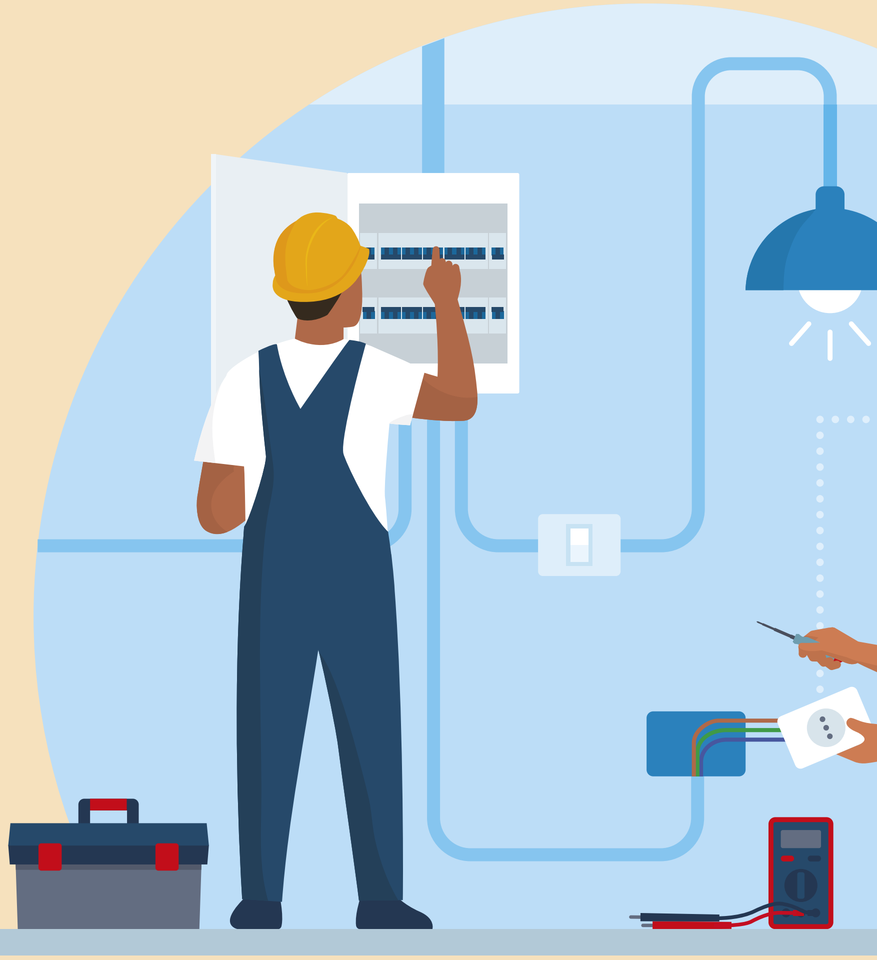
Capital goods scheme

Tips and traps



If an entity either buys a property or improves, extends or alters it, the capital goods scheme will be relevant if the cost is £250,000 or more excluding VAT. We consider the practical challenges.

by Neil Warren

The capital goods scheme is all about fair play as far as input tax on major building projects is concerned. It applies to all VAT registered entities and has often proved a particular challenge for charities and not-for-profit organisations. I am a big fan of its intentions and methodology, although the £250,000 threshold has not increased for decades and is more out-of-date than the school library book I forgot to return when I was twelve years old. That was a long time ago!

In this article, I will consider common challenges with the scheme and pitfalls to avoid. As the pundits say on the hit TV programme, *Dragons Den*… it's all about the numbers.

What are the basic principles?

The outcome of the capital goods scheme is that input tax claimed on property related expenditure costing £250,000 or more excluding VAT is adjusted over a ten-year period to reflect the use of the asset in that period of time; i.e. changes between taxable and non-taxable use. It applies to the purchase of a building where VAT has been charged, as well as improvements, alterations and extensions. Associated costs connected with a property purchase are excluded, such as legal or estate agency fees.

An entity must make annual input tax adjustments over a ten-year period to reflect changes in their use of the building between taxable, non-business and exempt activities. See ***Hamwell Lawyers: Buying a new office.***

Note: the capital goods scheme also applies to civil engineering works, such as the construction of roads and bridges, as well as the spending of £50,000 or more excluding VAT on computers, aircrafts, ships, boats and vessels.

What happens if no input tax is claimed on a property purchase?

What would happen if the property purchased by Hamwell Lawyers had been wholly used for an exempt activity, so the initial input tax claim was zero?

The annual adjustments will still apply and this will lead to an input tax windfall in the following ten years if the use changes to either a partly or fully taxable activity. For example, if Hamwell Lawyers purchased the building to supply insurance services which are exempt from VAT, and did not claim input tax, there would be future windfalls if they used the property for legal services during the following ten-year period. The business will claim a tenth of the total input tax for each year where the building is wholly used for taxable activities.

What about a building used for taxable and exempt activities?

If a building is used for both taxable and exempt purposes, the input tax must be adjusted according to the usual partial exemption method of the business. The calculation will usually be based on the standard method, carried out according to the split of taxable and exempt turnover for the partial exemption tax year in question.

A partial exemption tax year ends on 31 March, 30 April or 31 May, depending on the return periods of the business; it ends on 31 March for a business that submits monthly returns.

For example, if a not-for-profit members golf club uses a capital goods scheme building for both catering (taxable) and golfing (exempt) activities, the percentage of input tax will almost certainly change each tax year because the

percentage of taxable income will fluctuate. An alternative strategy is for the club to apply to HMRC for a special method, perhaps based on the square footage splits of the building between taxable and exempt use.

Are £250,000 deals included?

I saw a capital goods scheme scenario go wrong many years ago, when a business purchased a property for £250,000 plus VAT and claimed input tax. The directors did not carry out capital goods scheme adjustments over the next ten years because they were advised that the scheme only applies to deals that exceeded £250,000. That's wrong!

The legislation at The Value Added Tax Regulations 1995 (SI 1995/2518) Reg 112 refers to spending which is 'not less than £250,000'. This story did not have a happy ending because there was a change in use two years later that required a capital goods scheme input tax repayment.

However, there is a potential planning opportunity. If your clients negotiate a deal to purchase a property for £249,995 plus VAT, the capital goods scheme will not apply. In this case, input tax is only reviewed in the VAT quarter when they buy the property, followed by the usual annual partial exemption adjustment.

In some cases, though, the scheme might be useful if the percentage of taxable use is expected to increase. If so, pay an extra £5 and buy it for £250,000 plus VAT instead!

What about a phased refurbishment?

Consider the case where a business owns a three-storey office block and spends £100,000 plus VAT in each of the next three years, refurbishing one floor each year. The key figure is £100,000 rather than £300,000, so the capital goods scheme does not apply. Each improvement phase is treated separately as far as the £250,000 threshold is concerned.

Another quirk is that the calculations only include expenditure that is 'plus VAT' as far as the £250,000 limit is concerned; i.e. exempt and zero-rated expenditure is excluded. So, for example, if standard rated spending on an improvement project is £240,000 plus VAT and there is zero-rated expenditure of £20,000, the capital goods scheme does not apply.

When are annual adjustments declared on a return?

The practical reality of the capital goods scheme is that a tenth of the original input tax claim is reviewed for each adjustments period.

The first period ends at the end of the partial exemption tax year that includes the purchase of the asset and the original input tax claim, and then it is reviewed for the following nine years.

For example, a building was purchased for £1 million plus VAT and 80% input tax was initially claimed. An input tax repayment of £2,000 would be made if the taxable use was only 70% at the end of year two (i.e. the total input tax of £200,000 divided by ten years multiplied by the 10% reduced taxable use). The adjustment is included on the second period after the end of the partial exemption tax year; i.e. the September return for a business that submits calendar quarter returns (see VAT Notice 706/2 s 8).

What about non-business use?

If, for example, a charity buys a building that will be wholly used for non-business purposes – i.e. its charitable activities – then no input tax will be claimed on the purchase of the building. The non-business outcome effectively means that no subsequent input tax claims can be made with the capital goods scheme if, say, it is partly used in the next ten years as a business building, perhaps a charity shop.

However, if input tax is partly claimed because there is some business and non-business use, the charity can choose to either:

- exclude the non-business element from the capital goods scheme calculations, effectively taking it out of the balance sheet; or

Key Points

What is the issue?
The capital goods scheme reflects the use of a building over a ten-year period; i.e. input tax is adjusted on an annual basis to reflect any change in the mixture of taxable, exempt and non-business use. The adjustments are declared to HMRC on the second return after the end of the tax year.

What does it mean for me?
The capital goods scheme also applies to improvements, extensions and alterations to a property if the cost of the works is £250,000 or more excluding VAT. However, a phased improvement project is excluded unless any of the phases exceed the £250,000 threshold, in which case it will apply to those phases only.

What can I take away?
Calculation errors are sometimes made when a property is sold before the end of the ten-year adjustment period, when all of the outstanding adjustments are declared in the tax year of the sale, and the input tax adjusted will depend on whether the property sale is taxable or exempt.

HAMWELL LAWYERS: BUYING A NEW OFFICE

Hamwell Lawyers purchased a new office building for £1 million plus VAT on 1 January 2021 and fully claimed input tax of £200,000 because its activities of supplying legal services are taxable.

If they continue to use the building for the same activity until 2030 – or any other taxable activity, such as tax advice work – the annual capital goods scheme adjustments will be nil; i.e. the initial input tax claim does not require correction.

However, if the partnership generates exempt income from the building, perhaps by sub-letting a part of the property without making an option to tax election, the adjustments will produce an input tax repayment each year.

FLORIST FLO: PROPERTY SALE AFTER EIGHT YEARS

Flo purchased the freehold of a shop for £1 million plus VAT in June 2015 and fully claimed input tax because she used it for her florist business; i.e. there are no partial exemption issues.

She sold in in September 2022 for £3 million – no VAT was charged on the sale because she had never opted to tax it. Adjustment year eight ends on 31 March 2023, when she used the property for both taxable and exempt purposes, and the final two years to March 2024 and 2025 are wholly linked to exempt supplies; i.e. the final sale.

So, the final annual adjustment made on the VAT return ended 30 September 2023 must adjust the original input tax claim to recognise the disposal.

- include the full value of the asset in the capital goods scheme.

For example, a charity purchased a building for £5 million plus VAT and initially claimed 40% of the input tax as relevant to taxable use, disallowing 60% for non-business activities.

In this case, the input tax reviewed each year will be £400,000 – and not £1 million, as it would be if the second option is taken.

It makes sense to include the full value of the asset in the calculations if the taxable use is expected to increase. The option to exclude the non-business part of the asset must be made when the building is purchased and records of the decision-making process should be kept (see VAT Notice 706/2 para 4.2 s 5).

What happens if you sell a property?

The final capital goods scheme adjustment in the year of the sale will adjust input tax for all of the remaining years and not just the final one. For example, if a property is sold at the end of year six, and the sale is exempt from VAT, the final capital goods scheme adjustment will treat all input tax for years six to ten as relevant to exempt supplies. A single calculation is made at the end of year six.

In reality, the outcome is fair:

- If your client sells a property and the sale is VATable, the remaining capital goods scheme intervals will all be treated as taxable.
- If your client sells the property and the sale is exempt from VAT, the remaining capital goods scheme intervals will be treated as non-reclaimable; i.e. wholly linked to exempt income.

As explained above, the VAT for all of the outstanding adjustments is paid or reclaimed on the annual adjustment that falls within the tax year of the sale. See ***Florist Flo: Property sale after eight years***.

Note: If a property sale is made at a reduced value that could be considered by HMRC to be an anti-avoidance strategy – perhaps a sale to an associated business that is less than market value – a 'disposal test' must be considered, which could result in an extra VAT liability. HMRC's guidance refers to 'an unjustified tax advantage' (see VAT Notice 706/2 s 11).

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Making Tax Digital for Income Tax
Looking forwards

As the start date of Making Tax Digital for Income Tax is deferred until April 2024, we consider the other changes that have been made to the regulations.

by Rachel McEleney

Key Points

What is the issue?
Making Tax Digital for Income Tax has formally been delayed until 6 April 2026 and easements have been made.

What does it mean to me?
From 6 April 2026, individuals with receipts of more than £50,000 from trading and property businesses will need to use software to maintain digital records for their business and make income tax filings with HMRC. This will replace their self-assessment obligations.

What can I take away?
Taxpayers and their agents will need to consider software options and prepare for the new regime. Agents may wish to join the pilot in advance of the system going live.

The start date of Making Tax Digital for Income Tax (MTD ITSA) was officially deferred from 6 April 2024 to 6 April 2026 following the laying of regulations before the House of Commons on 22 February 2024. These amend an earlier set of regulations that had been laid on 23 September 2021. The deferral had been announced on 19 December 2022 together with other easements.

These easements, together with others announced at the Autumn Statement on 22 November 2023, are also reflected in the February 2024 regulations.

What changes do the February 2024 regulations make?

Income threshold raised

Along with the deferral of the start date, one of the key changes is the increase in the qualifying income threshold. Qualifying income is the aggregate of the gross turnover and rental receipts from the individual's trading and property businesses.

The September 2021 regulations provided an exemption from digital requirements for those with qualifying income of £10,000 per year or less (the 'income exemption'). Taxpayers with qualifying income above that threshold would have been required to enter MTD ITSA unless they were exempt for some other reason, such as digital exclusion.

The obligations will instead be introduced in two phases:

- 2026/27: Individuals with qualifying income of over £50,000 (expected to affect about 780,000 people).
- 2027/28: Individuals with qualifying income of over £30,000 (expected to affect a further 970,000 people). This threshold will be kept under review and could change in the future.

The qualifying income being measured will be based on amounts reported on the tax returns that are due on 31 January before the relevant start date. Mandation for 2026/27 will therefore be based on amounts reported on the 2024/25 return, which will be due on 31 January 2026 (i.e. just over two months before the obligations begin). An individual who qualifies for the income exemption may voluntarily opt into MTD ITSA.

A further change to the regulations was to include a disregard of amendments made to a tax return after 5 April that cause the threshold to be breached. For instance, if an individual files their 2024/25 tax return showing turnover of £49,000 and they amend this figure to £51,000 after 5 April 2026, they will continue to qualify for the income exemption in 2026/27 despite actual qualifying income for 2024/25 exceeding £50,000.

Carve-outs

It was confirmed in the Autumn Statement 2023 that foster carers would be given an exemption from MTD ITSA. This has been achieved by the exclusion of 'qualifying care receipts', as defined in Income Tax (Trading and Other Income) Act 2005 Part 7 Chapter 2, from the definition of qualifying income for the income exemption.

There is also a new 'qualifying care exemption' to ensure that digital requirements do not apply to 'qualifying care'. If a foster carer has MTD ITSA obligations for other reasons (e.g. a property business), they can therefore ignore their foster care activities when keeping digital records and making their quarterly updates.

As confirmed in Autumn Statement 2023, there is also an exemption from MTD ITSA for those without National Insurance numbers (the 'No NINO exemption'). It was stated at the time that this would apply to those 'who are unable to obtain a National Insurance number', which created uncertainty about cases where individuals were eligible to apply but chose not to.

The regulation is less nuanced than this, however. If the individual does not have a National Insurance number as at 31 January before the start of the tax year in which MTD ITSA obligations would otherwise apply, the exemption applies. This removes administrative difficulties faced by some groups, such as non-resident landlords, and removes the potential for under-16s to have MTD ITSA obligations.

Administrative changes

In terms of volume, the most substantial amendments made in the regulations related to administrative matters. These included removing the concept of an 'End of Period Statement'. The End of Period Statement was intended to confirm that the information for the relevant accounting periods was complete and correct for each of the individual's businesses. This was separate from the 'final declaration' where the individual would confirm that details of all sources of income and reliefs were complete and correct. This was seen as potentially confusing to taxpayers and created some duplication.

Changes were also made to the nature of quarterly updates. In Autumn Statement 2023, it was confirmed that quarterly updates would be cumulative for the tax year to date, rather than covering discrete three-month periods. This is intended to remove the administrative burden of amending an earlier quarter's report if missing receipts or expenses come to light in a later quarter of the same tax year.

One change reflected in the regulations that had not been anticipated at the time of Autumn Statement 2023, was a two-day shift in the deadlines for filing quarterly reports. Quarterly reports were originally intended to be due one month after the tax year quarter end date (e.g. 5 August 2026 for the quarter ended 5 July 2026). This has been put back by two days to the 7th of the relevant month to align it with quarterly reporting dates for VAT. It is worth noting that an election to use calendar quarters has no effect on filing deadlines.

What problems remain?

Apart from the specific changes set out above, the MTD ITSA regulations are largely as they stood in 2021. Some of the potential problems identified in the original regulations therefore remain.

Digital records and digital links

There is still uncertainty about what a 'digital record' is and how it starts. This leads on to further uncertainty about whether a digital link is required. For example, if a barrister's clerk records fees on the chambers' IT systems, is this the start of the digital record? If so, how does it get onto the barrister's MTD software?

The issue becomes even more uncertain in the case of joint receipts and expenses.

Accounting periods not aligned to the tax year

Where a trader draws up their accounts to 31 March or 5 April, the aggregates in the fourth quarterly update will be broadly in line with the taxable profits (although further adjustments for tax purposes may be required). This is not the case if the accounts are drawn to any other date. If the individual has a 30 November year end, the 2026/27 profit will be based on time-apportionments of the two sets of accounts running from 1 December 2025 to 30 November 2027, rather than the actual results for the period from 6 April 2026 to 5 April 2027.

Accordingly, whether a transaction in that two-year window occurred between 6 April 2026 and 5 April 2027 is largely irrelevant in determining the taxable profit, but this is what will be reflected in the cumulative quarterly update data. If this effectively creates a notional set of accounts running to 5 April 2027, this could be confusing for those who do not fully understand the tax year basis.

Deemed trades remain within MTD ITSA

With the exception of Lloyd's underwriters, sources of income that are deemed to be trading profits for tax purposes remain within MTD ITSA and therefore require quarterly updates. This would include disguised investment management fees and income-based carried interest, for example.

HMRC recognises that individuals with these deemed trades do not normally have any in-year records to keep, but it has not shown much appetite to exclude them from the regime. Instead, it is envisaged that affected individuals will need to submit blank quarterly reports and make one final adjustment to record the deemed trading profit.

International issues

The regulations are silent on residence issues, which potentially creates some issues for individuals with overseas property businesses who leave the UK and have profits in the overseas part of a split year.

Unlike trades, there are no deemed cessation provisions for overseas property businesses on a change of residence status. The profits arising in the overseas part are simply not chargeable. As the quarterly update requirements only stop on a cessation of the business, it therefore appears that quarterly reporting could strictly continue after the profits cease to be chargeable. Consideration will also need to be given to situations where the split year date is unclear until much later.

The regulations do include an exemption for foreign businesses of individuals who are neither domiciled nor deemed to be domiciled in the UK. There are a number of problems with this exemption, which have not been addressed to date. The expected abolition of the domicile regime, which was announced after the regulations were amended, should remove some complications, but others could well be carried over to the replacement Foreign Income and Gains regime.

Like the remittance basis, the Foreign Income and Gains regime is intended to be optional for those who qualify for it. It therefore remains the case that the taxpayer will not necessarily know during the course of the tax year whether the overseas business transactions occurring will have any relevance to their income tax position.

There is a further potential issue relating to sole trades that are carried on partly in the UK and partly abroad. Profits of a sole trader who is on the remittance basis are currently either taxed entirely on the remittance basis, if the trade is carried on wholly abroad, or entirely on the arising basis if there is any UK trading activity. This is because profits are only 'relevant foreign income' if the trade is carried on wholly abroad.

The exemption in the regulations provides that an individual trading partly in the UK and partly abroad should apply the MTD ITSA rules to the UK part of the business, even though both parts are taxed in the same way (i.e. arising basis) and therefore don't require segregation for UK tax purposes (other than for foreign tax credits purposes).

The definition of foreign income for the Foreign Income and Gains regime is not yet clear, but if it is based on the current definitions of 'relevant foreign income', a notional splitting of the business for MTD ITSA purposes would be similarly problematic.

What's next?

As MTD ITSA does not go live until 5 April 2026, HMRC still has time to iron out the issues set out above and produce further guidance. HMRC's private beta, which it launched on 22 April 2024, is intended to test the robustness of its system and to give it the opportunity to fix problems before the system goes live. Eligibility to use the private beta is much wider than previous pilots, but there are still several exclusions, set out on HMRC's sign-up page (see tinyurl.com/3fvpwn3f).

HMRC will also need to make adjustments for legislative changes including the Foreign Income and Gains regime and the abolition of the law relating to furnished holiday lets.

For further information about HMRC's private beta of Making Tax Digital for Income Tax, please see Bill Dodwell's article 'Private beta: try it out' on page 8.

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Non-resident trusts
Protections due to cease

With the current income tax and capital gains tax trust protections for non-resident trusts due to cease from 6 April 2025, we consider the options open to non-doms.

by Emma Chamberlain

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Key Points

What is the issue?
For all existing and future non-resident trusts, the current income tax and capital gains tax trust protections will cease from 6 April 2025. This will affect all those settlors who are UK resident from 2025/26 and are not new arrivers.

What does it mean for me?
They will be taxed on the same basis as UK domiciled settlors, so gains realised by the trust will be chargeable on the settlor unless **all** of the settlor, children, grandchildren and their respective spouses or civil partners are excluded from any benefit.

What can I take away?
The four year exemption has been heavily criticised as too short for anyone to put down roots and will simply result in 'tax tourists' with the cliff-edge from 0% to 45% after four years more likely to increase the likelihood that people will leave.

In the article 'Resident non-domiciles: the end of the line?' (*Tax Adviser*, April 2024), the key changes affecting non-doms announced on 6 March 2024 in two Budget Notes were summarised by Anthony Whatling. These changes will affect the taxation of:

- foreign domiciled individuals who are already UK resident;
- 'new arrivers', wherever they are domiciled; and
- individuals who have already left the UK.

The term 'new arrivers' in this article means those who have not been UK resident during the previous ten tax years and who have been tax resident in the UK for less than four tax years by 6 April 2025.

Many points of detail remain unclear at present and the uncertainty has been highlighted by a Labour statement in early April noting the following:

> 'While Labour supports most aspects of the proposed replacement to the non-dom rules, including the four-year arrival window and the principle of a ten-year window for inheritance tax, we are concerned that major loopholes remain. That is why Labour will include all foreign assets held in a trust within UK inheritance tax, whenever they were settled, so that nobody living here permanently can avoid paying UK inheritance tax on their worldwide estates.'

In addition, Labour has indicated the following:

- It will not give a 50% discount for foreign income in 2025/26. Nothing has been said about the 2019 capital gains tax rebasing option that is intended to be available to those not domiciled or deemed domiciled as at 5 April 2025.
- It will consider whether UK investment income, as well as foreign investment income and gains, should be free of UK tax in the first four years for new arrivers.
- The two-year transitional window to remit historic foreign income and gains at a favourable rate (12% under the new temporary repatriation facility) may be extended or other incentives given (whether carrot or stick) to encourage people to remit historic foreign income and gains.

In this article, I concentrate on the trust protections and the next article will consider the inheritance tax aspects of the proposals announced in the Budget and by Labour.

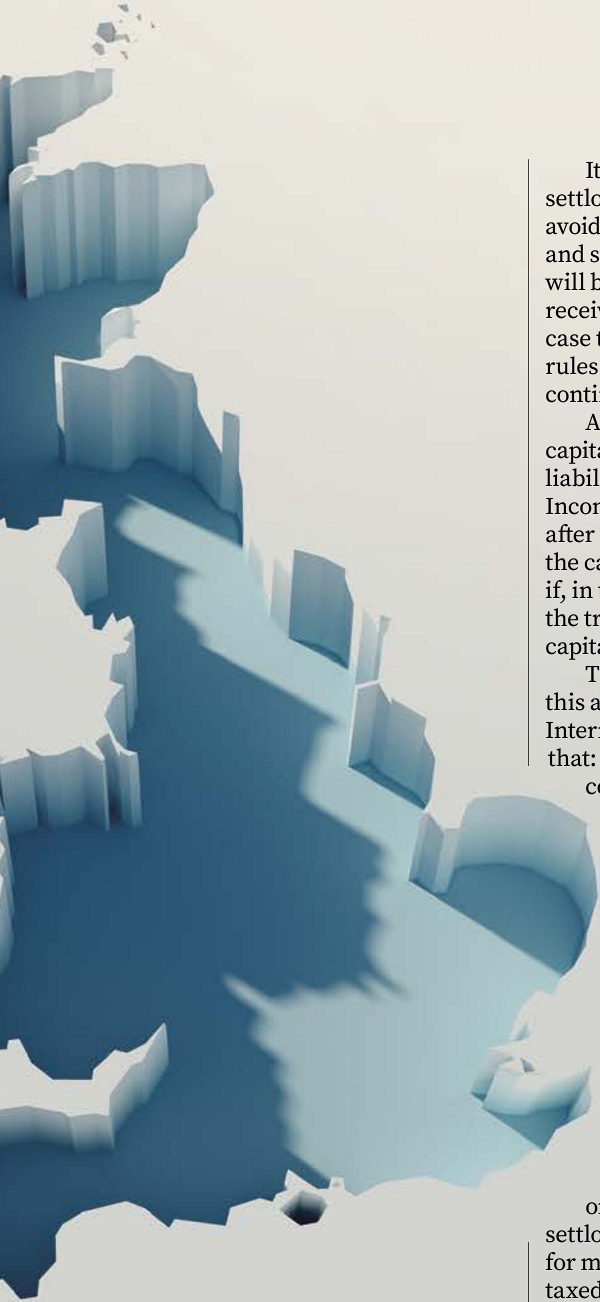
For full details of the CIOT submissions on the temporary repatriation facility, and capital gain tax and income tax, readers are referred to: tinyurl.com/ye9br6dt

The position from April 2025 for non-resident trusts

For all existing and future non-resident trusts, the current income tax and capital gains tax trust protections will cease from 6 April 2025. This will affect all those settlors who are UK resident from 2025/26 and are not new arrivers.

In effect, they will be taxed on the same basis as UK domiciled settlors, so gains realised by the trust will be chargeable on the settlor unless **all** of the settlor, children, grandchildren and their respective spouses or civil partners are excluded from any benefit. It may be common to exclude the settlor and spouse from a trust but excluding the issue of the settlor will be very rare.

In these circumstances, a useful legislative improvement would be to impose primary or concurrent liability on the trust to pay the capital gains tax, rather than requiring the settlor to claim reimbursement which will be difficult if they have been excluded from all benefit. The settlor can remain secondarily liable but most professional trustees (even those outside the UK) will pay capital gains tax when sent a demand. After all, the inheritance tax provisions do this without relieving the settlor of a non-resident trust from liability (see



Inheritance Tax Act 1984 ss 201-203; also *Re Clore (deceased) (No. 3), IRC v Stype Trustees (Jersey)* [1985] STC 394.

The alternative option is for settlors to make the trust UK resident, which will not affect the inheritance tax position and will move the capital gains tax liability to the trustees. However, a settlor may not be keen on doing this if they plan to leave as the trust cannot then be exported later without an exit charge. Importing the trust may have other implications which should be considered carefully; for example, in relation to loss relief and loss of the tax pool.

Settlors of non-resident trusts who have been UK resident for longer than four years (or were not non-resident for ten years prior to arrival here) will also be subject to income tax on an arising basis on all trust and corporate income and offshore income gains within the trust if they or their spouse/civil partner can benefit.

It may be possible to exclude the settlor and spouse/civil partner so as to avoid a charge under the transfer of assets and settlement provisions. The difficulty will be if the settlor has in the past received a capital distribution, in which case technically exclusion under current rules may not be effective to avoid a continuing tax liability.

At face value, if there has been a capital receipt there is a continuing liability to income tax on the basis that Income Tax Act 2007 s 727 is engaged even after exclusion (as s 728(1)(a)(ii) refers to the capital receipt conditions being met if, in the relevant year or any earlier year, the transferor receives or has received a capital sum).

There are arguments against this and HMRC indicates in its International Manual at INTM601020 that: 'If entitlement to a capital sum ends completely and there are no other grounds for the income tax charge, the liability under this charge **will not normally** be extended beyond the tax year in which this entitlement ceases.' However, this is hardly an unqualified statement. Clarification is needed on this point. As a matter of principle, a transferor should not be taxed on income and offshore income gains if there is no longer 'power to enjoy'.

The loss of trust protections obviously has no direct impact on those beneficiaries who are not settlors. Once they have been in the UK for more than four years, they will be taxed on a worldwide basis on all trust benefits, but if the settlor is dead or non-UK resident, income and trust gains can continue to be rolled up tax-free.

Second-generation trusts will therefore continue to offer advantages. However, beneficiaries on the remittance basis who have received unmatched capital payments or benefits will need to consider their position very carefully before 6 April 2025. If a beneficiary has received an unmatched capital payment abroad and the trust is not within Taxation of Chargeable Gains Act (TCGA) 1992 s 86 and later realises gains after 2025 when the beneficiary is no longer on the remittance basis, those gains would be matched and taxed on the beneficiary.

This is a problem that already faces beneficiaries who are about to become deemed domiciled and have unmatched capital payments. The solution may be to resettle the assets into a new trust. (TCGA 1992 s 90 carries across the s 1(3) amounts but it does not carry across the excess unmatched capital payments.) However, this may have inheritance tax implications.

Options for settlers

For those settlors affected by the changes what are their options?

1. Become non-UK resident

Settlors can become non-UK resident at any time and provided they remain non-resident for more than five tax years, trust gains and income will not be taxable on them in that non-resident period. Of course, if they wind up the trust while non-resident and receive the trust fund personally, the assets will then fall within the inheritance tax net until they have been non-resident for at least ten years.

2. Consider a different investment strategy

Trusts which are affected by the changes because the settlor has been UK resident for more than four years should consider a different investment strategy.

For example, if the settlor and spouse but not their issue are excluded, consider moving out of equities. Instead, the trustees could invest in offshore funds where gains are not chargeable on the settlor under TCGA 1992 s 86 and charges on the settlor/transferor under the settlements and transfer of assets abroad codes can be avoided subject to the capital receipt rules above. The trustees may move into an offshore investment bond wrapper and rely on not withdrawing more than 5% each year.

3. Do nothing

The settlor may do nothing. After all, if he owned the asset personally he would pay tax, so holding it in a trust set up prior to April 2025 does not make the position materially worse from the income tax and capital gains tax perspectives, except in relation to the reimbursement of tax liabilities and possible treaty relief claims.

There are also non-tax reasons for using trusts such as succession planning, protection of children and asset protection, which may mean that they remain attractive vehicles. The trust may invest in a long-term roll-up fund and just avoid realising gains and income at all while the settlor is alive and UK resident. However, the inheritance tax disadvantages need to be considered carefully (see the next article in this series).

Following the Labour Party announcement in April, such a trust could be subject to inheritance tax at 6% every ten years and a 40% inheritance tax charge on death without the benefit of spouse exemption.

4. Sell or rebase assets

Non-resident trustees of protected trusts will no doubt sell or otherwise rebase assets prior to April 2025 to realise the maximum tax free gains possible and have a high base cost going forward. (Trusts could rebase by making a sub-fund election and triggering a deemed disposal.)

Such a move will then increase the stockpiled gains available for matching to distributions (and the supplemental charge starts to run earlier). On the other hand, future distributions can be deferred or managed – for example, by making interest free loans and minimising the taxable benefit – and it reduces immediate tax on future gains while the settlor is alive and UK resident.

5. Make the trust UK resident

Trustees may decide to make the trust UK resident which will have no impact on the inheritance tax treatment but avoids tax on the settlor on future trust gains under s 86. The companies could be made UK resident, reducing the tax rate to 25% corporation tax and avoiding tax under the transfer of assets rules.

Loss rules will need to be considered carefully here. Indeed, if a trust moves from the s 87 regime to the s 86 regime from April 2025, the loss rules will need to be considered carefully as s 87 losses cannot be used against s 86 gains.

Transfer of assets abroad

Non-UK resident trusts will continue to be used where the settlor is dead or likely to remain non-UK resident as the trust income and gains can still be rolled up.

The greatest problem is likely to arise in the context of the transfer of assets abroad regime, exacerbated by the draft changes introduced in the Finance (No. 2) Bill (clause 22). The transfer of assets abroad regime found in Income Tax Act 2007 Chapter 2 is complex, wide-ranging and uncertain. It dates back to the 1930s and was really designed to stop UK domiciled residents from moving assets abroad into foreign companies and trusts and thus avoiding income tax. An income tax charge is imposed on the UK individual 'transferor' who has the 'power to enjoy' (widely defined) the income belonging to the person abroad.

Although a 'motive' defence is available under transfer of assets abroad for genuine commercial transactions and for transactions where there was no UK tax avoidance purpose, the burden is on the taxpayer to prove this. The difficulty is that once the remittance basis and trust protections disappear after 5 April 2025, far more people will be drawn into the transfer of assets abroad charge, despite having genuine commercial operations abroad.

Foreign doms are precisely the people who are most likely to have established or been involved in funding foreign companies whether by loan or share subscription and whether before or after coming to the UK. It may not always be easy to prove the motive defence applies and there is no de minimis provision comparable to the provisions in TCGA 1992 s 3.

In the absence of the motive defence, the transferor who has power to enjoy (other than new arrivers) will have to pay income tax on the profits arising within the foreign companies, even if the same is never distributed to them and even though such profits would only be subject to corporation tax if the company was UK resident.

In some cases, foreign exchange restrictions operating in countries such as India may make it impossible to extract the profits from the companies by way of dividend and there is no statutory right of reimbursement.

Clause 22 of the Finance (No 2) Bill is presumably a response to the decision of the Supreme Court in the case of *HMRC v Fisher* [2023] UKSC44. The Supreme Court held that as the UK company had transferred the business abroad to a Gibraltar company, rather than the individual shareholders, the latter could not be assessed as transferors. Clause 22 aims to 'correct' this by extending the code to cover avoidance of any tax through a transfer made by a closely-held company if (broadly) the individual is involved in that decision. This proposed legislation is retroactive as there is no cut-off date where transactions made before a certain date are unaffected. All income arising after April 2024 is caught, even if the relevant transaction took place many years ago.

Conclusions

The proposed changes are likely to mean that at least some foreign doms leave earlier than originally anticipated. Others may not come here in the first place, given that other countries such as Italy, Switzerland, France and Spain have a more attractive regime for certain types of wealthy or high earning non-doms. Or they may come here for a short period and then leave in the first four years.

The four year exemption has been heavily criticised as too short for anyone to put down roots and will simply result in 'tax tourists' with the cliff-edge from 0% to 45% after four years more likely to increase the likelihood that people will leave.

The government has estimated that overall the changes will raise £2.6 billion revenue by 2028/29. The Institute for Fiscal Studies was more circumspect. It is difficult to predict behavioural change but the Office for Budget Responsibility assumes that about 5,500 individuals will be affected in April 2025 (see tinyurl.com/bdhn84sk). As academic research shows, the UK does attract and retain high net worth individuals for reasons other than tax, so people may not leave or arrive here solely for tax reasons (see tinyurl.com/h84ar4m4).

There are winners as well as losers. The principal winners are those UK doms who have been non-UK resident for more than ten years. It appears likely that they will be able to benefit from the new four year income tax and capital gains tax exemption and the ten year inheritance tax exemption if they return here.

Overall, the changes will not affect existing trusts with no living or UK resident settlors, although there may be some lesser impact on beneficiaries who have been UK resident for more than four tax years and therefore cannot claim the remittance basis on trust benefits after April 2025.

Perhaps the greatest losers are those who have been UK resident for between four and 15 years and were expecting to obtain the remittance basis for some years. For these people, the new regime looks particularly tricky and they are often the most economically productive members of this non-dom club – typically, being younger and here for work purposes. The problems around the transfer of assets abroad code are likely to be of particular relevance to them. It will not be easy to get treaty relief for a tax charge on the transferor under the transfer of assets abroad code and there is no right of reimbursement.

In a future article, Emma Chamberlain will consider the inheritance tax changes on trusts, non-doms and UK doms. The views expressed in this article are her own and should not be attributed to the CIOT.

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The EU's Carbon Border Adjustment Mechanism
Preparing for the next phase

As the EU's Carbon Border Adjustment Mechanism enters its next phase from 1 July 2024, and with a proposed UK mechanism on the horizon, we ask what this will mean for UK businesses.

by Mark Feldman and George Riddell

From 1 July 2024, the EU's Carbon Border Adjustment Mechanism (CBAM) will enter its next phase, requiring exporters to EU member states to use actual embedded emissions data for the quarter from July to September 2024. This will require businesses to actively engage with their suppliers to collect the necessary data. We look at how they are getting on, as well as providing an overview of the proposed UK CBAM due to start in 2027.

A previous article in this series, 'The EU's Carbon Border Adjustment Mechanism: the practical implications' (October 2023) looked at the practical implications for businesses as they prepared to register and submit their first EU CBAM declarations in January 2024. With businesses now needing to prepare for the next phase of requirements and submit actual embedded emissions data for imports into the EU from 1 July 2024, they are likely to need to engage intensively with their suppliers.

A (very brief) recap of the EU CBAM

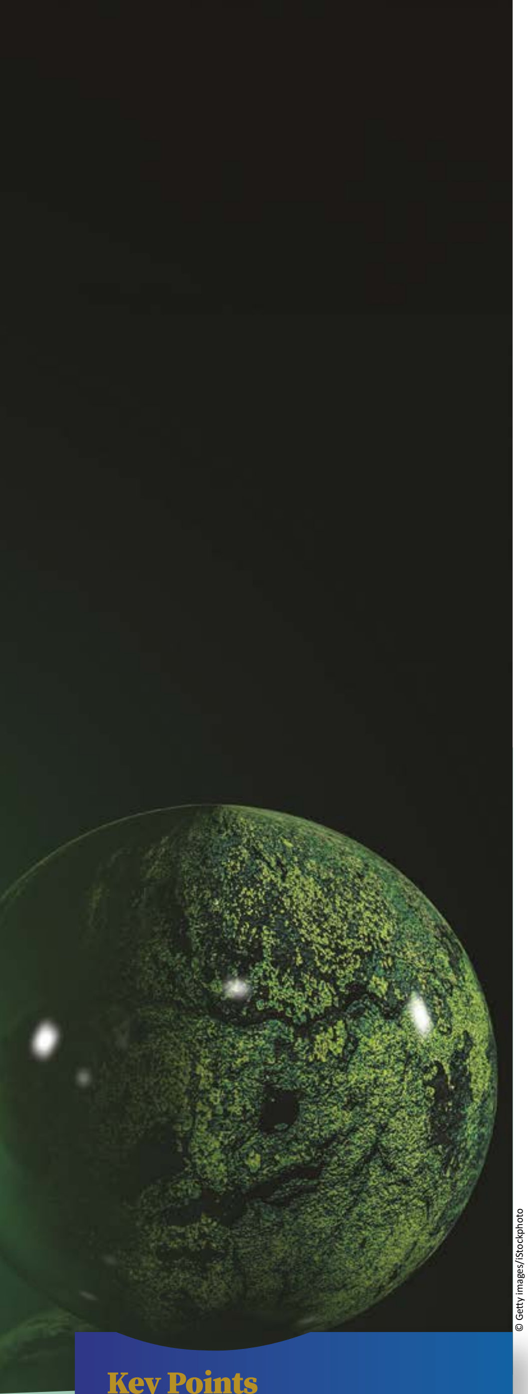
The EU CBAM entered into force on 1 October 2023 as part of a 'transition period' which will run until 31 December 2025. Importers into the EU now have to track all imports of iron and steel, aluminium, fertiliser, concrete, hydrogen and electricity on a quarterly basis. The regime applies to any importer of covered goods with a consignment value of over €150.

These reporting requirements require a mix of product data, customs-related data and calculated embedded carbon emissions data.

From 2026, when the 'transition period' ends, businesses will need to buy CBAM certificates to offset the cost of the embedded carbon and other greenhouse gas emissions based on the weekly price of the EU's Emissions Trading Scheme. Credit will be given (within certain parameters) for carbon prices and taxes already paid in the country of origin. In addition, the CBAM reports will need to be independently verified by an accredited verification body.

Calculating actual embedded emissions

For the first three EU CBAM declarations (due in January, April and July 2024, each covering the quarter that finished the month prior) businesses that were required to submit a declaration were



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Key Points

What is the issue?
From 1 July 2024, the EU's Carbon Border Adjustment Mechanism (CBAM) will enter its next phase, requiring exporters to EU member states to use actual embedded emissions data for the quarter from July to September 2024. Businesses must also prepare for a similar, but not identical, UK CBAM regime.

What does it mean for me?
Statistics from member states suggest that there have been far fewer registrations than had been expected from their own customs data, suggesting that many businesses remain unaware of the need to comply.

What can I take away?
Nearly all businesses that have submitted declarations to date have been relying on default emissions values. They will need to engage suppliers to ensure they can file actual emissions values and remain compliant for imports into the EU from July 2024.

able to rely on the use of 'default embedded emissions values'. These were provided by the European Commission as a proxy for the level of carbon dioxide and other greenhouse gas emissions that have been produced during the production process of different products falling under the EU CBAM.

From our work across businesses in a variety of different sectors, it is clear that to date the vast majority have taken advantage of the use of default values when submitting their CBAM declarations. The reasons for doing so have been understandable, with technical issues facing first-time declarants as they overcame challenges relating to registering as EU CBAM declarants across different EU member states and IT errors when uploading declarations.

Often, businesses filing for the first time didn't know if the filing errors were due to problems at their end or, as was the case for some member states, the portal simply wasn't working. These challenges were often exacerbated in businesses that used indirect representatives who were responsible for conducting customs formalities across the EU on behalf of the businesses. Consequently, the EU extended the deadline for the first declaration to the end of February, and some businesses simply made incomplete declarations in the knowledge that they still had the extra weeks to amend their returns to complete them. The second filing date passed less eventfully at the end of April. The third and final filing based on default values is due on 31 July.

The CBAM transitional phase from 1 July 2024

Attention now turns to the next part of the EU CBAM transitional phase, for products imported into the EU from 1 July 2024. Businesses will be required to collect and submit actual embedded emissions data on 31 October 2024 for all imports entering the EU in the quarter running from 1 July to 30 September 2024.

The EU has set out how this is to be done through the development of a new EU methodology for calculating embedded emissions. This broadly falls into two categories which must be captured in each CBAM declaration:

- **Calculation approach:** This determines the emissions of EU CBAM products on the basis of source streams and activity data through measurement systems at the site of production combined with laboratory analysis or standard values. This combines combustion emissions together with process emissions.
- **Measurement-based approach:** This determines the emissions of EU CBAM products based on the emission source through continuous measurement of greenhouse gases at the installation using specified disaggregation formulae aligned with international ISO standards on source emissions.

Certain derogations from the EU's prescribed methodology are permitted for the two declarations due on 31 October 2024 and 31 January 2025. These derogations include the possibility to utilise embedded emissions data if it is captured as part of an existing carbon pricing or emissions monitoring scheme in the country where the product is produced. However, from 1 January 2025 onwards, only the EU's methodology may be used.

Collecting actual embedded emissions data

These derogations highlight that many businesses are not used to collecting emissions data in line with the EU's methodology as the parameters used in that methodology are wider in some instances than existing emissions trading schemes. For example, there is the need for certain 'complex' CBAM products to include emissions contained in precursor products which are incorporated into the final product.

It is also the case that there are differences in these approaches from the Greenhouse Gas Protocol that underpins much of Scope 1, 2 and 3 emissions reporting; therefore, the existing reporting processes may not provide the necessary answer for the EU CBAM reporting without further work.

For the next phase of the EU CBAM, prioritising the identification of any data gaps should be a priority.

Engaging with suppliers

Where businesses are not themselves the producer of CBAM products, they will need to engage with their suppliers in order to obtain the necessary emissions data. The EU has provided standard data requests for installation operators. However, depending on how far down the supply chain a business is, this could require several steps to find the original installation operator and obtain the necessary data.

CBAM declarants have also identified challenges with using the EU's standard data request as they seek to overcome language barriers, missing data fields relating to specifics of types of electricity used in the production of certain products, the use of product-specific production processes and instances of suppliers refusing to provide the necessary information.

Businesses should be looking to actively engage with their suppliers to understand the data collection requirements and address any existing data gaps. In some instances, this will require the upskilling of suppliers, as many businesses outside the EU are still unfamiliar with the requirements of the EU CBAM regime.

We have worked with businesses to help them create their own simplified data requests in order to streamline the data collection process when engaging with suppliers. Where multiple suppliers are used across supply chains, keeping track of different emissions intensities embedded in CBAM products will be needed.

Modelling the cost impact of EU CBAM

Once businesses have several quarters of EU CBAM declarations and collect actual embedded emissions data, they will be in a much better position to model the eventual cost of the EU's CBAM certificates which they will be required to buy and surrender from 2026 onwards once the EU CBAM transition phase ends.

This will drive important conversations between the business's procurement and finance functions as the eventual liabilities for the EU CBAM become clear. It may also start to influence product design.

In some cases, we understand that businesses have identified substantial risks to their business model in some carbon price scenarios as a result of the prospective CBAM impact. In these cases the issue has been elevated to the C-suite.

The next CBAM to look out for: a UK CBAM

The UK government has announced that it will be introducing its own CBAM from 2027 onwards after completing a carbon leakage consultation during the summer of 2023. In preparation for the UK CBAM, the government has been consulting on the scope and design of the future regime. The consultation will close on 13 June 2024.

Whilst there are many similarities between the proposed UK and EU regimes, there are also differences. Such differences will mean that businesses will not simply be able to 'cut and paste' their approach to EU CBAM in order to comply with the UK CBAM.

The largest difference between the EU and UK CBAMs, as currently set out, is that the UK CBAM is being much more clearly identified as a tax and integrated into existing HMRC processes and the UK's VAT machinery.

The proposed scope of the UK CBAM covers largely the same products as the EU CBAM, with certain differences – including glass and ceramic products, while excluding electricity imports. The consultation envisions that only goods within the scope of the UK Emissions Trading Scheme, if produced domestically and at risk of carbon leakage, will be considered for potential inclusion within the scope of a UK CBAM.

Regarding the calculation of embedded emissions, the consultation sets out a dual approach for the determination of emissions embodied within imported goods:

- using default values; or
- using data on the actual emissions embodied within CBAM goods.

The current thinking of the UK government is that the default values would be valid for at least an initial period of 2027 to 2030.

On the administration, payment and compliance of the UK CBAM regime, the main points of consideration include a higher threshold to register under the UK CBAM regime than the €150 consignment value in the EU CBAM:

- £10,000 of imports within the relevant customs codes on a rolling 12 month basis for each given importer of record; or
- the intention to import more than £10,000 of covered products in the next 30 days.

The first UK CBAM reporting period would run for the 2027 calendar year and the first UK CBAM declaration and payment due in May 2028, but would then revert to a quarterly declaration schedule.

The UK government will be considering consultation responses before setting out primary and secondary legislation in the coming months. The exact timing of these announcements may be impacted by the UK general election, which is due to take place before January 2025.

Other countries continue to consider whether to introduce their own CBAM.

Other issues with suppliers

CBAM isn't the only thing businesses need to engage with their suppliers about. Legislative developments in the EU and UK continue apace, with several new requirements entering into force which will require increased visibility of supply chains from businesses, including the recently finalised EU Forced Labour regulation and EU Supply Chain Due Diligence Directive.

More immediately, new due diligence requirements are being introduced for several commodities being imported, exported or traded within the EU from coffee and leather to rubber, requiring businesses to prove that they are free of products contributing to deforestation from 1 January 2025. Meanwhile, we expect updates on the proposed UK Forest Risk Commodities regime to tackle deforestation in the near future.

Where possible, businesses should be looking to take a holistic approach to understanding their supply chain and working across business functions to ensure that the appropriate steps are being taken to source appropriate suppliers, collect the necessary data and complete any related compliance procedures. See our previous article 'Sustainability regulations and tax: taking a cross-functional approach' (January 2024).

Failure to do so will reduce the resilience of the supply chain, and in some cases might mean it breaks and stops completely.

Final thoughts

The increase in green taxes, pseudo-taxes and broader sustainability reporting requirements will no doubt feel like considerable new compliance processes and costs are being placed on businesses. However, authorities appear convinced that they have an important strategic role in helping to shape businesses' broader sustainability response and accelerate opportunities to decarbonise the supply chain and meet other environmental objectives.

Given the commitment to increased reporting and taxes, businesses need to be preparing now to meet the upcoming requirements and, in particular, establish processes that allow reliable access to the required data.

The authors' views are their own and not necessarily representative of those of EY.


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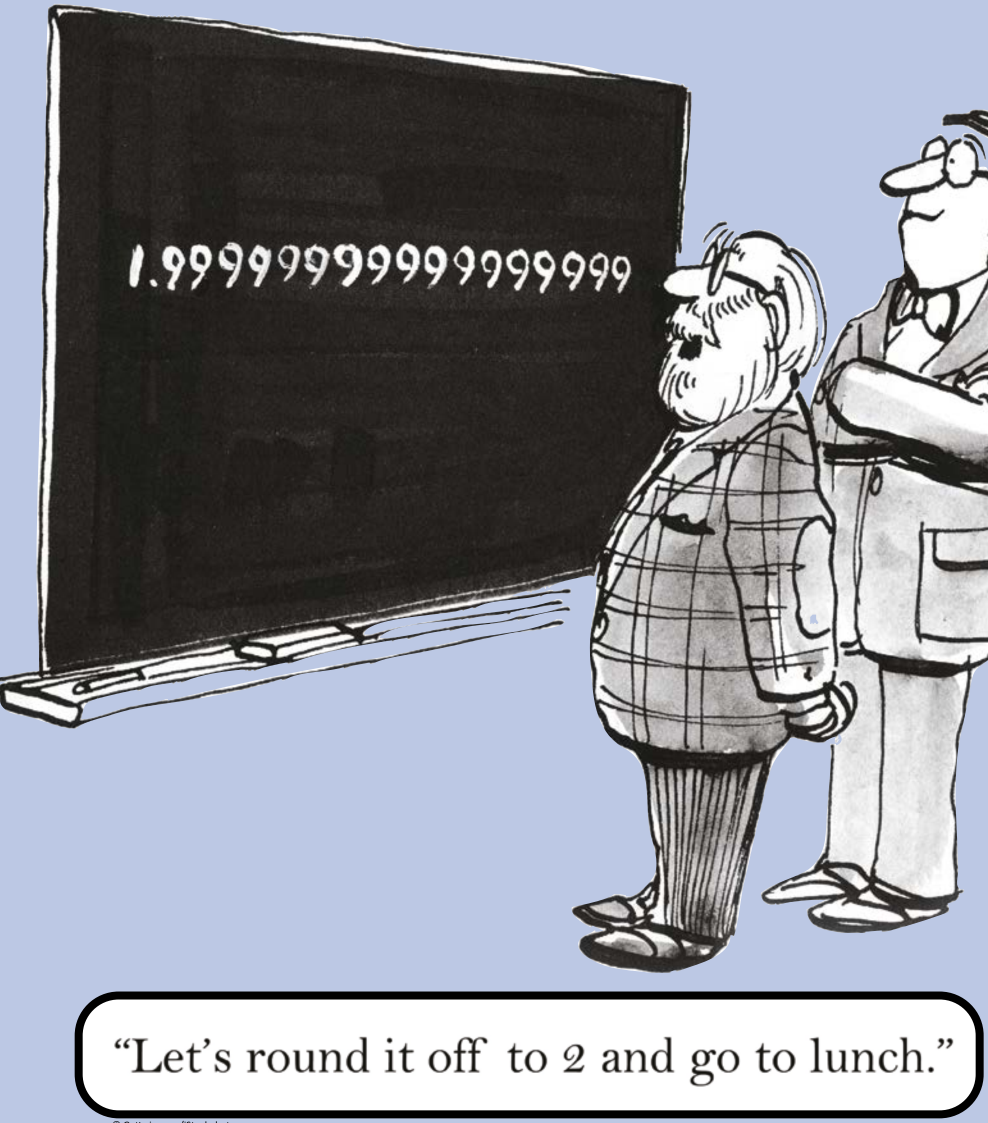
Two DP or not two DP
That is the problem

We consider a case involving a shareholder who claimed entrepreneurs' relief when he owned 4.99998% of a company's shares. Does the First-tier Tribunal have the authority to rectify a rounding error?

by Keith Gordon



Key Points

What is the issue?
The case of *Cooke v HMRC* concerns a claim for entrepreneurs' relief when the taxpayer owned 4.99998% (rather than the requisite 5%) of the company's shares. The agreement was based on spreadsheet calculations which showed percentages to two decimal places.

What does it mean to me?
The First-tier Tribunal agreed that it can decide a tax dispute on the assumption that rectification had been granted by the High Court, even without such an application actually having been made.

What can I take away?
If a taxpayer is relying on an equitable remedy, it is probably advisable to put a stay on any enquiry or appeal proceedings and for an application to be made to the High Court, at least until resolution of the scope of the First-tier Tribunal's jurisdiction.

Entrepreneurs' relief (now business asset disposal relief) was introduced in the Finance Act 2008 and has survived longer than its predecessor, taper relief. Its conditions have been tinkered with over the years, most importantly an extension in 2019 from one year to two for the period up to the disposal during which the relevant asset (or assets were) had to be owned.

However, despite these occasional changes, the fundamental rules have remained intact. In particular, the general rule applying to disposals of shares in trading companies (for which I also include the holding companies of trading groups) is that the shareholder must have owned at least 5% of the shares for the 12 month or 24 month qualifying period.

The case of *Cooke v HMRC* [2024] UKFTT 272 (TC) concerns a claim for entrepreneurs' relief when the taxpayer owned 4.99998% (rather than the requisite 5%) of the company's shares.

The facts of the case

Mr Cooke was an adviser to the founders of a company, ISG Holdings Ltd. After several years, he agreed to make an investment into the company. Because of his previous experience with entrepreneurs' relief, Mr Cooke was very keen to secure at least 5% of the company's shares and he even ensured that the agreement contained an anti-dilution clause, meaning that there was no danger of his shareholding falling below the 5% threshold.

Accordingly, he entered into an agreement which allowed him to purchase

245,802 shares in the company, which the parties thought gave him a 5% stake in the company. Unfortunately, the agreement was based on spreadsheet calculations which showed percentages to two decimal places. Had the calculations been effected without this rounding, it would have become clear that the 245,802 shares amounted to 4.99998% of the company's share capital.

Therefore, when Mr Cooke claimed entrepreneurs' relief on the subsequent disposal, HMRC replied by stating that the shares did not qualify for the relief as Mr Cooke's shareholding was below the threshold.

Mr Cooke appealed against HMRC's decision and the matter proceeded to the First-tier Tribunal.

The First-tier's decision

The case came before Judge Sarah Allatt and Mohammed Farooq.

The First-tier Tribunal considered the facts and reached the conclusion that the common intentions of all the parties was to ensure that Mr Cooke retained at least 5% of the shareholding.

HMRC argued that how this would have been achieved was not beyond doubt because a 5% shareholding could have been acquired by Mr Cooke purchasing a single further share but, on the facts of the case, Mr Cooke was shown to have acquired an equal number of shares from each of two of the founding shareholders. However, the tribunal said that these uncertainties were unimportant: what is important is that 'provided the intended effect is clearly proved, the courts appear to have taken a relatively relaxed approach to the precise terms in which that effect was to be achieved'.

The First-tier Tribunal proceeded to consider whether it had the jurisdiction to give effect to the parties' intentions; i.e. giving Mr Cooke an assumed 5% shareholding. Ordinarily, the First-tier Tribunal cannot do that but, provided certain conditions are met, the High Court can rectify erroneous documents to reflect the parties' actual intentions (if not reflected in the written documents) using its equitable jurisdiction.

It was not disputed that the First-tier Tribunal does not have jurisdiction to rectify documents in this way but Mr Cooke argued that the tribunal can decide a tax dispute on the assumption that rectification had been granted by the High Court, even without such an application actually having been made.

The First-tier Tribunal agreed, pointing to the Upper Tribunal's decision in the case of *Joost Lobler v HMRC* [2015] UKUT 152 (TCC), which suggested that the First-tier Tribunal could do this provided that it was confident that the High Court would have granted rectification. It must, however, bear in mind that the High Court's powers are discretionary and will not be exercised if, for example, there has been a delay in the making of an application or an adverse effect on third parties.

Accordingly, the First-tier Tribunal looked at whether the High Court would have granted a rectification in this case. It identified four conditions, as set out by the Court of Appeal in *Swainland Builders Ltd v Freehold Properties Ltd* [2002] EWCA Civ 560:

1. The parties had a common continuing intention, whether or not amounting to an agreement, in respect of a particular matter in the instrument to be rectified.
2. There was an outward expression of accord.
3. The intention continued at the time of the execution of the instrument sought to be rectified.
4. By mistake, the instrument did not reflect that common intention.

> **It is not difficult to understand why the First-tier Tribunal accepted that rectification of the documents was appropriate.**

The First-tier Tribunal considered that the evidence before it showed that these conditions were met. Furthermore, it saw no reason to believe that the High Court would not exercise its discretion and grant a rectification. In particular, 'there was little delay in between finding the problem existed and taking some action to remedy this problem and that since then everybody has been on notice that this is something that remains at issue between the parties'.

As there was no material adverse effect on any third party, the First-tier Tribunal could see no reason to suggest that the remedy of rectification would have been refused by the High Court.

For these reasons, the First-tier Tribunal decided the case on the basis that rectification had been granted. Thus, it looked at the case on the basis that Mr Cooke had indeed purchased and retained a 5% shareholding until such time as his shares were sold. Thus, his claim for entrepreneurs' relief was upheld and the appeal allowed.

Commentary

It is important to stress that the First-tier Tribunal was not suggesting that the 5% threshold can be treated as met if the shareholding was almost but not quite at that level. Parliament has set a condition which is not in itself irrational. Accordingly, even though Mr Cooke's shareholding was deficient by a single share, amounting to 0.00002% of the company's share capital (i.e. wholly insignificant from a commercial perspective), he could obtain entrepreneurs' relief only by running the rectification argument.

Fortunately, for Mr Cooke, he had the facts (and the evidence to prove them) to make it clear that the single share shortcoming was down to a calculation error. It was also fortunate for Mr Cooke that his former co-shareholders were willing to confirm that the minimum 5% shareholding was a shared understanding – although the inclusion of the anti-dilution clause might well have been sufficient to make that point in the absence of other witnesses.

On the facts of the case, it is not difficult to understand why the First-tier Tribunal accepted that this was a case where rectification of the documents was appropriate and where rectification would have been granted by the High Court. However, what I think will be the more significant aspect of the case is the fact that the First-tier Tribunal accepted that it had jurisdiction to determine the appeal as if rectification had been granted by the High Court.

I fully acknowledge that the Upper Tribunal (whose decisions are binding on the First-tier Tribunal) reached the same conclusion in *Lobler* (see my article 'Joost busters' in the June 2015 issue of *Tax Adviser*). Furthermore, I do not think that the Upper Tribunal was necessarily wrong and it did pave the way to a more streamlined litigation process which cannot be contrary to any policy.

However, as I noted in that article on the *Lobler* case, 'some commentators ... have suggested that the tribunal's reasoning ... is rather unorthodox'. Because of the facts of the *Lobler* case, it is not entirely surprising that HMRC chose not to appeal against the Upper Tribunal's decision to the Court of Appeal. However, it remains unclear whether it has fully accepted that a tribunal can determine an appeal based on only a hypothetical rectification or whether it generally requires taxpayers to make a formal application first to the High Court so that the tax authorities (HMRC and the tribunals) can decide the case in the light of any rectification granted.

Accordingly, it has generally been advisable for taxpayers and HMRC to put a hold on any enquiries or any appeal process and await the outcome of a rectification application to the High

Court. On the other hand, such proceedings are not cheap and it would be generally more cost-effective to go straight to the First-tier Tribunal. That latter approach has the advantage of simplicity but always carries the risk that HMRC would dispute the right of the First-tier Tribunal to proceed as the tribunal has done in this case.

Without wishing to add to Mr Cooke's worries, I do think that this is a case where it would be helpful for HMRC to take the case to the Upper Tribunal so that further clarification can be given to this important issue. (An even better, but less likely, alternative would be for Parliament to make it clear that the First-tier Tribunal's jurisdiction extends to giving effect to hypothetical rectifications (and other equitable remedies) without conferring jurisdiction on the tribunal to effect such rectifications.

Of course, if HMRC chooses not to appeal against the First-tier Tribunal's decision in the *Cooke* case, it would seem that it is content with the tribunal's approach, but it would be helpful if the professional bodies could get a clear statement from HMRC to this effect.

For the sake of completeness, it is possible that there is one minor omission in the First-tier Tribunal's decision. The tribunal's decision was predicated on the assumption that Mr Cooke had acquired at least one further share so as to take him across the 5% threshold and, indeed, the tribunal recognised that (had rectification been granted by the High Court) Mr Cooke would be owed the sale proceeds for that further share from another shareholder.

On this basis, it appears that Mr Cooke's disposal proceeds should have been treated as increased by the value of that further one share and capital gains tax paid on those additional proceeds, albeit at the rate of 10%. Strictly speaking, therefore, the closure notice should have been adjusted not simply to reinstate the entrepreneurs' relief but also to show the additional capital gains tax payable on that single further share.

As I have said, however, it is a minor point and it is possible that the difference it makes is so insignificant that it did not need to be addressed in the decision. It is also possible that the tribunal was looking only at the principles and therefore it did not need to address the minutiae of the actual tax payable.

What to do next

If a taxpayer is relying on an equitable remedy, it is probably still appropriate to put a stay on any enquiry or appeal proceedings and for an application to be made to the High Court, at least until resolution of any ongoing doubts as to the scope of the First-tier Tribunal's jurisdiction.

More generally, the case is a reminder that rounding in spreadsheets is very common. When cliff-edge thresholds are encountered, it is essential to double check calculations to ensure that a potentially catastrophic error has not been introduced by any rounding process. Though this may look like madness, there is method in it.

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Pillar Two rules

Roadmap to compliance

As the Pillar Two rules are now in effect in the UK and other countries, with more set to introduce them from 2025, we consider the key priorities for businesses in 2024 and beyond.

by Lisa Shipley, Alison Lobb and Jo Pleasant

Key Points

What is the issue?
The OECD Inclusive Framework's Pillar Two model rules are designed to ensure that large multinational groups (with annual consolidated group revenue of at least €750 million) pay a minimum effective tax rate of 15% on their profits in every country in which they operate.

What does it mean for me?
Tax teams will need to understand how the rules apply to their business (which may not be straightforward), identify and collect significant data, and prepare calculations. The group's country-by-country report will underpin whether it can access the transitional safe harbour in a country as a simplification.

What can I take away?
Teams will need to consider how to approach these new and potentially significant tasks. Businesses will also need to apply a Pillar Two lens to all activity, including transactions, reorganisations and financing, as well as monitor the latest developments.

The Pillar Two rules are now in effect in the UK and other countries, with more countries in the process of introducing rules from 2025 onwards. Anyone who has begun to look at the Pillar Two rules will be aware of the scale of the challenge. Although many tax departments are already in the process of developing their response, there is significant work still to be done. This article looks at some of the key priorities and areas of practical focus for businesses in 2024 and beyond.

The Pillar Two model rules

As a reminder, the OECD Inclusive Framework's Pillar Two model rules are designed to ensure that large multinational groups (with annual consolidated group revenue of at least €750 million) pay a minimum effective tax rate of 15% on their profits in every country in which they operate. The key components of the model rules are:

- qualified domestic minimum top-up taxes, which allow countries to charge any top-up taxes due in respect of local profits;

- the income inclusion rule under which parent company countries apply the top-up tax rules on a top-down basis; and
- the undertaxed profits rule, which will apply as a secondary (backstop) rule where the other rules have not been fully applied.

The OECD model rules use a mixture of accounting and tax concepts and will, in effect, require businesses to keep a third set of calculations for Pillar Two effective tax rate purposes. The result is inevitably complex, and there remain a number of areas where further clarity is needed. Tax teams will need to understand how these evolving rules apply to their business, identify and collect large volumes of data, and prepare and manage the preparation of accurate compliance returns. These are significant tasks that will need to be undertaken in addition to existing obligations and teams will need to carefully consider whether they have sufficient resource.

Financial reporting for Pillar Two: accounting disclosures and provisioning

The impact of Pillar Two on financial reporting is one of the first areas which tax teams need to consider. Many in-scope groups with a calendar year end will already have prepared disclosures in their financial statements for 31 December 2023 to indicate the impact Pillar Two will have on their business in countries that have enacted legislation. Other businesses will still be in the process of considering what these disclosures should be.

Now that the rules are in effect, the impact of Pillar Two will need to be included in the income statement and balance sheet for 2024 financial statements (both interim and full year) rather than just in disclosures. Auditors will expect tax teams to substantiate the position they take in the financial statements in relation to Pillar Two.

Where safe harbours are expected to apply, groups will need to be able to provide evidence to demonstrate this, at least for material countries, including whether the country-by-country report is expected to be qualified (see below for more detail). For material countries where a safe harbour is not expected to apply, more detailed analysis and modelling may be needed.

Businesses will need to develop an appropriate timeline to gather relevant data and calculate an audit-ready Pillar Two tax position for inclusion in the overall group tax provision in time to meet financial reporting deadlines. Auditors will also want to understand the Pillar Two approach taken by the group, including the availability of the required data and how the business has got comfortable that all necessary material adjustments and technical points have been considered and appropriately reflected.

New controls and processes will therefore need to be developed and implemented for these new requirements. Half year reporting is imminent for 31 December year-ends, with some quarterly reporting deadlines already passed, and all of the above will take additional time.

In addition, tax accounting data also feeds into the Pillar Two effective tax rate calculation itself through 'adjusted covered taxes'. Businesses may also want to consider how their tax accounting processes currently work, and whether improvements would help support Pillar Two requirements more generally, including whether investing in tax provision technology may be of benefit.

Safe harbours and country-by-country reporting

The OECD Inclusive Framework has introduced transitional 'safe harbours', which will significantly reduce the Pillar Two compliance burden for many businesses for the first three years during which rules will apply. The transitional safe harbour is designed to identify a group's operations in lower risk countries using information taken from their country-by-country report and/or financial statements.

Where any one of the following three tests is met, the top-up tax for that country will be zero and the group will not be required to prepare full calculations:

- **Effective tax rate test**: This is calculated by dividing the country's 'simplified covered taxes' based on financial statements data (excluding taxes that are not Pillar Two covered taxes and eliminating any uncertain tax positions), by its profit before income tax as reported on the country-by-country report. The simplified effective tax rate for the country must be equal to or greater than the 'transition rate' for the year, rising from 15% in 2024 to 17% by 2026.
- **Routine profits test**: The business's profit before income tax in a country is equal to or less than the 'substance-based income exclusion amount' (as calculated under the OECD model rules).

ROADMAP TO PILLAR TWO COMPLIANCE: KEY PRIORITIES

Financial reporting	• Model material Pillar Two safe harbour/ top-up tax position. • Devise and agree policy, processes and controls to support material accuracy of Pillar Two calculations and disclosures.
Safe harbour and country-by-country reporting	• Analyse current country-by-country reporting and whether it is 'qualified' for the safe harbour. • Identify any improvements to current country-by-country reporting process and implement for 2023. • Model the transitional country-by-country safe harbour using the most recent data, including countries on the borderline.
Data	• Understand what data is needed, where it exists, and any gaps. • Develop and implement sustainable data collection processes and technology.
First year compliance design	• Understand local compliance requirements. • Determine compliance model to be used by the group – in-house, outsource, co-source? • Identify additional resources, technology solutions and/or service provider. • Perform dry runs of Pillar Two computations.

- **De minimis test**: Total revenues of less than €10 million and profit before income tax of less than €1 million are reported for a country in the country-by-country report.

The group's country-by-country report will underpin whether it can access the transitional country-by-country reporting safe harbour and compliance benefits. Tax teams will need to consider whether country-by-country reports and processes could benefit from any improvements, and in particular whether any changes are needed to ensure that the reports will be considered 'qualified'.

Many groups set up their country-by-country report and processes for a reporting rather than tax outcome when the rules were introduced in 2016 and tax teams may want to make improvements.

A detailed review of the country-by-country report is required to ensure that both the OECD rules for country-by-country reporting and the specific Pillar Two requirements for a 'qualified' report are met. Common areas of focus include ensuring that the requirement that the business's country-by-country report is prepared and filed using qualified financial statements has been met in each country.

All of the relevant data used in the calculations for a country must come from the same qualified financial statements – either the consolidated financial statements of the ultimate parent entity ('top down') or separate financial statements of each group entity ('bottom up'). Unless explicitly required, adjustments to qualified financial statement data are not permitted, even if the adjustments are intended to increase consistency with the Pillar Two rules. Tax teams will also need to consider the anti-avoidance rule which prevents the safe harbour from applying where targeted 'hybrid arbitrage arrangements' have been entered into.

Undertaking a review of the group's country-by-country report and processes now gives businesses time to address any necessary improvements and establish a consistent approach.

The use of country-by-country reporting data with minimal adjustments means that the safe harbour is a blunt instrument. For example, recognition of deferred tax assets may impact a group's ability to apply the transitional country-by-country reporting safe harbour even though no top up tax is due under the full calculations.

Tax teams may want to consider whether they can accelerate timing of their country-by-country reports so that comfort is obtained as early as possible that the safe harbour will be available for a country and that full compliance reporting will not be required. Tools which collect data for tax accounting, country-by-country reporting and Pillar Two are being developed and could facilitate automation to help groups meet tight reporting timeframes.

Other safe harbours have also been developed by the OECD, including deferring the application of the undertaxed profits rule until 2026 on the profits of a business in its ultimate parent entity country if that country applies a nominal statutory corporate income tax rate of at least 20%. A permanent safe harbour has also been developed which will allow businesses to elect to prepare a single qualified domestic minimum top-up tax computation for a country such that no additional top-up tax will arise under an income inclusion rule or undertaxed profits rule where specific conditions are met. It remains to be seen whether the OECD Inclusive Framework can agree further permanent simplifications that will be meaningful for a wide range of groups.

Undertaking a review of the group's country-by-country report now gives businesses time to address any necessary improvements.

Data collection

The OECD Inclusive Framework has developed a standardised 'GloBE Information Return', which includes a comprehensive set of accounting, tax and company data points required for a group to calculate its top-up tax liability. More than 100 data point types (depending on the definition of data point) are required for the full Pillar Two Return. This includes information about the group and filing entity, effective tax rate computations and top-up tax calculations and allocations.

As an approximate guide, the data list, in table form, includes four pages of 'group' data, 12 pages of data that will be required by country, six pages of data that is required by entity, and three pages of calculations of top-up tax by country.

In addition to the volume of data required, many of the data points are complex composites of underlying data which, in many cases, are not currently captured by existing tax and accounting systems and which will require time and effort to identify, access or create.

The starting point is for businesses to understand the Pillar Two definitions and how they apply to their group. Businesses will then need to identify where the required data currently resides across their organisation and what tools are needed to access it. This could include enterprise resource planning and finance systems, tax provision, tax compliance, HR, consolidated financial statements and master data.

There are significant challenges in capturing data after the event and businesses will want to begin to understand any gaps so that they can develop systems to capture real-time data where possible. For businesses with multiple different finance systems and non-finance systems, these challenges are increased.

The breadth of different data points required means that tax teams will need to work closely with colleagues across the business. For example, accounting teams will need to provide detailed trial balance amounts. Information on the legal and ownership structure of group entities is often held by tax and legal teams locally in each country. Tax teams will also need to work with their information technology teams so that data can travel in readily usable formats throughout the group.

The transitional country-by-country reporting safe harbour was developed in response to business concerns about the compliance burden, particularly in the initial years. However, businesses will still need to prepare the full calculations for any countries which do not qualify for the transitional country-by-country reporting safe harbour from the outset, and from 2027 onwards businesses will be required to prepare full calculations for all countries. There are considerable lead times to develop new compliance systems and groups need to start planning now to have those systems in place.

Compliance

The first information returns will need to be filed by 30 June 2026 at the latest (18 months after the year-end for the first year a company is in scope reduced to 15 months for subsequent years). The intention is that the information return will be filed centrally with one tax authority (usually the parent country) with relevant information automatically exchanged with other tax authorities where agreements exist to do so. An XML schema to facilitate exchange, and competent authority exchange agreements, are being developed.

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Countries can choose to use the information return for qualified domestic minimum top-up tax if they wish. Helpfully, the UK has adopted this approach. Full details of filing requirements in each country implementing Pillar Two have not yet emerged and it will be important to monitor both further updates from the OECD Inclusive Framework in respect of filing mechanics, as well as local requirements and deadlines, as some countries may require earlier filing in 2025.

Under the UK rules for its income inclusion rule (the multinational top-up tax) and qualified domestic minimum top-up taxes, the ultimate parent company (or a designated group member) will need to file a Pillar Two information return with HMRC. Alternatively, the business must notify HMRC annually of the group member filing the Pillar Two information return and in which country the information return was submitted.

The UK rules also include a requirement for businesses to register when they come into the scope of the rules and a short annual UK self-assessment return to provide HMRC with details of entities' UK top-up tax liabilities. Payment of the UK top-up tax liability will be required in a single instalment aligned with the filing date for the return; i.e. 18 months after the year end for the first year. Businesses need to understand and develop processes to comply with local filing and payment obligations in each country where they operate.

Flexible calculation solutions are required to accommodate variations in qualified domestic minimum top-up tax calculations; e.g. countries can choose for a qualified domestic minimum top-up tax to be calculated using a local financial reporting standard rather than that of the consolidated financial statements in certain circumstances.

A key priority for tax teams is to develop a robust compliance approach based on available budget and resources. Does the team have sufficient resource and expertise to undertake Pillar Two compliance in-house?

If so, businesses will need to consider how central head office and local teams will work together, as well as the choice of software – advisors and software vendors are in the process of developing compliance platforms and return calculation engines.

Given the levels of complexity and evolving landscape for the rules, some businesses are opting to outsource or co-source Pillar Two compliance to a service provider to help manage operational risks, and so need to identify a provider to work with them.

Conclusion

Tax teams need a clear plan to deal with each of the above areas, taking into account the profile of the business and resource availability, to ensure compliance with Pillar Two obligations in all relevant countries.

In addition, now that the Pillar Two rules have begun to apply, businesses will need to apply a Pillar Two lens to all activity, including modelling the Pillar Two impact of any transactions and other operational decisions. It will remain important for tax departments to monitor the latest developments, both from the OECD Inclusive Framework and in respect of local implementation.

Pillar Two is changing the landscape for large international businesses and although many businesses have started work on at least some of the areas outlined above, tax teams will need to continue to prioritise adapting to the new Pillar Two rules throughout 2024 and for the foreseeable future.

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The payrolling of benefits

New employer obligations

As the government refines its plans to make the payrolling of benefits compulsory from April 2026, we take a look at the current rules and challenges to mandating.

by Susan Ball, Gavin Phillips and Balint Foszto

A lot has changed since P11D forms were introduced in the early 1960s. In April 2016, the voluntary payrolling of benefits in kind was introduced. Adding the value of a benefit to the employee's salary so that the PAYE system automatically charges the right amount of tax should improve the taxpayer experience. Employers have so far been allowed the flexibility to decide whether they want to payroll a benefit and which benefits to include, as opposed to completing forms P11D (Income Tax (Pay As You Earn) Regulations 2003 Reg 85(4)).

In a potentially significant development, the government announced in January 2024 its intention to make the payrolling of benefits compulsory from April 2026, thus doing away with P11Ds. This new mandatory employer obligation may not be as straightforward as employers think.

We understand that HMRC officials are scheduling further meetings with external stakeholders ahead of the summer parliamentary recess to discuss revisions to the current voluntary process with draft legislation to be published later this year. This is good news, and it will be interesting to see what is planned and what effect the payrolling of benefits in kind has on the tax-geared penalties regime, as well as HMRC compliance activity.

But what are the current rules and therefore some of the challenges to mandating?

Can all benefits be payrolled?

Currently, in accordance with Income Tax (Pay As You Earn) Regulations 2003 Reg 61A, any employer provided benefit can be payrolled, except for:

- interest free and low interest loans; and
- living accommodation provided by the employer.

However, for the first time HMRC has set the official rate of interest at the start of the tax year, being 2.25% for 2024/25. This means that the legislation can be changed to allow these benefits to be payrolled relatively straightforwardly.

How do employers currently payroll benefits in kind?

Before employers can start, they must register with HMRC using the online service. Registration must be completed before the start of the tax year. Ideally, HMRC prefers registration to occur before the annual coding process begins, typically around 21 December. This helps to prevent the employer from receiving multiple tax codes for their employees.

While employers have the discretion to choose which benefits to payroll, there is a specific category of benefits that requires an all-or-nothing approach. These are the benefits that would be reported as 'other' items in Section M on the P11D. These include professional subscriptions. Consequently, employers must either payroll all items usually reported within Section M, or none.

Key Points

What is the issue?
The government announced in January 2024 its intention to make the payrolling of benefits compulsory from April 2026, thus doing away with P11Ds. This new mandatory employer obligation may not be as straightforward as employers think.

What does it mean to me?
All payrolled benefits need to be included on the Full Payment Submission, which is sent to HMRC on or before each pay day. It is likely that more fields will need to be included ahead of mandatory payrolling, or employers will need to make sure they have kept a separate record of each benefit to enable an audit trail and employee statements to be produced.

What can I take away?
Start to think as early as possible about the benefit and expenses data flow and how you can achieve this in real time to ensure the payroll is correct, particularly if data is held in multiple systems.

An exception to this rule is the 'Income tax paid but not deducted from a director's remuneration,' which is typically reported under Section M. This benefit must be selected and payrolled as a standalone benefit when using the online service.

Upon registering, HMRC will automatically identify all employees with the selected benefits or expenses in their tax code and remove them, issuing an amended tax code in its place. Employers only need to register to payroll each benefit for all their employees once. Unless the benefit is removed, payrolling will be carried forward each tax year. Once the tax year has started, employers must continue to payroll the registered benefit for the entire tax year, or for as long as it is provided. HMRC has now enabled agent access to the payrolling of benefits and expenses online service, allowing agents to register or remove benefits to be payrolled, on behalf of their clients.

The tax due on payrolled benefits is collected by adding a notional value to an employee's taxable pay each pay period in the payroll. To calculate the cash equivalent of the benefit to payroll, the employer needs to work out the benefit value (in the same way as would have been done when preparing P11Ds) and the number of payments to be made to the employee in the tax year. The cash equivalent of the benefit is divided by the total number of pay periods.

The resulting amount is added to the employee's pay in the payroll each pay period. The item will usually be taxable and not subject to NIC for payroll purposes as Class 1A NIC applies, but this will depend on the treatment of the individual benefit (Income Tax (Pay As You Earn) Regulations 2003 Regs 61D–61LA).

It's important to note that only payrolled benefits should be reported on the Full Payment Submission. Any non-cash benefits not payrolled are reported under the existing P11D procedure.

If an employer decides to payroll car and car fuel benefits, information detailed on the P46(Car) must be reported on the Full Payment Submission.

How do you report via Real Time Information?

All payrolled benefits need to be included on the Full Payment Submission, which is sent to HMRC on or before each pay day. The current fields available on the Full Payment Submission are:

Field 60	Value of benefits taxed via the payroll in pay period
Field 149	Value of benefits taxed via payroll year to date

It is likely that more fields will need to be included ahead of mandatory payrolling, or employers will need to make sure they have kept a separate record of each benefit in another system or process to enable an audit trail and employee statements to be produced.

What about the 50% limit on tax deductions?

The 50% regulatory limit, also known as the 'overriding limit' in the legislation, stipulates that an employee cannot have a tax deduction greater than 50% of their taxable pay in that pay period. This applies to PAYE income. With the introduction of the payrolling benefits regime, a rule was established that the value of payrolled benefits is specifically excluded from the calculation of taxable pay. Therefore, the 50% limit applies to the total pay, less the value of payrolled benefits.

This could result in a tax deduction that is greater than the taxable pay in a period where the pay is low and there is also tax due on payrolled benefits, such as when an employee is on temporarily reduced or no pay while sick, on maternity or on parental leave.

In this situation, the employer has two options:

1. **Exclude the employee from benefits payrolling:** Employers should use the payrolling benefits and expenses online service to exclude the employee from the system. When the employee is excluded, the value of the benefit will be reported on their P11D and the tax collected usually via their tax code. To recommence payrolling in the new tax year, the employee is removed from the exclusion list.
2. **Keep the employee within the benefit payrolling regime:** Payroll systems will apply the 50% regulatory limit rules as normal, and any underpayment of tax will be recovered in the following pay period(s).

HMRC assumes that most employers will prefer the second option. If there are not enough pay periods to recover the uncollected tax, HMRC will calculate any underpaid tax following receipt of the final Full Payment Submission, and will notify the employee accordingly. We assume therefore that this option is the approach HMRC will likely choose to make compulsory when mandating is in place from April 2026.

What happens when an employee leaves?

Typically, benefits cease on an employee's final day of employment. However, there may be instances where the employee is permitted to use, or is entitled to, the benefit beyond the termination of their employment contract. If a benefit continues to be provided after departure, it is usually added to other relevant cash termination payments to ascertain the value of the termination payment and its tax and NIC treatment.

In other cases, taxable benefits should be included within the employer's payrolled benefits reports. The employer needs to recalculate the value of the benefit up to its end date and make any necessary adjustments to the payrolled value, ideally before the employee leaves. This process may pose challenges and invoke the application of the 50% regulatory limit in cases where the employee provides little or no notice of departure.

Currently, if the entire taxable value of the benefit has not been accounted for before the last payroll run (or can't be as part of it), the employer has two options:

1. Add the balance of the cash equivalent to taxable pay to date as a taxable amount in the Full Payment Submission, informing HMRC that the employee has left. As there is no actual cash payment, the tax paid to date figure remains the same.
2. Include the balance of the cash equivalent on a P11D for the individual, covering the value only for the period of availability for which the benefit was not included in payroll.

We expect this process to change going forward if HMRC will no longer accept P11Ds in any circumstances from April 2026.

What if any employee makes good in full or part a benefit (other than cars and van fuel)?

Some employees may make a payment towards the cost of a benefit, known as 'making good', such as net pay benefits. When this occurs, it reduces the cash equivalent of the benefit under the tax rules. If the full cost is made good, there is no taxable benefit. Employers need a process for checking making good has occurred.

If an employee is only making good in part, this needs to be considered when calculating the amount to be payrolled.

If the employer is unable to deduct the full amount of tax due from the final payment (e.g. month 12 for monthly paid employees), then the process is the same as those described under 'the 50% limit' above.

What about making good for company cars and van private fuel?

An employer may have an agreement with an employee that they will make good the actual cost of private fuel to avoid a fuel benefit. Employers need to consider how to deal with this during the tax year. Employees must make good the cost of their car/van fuel used for private mileage before 1 June of the following tax year, to avoid a benefit in kind charge.

If the employee fails to make good in full before the 1 June following the end of the tax year, the full fuel benefit charge needs to be added to the next payroll run after 1 June. The payment is not split out across the year. This is because the fuel benefit charge is an 'all or nothing' charge.

WHAT SHOULD EMPLOYERS DO NOW, AHEAD OF APRIL 2026?

- Start to think as early as possible about the benefit and expenses data flow and how they achieve this in real time to ensure the payroll is correct, particularly if data is held in multiple systems.
- Consider whether they will need any software to help them calculate the benefit in kind amounts and track the breakdown for reporting.
- Monitor developments on any revised legislation and guidance.
- Consider whether they should start payrolling from April 2025 for some benefits ahead of mandating in April 2026, if they don't already payroll any.
- For globally mobile employees, look to implement processes and procedures which identify benefits provided to employees outside of the UK on a regular and real-time basis.

How should employers communicate payrolled benefits to employees?

Once employers have registered for the payrolling of benefits, it is crucial to notify their employees that benefits will now be taxed through the payroll.

Employees should receive a letter explaining the concept of payrolling of benefits, its operation and its implications, including the deduction of tax through payroll and changes to their tax code. This also applies to new employees who receive benefits that the employer has registered to payroll. Before 1 June following the end of the tax year, employees should also receive details of:

- the benefits that have been payrolled in the tax year; and
- the cash equivalent of each benefit that has been payrolled in the tax year.

If an employee completes a self-assessment tax return, they will need these details to report the total amount of PAYE income and the benefits they received on the Employment Page of the return, along with their pay. However, because the taxable value of the benefit has been included in the total taxable pay figure on the P60 or P45, the payrolled benefit values must not be reported separately on the self-assessment form, otherwise, the employee will end up paying tax twice on those benefits.

Employees should also be reminded that non-payrolled benefits – i.e. those detailed on the P11D – still need to be reported on their self-assessment returns.

Will employees be taxed twice?

The only instance of quasi 'double' taxation that should occur is when the employee is compensating for an underpayment from the previous year, which would have occurred regardless. This often happens to benefits reported on P11D during the second year, as the first P11D is not submitted until 6 July after the year the benefit was enjoyed. Over the duration of the benefit, however, the appropriate amount of tax should be deducted, whether through payrolling or traditional forms.

What about employers Class 1A NIC?

Although the tax due on the benefits is being collected in 'real time' under voluntary payrolling, no provision has currently been made for the collection of Class 1A NIC on a real-time basis. The employer still currently needs to complete the P11D(b) and calculate Class 1A NIC – again this may change in future.

This means that employers need to keep a record of the final year-to-date value of payrolled benefits and which class of NIC they are subject to. Benefits may only be subject to either Class 1 NIC or Class 1A NIC, and the employer must ensure they don't pay both.

What about globally mobile employees?

A range of considerations will arise for employers who have a globally mobile workforce. This will include UK based employees working on overseas assignments (or where remote working overseas) and where overseas employees are working on assignment to the UK.

For employees working on assignment in the UK, the new rules will further underline the practical issues and challenges around obtaining benefit details on a real-time basis where benefits are provided outside the UK. HMRC recognises these challenges and makes some accommodations. For example, it allows for PAYE to be calculated on a best estimate basis for tax equalised employees (i.e. when an employer settles any UK tax and National Insurance (NIC) due for an employee) where a Modified PAYE scheme is in place (where NIC is payable, an Appendix 7A scheme will also be required). Under the scheme, a reconciliation of any tax due is performed upon the filing of an employee's UK tax return with an extended P11D submission date of 31 January. Where NIC is due, this is reconciled with HMRC by 31 March. However, the focus around the processes and practicalities of obtaining overseas benefit details on a monthly basis will be reinforced.

For UK employees working outside of the UK, similar challenges will arise around collating benefits details where these are provided outside of the UK on a real time basis, and in particular, where an employee remains tax resident in the UK.

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The impact of leasehold

Flats and service charge trusts

We consider the tax implications of living in a leasehold flat, the treatment of service charges and the future impact of leasehold reform.

Key Points

What is the issue?
There are 5.4 million households in England and Wales occupying flats. Many are owned either directly by some or all of the lessees as tenants in common or indirectly by holding shares in a company that owns the freehold beneficially.

What does it mean for me?
Service charges when paid are to be held in trust to be expended to meet the lessees' liability for the costs of common parts and/or held in a sinking fund to meet future costs.

What can I take away?
The Leasehold and Freehold Reform Bill, introduced in November 2023, will improve home ownership for millions of leaseholders in England and Wales by empowering leaseholders and improving their consumer rights.

by Ray Magill

The latest data from the Office for National Statistics says there are 5.4 million households in England and Wales occupying flats, including those owned by local authorities, the Ministry of Defence, police forces, the NHS, housing associations, and so on. Millions are owner-occupied.

The freeholds of blocks of flats are often owned by an investor for the ground rent income and the possible capital growth. But many are owned either directly by some or all of the lessees as tenants in common (perhaps through a company as their nominee) or indirectly by holding shares in a company that owns the freehold beneficially. Consequently, estate agents marketing a flat for sale may say that there is a share in the freehold available. Few buyers grasp all the possible tax implications of their purchase.

They may be granted the lease of a newly built flat or assigned the lease of an existing one, together with a share in the freehold as a tenant in common with other lessees. More often they will acquire shares in the company owning the freehold.

Suppose that in September 2017 twins Evadne and Eleanor took a new lease as tenants in common from Lucrative Mansions Ltd, the company that the developer has set up to own the freehold of a block of flats.

Typically, owning a property as tenants in common involves establishing a trust. HMRC's guidance on trust registration says that '..."co-ownership trusts" where the trustees and beneficiaries are the same persons are excluded from registration' (see tinyurl.com/yty3cb3p). However, there were immediate consequences if the twins had to pay stamp duty land tax on the grant of a new lease. This is because stamp duty land tax specifies that the tax charge on the grant of a new lease is borne by the trustees and not the beneficiaries (a change introduced in 2005 to counter avoidance). This means that there will be a taxable trust that should have been notified to HMRC's Trust Registration Service. The trust registration issue does not arise on acquiring an existing lease, or on receiving taxable rental income.

The twins may have become directors of Lucrative Mansions Ltd (if the developer is passing the freehold to the lessees) and will have learned about possible actions that could affect the company or themselves. They might not immediately appreciate their responsibilities, or the problems that can arise if not all the lessees pay what's due on time.

Buying the freehold

A majority of the lessees can nominate a company or individuals to exercise the right to collective enfranchisement (buying the freehold) on their behalf under the Leasehold Reform, Housing and Urban Development Act 1993.

Extending their lease

Under the Leasehold Reform, Housing and Urban Development Act 1993, an individual lessee who has held their lease for at least two years can exercise a right to a new lease, at a peppercorn rent and a premium, for a term expiring 90 years after the date their existing lease would have ended, in place of the existing lease.

The cost to the lessee will be the premium plus both their own and the landlord's costs (solicitors and surveyors). The Leasehold Advisory Service (see www.lease-advice.org), a non-departmental public body funded by the government, offers a lease extension calculator to give an indicative value range for the statutory premium payable. The 'marriage value' – the increase in the value – will be split equally between the lessee and the landlord. As an example, a premium of about £77,000 is estimated to be payable to extend the lease of a flat with 61 years unexpired which is expected to be worth £600,000 with the lease extended.

Any premium received by the freeholder represents a part disposal for capital gains tax purposes. If the freehold is owned by a company whose shares are owned by the lessees, that company will generally have no other assets. So any tax liability on premiums received for lease extensions would have to be financed by the shareholders. If the freehold is owned by some or all of the lessees as tenants in common, they would have a part disposal whenever a lessee pays a premium to extend their lease.

Appointing a manager

Lessees can form a Right to Manage company under the Commonhold and Leasehold Reform Act 2002 or a recognised tenants' association under the Landlord and Tenant Act 1985 s 29.

Service charge trusts

Of more immediate interest to the twins buying a flat might have been the treatment of service charges. Like most of the leases of the millions of flats in England and Wales, the twins' lease will be subject to Landlord and Tenant Act 1987 s 42. This involves that service charges when paid are to be held in trust to be expended to meet the lessees' liability for the costs of common parts and/or held in a sinking fund to meet future costs.

There is little to suggest that HMRC understands the nature of service charge trusts. In the Trusts, Settlements and Estates Manual, TSEM5710 misjudges their status and the consequent income tax position (see tinyurl.com/tenuhsh4).

Perhaps surprisingly, they are not bare trusts. The terms of Landlord and Tenant Act 1987 s 42(6) mean the property held in trust is 'relevant property' – property in which no qualifying interest in possession subsists (see Inheritance Tax Act 1984 s 58). So the trusts are subject to the same tax regime as discretionary trusts.

The settlors are the lessees contributing the service charges. When the trust meets the costs of the common parts for which the lessees are responsible, in strictness there is an exit charge under Inheritance Tax Act 1984 s 65. There will in theory also be a ten-year anniversary charge under s 64.

The payment of service charges seems to be a transfer of value, because the lessee's estate is reduced by the payment, save to the extent it could be said to meet a liability (although normally service charges received by the trustees will be used to meet future costs). However, paying service charges can be argued as not being intended to confer gratuitous benefit and therefore not a transfer of value (Inheritance Tax Act 1984 s 10). Section 42 of Landlord and Tenant Act 1987 refers to defining a gift in relation to a transfer of value, but an unintended gift is still a gift. Thus, if the lessees' payment of service charges is seen as a gift, the trust(s) are 'settlor-interested', in that the lessees may benefit from the trusts. So arguably Finance Act 1986 s 102, gifts subject to a reservation of benefit (GROB), applies to the property held in trust as a result of service charges paid by each lessee. Therefore, the property in the service charge trust that is identifiable as coming from each lessee is potentially treated as part of his or her estate for inheritance tax purposes.

The trusts are also settlor-interested for income tax purposes under Income Tax (Trading and Other Income) Act 2005 s 624. So income arising within the trusts will be chargeable on the settlors if UK resident, not on the trustees. This leaves the trustees only liable to income tax at basic rate on the share of income attributable to non-resident lessees and the estates of deceased lessees (see Income Tax Act 2007 s 480(4)(c)).

The service charge trusts don't have to be registered with the Trust Registration Service because they are not 'express' trusts, although they do have to notify HMRC if they have a tax liability, subject to a £500 de minimis.

If this is a correct analysis of the tax issues, and they are not thought acceptable, some remedies are required.

It would be better if Landlord and Tenant Act 1987 s 42 trusts, and any with comparable tax issues, were either totally exempt; exempt save where the figures are 'significant' (requiring a definition and new complications); or all treated as bare trusts. Any loss by a lessee of his share of trust property on his lease being forfeit, or coming to an end generally, should not have any inheritance tax effect. This is either because of Landlord and Tenant Act 1987 s 42(6) or because of being without donative intent.

Such simplification of the tax position of service charge trusts is unlikely to have a substantial effect on the country's finances. As its latest accounts show, even a multi-million block of flats like One Hyde Park only has annual service charges of about £117,000 per lease, and trust property of only about £90,000 per lease. The amounts involved in most blocks of flats will be very much smaller.

Probably, the twins, like most new lessees, will be unaware of the Trust Registration Service requirements, and unconscious of the possible tax aspects of paying service charges. They will be much more concerned on a day-to-day basis with the management of their block of flats and the quality and efficiency of the managing agents.

They will also be concerned at the possibility of being liable for the *post* Grenfell fire remedial costs, for the removal of dangerous cladding and associated precautionary expenses to be incurred pending its removal. If the block *is* owned directly or indirectly by the lessees, any *post* Grenfell fire risk assessment costs will have to be met by them, subject to any claim against the builder or by the Department for Levelling up, Housing and Communities under the Building Safety Act 2022.

The issues are just as relevant to commonhold land under the Commonhold and Leasehold Reform Act 2002.

Leasehold reform

Although not affecting them, by 2024 the twins will have read about the Leasehold Reform (Ground Rent) Act 2022, the first part of the government's programme of leasehold reform. This put an end to ground rents for most new qualifying long residential leases in England and Wales.

Then the Leasehold and Freehold Reform Bill, introduced in November 2023, will improve home ownership for millions of leaseholders in England and Wales by empowering leaseholders and improving their consumer rights. It will:

- increase the standard lease extension term for houses and flats to 990 years (up from 90 years in flats, and 50 years in houses), with ground rent reduced to a peppercorn upon payment of a premium;
- remove the so-called 'marriage value', which makes it more expensive to extend leases when they are close to expiry;
- remove the requirement for a new leaseholder to have owned their house or flat for two years before they can benefit from these changes; and
- allow leaseholders in buildings with up to 50% non-residential floorspace (currently 25%) to buy their freehold or take over its management.

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Acccording to Ronan Keating, 'Life is a rollercoaster'. Over the last few weeks, the same can probably be said for HMRC, in particular the attention placed on their customer service.

The announcement on 19 March of severe restrictions to HMRC's telephone lines hit the headlines and received significant criticism, prompting an urgent question in Parliament by James Murray MP and a whiplash-inducing u-turn. As a fan of parliamentlive.tv, I tune in when Parliamentary Committees are holding evidence sessions regarding tax. On 24 April, the Treasury Committee spent a large part of the session grilling Jim Harra, Angela MacDonald and Dame Jayne-Anne Gadhia (Lead Non-Executive, HMRC) about the announcement (tinyurl.com/2b9hz8ja), which is an uncomfortable watch in places.

The dizzying high came on 13 May, when the Financial Secretary to the Treasury, Nigel Huddleston MP, announced £51 million of additional funding in HMRC to 'bring HMRC's phone line service back up to the published target of 85% of calls to HMRC advisers being answered' (tinyurl.com/4k3rkkzp). The announcement continued: 'Today's additional funding enables HMRC to meet the performance standards on its phone lines that its customers expect, while continuing the transition to a digital first model of tax administration'. This is precisely what we are after – we do not want to simply to continue use of the helplines, but a properly functioning telephone service is necessary until HMRC's digital systems have the necessary availability and reliability. £51 million is, however, less than 6% of what HMRC spent on customer service in 2022-23, so whether this will have a significant, lasting effect is debateable.

But anyone who has ridden a rollercoaster knows that a dizzying high is followed by a plummeting fall. Just two days later – on 15 May – the National Audit Office (NAO) issued its report into HMRC's customer service (tinyurl.com/2cvcjpdm). The report contains some concerning statistics, such as that taxpayers and their agents spent the equivalent of 798 years waiting to speak to an HMRC adviser in 2022-23, and that HMRC is paying out possibly tens of millions of pounds of interest on VAT repayments because its automated systems make repayments later than the due date established by the recent penalty reform changes.

Later this month the CIOT, ATT and LITRG will be joining other professional bodies at the first of what I hope will be a series of meetings focused on how we can support HMRC transition people to digital services. While we have been doing this through our existing channels, this is the first opportunity to have this sort of 'sleeves rolled up' conversation. There is a lot in the NAO's report that we are fully digesting for the first time – the level of savings HMRC need to achieve, how that will impact upon staff numbers, and the initiatives to deliver these efficiencies. I think this is an opportunity to encourage HMRC to work together with external stakeholders such as CIOT, ATT and LITRG, so that we can provide input into and critique of HMRC's plans, so that they really do deliver against their objectives.

Hopefully, the additional funding for helplines, together with the collaborative approach to improving HMRC's digital services, will help us iron out the bumps. Perhaps Ronan Keating was thinking about the desire for greater digital engagement with HMRC when he suggested that it is best 'when you say nothing at all'.

MANAGEMENT OF TAXES

HMRC Call for Evidence: The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards

The CIOT, ATT and LITRG have responded to HMRC's recent Call for Evidence on 'The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards', looking at how certain aspects of tax administration could be reformed as part of the government commitment to establish a trusted and modern tax administration system. It explores a range of topics within tax administration relating to HMRC's enquiry and assessment powers, penalties and safeguards.

The call for evidence is on the GOV.UK website: tinyurl.com/2p9km4sz

The CIOT response

Enquiries and assessments

In principle, we support greater consistency and alignment of powers across all tax regimes, preferably with any deviations kept to a minimum and only for clearly defined reasons. There seems no reason in principle why the process should be different depending on the tax or the taxpayer involved. This would reduce complexity and help to improve both trust in the system and taxpayers' understanding of HMRC's compliance powers.

A key area of focus should be whether HMRC's enquiry powers in taxes such as Income Tax Self Assessment and Corporation Tax Self Assessment should be retained and extended to VAT and PAYE, or whether these powers should be removed in favour of assessment powers that are subject to a statutory time limit based on something akin to VAT's 'evidence of facts'. On balance, we would favour the removal, not the extension of enquiry powers. This also has the benefit of bringing certainty to a taxpayer's position more quickly than the current regime. We suggest that consultation on potential reform in this area should be prioritised by HMRC.

Shorter assessment time limits for cases involving non-deliberate behaviour, as compared to those for deliberate failures and errors, should be preserved. These time limits should be simplified and applied consistently across all taxes and National Insurance contributions too. The disparate time limits currently applying across different tax regimes creates confusion and increases complexity.

In the interests of fairness and engendering trust in the tax system, the time limits and processes for consequential claims need reviewing, so that the final tax liability is that which would have arisen if a correct return had originally been submitted on time. Similarly, we do not support a time-unlimited amendment power for HMRC.

Penalties

In principle, we support alignment of penalties across all the tax regimes. While there are variations in the number and frequencies of returns depending on the tax regime concerned, the common factor across the different regimes is the requirement to submit a complete and accurate return, and pay any tax due, by a certain date. So there seems no reason why the regimes for late filing, late payment, failure to notify and error penalty should be markedly different.

There is currently a proliferation of different penalties. A simpler overall penalties regime, with fewer different types of penalties, could have many advantages, such as ease of administration and increased deterrent effect.

We support retaining the distinction between deliberate and non-deliberate behaviour, and the penalty consequences of deliberate behaviour should be greater. Where the behaviour is non-deliberate, the suspension regime could be replaced with a policy not to penalise the first error, and no penalty should ever arise where a taxpayer has taken reasonable care.

Safeguards

It is crucial that taxpayers and the public have trust in the tax system when it comes to how HMRC exercise their powers and impose sanctions, and how taxpayer protections and safeguards operate. The way HMRC use their powers and operate safeguards should be effectively monitored and subjected to appropriate oversight.

Where possible, we support the aligning of appeals processes to help mitigate the confusion and misunderstandings that different rules, terminology and procedures currently create. This would be of particular benefit in multi-tax disputes. We also support alignment of payment requirements across regimes, based on the existing direct tax rules.

We support an approach which allows adequate time for disputes to be settled by agreement. This saves time and costs for all parties and can help bring disputes to an earlier resolution.

A new Taxes Management Act

The outcome of this review should result in the replacement of all existing legislation by a new Taxes Management Act. Future legislative changes can then be made to the new Act, ensuring that all administration legislation is kept together and is easier to find and follow for HMRC, taxpayers and professional tax advisers. Once the revised processes are enacted, the government needs to resist making further changes to them for several years to give them time to bed in.

The full CIOT response is available here: www.tax.org.uk/ref1295

The ATT response

The ATT supports the call for reforms of the tax administration framework on tax compliance, seeing the patchwork of policies, legislation and guidance that underpins HMRC's ability to administer taxes and duties as 'woefully lacking' for a modern, digital 21st century tax system. However, we thought that it was overambitious to undertake a consultation looking at 31 reforming opportunities, covering assessment powers, penalties and safeguards, in a 12 week consultation period.

ATT would have preferred to have seen each of these areas reviewed separately with suitable time and space to allow for a considered reflection of how each area could be re-envisaged, remodelled and reformed.

We thought that once the tax administration framework review had been completed, it would be time to retire the Taxes Management Act 1970, and consolidate the remaining tax administration in one 'fit for purpose' taxes management Act. This would simplify and consolidate the tax code, as well as helping taxpayers to find the information they need in one easy and accessible place.

Our general view on the tax administration framework is that where a full and detailed examination of a tax has been undertaken, and the results clearly indicate that alignment of assessment powers, penalties and safeguards is possible with other taxes, then there should be alignment. This should have the effect of creating both simplicity and certainty for taxpayers, as well as having potential cost benefits for taxpayers and HMRC.

The consultation looked at procedural opportunities around introducing a consequential amendment power across periods and tax regimes. Whilst we could see some merits in this, we were not in favour of any changes which undermined taxpayer certainty, especially when there are existing options available to HMRC (protective assessments, discovery, etc.).

The alternative dispute resolution (ADR) and statutory review processes are important safeguards which taxpayers can use during and after compliance cases. We support the extension of the types of cases that can be eligible for ADR, as this has the potential to take some of the pressure off the tribunal system, which itself is struggling with the number of cases at present. If the ADR process is to be extended, we recommend that the ADR teams are provided with the appropriate resources, staffing and training necessary to undertake this additional work.

The consultation considered the potential that certain cases, such as filing penalties and those with low value tax at stake (under £10,000), should be mandated to statutory review rather than being able to apply immediately to the tribunal system. We were not in favour of this, nor were we in favour of the statutory review process being denied to certain individuals 'where there are no reasonable grounds for appeal or where the dispute involves an avoidance arrangement'. Statutory review is an important second check of the initial compliance officer's reasoning and rationale for adopting a position, and to assess whether that thinking was correct. It also allows taxpayers the opportunity to give weight to arguments which may have been seen as being 'unheard' during the enquiry process. It is therefore an important safeguard against compliance officers driving through a decision which would otherwise not have stood up to scrutiny.

The full ATT response is available here: www.att.org.uk/ref451

The LITRG response

LITRG's response focused on the reform opportunities as they relate to unrepresented taxpayers who are unable to pay for professional advice.

On enquiry and assessment powers, LITRG recommends that HMRC should improve the use of data in the spirit of 'prevention rather than cure' – suggesting they should make the best possible use of the information they have at the earliest opportunity to encourage compliance, rather than waiting for non-compliance to occur and then raising assessments or open enquiries.

On the whole, LITRG is in favour of inconsistencies within the enquiries and assessment powers being removed or minimised to ensure fairness, improved understanding for taxpayers, and ease of administration for HMRC.

LITRG has raised concerns relating to the concept of 'carelessness' when determining which time limits apply, as this can lead to disputes between HMRC and taxpayers. Our response sets out some suggestions for how this might be improved – such as moving away from the concept of carelessness altogether. However, we appreciate that this might cause other areas of dispute and might give HMRC an increased appetite for trying to prove deliberate non-compliance.

On the subject of penalties, LITRG's response gave thought to the idea of aligning penalty regimes. While we are not necessarily opposed to alignment per se, we do question whether this would benefit the taxpayer (as opposed to HMRC and the tax profession) as an objective in itself.

That being said, the suite of penalties most relevant for self assessment taxpayers (that is, failure to notify, inaccuracy, late submission and late payment) contains many examples of misalignment which can feel unfair. In particular, the fact that these obligations each have separate penalty regimes, when in reality they are bound together as a whole process, can lead to instances where multiple penalties are charged relating to the same underlying point (for example, lack of awareness that a source of income was taxable). Accordingly, our response sets out that we would prefer HMRC to take a more holistic approach.

As regards safeguards, LITRG points out that for many lower income and/or unrepresented taxpayers, the available safeguards are likely to be underutilised. We feel that a key element to improving access to safeguards will be increasing taxpayer awareness and understanding, with a particular focus on unrepresented taxpayers, who will often find the process of a tax dispute daunting and distressing.

We are generally welcoming of aligning the appeals and payment processes across taxes and feel the focus of any unification should be on simplicity and ease of access for the taxpayer. We also take the opportunity to look at the current system of liability postponement (for direct taxes) in more depth, particularly in light of the recent tribunal case of *Benjamin Erridge v HMRC*.

In the case of all three leading themes of the call for evidence – enquiries, penalties and safeguards – LITRG expressed support for new or enhanced digital solutions to be developed by HMRC. But in all cases, we urge HMRC to ensure that they are introduced with care and operate alongside continuing options for those who are not digitally able.

The LITRG response can be found at: www.litrg.org.uk/10910

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MANAGEMENT OF TAXES
EMPLOYMENT TAX OMB

Draft legislation: Improving the data HMRC collects from its customers

The ATT and CIOT have both commented on draft regulations which introduce new data obligations on employers and self-assessment taxpayers to provide certain information to HMRC in tax returns.

The consultation is on GOV.UK website: tinyurl.com/458eb9cs

The Finance Act 2024 introduced powers to enable HMRC, from April 2025 onwards, to collect data from taxpayers through both Income Tax Self Assessment and Pay As You Earn (PAYE) Real Time Information (RTI) returns. These draft regulations specify the additional information required:

- Employers will be required to provide more detailed information on employees' worked hours paid via RTI PAYE reporting. This figure for employee hours will depend on whether the employee is paid an hourly rate of pay or via a contract which specifies a number of hours, or a combination of the two in some cases. Where that information is not held, employers will be required to provide the reason with reference to a specific description set out in the regulations.
- Directors in owner-managed businesses will be required to provide the amount of dividend income received from their own companies separately to other dividend income. New mandatory questions will be added to the self-assessment tax return requiring the name and registered number of the close company, the value of dividends received from the close company and the person's highest percentage shareholding in the company.
- The self-employed will be required to provide information on start and end dates of self-employment via their self-assessment tax return. (These questions are currently voluntary.)

The CIOT response

Employee hours worked

We are unclear why HMRC are collecting this information and what they are going to use it for. That made it hard for us to comment on whether the draft regulations will work as intended. We also remain concerned that gathering this additional data and providing it to HMRC will place significant extra administrative burdens on some employers. The figures in HMRC's revised impact assessment look significantly underestimated.

Dividends

We are pleased that the draft regulations limit the information gathering exercise to directors of close companies. We think that the term 'the percentage of the person's shareholding' requires further explanation, ideally in the regulations themselves.

We also suggest that HMRC should produce some guidance (with examples) to help taxpayers work out what percentage they will need to put on their return. We also recommend that the term 'director' should be defined in the regulations.

Start and end dates of self-employment

HMRC should provide appropriate guidance in the tax return accompanying notes and on GOV.UK to help taxpayers identify the dates that their business started and ended, as these may not be clear cut. Not all self-employed taxpayers will need to provide this information so the tax return will need to be designed to avoid validation errors when taxpayers try to file the return without answering the mandatory start and end date questions.

The rules will also need to cater for taxpayers who may not have needed to report the start date of a trade (for example, if their income was under the £1,000 trading allowance in its early years). Guidance may be necessary to assist taxpayers. Finally, it is not clear if the regulations apply to activities that are only treated as trades by virtue of a deeming provision.

The full CIOT response can be found here: www.tax.org.uk/ref1312

ATT response

Employee hours worked

We consider that HMRC had not provided a credible rationale for the collection of this information. If the reasoning behind the collection is to support work undertaken by HMRC on compliance with the national living wage (NLW) or national minimum wage (NMW), then the requirements to report data on hours *paid* would not enable identification of NLW/NMW non-compliance in all cases as the NLW/NMW are calculated based on hours *worked*.

Dividends

We raise concerns that the identification of shareholdings would be problematic as an individual's percentage shareholding could change from year to year, and within the year. We query what shareholdings require disclosure – is it just ordinary shares or does it include preference and debentures? We consider that it would be much more logical (and more reliable) to obtain this information from Companies House.

Start and end dates of self-employment

We note that tax cases and the supporting HMRC Business Income Manual guidance in BIM805058 (and subsequent sections through to BIM80555) attest to the fact that identifying the precise start date of trading is not always straightforward. Tax cases and BIM805659 (through to BIM80585) do likewise in respect of cessations.

Given the significance of the identification of the dates now that notification is compulsory, we hope that there will be no sanction (even though there is provision for one) in situations where upon closer examination either the originally reported date had been entered on the return after taking proper care or where no overall change in the individual's tax liability resulted from the initial adoption of a date that was then found to require amendment.

We also support the need for clearer guidance in the tax return accompanying notes and on GOV.UK.

The full ATT response can be found here: www.att.org.uk/ref456

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OMB PERSONAL TAX PROPERTY TAX

Shariah compliant refinancing and capital gains tax

Following our earlier proactive submission, the CIOT responded to the government's Tax Simplification for Alternative Finance consultation that aims to ensure equal tax treatment between alternative (Shariah compliant) finance and conventional finance for refinancing property.

In 2018, the CIOT made a proactive submission to HMRC about the capital gains tax (CGT) trap on refinancing property using alternative (Shariah compliant) finance (see Mohammed Amin's article in *Tax Adviser* in 2019 'The Shariah compliant refinancing trap' tinyurl.com/3m8yrewc).

Alternative finance is structured to ensure that there is no payment or receipt of interest, which is forbidden under Islamic law. A common structure is diminishing shared ownership. Broadly, this involves the owner selling part of the building to the finance provider, while retaining occupation of the whole. The owner pays rent to the finance provider for the provider's share of the property. The purchaser gradually buys out the provider's share of the property.

For stamp duty land tax (SDLT) and income tax and corporation tax purposes, current tax legislation ensures that the tax treatment equates to a conventional

LARGE CORPORATE OMB

R&D compliance activity and HMRC engagement: CIOT update for members

CIOT representatives have met with HMRC and continue to raise our concerns about HMRC's handling of enquiries into R&D tax relief.

CIOT continues to engage with HMRC to address the challenges arising because of the 'volume compliance' approach for enquiries into R&D tax relief claims. Members will be familiar with our letters to HMRC in July (www.tax.org.uk/ref1166) and December (www.tax.org.uk/ref1260) last year, which formally set out our concerns. This year, we have met several times with HMRC to focus on how we can work together to achieve the objectives of reducing non-compliance in the R&D tax relief regime, while minimising the 'collateral damage'.

HMRC have said that they continue to work on improving escalation routes and on the training of caseworkers. We have reiterated our support of HMRC's focus on tackling error and fraud, recognising that there are some poor quality and abusive claims that neither HMRC nor the CIOT want to see in the system.

We recently published an update that summarises this recent engagement: tinyurl.com/39akym4m.

Members' input continues to be important to help inform and focus this work, and CIOT will continue to share examples and concerns with HMRC. Please get in touch about issues that you are encountering to technical@ciot.org.uk.

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mortgage in accordance with the government's policy intent. However, for CGT purposes the transfer of the interest to the finance provider is a part disposal. If the property is the owner's principal private residence, the part disposal will not give rise to any CGT liability. Otherwise, for example on the refinancing of a buy to let portfolio, the disposal may trigger a capital gain.

The consultation proposes exempting the transfer to the provider from CGT. However, there is no consideration of the position for taxpayers who have already incurred a CGT liability using an alternative finance structure. We suggest that consideration should be given to exempting taxpayers from a CGT liability on inherent gains realised on alternative finance transactions that concluded at a time before any new legislation is announced.

The current treatment is an anomaly in the legislation in need of correction and successive governments have supported and legislated for a level playing field between conventional finance and Islamic finance. Anecdotally, we understand that there are concerns HMRC may not have adopted a consistent approach to cases involving refinancing through Shariah compliant finance.

We also pointed out that, in relation to SDLT, there are anomalies in the availability of certain reliefs where a property is acquired using alternative finance arrangements. In many cases, the Finance Act 2003 looks through the alternative finance provider to the underlying buyer when determining whether relief is available but there remain some reliefs (such as charity relief and group relief) where this is not the case. This also seems inconsistent with government policy and in need of correction.

The full CIOT submission can be found here: www.tax.org.uk/ref1287

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MANAGEMENT OF TAXES

Making disclosures to HMRC: Guidance for CIOT members

The CIOT has recently published guidance about assisting clients with making disclosures to HMRC.

Members may be asked by clients or potential clients to provide advice, guidance and support to enable the person or business to make a disclosure to HMRC. A disclosure is the process through which a taxpayer tells HMRC about an inaccuracy (or inaccuracies) with their tax affairs, with a view to agreeing and paying the tax, late payment interest and any penalties due to bring their UK tax position up to date.

The recently published CIOT guidance explains the different processes through which taxpayers can make disclosures to HMRC. Members should choose the disclosure service which is most appropriate for their client's circumstances, given all the issues to be corrected and the reasons why the inaccuracies occurred.

Members are reminded that when guiding clients through making a disclosure they must comply at all times with the fundamental principle of professional competence and due care as set out in Professional Conduct in Relation to Taxation (see tinyurl.com/59ja5dr7).

The guidance is on the CIOT website: tinyurl.com/vvyzk6y8

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PERSONAL TAX PROPERTY TAX

Furnished holiday lets: Spring Budget 2024

At Spring Budget 2024, the Chancellor announced the abolition of the furnished holiday lets regime from 6 April 2025. The CIOT considers consequential uncertainties, including transitional provisions and the scope of the anti-forestalling measure.

At Spring Budget 2024, the government announced that it will abolish the furnished holiday lettings (FHL) regime with effect from April 2025. The policy intention is to eliminate 'the tax advantage for landlords who let out short-term furnished holiday properties over those who let out residential properties to longer-term tenants'.

Uncertainties

Abolition of the FHL regime revives uncertainty in relation to the boundary between investment and trading as demonstrated in a number of earlier tax cases, for example *Gittos v Barclay* [1982] 55 TC 633 and *Griffith v Jackson* [1985] 56 TC 83. It was one of the reasons for the introduction of the FHL regime in 1982/83. Many holiday businesses would be treated as a trade by reference to the 'badges of trade' if ownership of the property were ignored, a difficulty acknowledged in the more recent case of *Julian Nott v HMRC* [2016] UKFTT 106 (TC).

We therefore support consideration of the suggestion by the Office of Tax Simplification that there should be a statutory test for the boundary between a trade and rental businesses on the basis that abolition of the regime may not only give rise to costly disputes but could lead to administrative complexity. For example, a large proportion of agricultural businesses have diversified in order to maintain their core trade; however, apportionments will be required between trading (farm property) and non-trading activity (holiday lets) within a diversified farming business.

An anti-forestalling rule was announced as taking effect from 6 March 2024 'to prevent the obtaining of a tax advantage through the use of unconditional contracts to obtain capital gains relief under the current FHL rules'. Draft legislation for the anti-forestalling rule has not been published at the time of writing. We pointed out that it is difficult for taxpayers to comply with provisions in force that have not been published. It seems contrary to the Charter commitment to help taxpayers meet their tax responsibilities.

It is not clear whether the intention of the anti-forestalling rule is that:

- business asset disposal relief (BADR) is not available from 6 March 2024; or
- it is to prevent taxpayers seeking to take advantage of BADR by resting on contract, that is where a contract is exchanged after 6 March 2024 but not completed until after 5 April 2025.

It is also not clear whether the anti-forestalling rule extends to claims for other capital gains tax reliefs for hold-over on succession or roll-over.

We think it is important to clarify the scope and intent of the anti-forestalling rule and publish draft legislation and guidance without delay.

Transitional provisions

We note that removal of the FHL regime means transitional measures will be needed for capital allowance pools and the treatment of unused losses. We outline some options for consideration. We suggest that whatever approach is adopted to the transitional position, it would be helpful to publish proactive guidance soon to address current uncertainty.

The full CIOT submission can be found here: www.tax.org.uk/ref1321

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INDIRECT TAX

VAT registration: Ongoing engagement with HMRC

The CIOT and ATT continue to engage with HMRC's Joint VAT Consultative Committee's VAT registration sub-group and attend meetings to discuss developments and experiences with VAT registration.

Non-established taxable persons

In our October 2023 article in *Tax Adviser*, (tinyurl.com/3pd32ume), we highlighted that the wording in a question in the online VAT registration portal about non-established taxable persons (NETPs) was causing an unintended outcome. NETPs are 'legal or natural' persons who are not established in the UK but are obliged to be registered for UK VAT. The question asks if a business is an NETP or a non-UK company, though the term NETP refers to both. If the application for a non-UK company selects NETP (as it is a legal person), the director will be registered as if they are a sole proprietor, a 'natural person'.

We followed up on our request that the question wording is amended. HMRC are aware of the issue and the unintended outcome, and it is anticipated that it will be amended. However, as it requires a change within the IT system, this is unlikely to be within the short term.

Members of the CIOT and ATT have highlighted to us that they have experienced a variety of advice on how to correct the issue of changing the legal entity status for an unintended VAT registration sole proprietor outcome to a company. We have heard of three routes:

- deregister the sole proprietor and re-register the company;
- submit a correction of the register (VAT Manual VATREG31150) and form VAT 484; and
- change of legal entity via form VAT 68 (tinyurl.com/yc7rfbnt).

As the correction process to a VAT registration is not as straightforward as a simple administrative amendment, we understand that the quickest correction route (and the easiest for HMRC to process) is via deregistration and re-registration. However, in cases where the effective date of registration is four years earlier, the re-registration would push this effective date forward. This is because in the VAT registration online portal, the system will only accept a date of four years earlier than the date of submission of the re-registration.

The correction procedures set out in VAT Manual VATREG31150 should ensure that the effective date of registration remains the same, although we understand from a small number of members that this can take quite some time to be administered.

While the final route, via a change of legal entity form, may offer a practical solution, it seems to be working with a fiction, because the business has only ever existed as a company and the legal entity has not changed.

Member feedback

As mentioned in our earlier articles on VAT registration, the Joint VAT Consultative Committee (JVCC) VAT registration sub-group allows both the CIOT and ATT to escalate 'outlier' VAT registration cases; for example, delays beyond the usual service targets, procedural errors, automated rejection of a specified services or compulsory VAT registration.

The team want the VAT registration system to work as smoothly as possible so are keen to improve processes when they hear of cases that are not meeting the usual standards. Please note that the JVCC does not accept queries coming directly from members, only via the representative body members. Please contact us at technical@ciot.org.uk or atttechnical@att.org.uk.

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INDIRECT TAX

VAT and voluntary carbon credits

The CIOT and ATT continue to engage with HMRC on the interaction of tax issues with developments in the ecosystem service markets. Following the publication of a Revenue and Customs Brief on VAT and voluntary carbon credits, stakeholders were invited to a discussion with the VAT policy team.

HMRC published Revenue and Customs Brief 7 (2024) *VAT treatment of voluntary carbon credits* (tinyurl.com/53pydsuy) on 9 May, which confirms that voluntary carbon credits (VCC) will become taxable supplies from 1 September 2024. The VAT liability is either taxable at the standard rate, or zero-rated where the VCC is in the scope of the Terminal Market Order. HMRC also updated several pages of the corresponding VAT manuals VATSC06581/2/3/4/5 (tinyurl.com/mr4crkzf), with VCCs mainly covered in VATSC06584.

The Joint VAT Consultative Committee had sight of the draft Revenue and Customs Brief for a short time prior to publication and similar themes arose in the post-publication meeting to the CIOT's pre-publication feedback.

Position on input VAT recovery

As the position on the VAT liability will change from outside the scope of VAT to the making of a taxable supply, this raises questions around the input VAT recovery position on the costs related to the VCC. Currently, if the VCC contract is entered into prior to the change in VAT liability and deemed to be a non-business supply, the existing input VAT guidance on non-business costs should be used.

Another point raised was in relation to costs incurred for VCCs both before and after the date of the VAT liability change. VCCs are typically long-term projects and it would aid clarity, certainty and consistency for businesses if additional guidance on this could be provided.

Domestic reverse charge

The Revenue and Customs Brief and VAT Manual VATSC06580 is silent on the domestic reverse charge position. That is, where the responsibility to declare output VAT on a supply is shifted from the supplier to the customer. This is because the domestic reverse charge will not apply to VCCs. Emissions allowances, that is credits that can be used to meet obligations under the UK Emissions Trading Scheme, are subject to the domestic reverse charge anti-fraud mechanism as set out in VAT Notice 735 (tinyurl.com/3rr7yedv). Should HMRC detect fraudulent activity in the VCC sector going forward, it is possible that this position could be revisited in the future.

Other types of environmental project

Stakeholders raised questions on the VAT position for other natural capital projects, such as biodiversity net gain, as a 2023 DEFRA publication mentioned that biodiversity net gain will be subject to VAT (para 5.3 tinyurl.com/vusn4mbj). HMRC have yet to confirm this VAT position within their guidance and the scope of the most recent changes are limited to the VCC market only. That said, HMRC indicated that they will continue to engage with stakeholders on biodiversity net gain and other natural capital areas.

Member feedback

As the environmental land management and ecosystem service markets continue to evolve, HMRC said that they are interested in hearing from stakeholders on scenarios where the existing guidance does not cover the VAT liability position. Whilst the CIOT and ATT are not able to provide technical advice in individual circumstances, we are able to pass on examples of possible gaps in the VAT guidance for this developing sector to HMRC policy team. Please contact us at technical@ciot.org.uk or atttechnical@att.org.uk.

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EMPLOYMENT TAX

Umbrella company market update

Although we are waiting for a substantive response to the umbrella company consultation, progress to tackle non-compliance in the market is still being made. If you have any contractor clients or advise/assist businesses in the recruitment sector, this round up is for you.

The consultation on tackling non-compliance in the umbrella company market, which both the CIOT and LITRG responded to (see tinyurl.com/p9ankcs8), closed in August 2023.

Since then, we have seen the release of the Director of Labour Market Enforcement's 2023/24 strategy in October 2023 (tinyurl.com/4unb9y2e). Concerns around umbrella companies featured heavily in the evidence submitted (which included LITRG's), as did the 'new and emerging use of joint employment models'.

Because of the wider work going on around umbrellas, the Director made no specific recommendations on the issue of umbrellas in the strategy. However, she did highlight the enforcement gaps around umbrellas which remain outstanding given the lack of progress in establishing a single enforcement body. She also made a welcome commitment to explore how and whether some of the ambitions of the single enforcement body could be delivered by the existing enforcement bodies or the DLME office and others. In addition, a statement from the Employment Agency Standards Inspectorate setting out their views of the joint employment model has been published on GOV.UK (tinyurl.com/3jax8d8w).

In December 2023, HMRC launched new guidance aimed at helping agencies that hand workers over to umbrella companies understand their legal responsibilities and keep their supply chain compliant. The guidance called 'Responsibilities for employment businesses working with umbrella companies' shines a light on the different relationships and obligations that exist between agencies and umbrella companies. This guidance for agencies, which covers things like pay rate transparency and 'kickbacks', may also help workers to better navigate through the world of umbrella working.

In addition, HMRC have refreshed the page of guidance for workers. It now contains some important – and very welcome – messages about how workers can protect themselves from the actions of fraudulent umbrella companies. See 'Ways to protect yourself' towards the end of the GOV.UK page (tinyurl.com/mr3vexd5).

On 6 March 2024, in the Spring Budget, there was an announcement (at para 5.42) that HMRC would provide an update on the recent consultation on tackling non-compliance in the umbrella company market at April's tax and maintenance day. Although the announcement did not go any further than that, many people took it as meaning that HMRC would provide a summary of responses or their own response to the consultation. Instead, at tax and maintenance day, we got a three paragraph 'holding' note (tinyurl.com/4fdeb688).

Although undoubtedly slightly disappointing, this did reaffirm the government's commitment to the sector, confirm that HMRC are developing an online pay checking tool and hint that mandatory due diligence will ultimately be rolled out to help clamp down on tax non-compliance.

While the consultation process here was always going to be long and complex, we hope it will not be much longer before HMRC and the Department for Business and Trade bring forward some firm plans to tackle non-compliant practices. In the meantime, it is important for those who rely on umbrella companies to remain alert. To this end, we have recently refreshed our umbrella company guidance and factsheet, to bring it all up to date for 2024/25 and to reflect, as far as possible, the key things to watch out for. See the LITRG website: tinyurl.com/ydsrx226.

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CIOT	Date sent
Draft legislation: Improving the data HMRC collects from its customers www.tax.org.uk/ref1312	03/05/2024
The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards www.tax.org.uk/ref1295	09/05/2024
ATT	
Draft legislation: Improving the data HMRC collects from its customers www.att.org.uk/ref456	08/05/2024
The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards www.att.org.uk/ref451	09/05/2024
LITRG	
Public Accounts Committee inquiry: universal credit www.litrg.org.uk/10903	22/04/2024
The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards www.litrg.org.uk/10910	08/05/2024

Digital Services
Tax bodies publish 'principles of digitalisation'


Alison Kerrey

CIOT and ATT have welcomed the start of a new pilot to test the Making Tax Digital for Income Tax Self-Assessment programme, but have concerns regarding the standards used to evaluate digital services.

The two bodies have published seven 'Principles of Tax Digitalisation' which they say are a benchmark against which digital tax services should be measured.

Alison Kerrey, Chair of the joint CIOT and ATT Digitalisation and Agent Services Committee, commented: 'We support moves towards digitalisation of the tax system. However, there is still real concern about the implementation of this programme, whether it will meet its objectives, and the risk of it contributing to further degradation of HMRC's already poor service levels.

'Before signing up clients to the pilot, agents should carefully check they meet the eligibility requirements, and that they, their client and their software provider are ready to participate.

'HMRC should assess the MTD for ITSA pilot, and the ongoing implementation of the MTD programme, against these general principles for tax digitalisation, with check-points to ensure that these principles are being met. Failure to adhere to them could result in increased costs, poor implementation, unmet policy goals and a significant loss of trust in the tax system.'

CIOT AND ATT PRINCIPLES OF TAX DIGITALISATION

A digitalised tax system should:
1. Enhance existing processes
2. Be cost and resource efficient
3. Be secure
4. Be integrated and adaptable
5. Accommodate agents
6. Be simple, tested and co-created
7. Accommodate accessibility requirements

Award
LITRG's work recognised by prestigious tax awards

Left to right: Kelsey France, Senior Tax Manager, CB Tax (award sponsor); Ellen Milner, CIOT Public Policy Director; Meredith McCammond, LITRG Technical Officer; Andrew Hubbard, Editor in Chief of Taxation Magazine; Helen Whiteman, CIOT Chief Executive.

CIOT's Low Incomes Tax Reform Group (LITRG) has been honoured with a prestigious tax award.

LITRG won the 'Outstanding Contribution to Taxation in 2023-24 by a Not-for-profit Organisation' at the Tolley's Taxation Awards, which took place on Thursday 16 May at the Hilton London Metropole.

The award recognises the important role played by non-profits in the tax world, and LITRG received the award for its work providing guidance and campaigning to make the tax system work better for those unable to pay for advice.

The other organisations shortlisted for the award included ATT.

HMRC
New report lays bare HMRC failings

A new report on HMRC service levels has laid bare the extent of customer service failings and the scale of cuts being asked of the tax authority, CIOT has warned.

The report by the National Audit Office, published 15 May, reveals that callers to HMRC spent a cumulative 798 years waiting on hold in 2022-23 – more than double that of 2019-20. The department is looking to move callers away from helplines to digital platforms as it attempts to cut staff numbers by an unprecedented 14% in 2024-25.

Financial Secretary, Nigel Huddleston, announced earlier the same week that £51 million in additional funding would be provided to HMRC to improve customer helplines, but the CIOT has warned that this is just a small fraction of the annual £881 million net cost of HMRC's customer service directorate and is less than half of the savings the tax authority has agreed to make this year.

Richard Wild, CIOT Head of Tax Technical, explained: 'The NAO report shows not just the extent of HMRC's customer service failings but that of the cuts being imposed on it while the number of taxpayers and the complexity of their affairs is increasing.

'With the report suggesting HMRC customer services have been told to find at least £116 million of new savings during the 2024/25 tax year, the £51 million funding injection, while welcome, amounts to no more than slowing the pace of the cuts and tempering their short-term impact.'

Victoria Todd, Head of LITRG, said: 'The NAO findings echo our longstanding concern that HMRC has been too aggressive in its efforts to force taxpayers away from its telephone helplines towards online services.

'We welcome the NAO's recommendation that HMRC adopts a more realistic and customer-focused approach to encourage the take-up of digital services.'

Read our summary of the NAO report at: tinyurl.com/NAO-HMRC

Function

Joint Presidents' Edinburgh lunch

Close to 100 guests from across Scotland's tax, accountancy and legal professions gathered in Edinburgh last month for the CIOT/ATT Joint Presidents' Lunch, which this year took place in the new surroundings of the city's Royal College of Physicians.

In his opening remarks, CIOT President Gary Ashford reflected on a Presidential year that has seen CIOT welcome its 20,000th member, continue to press HMRC for improvements to service levels and facilitate debates on a range of topical tax policy issues.

ATT President Simon Groom looked forward in anticipation to ATT welcoming its 10,000th member and spoke warmly of the work being driven by the Association's technical team to boost interest in (and understanding of) tax matters through a series of new 'explainer' videos.

This year's guest speaker was Professor Graeme Roy, chair of the Scottish Fiscal Commission, the country's official independent economic and fiscal forecaster.

Professor Roy spoke about the emergence and impact of tax devolution in Scotland. Although the introduction this year of a new 45p 'advanced' rate of income tax, alongside a further 1p increase to the 'top' rate of tax (to 48%), has fuelled concern among some that Scotland's income tax regime could deter high earners from remaining in the country, Professor Roy noted that it remains difficult to predict what the impact of further divergence will be on Scotland's economy.

Next year will see both CIOT and ATT led by Scottish Presidents, as Charlotte Barbour and Senga Prior take the reins of the Institute and Association respectively. Their upcoming presidential years were acknowledged by the current presidents in their remarks.

Immediately prior to the lunch, the leaderships of CIOT and ATT brought together representatives from professional bodies, including ICAS, ICAEW and the Law Society of Scotland, for a roundtable that considered the emerging impact of artificial intelligence on their respective professions.

The group heard from Steph Wright, head of the Scottish AI Alliance, a group set up in partnership with the Scottish government to deliver on the vision of Scotland's AI Strategy. You can find out more about the work of the group at www.scottishai.com.

Simon Groom, Charlotte Barbour, Professor Graeme Roy, Senga Prior and Gary Ashford.

In the news

Coverage of CIOT and ATT in the print, broadcast and online media

'We are concerned that HMRC digital services are not yet of a sufficient standard to cut telephone services. In the case of simple assessment, we understand it is not yet possible to use HMRC's online services to arrange to pay in instalments.'

LITRG senior manager Kelly Sizer on the difficulty of checking suspected scam letters with HMRC, The Guardian, 25 March

'The Low Incomes Tax Reform Group (LITRG) said that workers who are paid on Thursday April 4 or Friday April 5 may owe extra tax because of receiving an "extra" pay cheque in the 2023/24 tax year.'

Daily Mirror, 4 April

'The CIOT said anyone earning less than £112,900 would see an increase in their take-home pay in the 2024-25 financial year, which starts on Saturday.'

Daily Telegraph story on Scottish tax divergence, 5 April

'There's a relief out there for when we sell a home that we've lived in called private residence relief. The rules are very complicated and there are so many moving parts. It's hard to say whether there has been an error or not.'

ATT technical officer Emma Rawson explaining capital gains tax on ITV News, 12 April

'For a lot of people, tax is hard. These agents present themselves as having technical expertise, so the taxpayers feel on the backfoot, not understanding whether what they're being told is too good to be true.'

LITRG technical officer Meredith McCammond in The Sun on tax refund firms, 25 April

'Ellen Milner, director of public policy at the Chartered Institute of Taxation … said HMRC's digital services "aren't yet good enough" and need to be improved to enable the tax office to "scale down their phone lines without risking harming compliance".'

Financial Times, 26 April

'The Low Incomes Tax Reform Group warns that the error, acknowledged by HMRC, could strip self-employed workers of crucial National Insurance-related benefits like the state pension.'

The Sun on an HMRC tax error affecting thousands of taxpayers, 7 May

CIOT President's Speech

New CIOT President Charlotte Barbour focuses on technology, responsibility and standards

Charlotte also set out how the Institute aims to inform the tax debate during the general election campaign, in her inaugural speech as President at CIOT's Annual General Meeting on 30 May 2024.

Charlotte Barbour

Thank you, Gary. I very much look forward to being President of the CIOT over the coming year.

First, however, let me thank you for your service to the CIOT over many years, initially as a branch chairman, then on Council and culminating in being our President over the past 12 months. Thank you Gary. Your service is much appreciated.

I should also like to pay tribute to all of those who so actively support the CIOT, our activities and our members. In particular, our branch committees which perform such an important role in organising events, bringing members together for networking and professional development.

Also my fellow Council members. We are most fortunate in having an active 'pull-together' Council to oversee our activities – our debates test the way forward, in a constructive manner, and our decisions are better for it.

One of our challenges is to make sure the CIOT is in the best shape possible as it grows. In my 35 years as a member, we have grown from around 7,000 members to, as Gary said a few moments ago, more than 20,000. A real landmark!

As we have grown, so the role and work of our staff has grown. I take my hat off to Helen Whiteman and her senior team for their leadership in this. I'd also like to thank, and extend warm wishes to, a number of staff who have retired in the last year: John Cullinane and Karl Cerski, and to Roz Baxter who has retired from her role as Director of Education, although I'm delighted that Roz will continue in a part-time capacity as Institute Secretary.

And may I welcome our new members of staff – I hope you find your work with the CIOT rewarding and enjoyable, and I look forward to working with you. And what of that work?

Our qualifications

Central to it are our qualifications, in particular the CTA. Periodically, we review the CTA qualification to ensure it remains fit for purpose and that it examines the key skills needed by tax advisers into the future. We began one such review earlier this year. An Employer Forum was held in February and our Working Party comprises representatives from firms large and small from across the UK, and includes a tutorial body representative and a newly qualified CTA.

Our international qualification, ADIT, marks its 20th birthday this year, and continues to go from strength to strength. Nearly 2,000 students from 92 countries and territories now hold the qualification, and this year we launch another new module – this one on South Africa's tax system. I'd like to thank Jim Robertson and all the other volunteers who have contributed so much to its development.

And then there's the new kid on the block – our Diploma in Tax Technology. It's only 18 months old, but already more than 750 candidates have registered for it. Ian Hayes, Paul Aplin and Shan Sun mapped out the syllabus and it's great to see Shan joining Paul on our Council, even as Ian's term on Council comes to an end.

The issues facing us

Our qualification reviews are indicative of the pace of change affecting the tax profession, and of the issues that face us.

These issues are ongoing and intertwined but they impact on all of us.

- There are issues that affect the operation and processing of tax collection – like the growing role of technology.
- There are issues that affect responsibilities in a changing tax 'eco-system' – the role of HMRC, of taxpayers and of agents.
- There are issues that affect our role and standards as tax advisers – like the current consultation on regulation of the profession.

Let's consider these issues in slightly more detail.

Issue one: technology and tax collection

First, how tax is calculated and collected.

Making Tax Digital seems to have been with us for a long time despite the fact that it is not yet actually in operation beyond VAT.

There remain concerns about the speed and nature of 'going digital'. It's a sensible aim. But the objective should be that taxpayers and agents *choose* the digital option, rather than being forced into it.

Last month CIOT and the ATT published our 'Principles for Digitalisation'. These include:

- A good digitalised tax system should reduce the overall admin burdens on those involved, not simply outsource work from HMRC to taxpayers and agents.
- It should accommodate agents from the start, letting them do everything taxpayers can.
- It should be simple, thoroughly tested and co-created with users and developers.

These, and four other principles, will guide the collaboration our technical officers and volunteers are already engaged in with HMRC, putting their considerable expertise and energies into it – and into providing CPD to help members keep abreast of developments.

Quarterly reporting for income tax will affect our work processes hugely. But it's far from the only change technology is bringing.

From automating compliance processes, to managing and nudging us with our office procedures, to AI that can assist with research and looking for answers, it's all happening.

In this age of transformation, we will need to come back to our training – to understand what we are working with in order to appreciate the tax consequences that arise, and to ensure that proper controls are in place.

This is why our Diploma in Tax Technology is so important.

And if you're as interested as I am in the role AI will play in the future lives of tax advisers, then join me, in person or online, at next week's CTA Address at which we'll be talking about precisely this.

I am firmly in the camp that sees AI and other digital tools as an opportunity – something that should add value and help advisers run efficient, profitable practices. But we must beware the mantra that 'the computer is always right'. Anyone who has been following the Horizon-Post Office scandal will know where that can lead.

Issue two: responsibilities in the tax system

The question of trust in technology leads us to my second issue – the question of who is responsible for what.

Will HMRC simply be a collection agency as it outsources traditional elements of its work to third party population, to agents, to the software providers?

Who is responsible for checking compliance – HMRC or agents?

And how might this impact on the agent/client terms of engagement and relationships?

There is much to think about here. And I firmly believe that in addressing such issues, we will fare better if we pull together collectively through our Institute.

Issue three: standards and regulation

The same applies to the third issue – standards and regulation.

'Standards', to my way of thinking, involves two separate elements.

One, are standards around tax planning and where the boundaries sit. The vast majority of clients come to a tax adviser to make sure they pay the right amount of tax at the right time – but what is this when there are legitimate options to choose between?

Our PCRT rules rightly ban members from promoting or creating tax avoidance. We have worked with government on measures that have driven down levels of avoidance to a fraction of what they once were. But that still leaves many areas where there are legitimate choices to be made by taxpayers well within the bounds of acceptable planning.

The other element in standards is competency. In an ever-changing environment there's a need to renew our skills and stay up to date.

I'm a strong believer that membership of the CIOT provides a great starting point for the skills and knowledge advisers need, with our qualifications and, thereafter, support with ongoing lifelong learning, through branch events, webinars and other activity.

Professional bodies such as CIOT are the best route to maintaining standards in the profession. And that's why, of the three options set out in the Raising Standards consultation, which closed this week, our preference is option one – that all tax advisers should be members of a recognised professional body.

This would not be simple. It might change the nature of the relationship between the bodies and their members. But compared to the alternatives – government regulation and a hybrid model – it would be less costly, more effective and easier to implement.

Now standards, of course, cut both ways. The CIOT, under the leadership of my predecessors Gary Ashford and Susan Ball, has raised our concerns frequently, and forcefully, about poor – far too poor – service standards at HMRC. Encouraged by us, two parliamentary committees have recognised this problem and called out HMRC for their failure to deliver improvements.

We will continue to press for ways to resolve these problems on my watch.

The general election

There will be a general election soon.

That means the usually shrill, clamorous, yah-boo political debate over tax...

...is set to become *even more so.*

That presents us with a challenge.

Our mission is advancing public education in taxation. Can we really do that in the maelstrom of an election campaign? I believe we can, but we need to carefully focus our efforts.

Tax is central to the political debate, but where we can add value is by informing that debate, bringing light, rather than heat, to the discussions.

For example, an MP is accused of dodging capital gains tax? We can set out how capital gains tax works.

An argument is raging over non-doms? We can help separate truth from myth.

A party wants to scrap national insurance? We can explain how NI and income tax differ and what the change would mean.

That's why, as well as making our experts available to the media, we're working on a series of 'explainers' to publish on our website and share with journalists and the wider public, on the tax issues we think will be in the spotlight during the campaign.

Not taking sides, but doing what we always do – informing the political debate, working for greater public understanding.

But what about the issues that *won't* be in the spotlight?

We all know that there are pressing issues around the administration of the tax system which, while mostly lower profile, also deserve to be treated as a priority. Issues that, unless addressed, will leave the tax system less efficient, harder to comply with and less effective in both raising revenue and supporting taxpayers. For example:

- better customer service so businesses get the guidance and prompt payments they need to operate effectively;
- digitalisation genuinely focused on the needs of taxpayers;
- meaningful simplification; and
- an R&D tax credits system that supports genuine innovation – where the unacceptable attempts we've seen to abuse it are tackled without collateral damage to legitimate claims.

The CIOT will be doing what *we* can to get these and other, similar issues heard. I'll be writing to the tax spokespeople of the main political parties encouraging them to give these matters careful consideration as they draw up their manifestos and policy programmes for the next Parliament.

LITRG and the tax charities

Alongside this work, our brilliant Low Incomes Tax Reform Group will be publishing their own set of 'topical papers' over the coming months, bringing their expertise to bear on issues like the gig economy and umbrella companies, identifying ways in which the tax system can be made to work better for vulnerable and unrepresented taxpayers.

LITRG, incidentally, have just relaunched their fantastic website, making it even more user-friendly than before. If you ever need information for taxpayers in a clearly explained manner – look no further.

I'd also like to put in a word of praise at this point for the excellent work the tax advice charities – TaxAid and Tax Help for Older People – do. CIOT supports this, but they always need more funding and volunteers – if you can help, please do.

Concluding remarks

So, as I look to the year ahead, I am looking forward in particular to meeting with as many members as possible, at branch events and elsewhere.

The CIOT is a member body – it's for each and every one of us – and I encourage all of us to be mindful of our wonderful Member Services team mission of 'Making Connections in Tax'. The branch network is at the heart of the Institute's offering to members. Membership benefits are two-way – you get out as much as you put in.

And when you see me, I'd very much like to hear your views on the matters I've touched on – and anything else you think the CIOT should, or shouldn't, be doing.

I look forward to meeting with you and I am much honoured to be the President of our Institute.

CIOT Council

New CIOT Council members

Xiaoshan Sun, MSc, CA CTA (Fellow)

Shan trained as an economist at the University of Nottingham and qualified as a Chartered Tax Adviser and a Chartered Accountant with KPMG, becoming a member of both ICAS and CIOT in 2009. She then was finance controller at Morgan Stanley before returning to practice at BDO, where she specialised in transfer pricing within international tax.

Shan's journey in tax technology advanced through global roles at BDO, and she became the Tax Innovation Lead at Unilever. Shan is currently the Tax Technology Lead at Deliveroo and is responsible for developing the tax department's technology strategy and roadmap, designing and implementing technology solutions to meet a broad array of tax requirements.

Shan also contributes to the tax community as a member of the CIOT Diploma in Tax Technology (DITT) Committee and will soon host the forthcoming Tax Technology Podcast, a complementary resource for DITT.

Alistair Cliff BSc, BEng, FCA, CTA (Fellow)

Alistair is a director at Deloitte LLP, where he is the Quality and Risk Management leader for Deloitte's Swiss Tax and Legal practice, and is a member of the Deloitte Global Tax & Legal Q&R team.

Alistair qualified as a chartered accountant and Chartered Tax Adviser with Arthur Andersen in Nottingham. He specialised in corporate taxation, providing tax compliance support and advising a wide range of companies, from family owned companies through to large groups listed on UK and overseas stock markets.

Alistair is a member, and past chairman, of the CIOT and ATT joint professional standards committee and he currently chairs the Joint Regulation Working Party.

Working Groups

Spotlight on the Employee-Ownership Trusts Working Group

The Employee-Ownership Trusts (EOT) Working Group is made up of CIOT members who have an interest in this fairly niche area of practice.

With nearly 1,800 employee-owned businesses in the UK, more and more are utilising EOTs as a way of giving their employees an indirect stake in the business, whether it be for retention, motivation or both. It is also a useful way for an owner to retire from the business safe in the knowledge that it will continue as a going concern in the hands of their employees and trustees, rather than those of an unknown third party.

John Lewis is perhaps the best known example of an EOT-owned business, but others include Go Ape, Riverford Organic Farmers, Richer Sounds, Stephens Scown Solicitors and Aardman Animations.

The working group is in regular contact with the Employee Ownership Association, which provides a valuable insight into the sentiments and concerns of EOT-owned businesses. However, there have been some concerns over the years that the tax benefits for business owners might be the primary motive for an EOT's use, rather than any benevolence towards employees.

When a business owner transfers at least 51% of their company's shareholding into an EOT, the disposal is treated as being 'no-gain/no-loss'; i.e. it is a tax-free and tax-neutral transfer, which would otherwise be fully chargeable to capital gains tax (CGT). Only when the trustees subsequently sell the business to a third party would CGT become an issue – unless the EOT were located outside the UK, in which case the disposal would be outside the scope of UK CGT.

HMRC believes that this is a significant loophole. In a 2023 consultation, 'Taxation of Employee Ownership Trusts and Employee Benefit Trusts' (July to September 2023), it proposed that only UK-based EOTs can attract the CGT relief for business owners. This follows on from a submission made by the CIOT in 'Autumn Budget 2021 representation on enhancement and anti-abuse measures, funding and other tax issues' (see www.tax.org.uk/ref833).

The 2023 consultation comprehensively addresses the tax rules concerning EOTs for the first time since their introduction in 2014. Much of the working group's time of late has been taken up with this consultation. Besides the use of offshore EOTs, the consultation also addressed the issue of former business owners subsequently controlling the EOT trustee board – thus effectively placing themselves back in charge of the business after benefiting from tax relief upon disposal.

Despite warning against new rules being over-prescriptive and burdensome, the CIOT does support further moves to ensure that EOTs are being used for what they were intended (i.e. as vehicles for long-term employee participation with tax reliefs as an incentive), rather than as an instrument for short-term tax savings.

The CIOT also expressed support for other changes such as:

- removing the need for HMRC clearances upon the establishment and funding of an EOT;
- increasing the £3,600 employee tax-free bonus limit to take account of ten years' inflation and to make those payments free from National Insurance, as well as income tax; and
- more ongoing checks to ensure that EOTs are being operated in accordance with the rules providing the tax relief.

We are still awaiting the release of draft legislation following the consultation's conclusion.

DITT

2024 DITT syllabus update: keeping up with the pace of change!

Developments in the 18 months since the CIOT's Diploma in Tax Technology (DITT) first launched have made the influence of digital technology in a rapidly changing tax profession clearer than ever.

For tax practitioners, embracing technology and acquiring proficiency in its use is becoming not merely advantageous, but imperative for growth and success in the profession.

In April 2024, the CIOT launched the first annual update of the DITT syllabus to reflect the technological transformations that professionals will be facing with increasing frequency in their everyday work. With new learning materials and assessments delivered in partnership with industry-leaders Coefficient and Tolley Exam Training, and quality assured by technology specialists with experience across the tax profession, the 2024 DITT offers candidates a foundational understanding of the key principles underpinning tax technology today.

One of the focal points of this update is the integration of the latest developments in cutting-edge concepts, including generative AI, machine learning and predictive analysis. As these technologies continue to mature, tax professionals need a nuanced understanding of their applications in tax compliance, risk assessment and strategic planning. Harnessing the power of AI and machine learning algorithms will soon be a necessity for practitioners seeking to maximise their efficiency and accuracy.

The 2024 syllabus also addresses legislative changes, including in the UK's GDPR rules, which underscore the importance of staying abreast of regulatory developments affecting data management and compliance practices. With data privacy concerns at the forefront of public consciousness, tax practitioners must navigate the intricacies of GDPR compliance to safeguard sensitive tax information and uphold client trust.

New content explores the latest programming trends, including Transformers, GPT, LLMs and AI-assisted coding tools. These represent some of the most revolutionary tools in tax technology, offering unprecedented capabilities for data analysis, automation and decision-making.

The updated syllabus also pays greater attention to the global trend towards digital tax administration, focusing on real-time data integration and analysis. As tax authorities worldwide transition towards digital platforms for compliance and reporting, practitioners need to adapt, leveraging technology to navigate or enforce regulatory requirements. In the UK, content updates address changes to the rollout of HMRC's Making Tax Digital (MTD) – a seismic shift towards digital tax reporting and compliance.

As the first of annual updates to the DITT, the new syllabus is indicative of the CIOT's agility and responsiveness in adapting to an evolving tax landscape, and our provision of tax education at the forefront of industry standards and expectations. DITT candidates can embark on their journey with confidence, knowing that they will be equipped to thrive in the dynamic world of tax technology.

Find out more and register for the DITT today at: www.tax.org.uk/ditt

AGM

Association of Taxation Technicians

Notice of Annual General Meeting

The 35th Annual General Meeting of the Association of Taxation Technicians will be held on Thursday, 11 July 2024, at 14:00.

Civica have been appointed as scrutineers for the ATT AGM 2024. Access to the AGM Notice, Annual Report and Accounts, and information regarding those standing for election to Council will be provided through links in an email sent to Association members by Civica in June. The CES proxy voting site will be accessible via a link in that email.

If you prefer to receive a hard copy of the proxy form, please email: support@cesvotes.com or telephone 020 8889 9203 and a form will be sent to you with a reply-paid envelope. You have until 9 July 2024 to return the form.

A copy of the AGM Notice and Annual Report and Accounts can be found on the Association's website: www.att.org.uk.

Director

CIOT and ATT welcome a new Director of Education

The CIOT and ATT are delighted to have appointed Vicky Purtill who joined the CIOT and ATT in May. She joins us from Bader College, part of Queen's University, Canada, and is looking forward to working with stakeholders to ensure that the qualifications offered by both bodies remain attractive and relevant in a fast-changing world.

After leaving school, Vicky worked in financial services for six years before returning to education to study law. After she completed her LLM in Public Law with UCL, she taught undergraduate law subjects at a number of institutions. In 2011, she moved into education policy for the Chartered Institute of Legal Executives and worked with both the professional body and the independent regulator for almost 12 years, during which time she reformed CPD requirements for the profession, contributed to the extension of rights to practise for Chartered Legal Executives, worked with employers and other stakeholders on the introduction of the new Trailblazer apprenticeships for the legal profession, recreated the education standards for CILEX members and introduced a range of operational improvements to qualifications delivery.

Vicky Purtill Roz Baxter

We are sorry to see Rosalind Baxter step down as Director of Education this month. She has worked tirelessly for the CIOT and ATT since 1994. The CIOT and ATT extend to Roz very best wishes in her new endeavours, which include continuing her role as Institute Secretary for the CIOT, and thank her for her guidance and leadership across tax education.

DITT

Tafana Caesar

Senior Product Manager at Dext Software Limited, UK

Tafana Caesar recently completed the Diploma in Tax Technology and received a Distinction. She shares her DITT learning journey, motivation to study and the tax technology area she works in.

How did you first start working in tax?

I began my career in tax whilst I was at university, when I completed a summer internship in tax with Ernst & Young, before joining their graduate scheme as an Assistant Tax Advisor specialising in corporation tax and completing the ATT qualification.

What motivated you to undertake this qualification?

When the DITT launched, I was excited as I had previously had to merge my tax and technology experience through trial and error. Being the first official certification for tax technology from a professional body, I jumped at the chance to complete the qualification and I presented a business case for my employer to reimburse my fees.

How did the DITT qualification help you in your day-to-day job?

I currently work within the personal tax space as a Product Manager for software, which feeds into the self-assessment process. The DITT has helped me to map out tax processes and my learnings can be applied on a global scale – which is where my future aspirations lie. The material also explains concepts simply, in turn allowing me to communicate the reasons for my decisions to non-tax technology professionals, which has been the key to success in my role.

What learning and skills have you developed because of studying the DITT?

The course reminded me to broaden my skills outside of my current sphere of experience. I enjoyed Module 4 'Emerging Technologies' the most. Whilst I recognised the tax implications of emerging technologies, sometimes it's easy to forget how they can assist in optimising the tax process itself. The practical application examples in the learning materials brought the subject to life and provided me with ideas on how I can use them to enhance my existing role. Most relevant to my current role was Module 7, 'Essential Elements of Technology Management for Tax.' I was able to learn about frameworks for understanding and optimising tax processes which are directly applicable in my existing role.

> **The practical application examples in the learning materials brought the subject to life.**

How do you think this programme will benefit the profession?

I think the DITT will empower people to undertake tax technology projects with the confidence that they can make decisions with context and based on data. There is still a relatively small number of professionals who operate in the tax technology space and the DITT will encourage more tax professionals to transition into the field.

Any words of wisdom to future candidates thinking of studying the DITT?

Having something to look forward to on completion of each milestone or at the end of the qualification helps. For me, the certificate and spa day I promised myself at the end kept me motivated to stick to my learning schedule. Keeping a running list of practical applications in your existing role also helps, so find ways to implement what you've learned in your work. The field is fast-moving, so staying up to date with recent developments and practising what you're learning is key!

Read Tafana's full interview at: www.tax.org.uk/tafana-caesar

Obituary

Sir Stephen Oliver KC

With great sadness we learned of the death of Sir Stephen Oliver on 8 April at the age of 85.

Stephen had a distinguished tax career as a barrister and then as a leading Special Commissioner and Tax Tribunal judge. He was also a long-term supporter of the tax charities.

Stephen trained as a barrister. Called to the bar at Middle Temple in 1963, he joined Pump Court Tax Chambers in 1964 where he built a thriving revenue law practice. He was appointed Queen's Counsel in 1980 and became Head of Chambers in 1987. In 1989, he was appointed a Recorder; in 1991, a Circuit Judge; and in 1992, Presiding Special Commissioner for Income Tax and President of the VAT and Duties Tribunals. The Commissioners were replaced in 2009 by the Tax Tribunals, where he became President of the First-tier Tribunal. Stephen retired from that post in 2011, rejoining his chambers as a mediator.

Stephen was concerned as a Special Commissioner about how vulnerable people were treated under the law, which led to his becoming a trustee of TaxAid in 2006 and his long association with the tax charities. He remained an active supporter throughout his retirement.

Stephen was a lifelong enthusiast of classical music. He was a fine cellist, and a supporter of the London Sinfonietta and the Aldeburgh Festival. He was also an able golfer.

In his various roles, not least as Leading Special Commissioner, Stephen encountered people across the tax profession. As well as being a talented lawyer, he is remembered fondly for his open-minded approach and charming manner. He was a delight to work with.

Stephen is greatly missed by Dawn, his wife, Adam, Rosie and Becky, his children and by other family and friends. A celebration of his life will be held on 1 July.

Stephen Banyard

Disciplinary reports

NOTIFICATION

Mr Kelvin Kaliwoh

At a hearing on 31 August 2023, the Disciplinary Tribunal of the Taxation Disciplinary Board determined that Mr Kelvin Kaliwoh of Croydon, a Tax Pathway student of the Chartered Institute of Taxation, was guilty of the following charges, namely:

a) having been convicted on 15 November 2021 of driving a motor vehicle after consuming so much alcohol that the proportion of it in his breath, namely 87 microgrammes of alcohol in 100 millilitres of breath, exceeded the prescribed limit contrary to section 5(1)(a) of the Road Traffic Act 1988 and Schedule 2 to the Road Traffic Offenders Act 1988.

b) having received a sentence of disqualification from holding or obtaining a driving licence for 22 months and a fine of £487. Mr Kaliwoh was ordered to pay £320 prosecution costs and £47 victim surcharge.

c) consequent upon the said conviction and sentence, Mr Kaliwoh had engaged in or been party to illegal behaviour, contrary to rule 2.2.2 of the PRPG; and/or had conducted himself in an unbefitting, unlawful or illegal manner which tends to bring discredit upon himself and/or may harm the standing of the profession and/or the CIOT, contrary to rule 2.6.3 of the PRPG.

The Tribunal made an Order that Mr Kaliwoh be censured. It also ordered that he pay costs of £2,832.

NOTIFICATION

Mr Ian Middleton

At a meeting on 29 February 2024, the Interim Orders Panel of the Taxation Disciplinary Board ordered that Mr Ian Middleton of Shrewsbury, a member of the Association of Taxation Technicians (ATT), be suspended from membership of the ATT until such time as the Disciplinary Tribunal determines whether any charges arising from the complaints against him have been proved or until an Interim Orders Panel or Disciplinary Tribunal orders otherwise.

The Tribunal's decisions can be found on the TDB website at: www.tax-board.org.uk

A MEMBER'S VIEW

Jasmine Kaur

Head of Capital Allowances and Creative Sector Tax Reliefs, HM Treasury

This month's CTA member spotlight is on Jasmine Kaur, Head of Capital Allowances and Creative Sector Tax Reliefs at HM Treasury.

How did you find out about a career in tax?

When I started working at HM Treasury. I joined on the graduate scheme which provides the opportunity to do rotations in different groups, such as business and international tax, personal tax and welfare, spending, fiscal, economics, etc. Business tax seemed really interesting and there were lots of interesting high-profile issues I'd seen in the news at the time, so I applied to do a rotation in the Corporate Tax team, and I've worked in business tax ever since! HM Treasury also has a great tax professionalism offer which appealed to me, as it provided the opportunity to take a wide range of professional qualifications.

Why is the CIOT qualification important?

It allows you to gain a much sharper understanding of the tax system, and it gives you greater confidence in any technical aspects of your role and with problem solving. It also provides you with a great platform for a career in tax and opens many options.

Why did you pursue a career in tax?

I've always been interested in economics and business, and tax seemed like a great mix of the two. I also really enjoyed the problem solving and technical elements of my job, as well as the amount of responsibility we get here in HM Treasury to develop tax policy that impacts the whole of the UK.

How would you describe yourself in three words?

Analytical, calm and supportive.

Who has influenced you in your career so far?

I've been lucky enough to have had some amazing managers and leaders around me at HM Treasury, to whom I am grateful. In particular, I worked for Tim Power and Mike Williams for many years and learnt an enormous amount from them both – not just their excellent technical tax knowledge, but also about how to manage teams, handle difficult meetings and approach problems.

What advice would you give to someone thinking of doing the CIOT qualification?

If you have a job in tax, bite the bullet and do it. The CTA qualification will help you become a real expert and be better at your job. When it comes to the exams, my advice would be to revise lots from the point that you start your course and look into recent cases in the areas that you're studying.

What are your predictions for tax advisers and the tax industry in the future?

Digitalisation and technology will change the way we work dramatically, and we'll gradually shift to a real-time system. I think there'll also be a much greater focus on tax transparency in the corporate tax world.

What advice would you give to your future self?

Carry on learning and expanding your knowledge, as it can be easy to get lazy as you progress further in your career.

Tell me something about yourself that others may not know about you.

I am a big DIY enthusiast and have spent the last year working on my doer-upper – I've managed to do the bulk of electrical, plumbing, building and decorative work myself with the help of YouTube!

Contact

If you would like to take part in A member's view, please contact: Melanie Dragu at: mdragu@ciot.org.uk

Goodwin PLC | Est. 1883

Head of Group Tax and Treasury

Goodwin PLC is an international group which specialises in the design, manufacture and supply of high-quality and high precision mechanically and refractory engineered products and solutions.

The Group subsidiaries manufacture and operate in over ten countries worldwide, exporting to numerous others, enabling the Group to capitalise on local market growth and take new products to market quickly, in both established and emerging markets.

With such diverse global operations, extensive innovation and R&D activity across all facets of the business, the decision has been made to expand the Group Finance Team and bring the tax capability inhouse and augment the role with responsibility for the treasury requirements of the Group – previous treasury experience is NOT a prerequisite for the role. The business is based in Stoke-on-Trent with relocation options available.

As Head of Group Tax and Treasury, you will have the exciting opportunity to shape the role based on your expertise and career development aspirations.

Naturally, strategic tax planning is the key requirement, but effective management of elements such as;

- Transfer pricing;
- Capital Allowances planning;
- Patent box claims;
- R&D tax relief claims;
- Forex hedging and of course, the intrinsic value of a detailed and dynamic cashflow model, will all provide crucial risk mitigation and financial savings.

The successful candidate will be a fully qualified Tax Accountant (ACA, ACCA or CTA) with a background of working in a commercial environment and have;

- UK Corporation Tax experience together with knowledge of tax reporting under UK GAAP and IFRS;
- International tax experience would be useful but not essential;
- Extensive working knowledge of UK tax laws and regulations alongside experience working with tax advisers to oversee other territories' compliance requirements.

Key to success will be an approach that is proactive and business-first, able to cultivate strategies across tax and treasury and present these to the board in an effective and comprehensible way. The Goodwin Group is a highly innovative orientated business and there will be multiple capital projects that will also require review, similarly with regards to further global expansion through the acquisition of either property or business entity.

This is an outstanding opportunity to join a well-established and forward thinking business as a key member of the senior finance leadership team, and embed tax as a key strategic function within the business going forward.

Scan the QR code to apply.

We are looking for a Tax Advice Manager

TAX HELP FOR OLDER PEOPLE

TaxAid

Location: London (hybrid working, with, on average, one to two days a week in the office)

Salary: £55,000 – £60,000 + benefits

Full time or job share

TaxAid and Tax Help for Older People aim to provide help to those who need it, supporting people in poverty and the vulnerable who are unable to afford advice and when the service provided by HMRC has not resolved their problem.

Are you inspired by the idea that you could make a real difference to the lives of those we help? If so, we are recruiting for a Tax Advice Manager and would love to hear from you.

You will be responsible for a small team of advisers and oversight of our helpline and volunteers to ensure accuracy and consistency in the quality of our advice.

This unique and variable role will be interesting and challenging, giving you the opportunity to shape it and make it your own. You will also work on developing and enhancing relationships with our key stakeholders including HMRC and other tax professionals.

If you would like an informal discussion about this unique opportunity please contact Valerie Boggs at **valerie@taxaid.org.uk**

To apply, scan the QR code

Tax Executive – Private Clients

Churchgates is a unique and powerful combination of Accountants, Tax Advisors, Solicitors, Financial Planners and Investment Managers under one roof. We believe that all people should be treated with respect and our culture is to maintain a friendly, professional environment where traditional values still count.

We are looking for an experienced tax adviser to join our Tax team.

The Role

The role will involve a varied portfolio of clients who are based in East Anglia, the home counties, London and internationally and will predominantly relate to the private client and owner managed business sector. There may also be the opportunity to undertake trust and residence and domicile work.

We will support you in developing your skills both technically and in terms of client service, to become a trusted adviser to your clients. The role involves the following assuming limited or no previous responsibility of a client or review portfolio:

- Managing your own portfolio of clients ensuring that compliance deadlines are met and client service is delivered at a high standard;
- Taking on new clients via the firm's website, email and phone enquiries, as well as through marketing initiatives including your own promotion through social media;
- Preparation of high value clients' / complex self-assessment tax returns and related tax calculations for individuals and partnerships;
- Reviewing of non-complex self- assessment tax returns and related tax calculations for individuals and partnerships;
- Drafting advisory reports, providing support on planning projects and researching technical issues.
- Training of junior staff;
- Responsibility for own WIP allocation.
- Meeting your productivity, recoverability and fee income targets;
- Working with other departments and tax team members to ensure a joined up service and "one team" approach.

Desired skills

- Relevant professional qualification (e.g. CTA/STEP/ ACA/ACCA) or qualified by experience;
- Minimum 2-3 years' experience working in a tax role, covering self- assessment, tax computations and advisory work;
- Strong verbal communication skills;
- High degree of accuracy and attention to detail;
- Ability to work as part of a team.

What you will receive

- A competitive salary.
- 24 days holiday (excluding bank holidays).
- Birthday Leave.
- Holiday purchase/sale scheme.
- Matching employer pension contributions of up to 6% salary.
- Salary sacrifice arrangement, available for pension contributions.
- Income Protection if you are off work due to long term illness or injury equal to 50% of salary until State Pension Age.
- Death in service benefit (4 x basic salary).
- Private Health Insurance – Individual cover available.
- Up to two professional subscriptions paid for.
- Encouragement to develop and learn by attending training courses and CPD events.
- Employee Assistance programme.
- Social events paid for or subsidised by the firm.

Scan the QR code to apply

GEORGIANA HEAD
Taxation Recruitment

GEORGIANA HEAD

Director

Tel: 0113 418 0767
Mob: 07957 842 402

georgiana@ghrtax.com

Mixed Tax Manager
Heaton Mersey, Stockport
£45,000 to £55,000

Our client is an independent firm. They seek a Tax Manager to run the tax work. This hands-on role includes: personal, corporate and partnership tax compliance for individuals, OMB's and partnerships; preparation, review and submission of tax returns; working with the partners on advisory work; and day-to-day contact with clients. This is a friendly team in a small firm which prides itself on its ethical environment. You may be ATT, CTA or ACCA qualified or those qualified by experience will also be considered. Flexible working available. **Call Georgiana Ref: 3462**

Tax Manager
Carlisle
£45,000 to £65,000

Our client is a friendly, successful local firm which offers tax advice, compliance and accounting services to an extensive client base of sole traders, partnerships and SME limited companies. This family run firm seeks an experienced tax professional to help manage their tax work. You may be a qualified (ATT, CTA or ex HMRC) or perhaps be qualified by experience. The role is varied and will involve all aspects of tax compliance for individuals and SME's. Office presence would be desirable although flexible working is available for this full time position. **Call Georgiana Ref:3448**

Capital Allowances Associate Director
UK wide
£excellent

Top 20 firm seeks a Capital Allowances expert to join their Real Estate Tax practice. You may be a surveyor, Chartered Accountant or Tax Adviser. Key is that you have commercial experience of dealing with Capital Allowances as they impact a wide range of entities from REIT's, to universities, global corporates, student housing, private investors, retailers, hoteliers, etc. This firm can offer great flexible working, full or part time hours, a great career track and hybrid working. You can be based from any of their UK offices. **Call Georgiana Ref: 3457**

Tax Specialist
Berkhamsted, Hertfordshire
£40,000 to £50,000

Our client is an established tax consultancy which is the sister company to an investment management business. They seek a key hire, a tax specialist who is ideally ATT qualified and looking to progress. In this role, you will Join a small team to manage the day-to-day compliance for 200 HNW individuals – many of whom have residence and domicile issues. You will also deal with trust work including accounts, administration and trust tax work and get involved in a wide range of advisory work including residence and domicile advice, IHT and CGT advice. **Call Georgiana Ref: 4000**

Tax Accountant
Leeds
£45,000 to £55,000

Our client is the in-house tax team of a household name Plc. They seek a qualified tax accountant (ideally CTA, but will consider ACA, ICAS or ATT) with a background in either VAT or corporate tax. In this role, you will manage the tax reporting and compliance including VAT and CT returns. You will help train up a finance apprentice and you will report directly to the Group Tax Manager. This client will consider a full time or part time appointment. The role can be hybrid worked with a minimum of 2 days in the office (10 minutes from the railway station). **Call Georgiana Ref: 3444**

Tax Senior
Radcliffe, Manchester
£30,000 to £36,000

This is a really interesting opportunity for an ATT qualified tax professional which comes with genuine promotion prospects. As part of the succession plan for this department our client seeks a Tax Senior with a 'can do' attitude who can work to a partner on a mix of compliance management and advisory work. The audit and accounts teams prepare the CT tax comps but you will review them and also review personal tax returns prepared by an assistant. You will prepare some more complex returns yourself. The plan is for this to grow into a manager role and beyond. In this role, you will field queries from HMRC and will deal with a mixed tax allocation. You will have plenty of client contact. **Call Georgiana Ref:3458**

www.georgianaheadrecruitment.com

Hazlewoods

Various Tax Roles
Cheltenham and Staverton, Gloucestershire

At Hazlewoods, with over 100 years of excellence, we've built a legacy of trust and expertise. Our central Cheltenham office boasts a distinguished reputation, serving a diverse and extensive client base. As one of the UK's Top 35 independent Accountants and Business Advisers, we're committed to innovation, collaboration, and growth. Situated in the heart of Cheltenham, our central office boasts a renowned reputation, earned through serving a wide-ranging and diverse clientele.

As part of this growth we seek several key hires including;

Corporate Tax Manager

You will manage the successful delivery of tax advice, ensuring technical excellence and a commercial approach. You will manage a client portfolio providing both corporate tax compliance, tax accounting and planning advice. A key element of the role is managing the tax team workload and development of more junior staff. You will also support tax partners on many and varied advisory projects including mergers and acquisitions and restructuring.

Senior Managers/Associate Directors

The firm seeks several Senior Managers to manage client relationships in areas such as Reward and Share Plans, Share Valuations, Personal Tax, Corporate Tax Advisory, Transaction work and Compliance Management. In all these roles you will help develop more junior staff and build long term client relationships.

Hazlewoods are also interested in applications from more junior staff. We work on a hybrid basis can offer full-time or part-time hours and have a generous salary and benefits package including profit share bonus.

For more information contact Georgiana Head at Georgiana Head Recruitment on 07957 842 402 or at georgiana@ghrtax.com

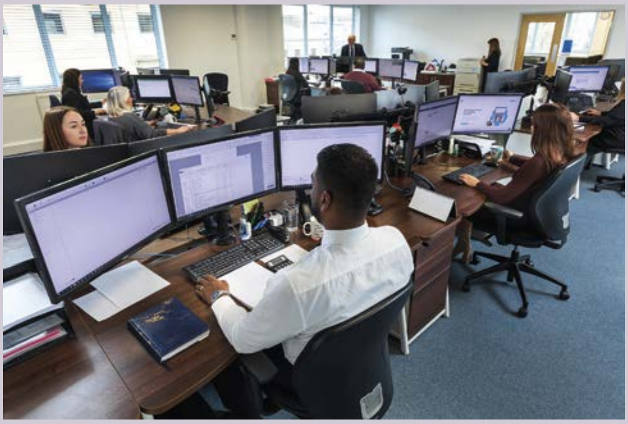
WE'RE HERE TO BE YOUR MATCHMAKER

Whether you are chasing your tail with tax recruitment or sniffing out the perfect career.

GodfreyLaws
Chartered Accountants

Mixed Tax Manager

We are a growing firm based in Hertfordshire and Bedfordshire. We are looking to strengthen our tax department by appointing a Tax Manager to work with our Tax Director at our Hitchin office.



The role will be a mixture of tax planning, advisory work and compliance, including more complex projects.

This could range from advice to SME's, property acquisitions, capital allowances, group reorganisations, EMI schemes to VAT enquiries.

The candidate will need to be able to demonstrate good all-round experience and have the following qualities:

- Strong analytical and problem solving skills
- Strong knowledge in a broad range of taxes – previous experience of IHT, personal tax and Trusts would be advantageous
- Good communication skills with clients and colleagues
- Proactively identifying opportunities to expand services to clients and contacts
- Supporting business development
- Good IT skill and experience in tax compliance software
- CTA qualified

Godfrey Laws & co is a well established and friendly firm based on the outskirts of Hitchin, with a spacious open plan office and ample parking.

To apply please send your CV to
howard@godfreylaws.co.uk