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Chartered Institute of Taxation.

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Countdown to Making Tax Digital

With only a year to go, we outline the fundamental requirements and how to prepare for its implementation in April 2026

20 years of HMRC

Its creation, its development and what the future holds for the UK's tax authority

Partnership incorporation

The importance of having a formal partnership agreement in place

Place of supply rules

What happens when a business supplies services to overseas customers?

HELEN WHITEMAN
JANE ASHTON

Welcome
Building up our knowledge!

By the time you read this, we should know the outcome and content of the Chancellor of the Exchequer Rachel Reeves' Spring Statement, to be delivered on 26 March. The chancellor is committed to just one major fiscal event a year. However, at the time of writing (early March), there has been much speculation about whether she will use the event to do more than simply provide the Office for Budgetary Responsibility's Economic and Fiscal Forecast.

Areas being put forward for change are a general increase to the income tax rates; a reduction on the amount that can be put into an ISA tax-free from its current limit of £20,000; and further cuts to government spending and benefits. This should all now be known, and our technical teams will be analysing the tax implications of the Spring Statement for our members and their clients.

The CIOT was delighted to co-host a conference on 20 years of HMRC with the ICAEW's Tax Faculty on 11 March, with speakers including Lord Gus O'Donnell and Treasury Minister James Murray. It was attended by the new Permanent Secretary John-Paul Marks and a team from HMRC. There is a full write up on page 30.

For those seeking to enhance their tax knowledge and further their continuing professional development (CPD), there is still time to secure a place at the CIOT Spring Virtual Conference on Wednesday 23 April and Thursday 24 April. The conference will address a wide range of pertinent issues, such as the evolving landscape of R&D tax relief claims, exit planning for owner-managed businesses in 2025/26 and beyond, and strategies for optimising compliance with professional standards while minimising administrative burdens.

For the programme and how to register, see www.tax.org.uk/svc2025.

Looking further ahead, on Wednesday 4 June the ATT and CIOT will be holding the inaugural Tax Technology Conference 2025 in Birmingham, where we will explore the latest advancements and best practices in AI and technology in taxation. This is a fast developing area and is designed for those who are new to AI and tax technology, as well as those already implementing these advancements. The conference will provide an engaging experience with keynote speakers, panel discussion, interactive breakout sessions and a demonstration/exhibition area for networking and knowledge sharing. For the full programme and registration details, see tinyurl.com/37py7dds.

Providing top quality CPD via conferences, webinars and our Branch Network is an instrumental and important element of how we help to demonstrate our compliance with our charitable objectives of advancing the education of taxation. This remit goes beyond that which we provide to our members, however. For example, the ATT provide several How to Guides aimed at both members in practice and members of the public. These include coverage of Making Tax Digital, capital gains tax, the UK property reporting service, and how to set up a business. The full list of the How to Guides can be found at www.att.org.uk/how-guides.

As well as educational guides, the ATT has produced a series of educational YouTube videos, including those for children and young people, for employees on understanding their payslips and P60, the ATT qualification, and a career in tax. The full list is at www.att.org.uk/videos.

During April, the ATT technical officers will be producing 12 more YouTube videos, covering the higher rate of income tax, MTD for landlords and the self-employed and the trading allowance – as well as a fun look at some weird historical taxes (such as the beard tax and soap tax!) for children. If there are subjects you would like us to consider for future videos, please email us at atttechnical@att.org.uk.

Finally, many congratulations to the new CTA Associates who celebrated their achievements at the CIOT's Admission ceremonies at Drapers' Hall on 6 March. Further coverage is on page 45.

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PAUL APLIN
VICE PRESIDENT

A wider community

> Tax practitioners and tax authorities have a common interest in making the tax system work effectively.

In the October edition of *Tax Adviser*, I wrote about the sense of community that I experienced at our residential conference in Cambridge last September. We are a truly diverse community linked by a common bond, the CTA. As tax advisers, we are also part of a wider community, sharing a common interest with our colleagues at HMRC in making the tax system work effectively and efficiently for citizens, businesses and government.

That sense of shared purpose was central to three events I recently attended. One was a conference hosted by Wilton Park, one a training session for the Commonwealth Association of Tax Administrators (CATA) and the third was a joint CIOT/ICAEW conference on 20 Years of HMRC (see page 30).

Wilton Park is an executive agency of the Foreign, Commonwealth and Development Office (FCDO) and it exists to provide a global forum for strategic discussion. In February, it ran a conference co-sponsored by CATA, HMRC, the Central Board of Direct Taxes of India and the British High Commission India on simplification and digitalisation of tax systems for the Commonwealth. The dialogue was incredibly candid, with representatives from more than a dozen Commonwealth tax administrations sharing what had worked well for them (and indeed what had not). You can read the report at: tinyurl.com/4m4987vp. I was probably the only person at the conference who did not work either for a tax authority or for a government-funded body. I was, nonetheless, treated throughout as a trusted colleague, not an outsider. I felt that my perspective as a tax practitioner was genuinely valued.

A couple of weeks later, I spoke at a training session for the CATA senior leadership programme. I began with a photograph taken on the day I filed the UK's first electronic personal tax return back in 1997. In the photo, I am standing with my old friend John Coupe, an inspector at Taunton 1 Tax District. Between us sits a computer that now looks like a museum piece but which had just played a small part in tax history. The image summed up the theme of my CATA session: Tax practitioners and tax authorities have a common interest in making the tax system work effectively. That day in 1997, John watched me prepare the tax return and transmit it as a digital file; the next day I went to his office to see what the return looked like on his system. We both felt it was important to see the process from each other's perspective.

I returned to this theme – working together – at the CIOT/ICAEW 20 Years of HMRC conference in March. HMRC has delivered many digital innovations, from the digitalisation of personal and business tax returns to the HMRC app. Some have been delivered more effectively than others. I believe that delivery has been most effective where HMRC has worked closely with tax advisers and other stakeholders.

MTD is a perfect illustration. For the first few years, while there was a great deal of engagement, it was very much a case of HMRC being in 'transmit' mode. Things changed dramatically in late 2022, with far more open dialogue and the introduction of 'co-creation' sessions. Changes that CIOT and other key stakeholders had been pushing for started to be made, some of them significant. It was a very welcome change of approach, but coming seven years into the process, some things were by then too 'baked-in' to be changed. If HMRC had pursued a co-creation approach from the very start in 2015, I am convinced that we could have moved further, faster and more effectively. We should have been sharing the problem, not a proposed solution – an approach that has been trialled recently by DWP and MoJ and which has, I believe, the potential to deliver for HMRC also.

HMRC and CIOT have a shared interest in making digitalisation work effectively and I have been struck by how many HMRC colleagues have registered for the CIOT Diploma in Tax Technology. This, and the events I have written about here, illustrate the value and importance of that wider community: tax advisers and tax authorities working together to build a better tax system.

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Chartered Institute of Taxation.

GRAHAM BATTY
DEPUTY PRESIDENT

The Branch Network

> The branches put on a wide variety of CPD events – many of which are free and open to members, students and the public.

Graham Batty
ATT Deputy President
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In common with several ATT Council members and Past Presidents, I first got involved as a volunteer with the Branch Network. In my case, it was when I joined the Sheffield Branch committee (then chaired by the late Keith Daniels, who went on to be CIOT President) as a newly qualified ATII almost 40 years ago. Following a change of job and moving to Leeds, I soon found myself on the Leeds Branch committee, along with future ATT Presidents Jean Jesty and Richard Geldard, currently Master of The Worshipful Company of Tax Advisers. Over time, I was dinner secretary, treasurer and branch secretary before eventually becoming chairman.

Shortly after another career move, this time to Birmingham, I found myself on a train back to the Midlands from a Branch Forum meeting in the company of Yvette Nunn, then Birmingham Branch chair (and another ATT Past President). Before the train had left Euston, she had persuaded me to join the Birmingham Branch committee where, again, I eventually became chairman.

You can probably imagine that if I were cut in half – along with the White Rose of Yorkshire – you would find the words 'ATT and CIOT volunteer' running through me like a stick of rock!

It was therefore an enormous pleasure to attend the annual Branches Conference a few weeks ago on the theme of succession planning, held at University of Warwick's Radcliffe House conference centre. This is a standing fixture for the Deputy Presidents of both the ATT and CIOT, where we introduce ourselves to representatives from the various branch committees. We also have a chance later to meet many of them over dinner and a few drinks.

In keeping with how much both Councils value the work done by the branches, it was great to be joined by Senga Prior and Charlotte Barbour (ATT and CIOT Presidents) and Simon Groom (ATT immediate Past President). It was a great conference, expertly chaired by Lynne Poyser, Branch Network Chair, and organised by the Member Services Team led by Emma Barklamb.

The Branch Network and its volunteers are at the core of what the ATT is about. As I hope you already know, the branches put on a wide variety of CPD events – many of which are free and open to members, students and the public. This directly contributes to the delivery of our core charitable purpose as an educational charity. The branches are also the only way in which we can regularly connect face to face with our more than 10,000 ATT and 20,000 CIOT members.

As I know from my involvement as a serial Branch committee member, none of this happens by magic. A lot of hard work is carried out by the more than 200 branch volunteers to organise the speakers, venues and publicity needed to put together more than 30 varied branch programmes, each tailored to the needs and interests of their local members. Our branch volunteers really are the rock on which the ATT and CIOT are built.

I am looking forward to visiting as many branches as I can during my forthcoming year as ATT President. But much as I enjoy lecturing, I have been away from the coal face for too long so I am not planning to give technical talks. However, given the chance, I will be giving an update on what is happening at the ATT and the issues facing us as tax professionals. Think qualifications, the regulation of the tax profession and the impact of AI.

But what about you? If you have not done so in the past, why not give branch events a try? They are a very cost-effective way to keep up with your CPD obligations, particularly if you work in industry, are a sole practitioner or do not work for a firm with an in-house training function. They are also a great networking opportunity – and many branches provide refreshments at meetings, so a sandwich and glass of wine or mug of coffee is always a possibility.

Finally, if like me you really get the bug, then think about volunteering on your local branch committee. I promise you will find it immensely rewarding.

Until next month.

Moving towards digital first HMRC transformation plans

Exchequer Secretary James Murray shares his plans for the future development of HMRC.

Exchequer Secretary to the Treasury James Murray delivered his first major speech on taxation at the recent CIOT/ICAEW conference to mark the 20th anniversary of HMRC's formation (see tinyurl.com/msz5wzjn).

He started by reminding the audience how much more tax filings and claims are made digitally today compared with 20 years ago, before looking forward to exponential progress: 'However much the way in which people interact with the tax and customs system has changed in the last 20 years, the next 20 years – even the next five years – offer the chance for far greater change than we have seen in the past.'

HMRC's Transformation Roadmap

The Exchequer Secretary promised more details on plans for HMRC to become a digital-first organisation:

> 'Later this year, following confirmation of Phase 2 of the Spending Review, we will publish an HMRC Transformation Roadmap, bringing together our strategic and transformation ambitions into a single, public document.'

This sounds like a broader roadmap than the original digital roadmap promised at last autumn's Budget and delivery after the Chancellor's June Spending Review should mean that the new roadmap comes with agreed funding. The autumn Budget set Phase 1 of the Spending Review for 2025-26 and promised Phase 2, covering revenue spending for a further two years (2026-28) and capital spending for a further four years (see tinyurl.com/mv484mk8).

Several digital announcements were made, including a trial of voice biometrics as a means of securing taxpayer calls to HMRC and a technical pilot with the United States Customs and Border Protection to test digital solutions to speed up processes for US and UK businesses trading goods with each other – worth a combined £115 billion in 2024. The digital pilot will look to use real time data, such as digital certificates and online identifiers, to make processes faster and more efficient.

Benefits for individuals

The Exchequer Secretary also announced two changes to benefit individual taxpayers.

HMRC will launch a new PAYE portal in April 2025, intended to be an easy way for taxpayers to check the data that HMRC holds on their employments and pensions, to notify any changes and to find simple explanations to understand the impact of changes on their tax codes. Based on HMRC's RTI data, there were 30.4 million employees in February 2025, as well as an estimated 8.5 million pensioners who were liable for tax – all of whom could benefit from the new portal (see tinyurl.com/3ybr87wd). Of course, this information is also available in the HMRC app, which is now used by 4.7 million people.

Additionally, at some stage in the parliament, the Income Tax Self Assessment reporting threshold for trading income will be increased from £1,000 to £3,000, and aligned with new reporting thresholds for property and other taxable income, at £3,000 gross each.

This change to the trading income reporting threshold could lift around 300,000 customers out of the need to file a Self Assessment tax return. Around 90,000 will have no tax to pay and so will not need to report their trading income to HMRC at all, whilst those who owe tax will be able to use a new, simple online service to do so quickly and easily.

Jonathan Athow, HMRC's Director General, Customer Strategy and Tax Design, expanded on this to note that the digital system needs to be built – hopefully as part of the personal tax account (see tinyurl.com/43z956s2). A simpler digital system to allow individuals to report lower value income sources without the full complexity of Self Assessment was a recommendation from the Office of Tax Simplification (see tinyurl.com/mwa7sf8v).

Benefits for tax agents

James Murray announced that HMRC will launch a new service to provide a dedicated escalation route for agents with Self Assessment and PAYE queries which are over four weeks old. This will be operated by a new, dedicated team of experienced technicians, who will adopt a 'once and done' approach, taking end-to-end ownership of cases and maintaining regular communication with agents. 'This builds on the changes we announced last October where we combined PAYE and Self Assessment queries, introduced a dedicated option on the Agents Dedicated Line for repayment progress chasing, and launched agent webchat.'

Closing the tax gap

Finally, the Exchequer Secretary made several announcements to support one of his three goals for HMRC – to close the tax gap. Later this year, HMRC will launch a new reward system for informants, enabling those who provide information to receive tax-based rewards, as in the US and Canada. The scheme will target serious non-compliance in large corporates, wealthy individuals, offshore and avoidance schemes.

There will be a consultation this spring on a package of measures to tackle promoters of marketed tax avoidance, alongside draft legislation to prevent abuse by non-compliant umbrella companies by April 2026.

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Countdown to Making Tax Digital
One year to go

With only a year to go before the implementation of Making Tax Digital for Income Tax, we outline the fundamental requirements and how to prepare for its implementation in April 2026.

by Emma Rawson and David Wright

April is always an important month for tax advisers, with the final push of year-end planning, the arrival of new tax rules and rates, and soon enough the start of a brand new compliance cycle. But April 2025 carries additional significance – we are now only a year away from the start of Making Tax Digital for Income Tax (MTD).

The coming year will be a critical time for advisers and their clients, who need to get ready for the biggest change to tax compliance since Self Assessment was introduced. In this article, we recap the fundamentals of MTD, look at recent developments and recommend some steps to help you prepare for April 2026.

The fundamentals

Who's in?

MTD will apply to self-employed individuals and landlords with 'qualifying income' above the relevant threshold – broadly, their combined gross income from trading and property, measured before expenses.

© Getty images

Individuals with qualifying income over £50,000 will need to comply with MTD from April 2026, whilst those with qualifying income over £30,000 will need to comply from April 2027. Those with qualifying income over £20,000 will be brought in from April 2028, as announced in the Spring Statement.

Further details of how and when qualifying income is measured are available in the ATT's MTD Frequently Asked Questions (FAQs), along with other essential MTD information (see tinyurl.com/2smb396t).

Who's out?

Limited automatic exemptions exist, including for individuals with no NI number, trustees and personal representatives. Digitally excluded individuals will need to apply for exemption, unless already exempt from MTD for VAT. The method of applying for exemption is not yet known but is expected to be made available later this year.

MTD is intended to be rolled out to some partnerships and limited liability partnerships (LLPs) at some point in the future, but the scope and timescale is not yet known. For the time being, they are effectively exempt. No announcement has been made about limited companies either.

What's involved?

MTD will have three key components:

- digital records;
- quarterly updates; and
- a year-end declaration (similar in concept to the Self Assessment tax return).

All transfers of data to meet these requirements will have to be done using digital links. These terms are explained in our MTD FAQs.

In a nutshell, individuals will be required to keep digital records for their self-employment and/or property businesses and file quarterly summaries of their income and expenses with HMRC. A year-end declaration will then be submitted after the tax year which will cover all the aspects of the current Self Assessment return to finalise the individual's tax affairs.

Recent developments

The latest pieces of the MTD puzzle to fall into place were an update notice (see tinyurl.com/44eckt65) and a digital record-keeping notice published by HMRC in January (see tinyurl.com/bdd5zp7b). These cover the information that will be required in quarterly updates, and some simplification options (or easements) for certain taxpayers, including:

- retailers;
- individuals with income below the VAT registration threshold; and
- landlords with jointly owned property.

Get ready: one year and counting

With a year to go until MTD goes live for the first taxpayers, this is a crucial time to get your practice and your clients ready.

Below are a number of actions you can take over the coming year to help ease the transition into MTD. Alongside this article, the ATT has published a more detailed guide on how agents can prepare for MTD (available via the ATT's MTD landing page at www.att.org.uk/making-tax-digital-income-tax).

Consider your clients

1. Get familiar with the rules

The first step is to make sure that you understand how the MTD rules work, and what they will mean for your clients. Fortunately, there are plenty of resources out there, including HMRC's guidance on GOV.UK and the ATT's MTD landing page.

2. Work out who's in and when

Whether a client needs to comply with MTD from either 6 April 2026 or 6 April 2027 will depend on the gross qualifying income reported on the most recent tax return due for filing before those dates.

For instance, if a taxpayer's 2024/25 tax return (due for submission by 31 January 2026) reports gross qualifying income of more than £50,000, they will have to join MTD from April 2026. If their 2024/25 and 2025/26 tax returns show gross qualifying income of more than £30,000 but less than £50,000, they will be in scope of MTD from April 2027.

A first planning step is to identify those clients you expect will be in scope of MTD from April 2026 and April 2027.

Segmenting your clients by expected mandation year will help you to prioritise and plan what needs to be done.

3. Are any clients exempt?

If any clients meet one of the automatic exemptions (see tinyurl.com/mr3vny8b), their compliance requirements shouldn't change, but you may need to monitor their eligibility for automatic exemption going forward. If you have digitally excluded clients, you'll need to agree who will apply for exemption from MTD in advance of the relevant mandation date, and keep an eye out for details of how to claim that exemption.

4. Talk to affected clients

Having worked out who is likely to be in scope and from when, start talking to your clients about MTD, especially those expected to be in from April 2026.

Key Points

What is the issue?

The implementation of Making Tax Digital for Income Tax represents the most substantial change to tax compliance since the introduction of Self Assessment. It will apply to self-employed individuals and landlords with qualifying income above certain thresholds. Those with income over £50,000 must start to comply from April 2026.

What does it mean for me?

MTD involves maintaining digital records, submitting quarterly updates, and a year-end declaration. Advisers should familiarise themselves with MTD rules, identify clients who need to comply, and determine if any clients are exempt. They should also assess the level of support that clients will need and encourage digital record-keeping practices.

What can I take away?

A public testing phase for MTD will occur in 2025/26, allowing agents and clients to familiarise themselves with the system. Participation in the testing phase can help practices to understand MTD requirements and prepare for the official rollout.

As of April this year, HMRC are writing to taxpayers whose qualifying income reported in 2023/24 was close to or above £50,000, to let them know they may need to comply with MTD from April 2026. Make sure you have that conversation with your client before they receive that letter.

5. What support will clients need?
MTD will require more timely record keeping, use of software and the submission of quarterly updates, as well as an end of year finalisation process. Some clients will need your support at every step of this process, while others may be happy to keep digital records themselves but ask you to do the quarterly updates and end of year work. Some may decide to use a bookkeeper to take care of the more administrative tasks, whilst retaining their tax adviser to do the year end submission. MTD is expected to allow multiple agents to be authorised to carry out different tasks.

It's important to talk to your affected clients to understand what level of support each will need from you. This will help you to identify the amount of work required to get ready for MTD, as well as allowing you to figure out the practicalities of how you will service client needs.

6. Encourage digital record keeping
If you can persuade paper-based clients in scope of MTD to start using software now, it could pay dividends in future. Even getting clients started with a spreadsheet will help them transition to MTD. 'Bridging software' is already available which can link basic spreadsheets into MTD compatible software, allowing digital links from your client's spreadsheet records into HMRC and/or your tax software. Bridging (or filing) software will also be relevant for businesses already using software which does not include the quarterly or year-end filing capability.

Persuading clients to operate separate business bank accounts will become more important than ever under MTD. Some software packages support bank feeds to help simplify the creation of digital records for MTD, so having the relevant business data separate from your clients' personal banking will make life easier in future. Do watch out for double counting though, which could arise where purchase invoices are not matched with bank entries.

Get your practice ready

Having gauged the impact of MTD on your client base, you will have a better idea of the additional work you face and can start to make plans accordingly.

1. Workflow planning
Based on the number of clients expected to be in MTD from April 2026 and 2027, start thinking about the implications of new seasonal peaks in MTD compliance work.

The four quarterly updates under MTD will be due by 7 August, 7 November, 7 February and 7 May each year. These will be in addition to the end of year finalisation, which will be due by 31 January following the end of the tax year (alongside all the Self Assessment returns for your non-MTD clients).

Note that the 7 February deadline for the third quarterly update will come hot on the heels of the 31 January submission date for tax returns for the previous year, both for MTD clients and those remaining in 'ordinary' Self Assessment.

These new compliance demands will have an impact on staffing levels and resources. They may also affect whether you are able to take on additional clients and work in the coming year.

2. Plan the sign-up process – and make sure it happens
HMRC will not automatically register taxpayers for MTD. Instead, all taxpayers who meet the relevant income thresholds will need to be signed up. This includes individuals who are already registered for MTD for VAT.

Agents will be able to sign their clients up for MTD. However, this will need to be done on a client-by-client basis – there won't be a bulk sign-up option. You therefore need a clear plan in place to ensure you can sign up all your clients in time. Sign-up for April 2026 is expected to be opened shortly, so it makes sense to start this plan sooner rather than later.

When signing up clients for MTD, be aware that the same route will be used for both mandatory registration from April 2026, and for the testing phase (covered below), so make sure you sign up clients from the appropriate date. See 'MTD sign-up guidance for agents' on GOV.UK for more details (see tinyurl.com/bd2f9z9p).

3. Check your software is ready
The range of MTD compatible software is already growing, and other providers have products in development. HMRC maintains a list of MTD compatible software (see tinyurl.com/2tmmu76a), with improvements planned to make it easier to navigate the list and identify appropriate software. If your software isn't shown, or you have any questions, speak to your provider about their MTD readiness plans. You should do this soon, so that you have time to explore other options if your current provider won't support your MTD needs, including the ability to join the MTD testing phase (covered below).

Agents who are already using MTD compatible software for VAT should ensure that it will also support MTD for Income Tax, including the accompanying additional complexities such as categorisation of income and expenses, and reporting for multiple businesses. If it doesn't support all these aspects, bridging software may be needed.

4. IT access
To access MTD services and submit quarterly updates on behalf of clients, agents need an Agent Services Account (ASA). You can only have one ASA per firm, and many firms will already have created theirs to submit MTD for VAT returns, Trust Registration Service information, or Capital Gains Tax '60 day' returns. If your practice doesn't have an ASA, you should create one via GOV.UK (see tinyurl.com/3xhs6k9m).

Having set up the ASA, you will be able to set up staff with administrator or assistant access to the account. Make sure that staff who will work on MTD have the appropriate access.

You will also need to link your ASA to your existing Government Gateway accounts (the service you currently use to access clients' Self Assessment records). This will enable your existing client authorisations to flow through to the ASA, avoiding the need to reauthorise. Linking your existing Government Gateway account to your ASA can be done at any time – it doesn't mean you have signed clients up for MTD (which is a separate step), nor will it prevent you from using legacy Gateway accounts.

5. Engagement letters and fees
MTD will require you to perform a different range of services for affected clients.

Engagement letters will need to be updated to reflect the additional scope of work agreed and changes in responsibilities. Updated template engagement letters are being prepared by the ATT, CIOT and other professional bodies, and should be available soon.

The expected impact on fee arrangements should be discussed with clients upfront. Remember to also consider new clients' MTD obligations when quoting for new work.

Testing, testing

Following a restricted testing phase in 2024/25, HMRC is expanding into a public testing phase for MTD in 2025/26. This will give a wider range of individuals and agents an opportunity to get up to speed with MTD before it goes live. Whilst the public testing phase should allow much greater numbers to join, there are still restrictions; for example, non-residents and individuals with trust or partnership income will not be able to take part.

The sign-up process (see tinyurl.com/bd2f9z9p) includes an eligibility checker to ensure your client's circumstances are supported, but you should also check that your software is compatible with MTD testing and that your provider is able to support you.

Signing up suitable clients will help your firm to better understand what MTD will involve once we get to April 2026. It may be wise to focus on more digitally capable clients in the first instance, such as those already using software to keep their business records. Before registering clients for the testing phase, you should discuss the idea with them and obtain their permission.

Agents with clients in the testing programme will benefit from a dedicated HMRC support team to resolve any issues encountered. During the testing phase, there will also be no late filing penalties in respect of quarterly updates, allowing advisers to get to grips with the new compliance routine without risking additional financial penalties for their clients.

Since quarterly updates will operate cumulatively (see the ATT's MTD FAQs page for more details), it will be possible to sign clients up to the testing phase part way through 2025/26. As long as digital records have been kept since the start of the tax year, the income and expenses from April 2025 will be uploaded as part of the first quarterly submission made after joining the testing phase. That means you haven't missed the boat if you've yet to consider signing up.

A year is a short time in tax

MTD has been a long time in development, but it is almost upon us. The coming year will be a crucial time for making the necessary preparations to ensure you are ready for April 2026 and beyond. Taking the steps above will help your practice adapt and enable you to continue supporting your clients with the transition to a new way of dealing with their tax affairs.

If you take nothing else away from this article, make sure you remember that signing up for MTD will be down to the client and/or their agent – not HMRC. So, plan now for how you're going to register clients who are affected by the first wave of MTD, and make sure you've got through them all by the time April 2026 comes around.

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Place of supply rules
Countdown time

We give some practical examples of VAT issues to consider if a business supplies services to overseas customers – and notice of an important change in EU law that took place on 1 January 2025 about live online events.

by Neil Warren

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Key Points

What is the issue?
A UK business that only has sales where the place of supply is outside the UK can still register for VAT and claim input tax if its services would be VATable if the place of supply was in the UK. Sales where the place of supply is outside the UK are ignored as far as the UK registration threshold is concerned.

What does it mean to me?
It is important to be aware of services where the place of supply is not subject to the general B2B or B2C rules. For example, the place of supply for a land service always depends on the location of the land or building; e.g. a plumber fitting a bathroom in a Spanish apartment is making a land supply in Spain.

What can I take away?
A change in EU law on 1 January 2025 means that live online B2C events are now taxed according to where the customer rather than supplier is based. This has created extra administration and complication for a UK business selling to EU customers, including the need to charge local VAT in the customer's country and either register for VAT there or the EU's One Stop Shop scheme.

Why are so many accountants nervous about VAT? The answer, I suspect, is because of the exceptions in the legislation that cause extra layers of complication. An answer might seem simple but then a twist to the tale gives the opposite result to what you thought. Don't get me started about the legislation on food. Is it a cake or biscuit? No, it's superman!

In this article, I will consider some practical examples of the place of supply rules – another topic where exceptions are more plentiful than eggs at Easter – that must be considered if a business provides services to either an overseas customer or performs them in a non-UK country.

I will also consider an important change in EU law that took place on 1 January 2025 about live online events for B2C delegates, a measure which has left HMRC with a major challenge to consider.

Basic rules

There are two basic place of supply rules, which apply in probably 80% of all supplies of services involving overseas customers:

- **B2B service:** The place of supply in most cases is where the customer is resident. A non-UK based customer means that no UK VAT is charged.
- **B2C service:** The place of supply in many cases is where the supplier is

based. Other issues, such as where the customer is based or the work is performed, are irrelevant.

See ***Examples of basic place of supply rules***.

What about input tax?

There is an opportunity to save VAT if a UK business supplies services where the place of supply is ***outside*** the UK:

- The sale of a service where the place of supply is outside the UK is outside the scope of UK VAT.
- As long as the service would be VATable if the place of supply was in the UK, the UK seller can reclaim input tax on their related expenses.
- A business with no taxable sales can therefore register for VAT on a voluntary basis and claim input tax. In VAT speak, this is commonly known as 'outside the scope with recovery'.

See ***Outside the scope income: voluntary registration***.

The exceptions

I wrote an article for *Tax Adviser* in July 2020 headed 'Selling services to overseas customers' and I covered the most common situations – with examples – of when the basic B2B and B2C rules are overridden. I have just re-read the article and nothing has changed. For a summary of the main exceptions, see below (Place of supply – when are the basic rules overridden?).

A non-EU business making supplies in an EU country does not benefit from any local registration sales threshold; i.e. a zero limit is relevant. This means, for example, that a UK window cleaner cleaning windows for private customers in France must charge French VAT, and either register for VAT in France or – more likely – register for the One Stop Shop (OSS) scheme, where VAT charged on all EU sales is declared on a single quarterly return.

The main disadvantage of the OSS route is that there is no scope to reclaim VAT on expenses incurred in the EU – such as a new bucket for our window cleaner – and this tax must be claimed by submitting a refund claim to the tax authority in the member state where it was paid. This can sometimes be a complicated process because of language and efficiency issues.

EXAMPLES OF BASIC PLACE OF SUPPLY RULES

Bob is a management consultant based in Manchester and has done some work for a Canadian business. The place of supply is Canada because management consultancy services follow the general B2B rule. He will not charge UK VAT but must check if there are any indirect tax issues to consider in Canada.

Jane is VAT registered in the UK and provides secretarial services to wealthy people who live in Switzerland; i.e. B2C customers. She will charge UK VAT on her fees under the basic B2C rule.

Note: the fees earned by Bob from his overseas business customers are excluded from the UK's VAT registration test because these sales are outside the scope of VAT; i.e. they are not taxable.

OUTSIDE THE SCOPE INCOME: VOLUNTARY REGISTRATION

Management consultant Bob from the example above only has income from overseas business customers in Canada and Sweden. His annual UK taxable sales are zero but he can still register for VAT and claim input tax on his expenses; e.g. computer costs, subcontractor fees, telephone costs.

- Bob's registration will be on a voluntary basis because his annual ***taxable*** sales are less than £90,000. He can backdate his registration date by up to four years to gain another input tax windfall.
- There is no difference in the place of supply rules for an EU or non-EU customer.
- Under EU law, Bob's Swedish customer will account for VAT on his fees by doing a reverse charge entry on their local returns; i.e. accounting for output tax based on the Swedish rate of VAT and claiming the same amount as input tax on the same return. This assumes that the business has no input tax restriction for partial exemption, non-business or private use.
- Bob's returns will be repayments because he has no output tax to declare and will claim input tax on his UK expenses.

Place of supply: when are the basic rules overridden?

Land supplies: For services that relate to a specific building, the place of supply depends on the country where the land or building is located. This outcome applies to both construction and professional services; e.g. surveyors and architects. (HMRC Notice 741A s 7)

Performance services: For B2C performance services, the place of supply is where it takes place. For example, an opera singer performing at a private party in Germany must consider German VAT. (HMRC Notice 741A s 9)

Professional services B2C: The place of supply will depend on where the customer is based; i.e. the same as for B2B services. VAT enthusiasts will recall the long-running tribunal case of *Gray & Farrar International LLP v HMRC* [2023] EWCA Civ 121, when the Court of Appeal finally confirmed that a dating matchmaking service was not a supply of consultancy services for VAT purposes. For a list of 'professional services', see HMRC Notice 741A s 12.

Use and enjoyment: For certain supplies, the key issue is where they are used by the customer. For example, an Irish photographer hiring a camera in the UK will be charged UK VAT because a use and enjoyment clause applies to the hire of goods under UK law. This subject is complicated by the fact that different EU countries apply use and enjoyment clauses to different services. (HMRC Notice 741A s 13)

Online events: 1 January 2025

I mentioned the place of supply rules for B2C performance services but what happens with an online event? To give an example, a yoga studio might give classes and private lessons in its studio – charging UK VAT because the class is held in the UK – but also organise live online events where attendees can do lots of stretching and downward dog exercises in their lounge and pay a fee for each session.

- These online events are B2C and – under UK law – the place of supply is where the supplier is based with the basic B2C rule.
- Since 1 January 2025, the events are also taxed in the EU country where the customer is based under EU law.
- EU legislation – the change was confirmed on 5 April 2022 – is Council Directive (EU) 2022/542.

To cut to the chase, EU law was amended on 1 January 2025 so that any business supplying virtual and

streaming services must now charge VAT according to where the customer is resident rather than the supplier; e.g. where a conference is streamed online with a fee charged for viewing, or distance learning is supplied with a live element. The law change is consistent with the EU's objective that VAT is a consumption tax and should be taxed where a service is consumed.

For example, Janet is the sole trader of a yoga studio and registered for VAT. A private individual from Ireland attends her online classes and pays £30 per class. Until 31 December 2024, she declared output tax of £5 per session on her UK VAT return; i.e. £30 x 1/6. Since 1 January 2025, Irish VAT of £5.60 has also been payable, the rate of VAT in Ireland is 23%; i.e. £30 x 23/123.

To pay Irish VAT, Janet can register for the EU's One Stop Shop (OSS) scheme, which means registering in one member state and then paying the tax collected in all member states on a single quarterly return. It makes sense to choose Ireland because of the common language. Registering for the OSS avoids the need to register in each member state where Janet makes B2C sales.

Double taxation?

HMRC has not indicated if it will amend UK law, although this will be desirable – otherwise there is both UK and EU tax to pay on relevant supplies because of different place of supply rules.

In other words, UK VAT is payable under UK law but local VAT is payable under EU law. In Janet's case, £10.60 of the £30 fee received from her Irish customer will be paid in VAT, with a lot of extra administration work dealing with OSS returns and working out the different VAT rates that apply in each member state.

As a potential planning point, advisers might consider setting up an EU-based subsidiary company if double taxation is a risk. A further complication is that there is often a fine line between a supply being classed as admission to an educational event compared to a supply of education; the latter is still taxed according to where the education takes place under both UK and EU law.

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BlueCrest Capital
Salaried member rules for LLPs

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We provide an update on the latest developments on the salaried member rules and what this means for limited liability partnerships and their members.

by Jitendra Patel

The salaried member rules are designed to counter the 'disguised employment' of individuals within limited liability partnerships (LLPs). Although the rules were enacted back in 2014, recent developments have called into question how certain parts of the legislation should be interpreted. Like the proverbial buses, after a long wait, 2025 has seen two important updates in this area arriving in quick succession.

The first concerns the decision of the Court of Appeal in *HMRC v BlueCrest Capital Management (UK) LLP* [2025] EWCA Civ 23, which was handed down in January 2025 and provides judicial guidance on how the significant influence test should be construed when determining Condition B.

The second relates to the conclusion in February 2025 of HMRC's review of its position on the application of the targeted anti-avoidance rule to capital contribution arrangements when determining Condition C, following its previous controversial change of approach and amended guidance published in February 2024.

A short summary of the rules

LLP members are normally treated in the same way for tax purposes as partners in a traditional partnership; i.e. as self-employed. However, under the salaried member rules, they can be treated as employees if all three of Conditions A, B and C are met. Broadly, these conditions focus on certain characteristics of partnership to distinguish those individual members whose relationship with the LLP and the other members is more akin to that of an employee than that of a true partner.

Condition A is met if it is reasonable to expect that at least 80% of the total amount payable by the LLP in respect of the member's performance during the relevant period of services for the LLP, in their

Key Points

What is the issue?
This article outlines two important updates concerning the salaried member rules. The first concerns the decision of the Court of Appeal in *BlueCrest*, which provides judicial guidance on how the significant influence test should be construed when determining Condition B. The second relates to HMRC's statement regarding its view on the application of the targeted anti-avoidance rule to capital contribution arrangements when determining Condition C.

What does it mean for me?
Limited liability partnerships and their tax advisers should be aware of these latest developments and would be well advised to revisit their salaried member analysis to consider the implications.

What can I take away?
HMRC's reversal of the new approach it had previously decided to take to applying the targeted anti-avoidance rule is welcome. It means that LLPs that make arrangements to comply with Condition C can obtain certainty on the status of their members. However, the Court of Appeal's construction of 'significant influence', which is narrower than previously understood even by HMRC, provides a higher bar for individuals to fail Condition B.

capacity as a member, will be 'disguised salary'. An amount within the total amount payable is 'disguised salary' if it is:
- fixed;
- variable, but is varied without reference to the overall amount of the profits or losses of the LLP; or
- is not, in practice, affected by the overall amount of the LLP's profits or losses.

Condition B is met if the member does not have significant influence over the affairs of the partnership under the mutual rights and duties of the members of the LLP, and of the partnership and its members.

Condition C is met if the member's capital contribution to the LLP is less than 25% of their disguised salary (as defined for Condition A) in the tax year under review.

These conditions are underpinned by a targeted anti-avoidance rule which disregards arrangements with a main purpose of securing that one or more members are not deemed to be salaried members. If all three conditions are met by an individual member, they will be treated as an employee with PAYE and Class 1 NIC applicable to amounts paid to them. However, if any one of the conditions is not met, the individual will be treated as self-employed. This determination is only relevant for tax and NIC purposes and has no impact on the individual's status under employment or company law.

Condition B and BlueCrest

In brief, the facts of the case are that BlueCrest Capital Management (UK) LLP ('BlueCrest') is a UK LLP that forms part of the wider BlueCrest Group. It provides investment management services as sub-manager to hedge funds managed by a lead manager entity in the Group, as well as back-office services to other Group entities. The members can be categorised as:
- 'portfolio managers', who are responsible for managing an investment portfolio and/or are 'desk heads' responsible for overseeing a team of portfolio managers; and
- 'non-portfolio members' comprising all other members, including those providing back-office services.

In the periods concerned, there were approximately 80 members in total, with over half being portfolio managers.

The dispute concerns the application of Conditions A and B of the salaried member rules to both the portfolio managers and non-portfolio managers. Condition C was not in point as it was accepted that all of the members met this condition.

The Court of Appeal endorsed the findings of the First-Tier Tribunal and Upper Tribunal in respect of Condition A, agreeing with HMRC's position that all members met this condition as their discretionary allocations were not variable by reference to the overall profits of the LLP but by their own performance. As this part of the judgment is largely unsurprising, this article focuses on the arguments around Condition B.

Both the First-tier Tribunal and Upper Tribunal had found that a substantial number of BlueCrest's members failed Condition B, reasoning that the meaning of 'significant influence over the affairs of the partnership' was much broader than HMRC's interpretation. They determined that significant influence was not restricted to managerial influence and could include financial influence; and also that significant influence could be over one or more aspects of the affairs of the LLP, rather than over its overall affairs.

On this basis, it had been held that those with the requisite significant influence included portfolio managers with capital allocations of at least $100 million who demonstrably made significant financial contributions to the business and were also carrying out operational and managerial activities, considered to be the sort of activities which a partner in a traditional partnership would have undertaken. This widening of the meaning of significant influence received a positive reaction from many LLPs.

The Court of Appeal's judgment

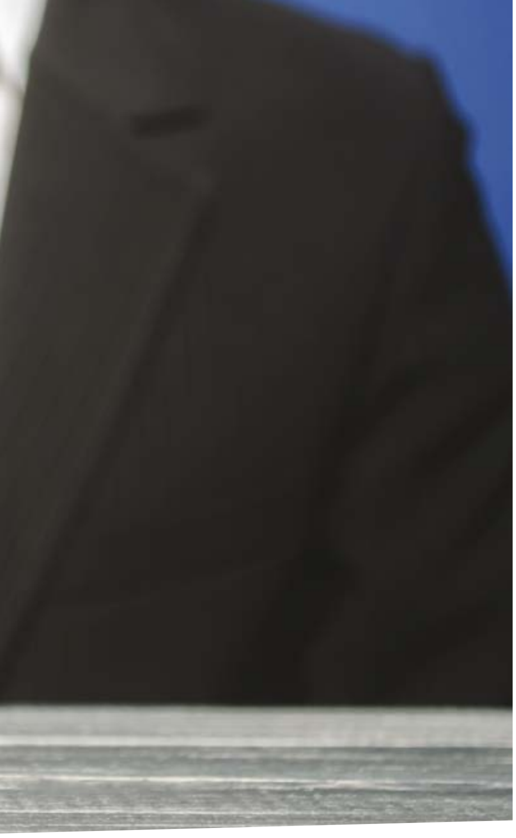
In its judgment on 17 January 2025, the Court of Appeal allowed HMRC's appeal. The decision restores the position to HMRC's long-established view that significant influence must be over the affairs of the LLP as a whole and relates to decision making at a strategic level. More remarkably, however, the Court of Appeal has applied a much narrower construction to the meaning of significant influence than is set out in HMRC's guidance.

It had been common ground between HMRC and BlueCrest that, as well as the rights and duties of the members under the LLP agreement, it was appropriate to take into account actual (de facto) influence. However, the Court of Appeal ruled that this is incorrect and that both the First-tier Tribunal and Upper Tribunal had erred in law in accepting this wider construction.

Under the Court of Appeal's interpretation:
- to qualify, the influence required 'must derive from, and have its source in, the mutual rights and duties of the members of the LLP ... as conferred by the statutory and contractual framework which governs the LLP';
- 'the concepts of "rights" and "duties" connote legal enforceability'; and
- 'influence ... which lacks any identifiable contractual and/or statutory source in the specified rights and duties is excluded ... although it may remain highly material in deciding whether the influence that does qualify ... is significant'.

Summarising, the influence must be grounded in the legally binding constitutional framework of the LLP and de facto influence does not qualify. However, de facto influence exerted by others may be material as to the judgment of whether the member in question's influence is 'significant'.

Based on this construction, it will undoubtedly be more difficult for LLP members to fail Condition B, particularly those who are members of larger LLPs where it is typical for the constitutional framework of the LLP to restrict the authority to make strategic decisions on behalf of the LLP to an executive made up of a small number of the members.



It is not the end of the matter yet, however. The Court of Appeal has remitted the case back to the First-tier Tribunal 'for reconsideration in the light of the correct construction of the Condition'.

Looking forwards

A deeper dive by the First-tier Tribunal into whether members have significant influence under the mutual rights and duties provided by BlueCrest's LLP Agreement should provide more colour to the Court of Appeal's version of the test. Meanwhile, BlueCrest has applied to the Supreme Court for permission to appeal the Court of Appeal's decision, meaning that it cannot be considered final until the outcome is known.

Beyond the legal proceedings, at the time of writing, HMRC's Partnership Manual (at PM256200) continues to state:

> 'In looking at whether or not an individual member has significant influence, it is important not only to look at the written agreement, but also to look at how the LLP operates in practice.'

Many LLPs and their advisers, as well as HMRC officers, will have applied the more generous approach per the HMRC guidance when considering the Condition B test and there will be keen interest in how HMRC will respond.

Questions that come to mind include the following.

- Will HMRC amend its manual to align with the Court of Appeal's narrower interpretation of significant influence?
- If so, will it seek to apply this interpretation 'retrospectively'? Or, perhaps to avert judicial review challenges, will it allow LLPs to revisit their analyses on a go-forward basis only?
- Given that it seems that HMRC had intended that de facto influence should be taken into account when Condition B was designed, will HMRC instead look to change the legislation to match its original policy intention?

Whilst uncertainty remains, particularly for LLPs that rely on their members failing Condition B to preserve self-employed status, it would be sensible to review the constitutional documents of the LLP – principally being the LLP Agreement but including any Deeds of Accession, etc. – to assess whether these accurately reflect how influence over the affairs of the LLP is exercised in practice.

The operation of an LLP can evolve over time and may be run by members differently to how the existing LLP Agreement portrays; for example, with non-founder members taking greater responsibility over decision-making. Problems caused by such discrepancies often only arise in the event of a dispute, either with HMRC or between the members, but it would be advisable to proactively update any LLP Agreements to ensure that these align with the true position.

Condition C and the targeted anti-avoidance rule

Since the introduction of the salaried member rules, Condition C has been considered to provide a 'safe harbour', enabling LLPs and their members to understand how much of their own money that a member needs to contribute as capital to the LLP to fall outside the rules.

For many LLPs, capital contributed by members provides a valuable source of funds, so linking this to compliance with Condition C is not generally seen as unhelpful. Consequently, many LLPs and their members have relied on capital contribution arrangements which ensure that Condition C is failed to provide certainty over the members' status.

This position was thrown into doubt when, in February 2024, HMRC published updated guidance in its Partnership Manual (at PM259200 and PM259310). This suggested that HMRC would, controversially, seek to apply the targeted anti-avoidance rule to arrangements under which members increase their contributions as their remuneration changes in order to prevent Condition C being met, therefore disregarding the contributions made when testing Condition C. HMRC compliance teams also began to follow this revised approach, triggering a huge amount of uncertainty and the risk of additional employment taxes being assessed.

Following representations made by the CIOT, amongst others, HMRC confirmed on 7 February 2025 that it will in effect reverse the changes it made in February 2024. In line with the original guidance, HMRC now accepts that when determining whether or not Condition C is met, capital contribution arrangements which result in a genuine contribution made by the individual to the LLP, intended to be enduring and giving rise to real risk, will not trigger the targeted anti-avoidance rule. HMRC has also helpfully consulted on revised guidance to provide additional clarification but, at the time of writing, this has not yet been published.

Although many LLPs and their members have been subjected to a significant amount of unnecessary disruption whilst HMRC reconsidered its approach, this is nevertheless a welcome development for those firms that have relied on compliance with Condition C to ensure that their members fall outside the salaried member rules. It would be advisable, however, for LLPs to check the accuracy of their Condition C calculations and to ensure that there is a robust monitoring process in place.

Final thoughts

With much recent activity and uncertainty around the application of the salaried member rules, LLPs would be well advised to revisit their analysis and consider the implications of the latest developments. Additionally, LLPs may wish to review their LLP Agreement and, if necessary, make changes to ensure alignment with how the LLP operates in practice.

It is important for LLPs to be prepared for both a potential HMRC enquiry, with experience suggesting that HMRC is focusing on this area, and for any due diligence exercise that might be anticipated if a commercial transaction involving the LLP is contemplated, as questions around the salaried member position adopted will invariably arise. Taking action now will provide additional assurance and/or the opportunity to build a more robust position.

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McKnight Rider
The cost of penalties

The case of *ScottishPower* re-examines the guidance emanating from a House of Lords' decision relating to whether fines and penalties are deductible as trading expenses.

by Keith Gordon

I always think that the first tax rule that people learn is the one that prevents a trader from claiming a deduction for expenses that are not incurred wholly and exclusively for the purposes of the trade. Although this rule is well known, however, there are still occasional cases which test its application.

In 1999, the House of Lords decided one case which looked at this rule – the case of *McKnight (HM Inspector of Taxes) v Sheppard* [1999] STC 669 (discussed further in Ian Walker and Elyse Waller's article in the May 2016 issue of *Tax Adviser* 'A fine line to tread'). Mr Sheppard was a stockbroker who had faced disciplinary charges for the alleged breach of London Stock Exchange regulations and he argued that he should be permitted to deduct his legal defence costs from the profits of his trade.

So far as the fines imposed on Mr Sheppard were concerned, Lord Hoffmann's speech identified a number of principles that he suggested applied. The wider applicability of those principles was the focus of the present case, *ScottishPower Ltd v HMRC* [2025] EWCA Civ 3.

The facts of the case

ScottishPower is a major generator and supplier of gas and electricity and is regulated by the Gas and Electricity Markets Authority (GEMA), whose work is carried out by Ofgem (the Office of Gas and Electricity Markets). Around a decade ago, the company (together with associated companies) reached a settlement with GEMA following an investigation into matters such as mis-selling, complaints handling and costs transparency. Under the settlement, ScottishPower agreed to make various payments to consumers and charities totalling around £28 million, and to pay a nominal penalty of £1. It was agreed that, had the company paid a lower amount to its vulnerable customers (a part of the overall £28 million payment), the penalty would have increased on a pound-for-pound basis.

ScottishPower sought to treat the £28 million as a trading deduction, but this deduction was denied by HMRC. For what it's worth, ScottishPower did not claim the £1 penalty as an allowable deduction from its trading profits. ScottishPower appealed to the First-tier Tribunal.

The First-tier Tribunal largely agreed with HMRC ([2022] UKFTT 41 (TC)), although it allowed a deduction for an element of the £28 million which it considered to be compensatory in nature. However, the Upper Tribunal dismissed the company's appeal and allowed HMRC's cross appeal in relation to the purely compensatory payment ([2023] UKUT 218 (TCC)). The company then appealed against the Upper Tribunal's decision to the Court of Appeal.

The Court of Appeal's decision

The case came before Lord Justice Snowden, Lady Justice Falk and Lord Justice Zacaroli. Lady Justice Falk gave the main judgment with her two colleagues concurring.

The court sought to explain the background behind the comments made by Lord Hoffmann in *McKnight v Sheppard*. Lord Hoffmann had himself tried to reconcile earlier case law and the Court of Appeal's attempt (in an

Key Points

What is the issue?
ScottishPower, a major energy supplier, reached a settlement with the Gas and Electricity Markets Authority involving payments to consumers and charities totalling £28 million, following an investigation. ScottishPower attempted to claim this amount as a trading deduction.

What does it mean for me?
The Court of Appeal examined the principles from *McKnight v Sheppard* and *von Glehn*, focusing on whether fines and penalties can be deducted as trading expenses. It concluded that while fines and penalties are non-deductible due to their punitive nature, payments made in lieu of penalties could be deductible if incurred wholly and exclusively for trade purposes.

What can I take away?
When dealing with disciplinary actions, be clear to distinguish between different categories of expenditure – defence costs, actual penalties and other forms of redress. Based on the *ScottishPower* decision, only actual penalties are non-deductible, and non-statutory penalties might still be deductible.

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> **The court proceeded on the basis that there was a 'policy' reason for precluding the deduction of fines and penalties.**

earlier case) to articulate the reasons for refusing to allow a deduction for a penalty imposed on a company for breach of customs legislation that was in place during the First World War (*IRC v Alexander von Glehn & Co Ltd* [1920] 2 KB 553 ('*von Glehn*')).

In particular in *von Glehn*, the court had accepted that the company had incurred the penalty in the course of its trade and therefore there must have been some other reason that led to the denial of the trading deduction. Lord Hoffmann observed that something in the nature of the expense must have prevented it from being deductible, but thought that the Court of Appeal was looking in the wrong place:

> 'They hoped to find the answer in the broad general principles of what counts as an allowable deduction. But the reason in my opinion is much more specific and relates to the particular character of a fine or penalty. Its purpose is to punish the taxpayer and a court may easily conclude that the legislative policy would be diluted if the taxpayer were allowed to share the burden with the rest of the community by a deduction for the purposes of tax.'

Applying that approach, Lord Hoffmann (with whom the other four judges agreed) explained why Mr Sheppard should not be permitted a deduction in relation to the fines he incurred (although that question was not strictly in dispute in the case).

However, in relation to the legal costs incurred by Mr Sheppard, the actual point in issue in the case, Lord Hoffmann considered that *von Glehn* had taken a wrong turn by treating fines and the associated legal costs in the same way.

He firstly asked what the position would have been if the allegations had proved to be groundless and the taxpayer had been acquitted, stating that 'it would have seemed unfair not to allow any deduction for the taxpayer's legal expenses'. This raised substantial difficulties, however:

> 'The purpose of the payment will be the same whether the taxpayer's defence turns out to be successful or not. Can there be a distinction between the costs of a successful and an unsuccessful defence? It might be argued that, as a matter of policy, the unsuccessful defendant should have to bear his legal costs personally in the same way as the penalty itself. But I think there would be great difficulties about giving effect to such a rule.'

Lord Hoffmann also highlighted the problems incurred where a taxpayer was convicted on some counts and acquitted on others, stating: 'It might not be easy to tell which costs had been expended successfully and which unsuccessfully.'

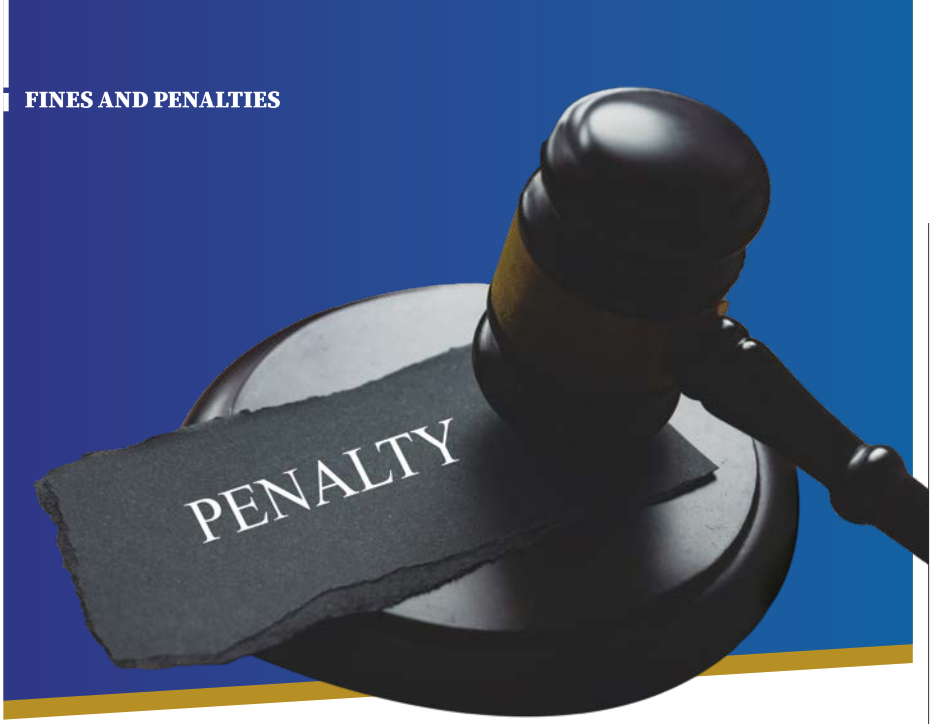
However, he went on to highlight some more fundamental issues:

> '[E]veryone, guilty or not guilty, should be entitled to defend themselves. I do not see that any clear policy would be infringed by allowing the deduction of the legal expenses incurred in resisting the disciplinary proceedings. On the contrary, I think that non-deductibility would be in effect an additional fine or penalty for which the regulatory scheme does not provide.'

Lord Hoffmann therefore believed that the Special Commissioner was right to treat the case as governed by the general principle in *Morgan v Tate & Lyle Ltd* [1955] AC 21, which is that money spent for the purpose of preserving the trade from destruction can properly be treated as wholly and exclusively expended for the purposes of the trade.

In the present case, the court proceeded on the basis that there was a 'policy' reason for precluding the deduction of fines and penalties in a calculation of a trader's trading profits. However, it saw no reason why payments in lieu of such a penalty or fine should automatically be subject to the same treatment. Indeed, any such decision would have the effect of creating such a policy and that would be to trespass into the role of the legislature.

Since the payments were incurred by ScottishPower wholly and exclusively for the purposes of ScottishPower's trade and because they were not in fact



penalties or fines, the court considered that they were allowable deductions. The company's appeal was therefore allowed.

Commentary

It is hard to find fault with the conclusion reached by the Court of Appeal. However, what makes the decision particularly interesting is the route that the court took to get to its result.

The court started by looking at what was decided in *von Glehn* and what formed the basis of Lord Hoffmann's comments in *McKnight*, being that a fine or penalty cannot qualify for a trading deduction. The court recognised that the initial question to be considered in these cases is whether the expense is incurred for the purposes of the taxpayer's trade. However, Lord Hoffmann had referred to the 'legislative policy', which the court interpreted as meaning the legislative policy under which the fine or penalty was imposed (as opposed to the tax code). However, the court then noted that this approach was hard to reconcile with the wholly and exclusively test in the Corporation Tax Act 2009, which focuses on the purpose of the trader in incurring the expenditure.

The court tentatively put forward two possible explanations. The first is that that penalties are simply not incurred for the purposes of the trade; the second is that penalties are precluded under a wholly different provision (CTA 2009 s 46) which requires accounts to follow GAAP 'subject to any adjustment required or authorised by law', with the long-established rule in *von Glehn* representing an adjustment required by law.

In my view, the first approach would lead to some further difficult questions. For example, consider a trader who parks a car on a street, overstays on a parking meter and incurs a £70 penalty from the local authority. What is the practical distinction between this trader and another trader who uses a private car park which is intended for short-term stays but then stays too long and is contractually obliged to pay a parking fee of £70 for the excess time? Fortunately, the court did not have to address such a question and stated a preference for the second approach.

> **It is possible that even the 'policy' precluding the deduction of statutory fines might be revisited.**

However, having decided that the rule preventing a deduction for penalties represents an adjustment required by law, the court considered that its bounds should be clearly demarcated. If so, the court accepted that it is possible to continue with the idea that statutory penalties are non-deductible so as not to dilute the legislative policy (using Lord Hoffmann's words). (However, I interpose here that it is still unclear why, using my previous example, the statutory £70 fine should be treated differently from a contractual parking charge of the same amount.)

For non-statutory penalties, that legislative policy would not exist and perhaps such penalties should not be routinely disallowed. One case where such penalties were incurred and held not to be deductible was the Upper Tribunal's decision in *McLaren Racing Ltd v HMRC* [2014] UKUT 269 (TCC). However, the court in *ScottishPower* addressed that by noting the justification reached for the decision, being that the fine was imposed for conduct that was so egregious it should not be considered as a part of the taxpayer's trade. For a broader discussion of that case, I would refer readers to Peter Rayney's article in the August 2015 issue of *Tax Adviser,* 'Tax relief in a litigious world', which refers in turn to my own article, 'Another fine mess?', in the December 2014 issue.

In *ScottishPower,* the court noted that the *McKnight v Sheppard* case also considered non-statutory penalties but made the point that the deductibility of those penalties was not in issue in that case.

So far as the *ScottishPower* case itself is concerned, the penalties were statutory and therefore the court did not need to consider this particular question any further. Had it done so, it might then have asked why (if there was a general rule precluding all statutory fines and penalties from being allowable deductions) the statute then lists a number of penalties under the tax code itself which are non-deductible (see the Income Tax (Trading and Other Income) Act 2005 s 54 and its corporation tax equivalent, Corporation Tax Act 2009 s 1303).

In accordance with the doctrine of judicial precedent, the court was not going to suggest that earlier decisions of the court or of the House of Lords were wrong. However, the court has raised certain important issues for what I believe to be the first time and, were these issues ever to get to the Supreme Court, it is possible that even the 'policy' precluding the deduction of statutory fines might be revisited. On the other hand, there is the greater likelihood that legislation will be introduced to put the matter firmly beyond doubt.

What to do next

When dealing with a client who faces disciplinary action, be clear to distinguish between different categories of expenditure – defence costs, actual penalties and other forms of redress. On the basis of the *ScottishPower* decision, only actual penalties are non-deductible and, even then, if the penalties are imposed under a non-statutory scheme, deductibility might still be possible.

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International athletes in the UK
The laws of the game

There will be increased complexity around the taxation of international athletes following the Autumn Budget 2024.

by Josh Rogers, James Hart and Jack Green

Given the scale of the sector and its contribution to the UK economy, this article looks in particular at UK tax resident international footballers. Football, particularly the Premier League, has become a major activity in the UK with significant earnings (and hence tax obligations) for players. For most UK tax resident footballers, their primary source of income is their club salary, and these earnings are ordinarily subject to UK income tax and NICs under the PAYE system. However, as they build their careers, players may also develop other business interests, investment income and gains, as well as a variety of other income related to football and their personal 'brand'.

Despite being taxed at source on their employment income, many professional footballers will have an obligation to file a UK Self Assessment tax return by 31 January following each tax year. It is therefore important that footballers receive timely advice to ensure they are abreast of their obligations and keep up to date with filing and payment obligations. It can be surprising to players that they have these additional obligations when their main source of income is already taxed at source under PAYE.

For a UK tax resident, the default position is that an individual will be taxed in the UK on their worldwide income and gains on an arising basis. This means that all income and gains, regardless of where they are generated, are subject to UK tax in the year they arise.

There are often further complexities in practice. For example, benefits in kind can arise out of what may appear to be normal sports related activity (e.g. when an agent's invoice has been paid by the player's club) and the receipt of payment for image rights or sponsorship income which would not have tax deducted at source. With the increase in international mobility and overseas tours, the impact of split year tax treatment or any double taxation agreements associated with players performing duties in overseas jurisdictions also need to be considered. Additional complexity would exist where assets are owned in companies or other entities which may have their own filing requirements or need to be considered for inclusion in the individual's returns.

Players with more complicated financial affairs are also likely to need professional assistance with preparing statutory accounts for companies and ongoing company secretarial filings with Companies House. It can readily be seen that the most successful and high earning athletes will need support comparable to a small business.

Historic areas of complexity

HMRC has recently issued revised guidance on the taxation of image rights and agent payments, which have been two areas of historic complexity. The revised guidance sets out HMRC's view that the tax treatment of these payments is determined by the commercial substance of the underlying arrangements. For payments to agents, that includes the scope and extent of the services provided by the agents (including player negotiations); for payments to image rights companies, that includes the arm's length commercial value of those image rights to the paying club.

HMRC has also indicated the contemporaneous commercial evidence (club records and other documents) that it expects to be retained by clubs, players and agents to support the commercial substance and value of the payments.

It will be important for affected players to have regard to HMRC's views. Those historically within these areas will want to bring their affairs up to date and agree their basis of taxation with HMRC.

The remittance basis and non-domiciled individuals

Although UK taxation might not be the foremost concern for an international footballer who has the opportunity to play in the UK, to date the remittance basis of taxation has been available to those who are in the UK for a specified purpose and who remain non-domiciled. Under the current rules, an individual who is UK tax resident but non-domiciled can elect to be taxed on the remittance basis. Under this basis of taxation, non-UK income and gains will only be taxed in the UK when they are remitted to the UK. The remittance basis provides no relief in respect of UK-source income and gains – a UK-resident is taxable on their UK-source income and gains on an arising basis, regardless of whether they are UK or non-UK domiciled.

This beneficial tax treatment is typically available for the first 15 years of UK tax residence, with years eight to 15 incurring an annual charge ranging from £30,000 to £60,000, depending on the duration of their stay in the UK. Given that most international footballers have

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Key Points

What is the issue?
The tax environment for UK tax resident international athletes is evolving this year in a number of key areas.

What does it mean for me?
International athletes, including professional footballers, will potentially be affected by the abolition of the remittance basis and the introduction of a new regime for those newly in the UK (which, however, excludes 'performance income') and a reformed version of the overseas workday relief. These changes follow a period of HMRC scrutiny of such aspects as image rights and agent fees.

What can I take away?
Tax advisers should review the impact of the changes and ensure that they are abreast of the implications for UK tax liabilities and reporting, as well as ensuring that they continue to engage with HMRC on agreeing any complexities in their historic positions.

careers lasting fewer than 15 years in the UK with their UK-sourced income covering their UK spending needs, historically it was possible for the remittance basis to apply for their entire time in the UK. This ensures efficiency and simplicity in their UK tax affairs.

Non-domiciled individuals could also benefit from the statutory overseas workday relief for up to three years. This means that duties performed abroad while working for their UK employer could be exempt from UK taxation, provided certain conditions are met, and the income is not remitted to the UK. This relief could apply for footballers in their early years in the UK for such activities as summer tours, warm weather training camps and European competitions. Essentially, no distinction is currently made between footballers or other athletes and taxpayers coming to work in the UK in any other type of job. There is also currently no restriction on the amount of the relief.

Under the current rules, non-doms who have spent fewer than 15 years in the UK are only subject to UK inheritance tax on their UK situs assets, such as UK land or property retained by a footballer after they have left the UK. In contrast, UK domiciled or deemed domiciled individuals are liable for inheritance tax on their worldwide assets. For those moving internationally and with a relatively short career in the UK, these provisions may have had less of an impact.

Impact of the new regime

From 6 April 2025, the current remittance basis regime will be abolished and a new foreign income and gains (FIG) regime will be introduced. As outlined in the February edition of *Tax Adviser* in 'Reform to the taxation of non-doms: the new FIG regime', from 6 April 2025 the UK tax rules will now focus on an individual's residence rather than their domicile. There are also specific changes affecting 'performers' and overseas workday relief which are being reformed. The key changes for UK tax resident non-domiciled footballers are set out below.

Replacement of the remittance basis: The current remittance basis of taxation will be replaced by a new four-year FIG exemption applicable to foreign income and gains from 6 April 2025. However, this will not apply to performance income earned by sports persons (see below).

Reform of overseas workday relief: The revised overseas workday relief will be based on an individual's residence and will provide an exemption for non-UK duties for up to the first four years of UK tax residence. There will also be a removal of the requirement for the income to be received into an overseas bank account and not remitted. However, overseas workday relief will now be subject to an annual financial limit, being the lower of 30% of the qualifying employment income or £300,000 per tax year.

Availability of the Temporary Repatriation Facility: The Temporary Repatriation Facility will allow players who have previously claimed the remittance basis to bring previously unremitted foreign income and gains into the UK at a reduced tax rate of 12% for 2025-26 and 2026-27 (or 15% if brought in during 2027-28). Given that international players typically do not stay in the UK long term nor remit significant funds due to their access to UK-sourced income, there may be no need to take advantage of this relief.

The opportunity to rebase: Players who have previously claimed the remittance basis will also be able to rebase their capital assets to their value as of 5 April 2017. However, given the length of a typical sporting career, this may be a less impactful change.

Residence-based system for inheritance tax: Inheritance tax will now be based on the duration of an individual's residence in the UK. For the first ten years of UK residence, only UK-based assets will be subject to inheritance tax. After this period, the scope of inheritance tax expands to include worldwide assets. Even after leaving the UK, players may continue to be liable to UK inheritance tax due to the inheritance tax 'tail', which increases by one year for every additional year of UK tax residence, up to a maximum of ten years but with a minimum of three years. The ten year rule will need monitoring, given the impact on any overseas assets and the 'tail' on leaving the UK.

Performance income

Effective from 6 April 2025, Income Tax (Trading and Other Income) Act 2005 s 845H will define performance income as any income chargeable to income tax (however that charge arises) that results directly or indirectly from the performance of a relevant activity, whether performed in the UK or not.

Relevant activities include: the performance of sport; participation in any sound or video recording; and any activity in connection with a commercial occasion or event. This broad definition means that income derived from match fees, media appearances and sponsorship or image rights deals will, in almost all instances, be subject to UK taxation without the benefit of the FIG regime.

The basis of the FIG regime is that it will offer a four-year exemption for foreign income and gains for individuals who have been non-resident for ten years, without the need for foreign income and gains to remain outside of the UK. Whilst performance income is unable to benefit from this regime, it will be important not to forget the wider sources of income and gains that can arise for international sportspeople from their broader investment or business activities.

Key actions to take

The new tax rules for performers, the changes to the non-domiciled regime and the increasing and historic complexity of the international sports arena necessitate an enhanced focus on assessing the changes and ensuring that all issues are appropriately identified, documented and the right amount of tax paid.

Together with their advisers, players need to review their tax status in the light of their current personal, business and investment activities, plans and objectives and assess how their position may change from 6 April 2025 under the new FIG regime. For example, they could determine whether they will be eligible for overseas workday relief concerning their overseas workdays, if the FIG regime will apply to their passive income and gains, or even consider the double tax treaties which may now be relevant. Equally to the extent reliefs currently relied on are going, the impact of this and whether any positive steps need to be taken should be assessed.

The upcoming changes to the non-dom regime in the UK will have a significant impact on UK tax resident international footballers and other UK tax resident international athletes, making it essential to thoroughly understand the new rules. There is no sign that the international complexity of the sporting arena will diminish in the future. The increased complexity of the new rules highlights the importance of seeking professional advice to navigate the evolving tax landscape effectively, which remains a key focus area for HMRC. Those currently in the UK will need to manage the transition to the new regime; advisers will need to adapt to a new set of rules going forward and some of the steps that historically might have made sense may be less attractive to the next generation who will be wholly in a substantially reformed environment.

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Key Points

What is the issue?
The First-tier Tribunal decision in the case of *Armour Veterinary Group Ltd* focuses on tax relief for goodwill under the corporate intangibles regime, particularly concerning 'related party goodwill'. The case is significant for its implications on partnership businesses and their incorporation.

What does it mean for me?
The tribunal examined several key points, including the provisions of the intangibles regime, the creation date of goodwill, ownership of goodwill in partnerships, and the application of the Partnership Act 1890. The date of creation was crucial, as related party goodwill created before April 2002 was ineligible for relief.

What can I take away?
The case highlights the importance of having a formal partnership agreement and evidence in partnership businesses to secure tax reliefs and manage goodwill effectively. Without these, partners lose control over how matters are applied, and evidence becomes crucial for tax relief claims.

Partnership incorporation
Tax relief for goodwill

The case of *Armour Veterinary Group Ltd* focuses on tax relief for goodwill under the corporate intangibles regime.

by Julie Butler

Farming and veterinary are two industries that still have partnerships at their core. The First-tier Tribunal decision in *Armour Veterinary Group Ltd v HMRC* [2024] UKFTT 539 (TC) was a win for HMRC. The headline issue was tax relief for goodwill and, more precisely, relief under the corporate intangibles regime for 'related party goodwill'. However, the case has much wider relevance, especially on the conduct of partnership businesses generally, as well as partnership incorporation.

The background

The case was brought by Armour Veterinary Group Ltd (AVGL), a company with the principal activity of a veterinary practice which had claimed a deduction for goodwill in its accounts. The central point in the appeal was whether the goodwill fell within the provisions of the intangibles regime. To the extent that it fell *within* the regime, amortisation relief would be available. To the extent that it fell *outside* the intangibles regime, it was accepted that no relief for amortisation would be available.

It was therefore necessary to consider how the goodwill arose. Some of the goodwill was derived from acquisition of a third party business. The balance arose through successive changes from sole trader practice, to partnership, to company; as employees became partners; and as partners retired as the core business developed.

Related party goodwill would be deemed ineligible for relief where the business in which it was created existed before April 2002. That raised the question of when a partnership business first arose, and the relations between the parties at each stage. When were they connected parties for the corporate intangibles regime?

The key points

There are a number of key points to consider from this tribunal:

- To what point did the goodwill fall within the provisions of the intangibles regime?
- How did the goodwill come about and what was the date of creation?
- Who owns the goodwill in a partnership? Is it the individual partners or the partnership?
- What is the value of the goodwill?
- The Partnership Act 1890 applies by default. If you don't want its provisions to apply, it must be specifically ruled out via the partnership agreement.

Corporate intangibles regime and the importance of the date of creation

In this appeal to the First-tier Tribunal, it was necessary to go back to the start of the corporate intangibles regime and understand the detail; in particular, the regime from 1 April 2002 to December 2014, as it applied to related party goodwill (Corporation Tax Act 2009 s 882). The regime has applied in its current form since 1 April 2019 (Corporation Tax Act 2009 ss 879A-879P).

Under the provisions then applying, amortisation was permitted for related party goodwill, provided that the asset was created on or after 1 April 2002. No deduction was available for related party goodwill created prior to this date. Under Corporation Tax Act 2009 s 884(a), the date of creation for goodwill is deemed to be before 1 April 2002, where the business now conducted by a company was previously carried on by a related party.

A key point in this appeal was therefore determining the date of creation. If related party goodwill was created prior to 1 April 2002, or if the goodwill in the company was created in a related party business before that date, there would be no tax relief. As regards third party acquisitions between 1 April 2002 and 7 July 2015, relief for goodwill would be available.

It was therefore important to establish who sold the goodwill to the company, and who owned the goodwill before the sale. This created a further legal debate. Who owns the goodwill in a partnership? Is it the individual partners, or the partnership? The tribunal then raised a further possibility. A Scottish partnership, unlike partnerships in the rest of the UK, exists as a separate legal entity to the partners. As the partnerships operated in Scotland, did that make a difference? There was a lot to consider.

The history of the business

AVGL was incorporated on 27 January 2014. Its directors are Mr Hewitt and Mr Walker, each of whom hold 50% of its shares. Shortly after incorporation, AVGL acquired the business of that Armoury Veterinary Centre, which was being carried on by Mr Hewitt and Mr Walker in partnership.

Armoury Veterinary Centre's business, prior to its acquisition by AVGL, is set out below:

- The veterinary practice was originally established by Mr Alexander in 1978.
- Mr Hewitt had joined the practice in 1997, becoming a partner in May 2000.
- Mr Alexander retired in April 2005 and Mr Hewitt took over the practice as a sole trader.
- In 2006, Mr Walker joined the business, becoming a partner in August 2008.
- In 2012, a neighbouring practice was acquired. Following the acquisition, goodwill of £165,805 was shown as an acquisition in Armoury Veterinary Centre's accounts.

Following AVGL's incorporation, its initial accounts showed goodwill of £1.875 million, with amortisation charged in the accounts to July 2015. This was then all rolled up into the company goodwill of 2015 on incorporation. The goodwill could have arisen after April 2002, but the business was in existence before then.

Three elements of goodwill

Looking at the evolution of the business, three possible elements of goodwill were identified:

- goodwill on the acquisition of the neighbouring practice by the partnership of Mr Hewitt and Mr Walker in 2012 (the 2012 goodwill);
- goodwill when Mr Walker became a partner in 2008 (the 2008 goodwill); and
- goodwill acquired by Mr Hewitt, when he took over the business from Mr Alexander (the 2005 goodwill).

A large number of partnerships have this type of timeline and complexity.

When was the partnership created?

The veterinary practice changed from being a sole trader to a partnership, back to a sole trader on Mr Alexander's retirement, then to a different partnership and finally to a company.

For the related party rules, it becomes critical when the partnership first existed. Mr Alexander's sole trader practice existed before April 2002. If the business was sold to his successor (Mr Hewitt) while Mr Hewitt was an employee, this would not count as a related party sale. However, if Mr Hewitt was in partnership with Mr Alexander, it would be a related party sale and no deduction would be allowed in the company accounts for goodwill.

To answer this question it is necessary to turn to the Partnership Act 1890 s 1(1). A partnership is: 'the relationship which subsists between persons carrying on a business in common with a view to profit'. Evidence as to the who, what and when of the partners in this particular case was inconsistent. The website, seemingly supported by the tax returns and accounts, said one thing; oral evidence, however, said another.

For AVGL, it was argued that the goodwill acquired by the company in January 2015 was not a pre-2002 asset, as Mr Hewitt was a 'salaried partner' and not a full equity partner until 2005, when Mr Alexander retired.

HMRC took the line that the title 'salaried partner' normally referred to an employee taxed under PAYE, whereas Mr Hewitt had been taxed on a share of partnership profits. Indeed, the AVGL practice website said that Mr Hewitt had been a partner since 1999. In HMRC's view, there was no 'middle way' of being a partner in name only without a stake in the business goodwill, unless the individual was an employee.

No written partnership agreement

As noted below, the tribunal's strong analysis of partnership law concluded that it may be possible to be a partner with limited rights, but only if these are expressly provided for in a legal agreement. Another point of interest was the value to be attributed to the 2005 goodwill. Tax returns included a capital gains tax calculation for disposal of goodwill, calculated 'with reference to standard industry figures for calculating practice goodwill'. There was no formal valuation.

It was later admitted on behalf of AVGL that no actual purchase agreement had been drawn up between Mr Alexander and Mr Hewitt. Mr Alexander had made a 'take it or leave it' offer. The question was raised, could HMRC be bound to a figure in a Self Assessment tax return? The answer here was no. Subject to the normal enquiry window and discovery assessment rules, the facts are that HMRC may challenge figures, and expect AVGL to provide sufficient evidence of any entry on a return. The valuation of the 2005 goodwill could therefore be challenged. There was no written partnership agreement in place between Mr Hewitt and Mr Alexander between 2000 and 2005, and evidence was contradictory. This is not unusual in a farm partnership situation.

Mr Hewitt initially said that the day to day running of the practice was all done by Mr Alexander, and that he had no role in practice administration or dealing with its suppliers. However, he conceded subsequently that this was not, in fact, the case. All this muddled information opened the door to the Partnership Act 1890 with a long reach. As will be seen when looking at the tribunal's final conclusions, if you don't want the Partnership Act 1890 to step in, it must be specifically ruled out in the agreement.

Partnership Act 1890

A big take away point of the case was the importance of the partnership agreement. It may be unwelcome news for clients who are partners to insist on formal valuations, but shortcuts can be expensive in the long run. Partnerships need partnership agreements. Without them, the Partnership Act 1890 applies and every twist and turn of contradictory evidence takes away control from the partners and how they want matters to apply.

The 1890 Partnership Act applies by default. If the owners don't like the outcome, they should make sure they have an alternative legal agreement. Creative solutions may be possible, but they don't happen by accident. The lesson to learn is obtain the evidence and retain it.

The one deduction that might have been obtained in this case, for the 2012 goodwill, was denied through lack of evidence. Remember that the regime in Scotland can be different. In this case, it was held that location did not change the outcome, but with devolution creating increasing divergence in tax rates (and rules for fully devolved taxes), it should at least be on the checklist.

The tribunal's findings

The goodwill acquired on acquisition of the neighbouring practice (the 2012 goodwill) was potentially allowable under 'case B' (Corporation Tax Act 2009 s 882(4)). It was third party goodwill acquired by the company via an intermediary (the partnership); and the partnership had itself acquired the goodwill after 1 April 2002. However, the tribunal decided that there was insufficient evidence to show what deduction should be allowed, so no deduction was permitted.

In respect of the 2008 goodwill purportedly arising when Mr Walker joined the practice, it was held that Mr Walker, as an employee, contributed no goodwill. This was acknowledged by all parties during the hearing. No information had been provided to support the acquisition of goodwill from Mr Walker. So, there was the combination of no partnership agreement and lack of supporting evidence.

The goodwill acquired by Mr Hewitt when he took over the business from Mr Alexander (the 2005 goodwill), was not allowable, as Mr Hewitt was a partner in 2005 before Mr Alexander retired. The goodwill was deemed to exist before 1 April 2002.

Scottish partnership: the difference

Before reaching its conclusion, the tribunal addressed a couple of additional legal points. Firstly, it explored ownership of goodwill. Secondly, it considered whether the position is different for Scottish partnerships. HMRC's position in this case was that an existing partner could not 'acquire' goodwill from a retiring partner, on the grounds that partnership property is not owned by the partners individually. Rather, it is owned in partnership as partnership property. The logical consequence would be that you can't sell what you don't own.

There are lots of points to take away from this case and it is essential to read the detail of the case.

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20 years of HMRC
Reflections and looking ahead

George Crozier and Jamie Presland report on CIOT and ICAEW's conference marking two decades since the creation of HMRC.

Ministers and senior officials past and present joined academics, tax advisers and others on 11 March for a one day conference organised by CIOT and ICAEW to reflect on the creation of HM Revenue and Customs 20 years ago, its development since and what the future might hold for the UK's tax authority.

The morning's keynote speaker was Lord (Gus) O'Donnell who was Treasury permanent secretary when the merger happened and had led the review which recommended it. He put the merger in the context of its time – part of the agenda of a Labour government keen on radical thinking about both economic policy (for example, operational independence for the Bank of England) and government efficiency (influenced by the review of Sir Peter Gershon, who was also involved in the O'Donnell review). As well as efficiency savings, his review was a response to ministers feeling the government was 'underpowered' on tax policy.

Reflecting on the similarities between 2005 and 2025, Lord O'Donnell said that 'a majority helps' if you are trying to drive through reforms. The merger had taken place in an environment where there was both a large government majority and cross-party support for it. However, even in this situation, he warned, any machinery of government change creates issues which risk focusing attention away from operational priorities. As Cabinet Secretary, he was 'always nervous' of such changes for this reason. Despite this, he thought the merger had been 'a great success'.

The afternoon's keynote speaker was Exchequer Secretary and HMRC Board chair James Murray, who took the opportunity to launch a package of measures in support of the government's objectives of improving customer service, closing the tax gap and modernising HMRC. These included trialling a system where taxpayers can use

BREAKOUT SESSIONS

Between the two panel sessions, conference attendees separated into four breakout sessions led by expert facilitators to consider different aspects of HMRC's work.

The best attended was a discussion on how **different approaches to digitalisation** could transform tax administration. HMRC's Chief Digital and Information Officer Daljit Rehal said that HMRC is looking to use AI within its closed environment to improve productivity, with 17 GenAI cases in development. He illustrated this by prompting a large language model to write a program to authenticate a customer using HMRC specifications. His fellow speaker Lindsay Scott, a CIOT technical officer, emphasised collaboration between HMRC and the profession and the need for agent access to be built in.

Richard Wild (CIOT) and Lindsey Wicks (ICAEW) led a discussion of the two institutes' recent report on HMRC's ongoing **customer service challenges**. It was suggested HMRC could put more trust in agents, enabling agent self-serve for common requests to reduce pressure on customer services. As well as dealing promptly with enquiries, it was felt that secure digital communication with HMRC and post tracking would remove the need for many calls to HMRC. HMRC's new app was praised as a big improvement on its predecessor, though proving identity to register remains difficult for many.

A discussion on **making tax administration simpler and easier** was led by Dame Teresa Graham from the Administrative Burden Advisory Board. HMRC was criticised by participants for not 'co-creating' early on in relation to MTD for income tax, presenting stakeholders with pre-conceived ideas rather than offering a chance to help build from scratch. There was support for a cross-government single ID for all taxpayers and for greater public education on the availability of HMRC's app and digital tools. Enabling greater use of email and a method of checking progress online of queries would also help taxpayers and agents, said contributors.

Former HMRC permanent secretary and Treasury director general Sir Edward Troup led a session on how the two departments can deliver **effective tax policy making**. The benefits of collaborative working between the two departments and the professional institutes were a focus, with examples offered of times where this has happened and where it has not. As at the simplification session, it was suggested that early consultation, where a problem or objective has been identified but a particular solution not yet settled on, could help to avoid bad policy outcomes.

PANEL 1: REFLECTION ON THE LAST 20 YEARS – MERGER AND WHAT CAME NEXT

Panel 1: (L-R) Lord Macpherson, Malcolm Bacchus (ICAEW President), Professor Penelope Tuck, Charlotte Barbour, Heather Self, David Gauke

The first panel discussion was chaired by CIOT president Charlotte Barbour and focused on HMRC's creation and the immediate aftermath.

Nick (now Lord) Macpherson succeeded Gus O'Donnell as permanent secretary at the Treasury shortly after the merger, but at the time it happened he was running the Budget and Public Finance Directorate at the Treasury. He told the conference: 'You wouldn't create Customs and Excise and the Inland Revenue if you were starting from scratch.' 'It became clear quite quickly that there were quite substantial benefits [to merger],' he said.

Penelope Tuck is professor of accounting, public finance and policy at the University of Birmingham. Between 2016 and 2020, along with John Snape and Dominic de Cogan, she carried out a substantial research project (supported by a grant from CIOT) into the merger which created HMRC, carrying out interviews with many of those involved. She told the conference that her interviews had not identified one single overriding motivation for merger – a drive for efficiency was one factor, the chancellor's desire to enhance control of tax policy was another. The context was also important, she said, with Inland Revenue and Customs & Excise both having taken flak over mis-steps – the Mapeley controversy and some high profile court defeats respectively.

The panel touched on points made by Lord O'Donnell in his keynote speech on the difficulties of bringing two teams together, including the different working styles employed by enforcement teams at Customs and Excise and the Inland Revenue.

At the time of the merger, Heather Self was director of group taxation at Scottish Power. She told the conference that she was in a business consultative group during the merger and she and other members of the group had told officials that the merger would 'be a lot harder than you think and take a lot longer'. 'We were right,' she observed.

The final panellist was David Gauke, who served as tax minister from 2010 to 2017 and as shadow minister before that. In his remarks, he explored the changing priorities HMRC has dealt with during its two decades. 'There was more focus on tax credits [back then],' he recalled. He said that overall he feels the tax system is 'pretty good' and 'much improved on what it was'. He added that 'the most useful thing' he did in his time as minister was by accident – pushing forward real-time information, which became invaluable during the pandemic by enabling the furlough scheme.

PANEL 2: TAX ADMINISTRATION – A LOOK AHEAD TO THE FUTURE

Panel 2: (L-R) Paul Aplin, Amanda Tickel, Iain Wright, James Murray, Dame Meg Hillier

The afternoon panel debate focused on the future of HMRC and followed on directly from Exchequer Secretary James Murray's keynote speech, with the minister joining the other three panellists and chair – Iain Wright of ICAEW – for the discussion.

Tax simplification was high on the agenda, with the chair asking whether tax policy would continue to see 'little adjustments' or was there the possibility of a 'big bang'? The minister emphasised the value of stability. He added that simplification often focuses on tax policy, but administration is 'just as important'. 'There is much greater consensus there,' he said.

Amanda Tickel is global leader for tax and legal policy at Deloitte. She stressed the need for 'concerted action' on simplification. 'We can't get away from the fact that we have a far more complicated tax system than we had even a few years ago,' she added.

Dame Meg Hillier, chair of the House of Commons Treasury Committee, agreed, calling simplification 'the holy grail' but also stressing the need for long-term plans and continuity. 'Governments come and go, and we have got to have some agreement across parties to succeed,' she opined.

CIOT vice president Paul Aplin said 'collaboration is everything' when it comes to the success of the tax system, observing that the Office of Tax Simplification had been 'very good at convening conversations'. He worried 'that that voice outside the room isn't heard so well now'.

Ms Tickel agreed, saying: 'Getting the right people in the room quickly can really work.' Dame Meg observed the OTS had lacked 'teeth'. The minister said there were 'no plans' to bring back a separate body but he stressed his keenness to 'get people in' and praised the contribution of the Administrative Burdens Advisory Board, among others, in pushing simplification.

Dame Meg bemoaned tax policies which are announced via press release first, with the policy then 'backfilled'. She said this happens as prime ministers and chancellors often have to 'save up' policies to announce at events, but 'they are often the worst policies'.

The minister said he and HMRC were talking not only to other tax authorities, but to organisations such as banks: 'They are happy for us to copy their ideas. It's a win-win because they want the tax system to work for them.'

their voice as their password, and a new escalation route for agents with slow moving income tax queries.

The minister said he was determined that HMRC 'puts as few demands on the time of individual taxpayers and businesses as possible, whilst ensuring that everyone pays the tax that is due'. He told advisers and other stakeholders that it is only through 'the joint efforts of everyone who works in tax and customs' that HMRC's objectives will be achieved.

The closing remarks were given by CIOT chief executive Helen Whiteman. In a spirit of 'partnership and collaboration', she welcomed HMRC's incoming chief executive John-Paul (JP) Marks, who was among those present, to his new role and wished Jim Harra well as he takes 'his well-deserved retirement'.

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HMRC: Twenty years on

A milestone in tax administration

As we mark the 20 year anniversary of the formation of HMRC, we review the issues that it faces, and what the future might hold.

by Sam Mitha CBE

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His Majesty's Revenue & Customs (HMRC) was created in 2005 through the merger of the Inland Revenue ('the Revenue') and Her Majesty's Customs & Excise ('Customs'). In 2003, Gordon Brown, then Chancellor of the Exchequer, asked Sir Gus (later, Lord) O'Donnell, the permanent secretary to the Treasury, to undertake a review of the departments dealing with tax policy and administration. O'Donnell recommended that 'a new single revenue department' should be established, and that the Treasury should become responsible and accountable for tax policy with support from the new department.

The merger

The Revenue and Customs had been in existence for hundreds of years. They had different origins, structures and cultures. The Revenue, the larger of the two by far, dealt with direct taxes; Customs was responsible for duties and indirect taxes. The option of merging the Revenue and Customs had been considered before; for example, it was examined during the Fundamental Expenditure Review in 1994. The departments concluded that while a merger could produce savings in staffing, IT and accommodation, 'the short-term costs were likely to outweigh the efficiency gains'.

'Financing Britain's Future: Review of the Revenue Departments' (2004), O'Donnell's report, stated that many of the challenges of tax policy involved considering the effects of taxes that fell across departmental divides, and of integrating tax issues with other economic levers. In other words, the role was more suitable for the Treasury than the Revenue and Customs. O'Donnell argued that merging the Revenue and Customs would produce efficiency savings, better customer service and improved accountability. But he did not include any cost benefit analysis of the proposed change in his report.

The real reasons for the proposed merger

External commentators said that the Treasury had long coveted the tax policy-making powers of the Revenue and Customs. The government's decision to grant operational independence to the Bank of England reduced the Treasury's workload, and made it possible for it to take over responsibility for tax policy.

Treasury ministers had lost patience with the revenue Departments, which had increasingly become embroiled in controversy – for example, the Revenue's decision to transfer its entire property portfolio to a Guernsey-registered company; and Customs' loss of high-profile VAT cases that led to its prosecution powers being brought under the direct supervision of the Attorney General.

Launch of HMRC

Gordon Brown accepted O'Donnell's recommendations. HMRC came into existence following the enactment of the Commissioners of Revenue & Customs Act 2005. HMRC's staff of 97,073 (nearly 80% of whom were from the Revenue) made it the largest department in Whitehall at the time. It shed nearly a third of them within its first ten years. However, its staffing increased during the pandemic, and the number of its compliance and debt management staff is due to rise under the new government, as mentioned below.

David Varney was appointed as HMRC's first executive chairman. He had no experience of tax policy or management in the public sector. Paul Gray, who had served in the Treasury and the Department of Work & Pensions, was appointed as the deputy chairman. As an experienced former business leader, Varney was aware that the merger of the Revenue and Customs would be expensive; the transitional costs were conservatively estimated at about £100 million. But he was unable to secure any funding from the Treasury to implement the merger.

Culture

The reports of a 'culture clash' in the early days between the staff who had worked in Revenue and Customs were exaggerated. But there were initially 'two cultures' within HMRC, because of the different ethos of the legacy departments. The culture of Revenue staff was heavily influenced by its cadre of fully trained tax inspectors, who held most of the mid-ranking and senior roles in the department. The culture of Customs staff reflected that of its hard-driving investigators.

Some staff with a Customs background feared being 'drowned' in a sea of better trained Revenue staff: they were vastly outnumbered. Whereas some ambitious Revenue staff were concerned about their executive chairman's alleged partiality for staff with a Customs background. He had reportedly quipped that when he wanted anything done, he asked someone with a Customs background. If he needed help with his *Times* crossword, he asked someone from the Revenue.

HMRC invested in measures to bring its staff together. It negotiated a departmental-wide pay agreement with the trades unions representing its staff to harmonise their pay and conditions. It also launched a review of the powers it had inherited from the legacy departments to remove anomalies such as their different time limits for assessment.

HMRC's head office staff worked together from the outset. But there had been little contact between Revenue and Customs staff prior to the merger, other than that between the few staff involved in the inter-departmental Working Together initiative. The vast majority of the departments' staff remained in their own enclaves in the legacy departments' local office networks. But they had to begin working together when HMRC started merging their offices and co-housing them to reduce expenditure on accommodation and back-office functions.

Tax policy

The Treasury became responsible for the development of 'strategic tax policy' after the merger, and HMRC took charge of 'policy maintenance'. There were no demarcation disputes about the division of the work between the departments. HMRC temporarily seconded 75 experienced policy staff to the Treasury until it was able to recruit additional staff for its new role. The co-location of HMRC staff with the Treasury in Westminster made it easier for them to participate in meetings with ministers.

The Treasury and HMRC operated a policy partnership. The Treasury was responsible for developing new taxes, making structural changes to the tax system, and setting the level of rates and allowances. HMRC took the lead on operational, compliance, anti-avoidance and collection policy, technically complex legislation, and for the tax administration framework. It made policy in close consultation with its operational staff, and its lawyers and economists.

HMRC policy officials continued to deal with the detailed design of new legislation, including in particular the 'machinery' provisions relating to assessments, appeals, claims and the collection of tax. They also drafted instructions to Parliamentary Counsel to prepare new legislation. They supported ministers during the passage of the Finance Bill. They prepared guidance on new legislation and advised operational staff on their implementation and interpretation.

Tax discs

HMRC ran into stormy weather during its early days. Chancellor Alastair Darling told Parliament in 2007 that two discs containing a copy of the department's entire data on the payment of Child Benefit had been lost in transit to the National Audit Office. There was no trace of the discs when uniformed police officers searched HMRC's offices. The discs contained the names, addresses and banking details of 25 million claimants. The chancellor said that there was no indication that the data had fallen into the wrong hands. HMRC worked with the financial institutions to safeguard the compromised accounts.

HMRC Chairman Paul Gray resigned to protect ministers from the parliamentary storm caused by the department's breach of the Data Protection Act.

Alastair Darling remarked in his memoirs that the discs had probably been destroyed when 'the hunt was on, probably within days' and that HMRC's 'opaque' management structure had made it difficult to establish exactly who was responsible for what; the lines of accountability were obscure.

Alleged 'sweetheart deals'

In 2011, the Public Accounts Committee (PAC) of the House of Commons investigated alleged 'sweetheart deals' between tax officials and individual corporations. It investigated information provided by a HMRC 'whistleblower' about a settlement with Goldman Sachs. HMRC admitted that it had made a mistake that had resulted in an underpayment of interest on the tax due. But it argued that it acted lawfully in settling the case.

The PAC also wanted to examine cases where the negotiated settlements exceeded £1 billion. HMRC refused to provide any information that would breach taxpayer confidentiality. The National Audit Office asked a retired high court judge to examine the settlements. He noted that HMRC did not seek proper legal advice, involve its own specialists, or even take notes while negotiating settlements with the large companies concerned. Despite this, the National Audit Office and he concluded that the settlements were 'reasonable' and fair.

In 2012, to repair the damage done to the department's reputation by the PAC's enquiries, HMRC introduced the role of the Tax Assurance Commissioner. It strengthened HMRC's civil dispute governance and reinforced the procedural changes made to the manner in which large tax investigations were settled. The role provides transparency about the department's procedures and assurance that it settles disputes even-handedly.

Connect

The department has received scant recognition for its successes, including the launch of Connect, its innovative AI computer program. It was launched in 2010 to root out underpaid tax. Connect has more data than the British Library. It automatically analyses the information pouring into its data warehouses daily from third parties, including through recent developments such as the Common Reporting Standard. The *Financial Times* noted that: 'It ploughs through disparate, previously unrelated information to detect otherwise invisible networks of relationships.'

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The Administrative Burdens Advisory Board
Improving our tax system
tinyurl.com/5n795bna

HMRC's Tax Administration Framework Review
New ways to tackle non-compliance
tinyurl.com/2hdajwer

HMRC uses the system to select cases for its compliance activities, including its campaigns about specific trades and customer groups. The system sucks in information about taxpayers from numerous sources, including social media, credit card payments, online platforms, licence applications and the Land Registry. Taxpayers selected for enquiry are often disconcerted to discover that HMRC knows more about their financial transactions, spending patterns and movements than they know themselves.

Transforming Pay As You Earn

HMRC modernised the Pay As You Earn (PAYE) system, which was originally introduced in 1944. It was operated by employers to deduct income tax at source from remuneration using tax codes and tables provided by the Revenue. Despite its computerisation in 1984, the regionally based system had become increasingly unwieldy in a world of flexible work and multiple employments.

The new National Insurance and PAYE Service (NPS) was launched in 2010. It holds details of real time earnings and of income tax and National Insurance paid by employees and office holders in a single database. The old system was regionally based, which made it hard for HMRC to do year-end reconciliations, as individuals could be included in more than one database. The new system speeded up all the processes of the former system. It can be accessed from any HMRC location and enables the department to move work to wherever there is spare capacity. The NPS reinforced PAYE's reputation as 'the most sophisticated [tax] withholding system in the world', as the former Exchequer Secretary David Gauke stated in an article in *Taxation* magazine (see tinyurl.com/3u7tj2mx). However, the NPS almost immediately attracted controversy.

Administering tax means having to say sorry

Unfortunately, delays in introducing NPS meant that millions of cases where tax had been under or overpaid were notified more than a year late. The overwhelming majority of the notices HMRC issued informed the recipients of repayments of overpaid tax. But some of the taxpayers who received belated notification informing them that they had to pay overdue tax complained to their members of parliament.

The media accused HMRC of 'getting its sums wrong'. The department's attempts to explain that the tax was legally due made the situation worse. It was accused of insensitivity towards those who had received unexpected bills. HMRC was forced to apologise to them under ministerial pressure – even though it had done nothing wrong.

Covid crisis

HMRC and the Treasury jointly developed the government's financial response to the economic lockdown introduced in 2020 by Prime Minister Boris Johnson. HMRC was praised for speedily implementing the job furlough scheme (the Coronavirus Job Retention Scheme). It was used by 1.3 million employers to support 11.7 million workers, and cost £70 billion. It was delivered only six weeks after Johnson's announcement. It would normally have taken years to design and implement such a scheme. Chancellor Rishi Sunak was so enthusiastic about the plans that he offered to write the computer coding for the scheme himself!

> **HMRC is the most advanced digital delivery department in Whitehall.**

Making Tax Digital

HMRC is the most advanced digital delivery department in Whitehall. Making Tax Digital (MTD) is the department's flagship digital transformation scheme. It was supposed to increase tax revenues, reduce HMRC's costs and improve customer service but it has been repeatedly delayed. The National Audit Office has said that the programme will cost five times more than originally forecast. The Office for Budget Responsibility has said that the projected tax revenues from the programme are uncertain.

MTD fell behind its original timetable because HMRC was slow to correct flaws in its design and it didn't involve software providers and tax agents from the outset. HMRC's insistence on quarterly reporting without providing credible evidence of its benefits contributed to the resistance to the scheme. The project is intended to make it easier for taxpayers to calculate their tax liabilities correctly the first time by reducing error and carelessness. However, the National Audit Office reported in 2023 that HMRC itself omitted estimated transitional costs of £1.5 billion from its own business case for additional funding!

The government has awarded HMRC additional funding to continue MTD, in the expectation that it will increase tax revenues. But the uncertainty about its yield, and HMRC's failure to address concerns about the digital exclusion of low-paid and other vulnerable taxpayers who cannot interact digitally with HMRC, make it a risky project.

Use of AI in decision making

The Tax Law Review Committee of the Institute of Fiscal Studies published a report (2024) on HMRC's use of artificial intelligence in some of its decision making. HMRC has never publicly divulged the extent to which it utilises AI. Its cost and efficiency pressures make it inevitable that it will have to expand its use of AI. The introduction of widespread automated decision making could result in a fundamental shift in the transparency of HMRC's decision-making processes and erode taxpayer safeguards.

It is essential that there is transparency and proper parliamentary scrutiny of the potential risks and implications of any use by HMRC in decision making.

Tax gap

HMRC estimates suggest that just under 5% of the tax owed is currently not paid. There is a 'tax gap' of about £40 billion. The new Labour government has announced an investment of £1.4 billion in HMRC over five years to enable it to recruit 5,000 additional compliance staff and 1,800 debt management staff, to raise extra revenues of £6.5 billion by 2029/30.

The government expects results for its increased investment in the department's compliance activities. They will be monitored by a Board sub-committee that includes external tax professionals.

HMRC's research suggests that the failure of taxpayers to take reasonable care accounts for about 45% of the tax gap, more than twice that attributed to evasion or avoidance. At 60%, the tax gap attributable to small businesses is the largest component by customer group; it's more than a dozen times larger than the tax gap attributable to the Wealthy and Individual taxpayers.

The Office for Budget Responsibility has suggested that while factors such as the digitalisation of the tax collection system and the reduction in the use of cash in the economy could reduce the tax gap, subdued economic growth and cost of living pressures could lead to wider non-compliance.

New approach

HMRC has changed its approach to tax compliance. Instead of countering non-compliance after it occurs, the department now seeks to prevent it 'upstream'; i.e. from happening in the first place. HMRC's upstream activities accounted for a third of its total £41.8 billion compliance yield during 2023/24.

The National Audit Office has suggested that there are significant gaps in HMRC's understanding of the cost effectiveness and impacts of its upstream compliance interventions. Reducing the tax gap will require HMRC to strike a balance between its upstream and downstream interventions, and to improve its measurement and understanding of its outcomes.

HMRC's ability to reduce the tax gap is dependent, among other things, on the calibre and the number of tax professionals that it employs. But the number of tax professionals in the department has fallen by nearly 40% since 2016. It will have to increase the salaries it offers to recruit and retain the tax professionals that it needs. Their salaries are significantly below the earnings of tax professionals in the private sector.

Customer service

The number of taxpayers rose from 31.7 million in 2020/21 to 36.2 million in 2023/24. The recent inflation and the freeze in the personal allowance and the threshold at which tax becomes payable has sucked many more people into the income tax system, many for the first time. According to the National Audit Office, the level of trust that individuals and businesses have in HMRC has fallen since 2020. The cost of complying with their tax responsibilities has risen considerably higher than the prior estimate of £15.4 billion. Poor customer service by HMRC creates uncertainty and additional costs for taxpayers.

Some taxpayers don't understand what they have to do in order to comply because of the complexity of the tax rules. If HMRC were to provide better customer service to taxpayers, it would result in fewer errors by compliant taxpayers and reduce evasion. Some older tax agents speak nostalgically about the days when practically every town in Britain had a tax office with a public enquiry counter. But it's no longer possible for HMRC to provide such service to taxpayers. The only channels for seeking advice from HMRC are digital and its helpline. Many taxpayers choose to telephone the department's helpline, but most of them are content to use the digital channel.

Sir Jim Harra, the outgoing chairman of HMRC, recently told the PAC that HMRC has to reduce the volume of its contact with the public via telephone and post by at least 30% to deliver services with the resources it has. The Public Accounts Committee accused HMRC of pushing taxpayers into digital services by deliberately degrading its phone lines. It said that HMRC had been 'too quick to restrict access to its helplines before ensuring replacement digital services [were] fully in place'. Harra described the Public Accounts Committee's claims as 'completely baseless' and pointed out that HMRC had more than halved its call wait times.

Costs, efficiency and productivity

HMRC keeps rolling along quietly doing its job. Even though it is often an Aunt Sally for the tabloids, HMRC is respected for its competence and cost-effectiveness. It spent £4.3 billion to collect £829 billion of tax in 2023/24. It costs HMRC just ha'pence to collect each pound of tax revenue. The department's productivity hasn't yet returned to its pre-pandemic level, partly because some of HMRC's experienced staff chose to leave when it closed its remaining 170 local offices. It moved the rest of the staff in these offices to 14 large regional centres to cut its costs.

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Profile: Sam Mitha CBE headed HMRC's Central Tax Policy Group until 2014. He was responsible for coordinating the department's advice to ministers on the Budget and Finance Bill, and for advising on the delivery of new policy. Sam led the design and delivery of legislation on the bank payroll tax and R&D tax credits, and he chaired the Self-Assessment Consultative Committee.

WELCOME

Richard Wild

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April Technical newsdesk

At the joint CIOT-ICAEW conference to mark HMRC's 20th 'birthday', the Exchequer Secretary to the Treasury James Murray announced that, from the end of March, HMRC will launch a new service to provide a dedicated escalation route for agents with Self Assessment and PAYE queries that are over four weeks old. The following day, HMRC emailed further explanation to agents on HMRC's Agent Update distribution list.

More information can be found on the CIOT (tinyurl.com/5b59f6su) and ATT (tinyurl.com/mpaa29v3) websites, but broadly speaking it will address PAYE and Self-Assessment queries (but not the chasing of repayments or postal delays, or queries relating to Making Tax Digital) that HMRC's Agent Dedicated Line (ADL), or Agent Webchat (AW) have not resolved, if:

- at least 20 working days having passed from the reply date given by the 'where's my reply' tool (tinyurl.com/2azws7h3); and
- the agent has tried at least twice to resolve the query by contacting the ADL or AW.

HMRC will publish the email address for the service on 31 March, and aim to provide a prompt acknowledgement, updates and a speedy resolution within 20 working days.

We have welcomed this new service. An escalation service for complex cases was one of the ten recommendations from our joint CIOT-ICAEW report 'Tackling HMRC's customer service challenge' (tinyurl.com/2rznsn3k), which we published in December 2024.

In addition, collaborative discussions with HMRC continue around our service level project, as well as exploring further potential areas of customer service reform. While we would like to think that our report acted as a catalyst for these, I suspect several of them were well underway already.

For example, we recommended that HMRC increase the use of secure email for agent communication. We know that HMRC are exploring how to better use electronic communications, mindful of the desire to use email but also of security concerns. We also recommended that HMRC co-create and continually improve their digital services, and highlighted the minimum standards we think should be set for new digital systems (tinyurl.com/ymck9j62) and new digital forms (tinyurl.com/ye22zhtj). We understand that HMRC are considering including digital minimum standards in their digitalisation roadmap (which will form part of a wider HMRC transformation roadmap) to be published in the summer.

It is reassuring that we are largely 'on the same page' regarding what is needed to deliver improvements to customer service. The creation of a new engagement group between HMRC and professional bodies – the Customer Services for Tax Agents & Representative Bodies Working Group (CSTARB) – is further encouragement that HMRC remain keen to engage, listen and respond to the needs of agents.

Representatives from the CIOT and ICAEW also met with James Murray and senior leadership from HMRC to discuss our project and shared desire to work collaboratively going forward to improve HMRC customer services.

Of course, improvement does not happen overnight, and it can be a learning process before the right approach is found. In this regard, we would welcome your feedback on the new escalation route for our ongoing discussions with HMRC. Please send any comments to technical@ciot.org.uk or atttechnical@att.org.uk.

NEWSDESK ARTICLES

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GENERAL FEATURE

HM Treasury Spending Review 2025: CIOT and LITRG respond

CIOT and LITRG submitted a joint representation to HM Treasury regarding the Spending Review 2025.

The Spending Review 2025 is taking place in two phases. In the Autumn Budget on 30 October 2024, the Chancellor Rachel Reeves set out the outcome of phase 1, which confirmed departmental budgets for 2024-25 and set budgets for 2025-26. She also announced the total level of funding planned for phase 2, which will conclude and be published in June 2025.

Phase 2 will prioritise delivering the government's missions. As part of this, departments will be expected to make better use of technology and seek to reform public services, to support delivery of the government's plans for a decade of national renewal. HM Treasury explained the spending review process in a press release published in December 2024 (tinyurl.com/4cmr2yfe).

We made several recommendations for targeted investment in HMRC, many drawing on the findings from our recent study of HMRC customer service undertaken jointly with ICAEW (tinyurl.com/y5hwuszc). These recommendations will help the government to achieve its three strategic priorities for HMRC – improving customer service, closing the tax gap and modernising and reforming HMRC.

1. Quantify the exchequer benefits of investing in HMRC customer service

Of the £843.4 billion of tax collected by HMRC in 2023-24, around 95% was paid without the need for HMRC compliance intervention. HMRC's customer services, and reputable tax agents, are helping to deliver this 95% compliant behaviour. We believe that effective HMRC customer service and the work of reputable agents generates a positive revenue benefit.

In our summer 2023 member survey regarding HMRC customer service, to which 760 people responded, 98% of respondents said that poor service levels have a 'moderate' or 'significant' negative impact on trust in the tax system, 93% said they have a 'moderate' or 'significant' negative impact on attitudes to tax compliance, and 95% said that poor service levels have a 'moderate' or 'significant' negative impact on the ability to do business (see tinyurl.com/mv7tnns8).

In a similar way to calculating the return on investment in compliance, we recommended that HMRC and HM Treasury calculate the return on investment in HMRC customer service, and the value that reputable agents bring to the tax system. This return on investment is both the cost saving of collecting tax revenues without compliance intervention, and the economic value of businesses and taxpayers being able to comply with their tax affairs as simply and quickly as possible, so they can focus their energy on growing their businesses.

2. Maintain investment in traditional contact channels until digital services have demonstrably reduced demand

HMRC have been adopting a 'digital first' strategy since at least 2012. Improving HMRC's digital offering will help to modernise and reform HMRC, provided those digital services are implemented effectively and can meet the needs of taxpayers (see below).

Funding to pursue HMRC's 'digital first' strategy should be supported by funding to maintain a high level of phone and webchat customer services, at least in the interim period. It is our firm view that phone and webchat services should not be curtailed until digital services are comprehensive, working effectively and have demonstrably reduced demand.

Even with investment in digital services, the need for HMRC to provide support to some unrepresented taxpayers will not go away. Those who cannot interact digitally and those for whom digital services cannot provide the help and support they need will continue to require alternative methods of contact to help them pay the correct amount of tax first time. HMRC need to better understand the needs of these taxpayers and to what extent existing and new digital services meet those needs – something LITRG are willing and able to support with.

3. Invest in the introduction of a complex cases service

While it is important that people contacting HMRC get through to an adviser, during our joint study only 34% of calls fully resolved the issue about which the agent was phoning, and in around 40% of cases a further phone call to HMRC would be necessary. The introduction of a service to help taxpayers and agents resolve complex cases, with a suitably experienced HMRC team, would help to improve the resolution of cases and reduce the number of cases that are escalated to complaints. We were pleased to see the announcement last month of a new personal tax query resolution service for agents (tinyurl.com/5b59f6su) and we discuss this in the introduction to Technical Newsdesk. We look forward to working with HMRC on its implementation.

4. Investment in a progress chasing mechanism and digital reassurance

A key finding of our joint study was that a significant level of demand on HMRC's phone lines and webchat was being driven by HMRC themselves. More than one third of attempts to contact HMRC during our study were to chase progress on existing matters. Our evidence also suggests that high levels of queries and correspondence are being lost in HMRC systems, leading agents to call HMRC just to obtain reassurance that their correspondence has been received and allocated to the correct team.

We recommended that HMRC introduce an external tracking mechanism, enabling taxpayers and agents to track that HMRC have received their correspondence, and to see which HMRC team the correspondence has been allocated to for checking progress. This provides reassurance and sets reasonable expectations, reducing the need to continually call HMRC. Using HMRC salary data and extrapolating the time spent progress chasing from the data we gathered, we estimated that eliminating progress chasing calls would represent a potential annual saving to HMRC of over £36 million.

5. Increasing the use of email and digital communication

Postal correspondence can result in delays because items go missing in the post and items are lost in HMRC systems. During our joint study, we received numerous examples of postal correspondence and enclosures being incorrectly split by HMRC, and sent to different teams. HMRC are encouraging greater use of digital tax services and digital record keeping by businesses. Our evidence highlighted that there is a significant appetite to communicate with HMRC digitally.

While recognising that there are security concerns to address, it is our view that the use of email and digital communications will ensure that an HMRC adviser picks up a complete query (with all attachments and files), reduce delays by eliminating scanning, etc. and generally speed up the communication process.

6. Investment in digital services

We and our members are supportive of HMRC's 'digital first' strategy. Indeed, this desire for better, comprehensive digital services was a strong message from the participants in our joint study.

HMRC need adequate funding to improve legacy digital systems where this will provide demonstrable benefit, and ensure that new digital systems meet certain minimum requirements so that they operate effectively and meet the policy objective. Targeted investment in these areas allows agents and taxpayers to self-serve more effectively, reducing volume on helplines and webchat.

Our full submission can be found at: www.tax.org.uk/ref1441.

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INTERNATIONAL TAX

Review of double tax treaties 2025/26: CIOT responds

The CIOT has responded to the review of double taxation treaties 2025/26, providing written comments and joining a meeting with HMRC to discuss the UK's double tax treaty network.

The annual review of the UK's double tax treaty network provides stakeholders with an opportunity to input into HMRC's review of the priorities for the UK's network of double taxation agreements for the coming year.

In our written comments, we highlighted some areas where businesses would like to see progress or changes to UK tax treaties, including the UK's double taxation agreements with EU member states that are less competitive when compared to the Directives operating between EU countries, and also some treaties where the UK is no longer getting the most favourable withholding tax rates.

We also made some suggestions around the administration of clearances for payments of interest and collection of taxes.

At the stakeholder meeting with HMRC, HMRC highlighted the progress that had been made during the previous year, including ratifying the treaty with Ecuador and having new treaties in force with Andorra and Romania, as well as agreed texts with Portugal and Peru. More generally, it was noted that as agreeing new treaties, or amendments to existing treaties, is a bilateral process, it is not always possible for the UK to achieve all of its desired outcomes.

HMRC thanked stakeholders for their valuable input into the process of assessing priorities and that this input would feed into recommendations that HMRC would make to the Minister in deciding on the focus of treaty negotiations for the coming year.

Our response can be read at: www.tax.org.uk/ref1459.

Sacha Dalton sdalton@ciot.org.uk

PERSONAL TAX INTERNATIONAL TAX

Personal tax offshore anti-avoidance legislation: CIOT response

In the October 2024 Budget, HMRC published a call for evidence concerning offshore anti-avoidance legislation, in particular the settlements and the transfer of assets abroad rules. The CIOT has responded to this.

The CIOT responded to the call for evidence on offshore anti-avoidance legislation by suggesting that an entirely fresh anti-avoidance code be drawn up. The settlements legislation (contained within ITTOIA 2005 ss 619-648) and the transfer of assets abroad rules (ITA 2007 ss 714-751) date from the 1930s and are out of date for a modern and mobile global economy. Besides these rules, there are regulations relating to offshore income gains (OIGs), as well as provisions within TCGA 1992 for offshore close companies (s 3) and offshore trusts (ss 86 and 87).

This patchwork of rules has caused a great deal of confusion and uncertainty over the years. Rather than further amendments or additions adding to the confusion, the overhaul of the tax rules for non-doms signals the ideal moment for a similar overhaul of the offshore anti-avoidance rules.

Whilst this was a stage 1 consultation, seeking options and clarifying objectives rather than examining defined proposals, the CIOT's response was a proactive one and included a proposed illustrative and all-encompassing code which could be used as a model to replace the existing legislation.

In this code, we suggested that overseas entities would be categorised into: nomineeship, trusts and limited companies. Deciding the category of an entity could be determined by common law and based on particular attributes; however, we said that the inclusion of statutory guidelines to assist with this should form part of wider deliberations. A single set of rules would be put into place to determine income and capital gains as they arise within trusts and companies, along with another set of rules concerning benefits received from trusts. A single motive defence would be available for companies only, given the genuine commercial purposes for which most exist.

We also suggested that the new code included an optional clearance procedure for all taxpayers, who could opt to pay the reasonable time costs incurred by HMRC in providing the clearance. In our view, many taxpayers would be prepared to incur this expense to obtain a degree of certainty in good time. We recognised that HMRC would require additional, focused resources to provide this. Terminology should also be such that common definitions are used wherever possible and modernised, with 'offshore' being replaced with 'international' for example. Overall, the whole focus of the new code should be on proportionate and effective tax collection rather than merely penalising 'anti-avoidance'.

The CIOT's response to the consultation, including a proposed draft code, can be found here: www.tax.org.uk/ref1409

Chris Thorpe cthorpe@ciot.org.uk

GENERAL FEATURE

HMRC debt management: CIOT engagement

The CIOT has recently met with HMRC to discuss issues and concerns that have been raised by some of our volunteer members regarding HMRC's approach to debt management and time to pay.

The areas of focus include: difficulties in contacting and communicating with HMRC's Debt Management Unit; delays and problems setting up time to pay arrangements outside of HMRC's online service; taxpayer debt/payment records not being correct or up to date; and HMRC not recognising agent authorisations. We have also heard of additional problems occurring when debt collectors are involved.

We are intending to meet regularly with HMRC to continue discussions on these and other debt management related issues, so we are interested in hearing from our wider membership about any difficulties – or good practices – you or your colleagues may come across in this area. Please send your feedback to technical@ciot.org.uk.

Margaret Curran mcurran@ciot.org.uk

GENERAL FEATURE

HMRC Tier 2 complaints trial: what do you think?

HMRC's Customer Compliance Group complaints team are trialling a single tier complaints service.

HMRC's Customer Compliance Group (CCG) are trialling the removal of the second internal review of a complaint, which they refer to as 'Tier 2'. The trial started at the beginning of October 2024 and will last for six to 12 months. 20% of people who are complaining at Tier 1 (that is, the first stage of a complaint) will be randomly selected to be included in the trial. If you have been included in the trial, HMRC will tell you when they respond to inform you of the outcome of your Tier 1 complaint. Their message will read something like this:

'We aim to get things right first time, in line with the HMRC Charter (see www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter). When someone complains, we aim to resolve their issues quickly and fairly. We are also committed to improving customer experience by learning lessons from complaints we receive.

'We are therefore conducting a trial in Customer Compliance Complaints, removing the second tier review explained in our published complaints process (see www.gov.uk/complain-about-hmrc). This means that if you are unhappy with this response to your complaint you can ask the independent Adjudicator to investigate your issues straight away without having to complain to us again.

'We believe that giving you the opportunity to escalate your complaint to the Adjudicator at this stage will save you time and improves customer experience in line with the Charter. It also enhances the transparency of our service by increasing the opportunity for the Adjudicator to provide insight and recommendations which we will use to further improve our customer service.'

The CIOT is interested in hearing from members who are selected for the trial.

- Did the removal of the option to make a Tier 2 complaint affect your decision to complain further, or not?
- Would you have made a Tier 2 complaint but were more reluctant to escalate your complaint to the Adjudicator? If so, why?
- Did you complain to HMRC about the removal of the Tier 2 option and, if so, what was HMRC's response?
- If you went on to escalate your complaint to the Adjudicator, how did that process go?
- Did the Adjudicator accept your complaint and was your complaint dealt with in a timely manner?

Please send any comments to: technical@ciot.org.uk.

Margaret Curran *mcurran@ciot.org.uk*

INDIRECT TAX

Customs duty and processes in the spotlight

The Joint Customs Consultative Committee arranged for its stakeholders, including the CIOT, to meet with the Exchequer Secretary to the Treasury James Murray MP. The meeting was to give stakeholders the opportunity to raise key points important to their sectors to improve importing and exporting across the UK border.

The Joint Customs Consultative Committee (JCCC) (tinyurl.com/43aun6vf) is an HMRC forum attended by representative stakeholders to discuss customs procedures and documentation relating to the entry and clearance of goods across the UK border. The CIOT is a member of the JCCC, as well as its Northern Ireland and guidance sub-groups.

In order to make best use of time at the meeting with the Exchequer Secretary, stakeholders were invited to submit key points in advance. The CIOT submitted three points collated from member feedback:

- We would like tax agents to be able to provide a wider range of customs services to clients, such as applications for customs or excise authorisations, or liaising with HMRC on the client's behalf. There is a disparity between the level of services that a tax agent can provide when comparing customs duty or excise with VAT; the 64-8 agent authorisation is currently not available for customs duty or excise.
- We would like to see increased coordination between the VAT and customs teams within HMRC. Errors in import customs processes can prevent the recovery of import VAT; for example, via postponed VAT accounting or import VAT paid at the border or via a deferment account. Resolving import VAT recovery issues can rely on support from customs teams correcting documentation post-import.
- We would like to see improvements in service standards in relation to post-clearance activity, including post-clearance audits, post-clearance amendments and refund/remission requests. Member feedback has highlighted experiences of delays and difficulty in reaching HMRC staff with the level of technical knowledge to resolve issues, with engagement increasingly having to be conducted via correspondence, where a call with a more experienced HMRC officer could clear matters up more effectively in a much shorter timeframe.

Our first point about tax agent services was raised in the meeting. This is particularly timely with the recent announcement that HMRC's 'Modernising Authorisations' project is cancelled (tinyurl.com/mt924wnm). The project aimed to deliver a new digital customs and excise authorisations system that would simplify the application process for its users, allowing a 'tell us once' approach across multiple authorisation applications.

For now, businesses must continue with the current individual authorisations applications processes, which still cannot be fully outsourced to a tax agent.

Due to time constraints, our other points, as well as issues raised by other stakeholders that could not be addressed in the allocated meeting time, were collated into a written submission made to the JCCC, to be addressed in due course.

Jayne Simpson *jsimpson@ciot.org.uk*

GENERAL FEATURE

Scotland: inquiry on council tax reform: CIOT and LITRG respond

Prior to the Scottish government announcement on building consensus on council tax reform, the Local Government, Housing and Planning Committee of the Scottish Parliament invited the CIOT to give oral evidence in relation to its council tax inquiry. CIOT and LITRG also made a joint written submission in advance of the committee hearing.

The Local Government, Housing and Planning Committee (the committee) of the Scottish Parliament is considering possible reform of council tax in Scotland. It is exploring themes such as barriers to change, the pros and cons of a revaluation of domestic properties and learning from other countries.

Written submission

The joint CIOT and LITRG written response notes that there can be a perception among the general public that council tax is unfair. There are several reasons for this, including the outdated valuations, the way in which the banding system operates, the use of relative property values as a measure of ability to pay, the operation of discounts and exemptions, and perceptions of value for money. The written submission explores these different issues.

The written submission also sets out our view that a prerequisite for future changes to council tax is a full revaluation of all properties in Scotland. This is because it is not possible for the tax to be 'fair' unless the values according to which the burden of tax is spread are correct. Once there has been a revaluation, the Scottish government could approach other reforms; for example, if it wished to make council tax less regressive, in the knowledge that the tax base is accurate and that the reforms will affect the intended properties.

We also note in our submission that council tax only contributes roughly a fifth of a local council's overall annual funding. There is a general misconception that council tax covers much more of local councils' budgets. Better public information about council tax is necessary, including the share of the local council budget it forms, and what it helps to fund, and particularly so during any period of reform.

Committee appearance

A LITRG Technical Officer gave evidence to the committee on behalf of the CIOT, alongside academics from the University of Glasgow and the Scottish Women's Budget Group. A later evidence session was attended by the Fraser of Allander Institute and the Institute for Fiscal Studies.

All representatives emphasised the need for a revaluation to ensure the credibility of the tax base and the fairness of any reforms. They also noted the need for revaluations to take place on a regular basis thereafter. The CIOT said that, as in Wales, the commitment to carry out regular revaluation should be placed on a statutory footing.

The CIOT representative discussed some reforms that could take place following a revaluation. These could address the fact that the council tax scheme is currently regressive. For example, new bands could be added to deal with the fact that the highest band covers a huge range of values; there could be a move away from bands with a fixed charge to rates of tax (this would address the fact that there is regression within each tax band); and there could be changes to improve the take-up of discounts and exemption (these could ensure that those who need support receive it).

The CIOT representative emphasised the benefits of improving public awareness and understanding. This is both in terms of how council tax contributes to the funding of local councils and ensuring that people are aware of discounts and exemptions to which they are entitled.

The CIOT finished by encouraging the Scottish government to take control of the narrative when carrying out revaluation of property and undertaking the reform of council tax. This theme was picked up by representatives at the evidence session immediately following.

The papers for the council tax inquiry session are on the Scottish Parliament's website at: tinyurl.com/bdcuab8w. The joint submission is on the LITRG website at: tinyurl.com/bdemeh7z

Joanne Walker *jwalker@litrg.org.uk*

GENERAL FEATURE

New advanced digital signature requirement from 6 April 2025

From 6 April 2025, agents who want to nominate themselves to receive certain refunds on behalf of clients will need to use an advanced electronic signature solution. Only agents with digitally excluded clients or who do not use nominations will be able to use wet signatures on forms.

Per HMRC's guidance, (see tinyurl.com/yc6dwyjf), an advanced electronic signature is a specific type of digital signature that must:

- be uniquely linked to the person signing the data in electronic form and be capable of identifying them;
- give the person signing sole control of the signature data; and
- be able to detect any changes made to the signature data afterwards.

From 6 April 2025, advanced electronic signatures are the only standard of digital signature that HMRC will accept if agents receive income tax or PAYE repayments on behalf of others using a nomination for P87, R40 or Marriage Allowance print and post forms. In practice, we think HMRC will therefore expect these agents to complete and send the forms digitally/electronically to clients for approval. Clients will have to sign the forms/nominations digitally using the advanced electronic signature solution and will either forward to HMRC or return to the agent for onward submission.

Handwritten (wet) signatures will only be accepted by exception for clients who are digitally excluded and have informed HMRC prior to signing the nomination. We understand that HMRC intend to define digital exclusion narrowly – as UK adults who never use the internet (this group includes lapsed internet users, as well as those who have never used the internet). However, we are awaiting confirmation.

We are also awaiting information from HMRC on:

- what evidence clients might need to provide to vouch their digital exclusion;
- whether a marker will be put on their HMRC record and, if so, the impact of that across the system; and
- how HMRC want the 'notification of digital exclusion' process to work.

From an agent's perspective, they will need to keep evidence of sign-up to an advanced electronic signature service solution in the form of a headed letter or email invoice detailing their company purchase, or an email confirming that their company has purchased an advanced electronic signature solution.

HMRC may want to check that agents have a solution in place. Agents may therefore need to provide this evidence upon request to HMRC. No further refund claims will be processed until the requested evidence is provided. HMRC may also ask agents to provide evidence of specific customers' claim authorisation using the advanced electronic signature solution as part of routine compliance checks by the Agent Compliance Team.

If you have any feedback on this HMRC initiative or if you think this is going to cause difficulties for you or your clients, please let us know.

Meredith McCammond *mmccammond@litrg.org.uk*

CIOT		Date sent
HM Treasury Spending Review 2025	www.tax.org.uk/ref1441	07/02/2025
Tax Treaty Network Overview 2025/26	www.tax.org.uk/ref1459	17/02/2025
Local Government, Housing and Planning Committee of the Scottish Parliament: Council tax inquiry	www.litrg.org.uk/11014	18/02/2025
Personal Tax: Offshore Anti-Avoidance legislation	www.tax.org.uk/ref1409	19/02/2025
Finance Bill 2024-25 briefing Part 2 Non-doms	www.tax.org.uk/ref1471	28/02/2025
LITRG		
Local Government, Housing and Planning Committee of the Scottish Parliament: Council tax inquiry	www.litrg.org.uk/11014	18/02/2025

HMRC

Escalation route for complex queries welcomed

And a cautious welcome for proposal to take 300,000 out of self-assessment.

Exchequer Secretary James Murray

CIOT has praised the announcement by HMRC of an escalation route for agents with self-assessment and PAYE queries which are over four weeks old, while ATT has welcomed the development of a 'simple online service' to make tax administration easier for taxpayers who owe small amounts of trading income. The announcements were made by Exchequer Secretary James Murray at a CIOT-ICAEW conference in March marking 20 years of HMRC.

The new escalation route for slow moving queries reflects a recommendation in December's CIOT-ICAEW report on improving HMRC customer service that called on the tax authority to 'ensure there are appropriate routes to escalate complex cases to help resolve problems more effectively without prolonged and repeated interaction with HMRC customer service'. It also follows discussions with CIOT, ATT, ICAEW and other professional bodies at which the need for such escalation routes was raised, alongside the need for a reliable 'tracker' to allow agents and taxpayers to monitor progress with their correspondence.

The Exchequer Secretary told the CIOT-ICAEW conference that: 'Following consultation with professional bodies and practising agents, including some of you in this room, from the end of this month, HMRC will launch a new service to provide a dedicated escalation route for agents with Self Assessment and PAYE queries which are over four weeks old.

'A new, dedicated team of experienced technicians and advisers will adopt a "once and done" approach, taking end-to-end ownership of cases and maintaining regular communication with agents.

'This builds on the changes we announced last October where we combined PAYE and Self Assessment queries, introduced a dedicated option on the Agents Dedicated Line for repayment progress chasing, and launched agent webchat.

'These improvements have been designed with you to address concerns that agents have raised with us, to enhance service efficiency and to strengthen HMRC's relationship with agents through a more accountable and streamlined approach.'

Ellen Milner, CIOT's Director of Public Policy, welcomed the announcement, expressing a hope that in due course this new approach could be expanded both to other taxes and to unrepresented taxpayers.

Self-assessment simplified?

ATT gave a cautious welcome to the Exchequer Secretary's announcement that the government intends to raise the income tax Self Assessment reporting threshold for trading income from £1,000 to £3,000 within this parliament, and to align it with new reporting thresholds for property and other taxable income at £3,000 gross each.

Emma Rawson, Director of Public Policy, said it was 'a useful step towards reducing the administrative burden many people face when filing tax returns for comparatively smaller amounts'. She said that ATT was 'pleased to see the announcement of a new, simple online service to help people comply with their tax obligations', and hoped that HMRC would consult the profession around its design and delivery.

However, she warned that the announcement would not address the growing number of taxpayers being brought into Self Assessment due to the freezing of the personal allowance, such as savers and pensioners. These people would also benefit from a simpler online system compared to the full self-assessment process, she suggested. She also warned of a risk that those affected could be confused by the two thresholds they now need to consider.

Political update

CIOT, ATT and LITRG work with politicians from all parties in pursuit of better informed tax policy making.

Finance Bill 2024-25 (now Finance Act 2025) concluded its passage through the Commons in early March. The government sprung 57 amendments to the non-dom proposals on MPs at report stage, publishing them just six days before they were debated. CIOT leapt into action, providing MPs with a comprehensive briefing just three days later. We welcomed some of the amendments, which reflected changes we had called for, but expressed concern about whether others would achieve the government's apparent intentions.

Conservative and Lib Dem shadow ministers drew on our briefing in their remarks. The Shadow Exchequer Secretary, James Wild, cited CIOT's warning that the amended proposals still leave uncertainty, 'which will be counterproductive if it is the government's intention to encourage those people to stay and to allay the concerns of those looking to invest in the UK'.

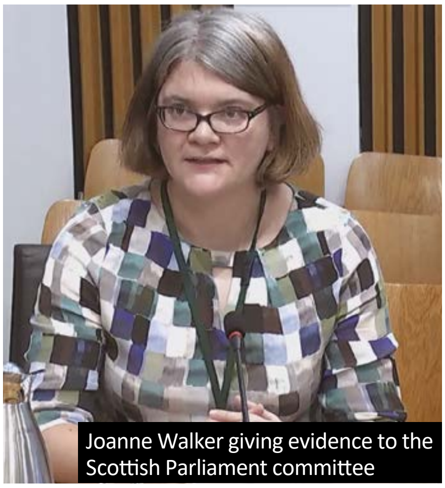
Daisy Cooper, for the Lib Dems, noted CIOT's call for a proper consultation, our warning that uncertainty has been introduced and comments 'that the drafting of some amendments may inadvertently achieve the opposite of what the government seek'. She encouraged the minister to meet with the CIOT and 'heed its warnings to ensure that measures are properly drafted'. Sadly, in a hurried response, the minister did not respond to these concerns.

ATT, CIOT and LITRG representatives attended a roundtable with the Exchequer Secretary, James Murray, in February to discuss our experiences of the tax administration system, the policy making process and potential areas of simplification. ATT made suggestions for simplification of employee expenses. CIOT highlighted previous work on simplification and shared a letter sent to the minister's predecessor. LITRG highlighted concerns about the differences between law and guidance in respect of savings interest.

CIOT met the minister again later in the month, alongside ICAEW, to discuss our December report on HMRC customer service. Discussion was constructive with a shared desire to work collaboratively going forward.

Council Tax

CIOT and LITRG meet MSPs to talk council tax reform



Joanne Walker giving evidence to the Scottish Parliament committee

As the Scottish government tries to breathe new life into the debate on the future of council tax, the CIOT was invited to give evidence to a Scottish Parliament committee in February as part of its inquiry into options for reform.

LITRG Technical Officer Joanne Walker represented CIOT, joining Professors Ken Gibb and David Heald of the University of Glasgow and Sara Cowan of the Scottish Women's Budget Group for a session with Holyrood's Local Government Committee looking at the current system and opportunities for change.

Joanne explained to the committee that any attempts to reform the existing system must be preceded by a full property revaluation to ensure the credibility and fairness of the tax base.

Some of the reforms that she suggested for consideration included the addition of new bands (like Wales), a move from 'bands' to 'rates' of tax and the decoupling of water and sewerage bills from the council tax statement (in Scotland, these charges are included in the council tax statement).

She also spoke about the benefits to politicians and the public of better awareness and understanding of local taxation in terms of its contribution to council finances and the availability of support schemes for those on low incomes.

Making Tax Digital

Get ready now for MTD, warns ATT

ATT has warned landlords and sole traders to prepare now for Making Tax Digital for Income Tax. The new rules come into force for those with a total gross income of over £50,000 a year from April 2026. Those with income between £30,000 and £50,000 will come in a year later, in April 2027.

ATT President Senga Prior said: 'Making Tax Digital is a little over a year away, and represents the biggest change to income tax since self-assessment was introduced. HMRC are going to start writing to those they think will be affected by this change in April and May this year but, for many taxpayers, this will be the first time they become aware of the reforms. Although we're still a year away, the scale of the change is huge.

'Those affected must consider now how they will handle the shift, including their software options and the costs. Some might want to consider looking for a tax adviser, accountant or bookkeeper to help, if they don't have one already. They can also join HMRC's testing programme if they want to have a practice run.'

HMRC will not be providing taxpayers with MTD-compatible software, needed to keep records and file returns, meaning it will have to be purchased instead from commercial providers. The ATT warns that this increased cost, along with the extra administrative work required to make more frequent submissions, could place a burden on sole traders and landlords. It has answered some frequently asked questions about MTD on its website.

For further information, see Emma Rawson's article 'Countdown to Making Tax Digital' on page 10.

In the news

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

'Tax experts believe HMRC should do a number of things to make its customer service fit for purpose. Victoria Todd, head of the Low Incomes Tax Reform Group, says HMRC should do more to ensure taxpayers who do not have to complete a self-assessment tax return are made aware of this.'

This is Money / Daily Mail, 29 January

'If you receive a simple assessment letter from HMRC, you should check the figures carefully. The second page of the letter contains a full tax calculation, which sets out the different sources of taxable income which HMRC believes you had in the tax year.'

LITRG in the Birmingham Mail and other regional titles, 10 February

'The government is expected to reverse a technical element of its non-dom tax regime changes... The CIOT said: "There should not be such different and complicated rules introduced at this late stage to determine what is a taxable remittance."'

Financial Times, 11 February

'We're pleased that HMRC have agreed to change their interpretation of condition C, as their previous interpretation could have equated perfectly innocuous and commercial investments with abusive actions.'

Christopher Thorpe, CIOT technical officer, in the Financial Times on reversed tax changes to private equity, 18 February

'Joanne Walker of the CIOT said there is a misunderstanding about the contribution [council] tax makes to local authorities, saying it only accounts for 19% of councils' income.'

Press Association article syndicated to STV News, Daily Mail and 216 other media outlets, 18 February

'Many holiday lets are currently subject to business rates rather than council tax. However, eligibility for business rates has its own tests, so isn't determined by whether a property qualifies as a furnished holiday let for other tax purposes.'

ATT in the Daily Telegraph on the abolition of the beneficial tax treatment of furnished holiday lettings, 4 March

Spotlight

Spotlight on Making Tax Digital engagement groups

With Making Tax Digital for Income Tax now only a year away, the ATT, CIOT and LITRG's engagement with HMRC is extending to include helping taxpayers and agents prepare for the changes, as well as continuing to discuss outstanding technical and policy matters.

The ATT, CIOT and LITRG have been engaging regularly with HMRC regarding Making Tax Digital for Income Tax (MTD) throughout its development. With the first phase of MTD mandation now only a year away, engagement with HMRC remains focused on clarifying remaining technical and policy matters, whilst also extending to include MTD readiness – including steps that taxpayers and agents can take to get ready for April 2026.

Our engagement with HMRC includes three specific working groups, but extends much wider than these. A week rarely goes by without some MTD-related contact between ourselves and HMRC.

MTD Readiness Forum

The Readiness Forum brings together agent representatives and professional bodies. These monthly meetings have been an opportunity to discuss outstanding MTD policy and technical matters with HMRC and to feed back concerns raised by members regarding how MTD will work in practice.

Moving forward, the objective of this group is shifting towards MTD readiness, illustrated by its recent name change from MTD Advisory Forum.

> **A week rarely goes by without some MTD-related contact between ourselves and HMRC.**

MTD Guidance Strategy Group

This group was set up late last year and encompasses agent representatives, professional bodies and HMRC. It is co-chaired by HMRC and the ATT's Director of Public Policy Emma Rawson. MTD policy matters are not discussed within this group as the focus is on improving existing MTD guidance and developing new material needed before April 2026.

Program Readiness Forum

This group brings together software developers, agents and professional bodies every other month. The meetings cover outstanding policy matters and updates on the MTD testing phase. Whilst there is limited opportunity for discussion, their main objective is to provide a breadth of stakeholders with a consistent update on MTD implementation progress.

Until recently, this group was called the Program Progress Forum. As with the MTD Readiness Forum, the recent rebranding reflects HMRC's increasing priority of helping taxpayers and agents prepare for MTD.

Ad-hoc engagement

The above groups provide a regular point of engagement with HMRC. In practice, a lot of our work takes place in a less formal way, as we are regularly in touch with HMRC's MTD team to discuss outstanding policy matters, tackle technical queries and comment on HMRC's communication plans. The ATT, CIOT and LITRG also each have a monthly 'check-in' with representatives from HMRC's MTD team.

Representatives from ATT, CIOT and LITRG have attended ad-hoc 'co-creation' meetings, arranged by HMRC as a way of getting stakeholder input on specific pieces of the wider MTD puzzle.

These virtual and in-person events use breakout groups to draw out insight from agents, professional bodies and software developers on particularly thorny MTD issues. Sessions to date have targeted issues such as complexities for landlords of jointly-owned properties, easements and HMRC's software choices webpage.

We continue to welcome feedback from members on MTD, via technical@ciot.org.uk or atttechnical@att.org.uk.

MORE ONLINE
tax adviser.co.uk

Under the spotlight!
For a selection of other Spotlights highlighting our regular activities, see www.taxadvisermagazine.com

AGM

Chartered Institute of Taxation: Notice of Annual General Meeting

The Annual General Meeting of Members of the Chartered Institute of Taxation will be held on Thursday 29 May 2025 at 16.45. The meeting will be held via Zoom.

Civica have been appointed as scrutineers for the CIOT AGM 2025. Access to the AGM Notice, Annual Report and Statutory Accounts and information regarding those standing for election to Council will be provided through links in an email, sent to members by Civica in late April. The Civica proxy voting site can also be accessed via that email, together with information on how to book attendance at the virtual AGM.

There will be a reminder email sent in May.

If you prefer to receive a hard copy of the proxy form, please email: support@cesvotes.com or telephone: 0208 889 9203 and a form will be sent to you in the post with a reply-paid envelope. You will have until 27 May 2025 at 10am to return the form.

A copy of the proxy form, AGM Notice and Annual Report and Statutory Accounts will also be available on the Institute's website later this month: www.tax.org.uk

Ceremony

CIOT Admission Ceremony

This year's CIOT Admission Ceremony took place on Thursday 6 March 2025.

The President Charlotte Barbour, the Council of the Institute and CEO Helen Whiteman were delighted to welcome the new members who had been admitted in to the CIOT in 2024, along with CTA examination prizewinners and Members who have reached 50 years of membership to the March Admission Ceremony.

On Thursday 6 March, 210 new Associates, 18 prizewinners, eight 50 year members, and four Fellows along with their guests were able to enjoy the splendid surroundings of Drapers' Hall in the City of London.

For the first time, the ceremonies were live-streamed, allowing over 160 family and friends to join virtually.

Among them was our new Fellow, Rob Durrant-Walker, who watched the afternoon ceremony from Canada!

Each year, the Institute hosts a double admission ceremony – one in the afternoon and one in the evening – for new members and their families. The next ceremony will take place on 16 April 2026, for members who have been admitted during 2025.

As Charlotte Barbour stated, when writing for *Tax Adviser* in March 2025: 'The Admissions Ceremony is a marvellous event, as I remember when I attended 10 years ago to be awarded Fellowship. It's a day of pride and warmth for our members and their families, and for the CIOT. Incoming members are the future of the Institute.'

New Chartered Tax Advisers at the afternoon Admission Ceremony.

New Chartered Tax Advisers at the evening Admission Ceremony.

President Charlotte Barbour with the prizewinners from the May and November 2024 CTA examinations. Front Row (L to R): Luca Parrott (Chris Jones Prize), Luke Butterworth (Gilbert Burr Medal), Zoe Dixon (Ronald Ison Medal, Avery Jones Medal and Croner i-Prize), Charlotte Barbour, Charlotte Buckley (Spofforth Medal and Croner i-Prize), Callum Shaw (Avery Jones Medal), Isobel Prince (John Beattie Medal). Back Row: Samuel Westlake (John Beattie Medal), Joseph Kynman (Avery Jones Medal), Robert Gray (Victor Durkacz Medal), Samuel Davis (Wreford Voge Medal), George Wilbraham (Chris Jones Prize), Karolina Niziolek (John Tiley Medal), Michael Blackwell (Fellowship Medal), Nathan Webb (Gilbert Burr Medal), Sam Talbot (John Tiley Medal), Rachel Jackson (Ian Walker Medal), Aaron Norman (Victor Durkacz Medal), Andrew Mouland (Spofforth Medal) and Namdeep Singh (Ian Walker Medal).

The new Fellows: Paul Brice, Michael McGowan, Xiaoshan Sun and Catherine Hill with Alex Gear (Prizewinner: Victor Durkacz Medal, November 2023 (second left)) and Charlotte Barbour (CIOT President).

The 50 year members: John Wosner, Alastair Godfrey, Michael Saunders, Ian Luder, Charlotte Barbour (CIOT President), John Dixon, John Clark, Patricia Pearl and Anthony Brown.

Programme

Mentoring and wellbeing: a powerful connection

We consider how mentoring can benefit you – and invite you to join our mentoring programme.

Wellbeing has never been more important, particularly in demanding professions like tax. While often associated with physical and mental health, wellbeing is also about feeling valued, having purpose and building strong connections. Mentoring plays a crucial role in fostering this sense of fulfilment for both mentors and mentees.

The World Health Organization (WHO) defines wellbeing as a 'positive state experienced by individuals and societies', influenced by social, economic and environmental factors. Similarly, workplace studies highlight that effective wellbeing initiatives lead to higher resilience, increased engagement and improved work-life balance. Mentoring aligns perfectly with these goals by providing meaningful support and professional growth opportunities.

The benefits of mentoring

For mentees, mentoring offers more than just career advice – it delivers a powerful message that they are valued and have potential worth investing in. This recognition contributes to confidence, motivation and overall wellbeing. Having a guide to navigate challenges can reduce stress, boost job satisfaction and enhance professional development.

Mentoring is just as beneficial for mentors. Research shows that contributing to others' success fosters a sense of purpose, personal satisfaction and increased engagement in one's own career. The act of giving back – helping someone else to develop skills, build confidence and progress – reinforces the mentor's own sense of achievement and belonging.

Why mentoring matters in tax

Tax professionals often face high-pressure environments with complex workloads and evolving regulations. This can lead to stress, isolation and burnout. A strong mentoring relationship can counter these challenges by offering reassurance, guidance and a space to share experiences. It also strengthens professional networks, creating opportunities for learning and development.

© Getty images

Join our mentoring programme

Recognising the impact that mentoring has on both wellbeing and career development, our mentoring platform, ATT Mentor Match (www.att.onpld.com), connects members and students, fostering relationships that strengthen the profession. Whether you're looking for guidance or hoping to give back, participating in a mentoring programme can be a rewarding experience that benefits both personal wellbeing and professional success.

Schools

Tax in the classroom

Can you help us to introduce young people to the world of tax?

As an educational charity, one of the primary objectives of the Association of Taxation Technicians (ATT) is to advance public education in tax. While tax impacts everyone at some point, it is not typically included in the classroom curriculum, leaving the decisions to teach it up to individual schools. Even when tax is covered, teachers may not always feel confident delivering the subject.

To address this, the ATT encourages its members to support teachers by visiting local schools and using their knowledge and expertise to bring tax education to life. HMRC has developed materials to explain the tax system, and our members help to make these resources captivating and accessible.

By engaging with both primary and secondary school students, we introduce them to the world of tax. Depending on the age group, these visits can help young people to understand the vital role that tax plays in society and inspire them to consider a career in tax. By demystifying tax, highlighting its relevance to everyday life and showcasing the diverse opportunities within the profession, the ATT sparks curiosity and interest in students who may never have previously considered tax as a potential career path.

In addition to school visits, the ATT actively participates in career fairs, where we engage directly with students, parents and guardians to promote careers in tax. These events offer a unique opportunity to explain various entry routes into the profession, including the ATT qualification, and the value of pursuing professional tax qualifications. By attending these events, we can connect with potential future tax professionals, offering guidance and answering questions about the qualifications and skills required to succeed in the field.

For the ATT to help shape a future where tax is understood, valued and pursued as a fulfilling career, we rely on

© Getty images

the support of our members. If you are interested in supporting a local school, our website provides useful resources, including HMRC's Junior Tax Facts (see tinyurl.com/462xd22z) and the ATT Volunteering in Schools toolkit (see www.att.org.uk/toolkit). We can also provide you with handouts and merchandise to take with you.

Please feel free to contact us at atttechnical@att.org.uk if you would like to discuss how you could give a presentation at your local school.

The ATT is committed to fostering a thriving, diverse tax profession. Through promoting tax education, offering relevant qualifications, and engaging with the next generation of tax professionals, we ensure that the sector continues to grow and evolve.

MTD

Making Tax Digital: what's in the pipeline?

Making Tax Digital for Income Tax (MTD) is now only a year away, taking effect for the first landlords and sole traders from April 2026. MTD represents one of the biggest changes to Self Assessment since it was introduced. However, there is plenty of activity planned for the coming months to raise awareness of the change, and help agents and taxpayers get ready.

HMRC's plans enter a new phase this month, with their first ever MTD communications directly to taxpayers. From April, HMRC are writing to those they believe may be in scope of MTD based on the information in their 2023/24 tax returns. In March, HMRC also emailed agents who they believe may have clients in scope. Copies of the communications can be found on the ATT website.

You can also expect to hear more about MTD through the mainstream media. HMRC is planning publicity in trade publication, as well as radio and Spotify adverts. These will be focused on the construction industry initially, but branch out to more sectors over time.

The ATT is ramping up its readiness messaging and support for agents. In this month's Tax Adviser is 'Countdown to Making Tax Digital', an article by our Director of Public Policy Emma Rawson and Technical Officer David Wright (see page 10), on the fundamental requirements of MTD, and how to prepare your practice and your clients. The 'Spotlights' section (see page 44) also sets out the different ways we engage with HMRC on MTD.

On the evening of Tuesday 8 April, Emma and David are presenting a webinar for the North East branch on 'Making Tax Digital: the essential guide for agents'. You can book your place or catch up with the recording at tinyurl.com/y8mt2tku. MTD will also be a key focus of the ATT Annual Conferences this year, where we'll be joined by HMRC representatives. You have a choice of two online sessions on Tuesday 10 June and Thursday 19 June, or a face to face session at our Monck Street office on Wednesday 25 June. To book your place, go to the ATT website.

Keep an eye out for the latest development's on the ATT's recently revamped MTD hub. If you have any suggestions as to what would be most helpful in the move to MTD, please send these to atttechnical@att.org.uk.

A MEMBER'S VIEW

Adela Cebotari

Founder of TARI Tax Consultants

This month's CIOT member spotlight is on Adela Cebotari, Founder of TARI Tax Consultants.

How did you find out about a career in tax?
I was looking for a job and a mom at my son's school offered to share my CV with her boss at Vantis (now Beavis Morgan) for an administrator vacancy in the Corporate and Personal Tax team. I managed to convince Barrie Dunning, who interviewed me, that I was the right candidate. I think he felt sorry for me as I had already been through several unsuccessful interviews. My English skills were not at the level expected for the role and I lacked experience, but he gave me a chance, so I have him and Tina Mackerness to thank for my successful career in tax.

Why is the CIOT qualification important?
The CTA qualification cements your expertise and knowledge in UK tax and provides the ability to interpret complex legislation. It is not an easy qualification to obtain, so it is a demonstration of the hardworking nature of tax professionals.

Why did you pursue a career in tax?
In my first week at Vantis, I was perplexed (in a good, WOW way) by the discussions amongst my peers and baffled by their reading of the various figures of the tax computations. This opened a new level of curiosity, and I wanted to 'be one of them'.

I repeatedly asked my manager for new assignments, where I could learn new aspects of the profession. Eventually, he said, 'Your curiosity is exhausting, I think you should enrol on the ATT course.' The rest is history. I completed the ATT qualification, followed by the CTA qualification, and in 2023 I completed a STEP advanced certificate on UK Tax for International Clients.

How would you describe yourself in three words?
Organised, curious and sociable.

Who has influenced you in your career so far?
There is not one specific person; several colleagues in the companies I've worked in, my wider networking community, clients that trusted me with their affairs and my husband, who has continuously encouraged me. I am grateful to each one.

What advice would you give to someone thinking of doing the CIOT qualification?
Go for it! Be prepared to work very hard. Be patient, results don't happen overnight. It is a well-regarded profession. Apart from learning the tax rules and how to operate the tax software, in the process you grow as an individual, improving your communications skills, critical thinking and your approach to various circumstances as tax is not just about numbers.

What are your predictions for tax advisers and the tax industry in the future?
With the rise of the technology, specifically AI, those with an adaptable attitude to learning and an elevated degree of curiosity will continue to thrive.

What advice would you give to your future self?
Believe in yourself more and keep focused beyond the momentary hardship.

Tell me something about yourself that others may not know about you.
I grew up in the post USSR era in Moldova, when electricity was only available during set hours of the day. In winter months, when it was off between 6pm to 8pm, I would read under the candle lit lamps. I have always been obsessed with books, now the obsession has expanded to podcasts.

Contact

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

Charity

Safeguarding your practice for future success

A review of the conference From Sliding Doors to Success, in support of TaxAid and Tax Help for Older People.

A number of experts donated their time to support the tax charities TaxAid and Tax Help for Older People on 11 February at a conference arranged by Karen Eckstein and Mark Lee. The conference was hosted by the CIOT and all funds raised were donated to the charities.

The conference focused on issues which could be damaging to the future of a business, with key practical tips on how to avoid those risk areas, as well as on ways to develop and grow businesses in the future. Those attending the conference therefore came away with a practical and informed range of information about how to help their businesses thrive and succeed well into the future.

The level of interest was clearly demonstrated by the number and range of questions raised in the Panel Q&A at the end of the afternoon.

Risks in the new world


Karen Eckstein (Karen Eckstein Ltd)
Karen@Kareneckstein.co.uk

Jenna Rigg (Singularitee)
Jenna.rigg@singularitee.co.uk

We have all heard of cyber and IT risks but are perhaps unsure what they could mean for us in practice. The first session, given by Karen Eckstein and Jenna Rigg, introduced delegates to Peter, an accountant in a smaller accountancy firm. They witnessed his worst day ever when everything that could go wrong does – he sent an email to the wrong person, went to make a cup of tea while his flatmate used his laptop to order goods from Amazon, lost his laptop, and suffered a ransomware attack. Karen and Jenna explained the need for adequate IT processes and protections, how easy it is to implement them, and the possible alternative to Peter's day. It led to a lot of questions in the panel Q&A at the end of the day!

Beware of sliding doors

Colin Taylor (Howdens)
colin.taylor@howdengroup.com

The second session was given by professional indemnity broker Colin Taylor, who posed the question 'Why do mistakes happen?' Many well-qualified people believe that a lack of knowledge is the root cause of PII claims. Colin explained how often he hears well qualified, experienced and knowledgeable people say things like 'I cannot believe I missed that', 'I cannot explain why I did that' and 'I was sure I made a note about that conversation'. He explored the reasons why such situations occur and how our brains function under heavy workloads, highlighting key risk management techniques to reduce the possibility of errors occuring and how to be in a better position to defend your firm when an allegation is made.

Complaints about your work from clients and your professional body

Karen Eckstein (Karen Eckstein Ltd)

The third session of the day, given by Karen Eckstein, focused on complaints. Sadly, these are becoming more common, whether from clients or the firm's regulator. Mistakes in handling those complaints often make issues far worse. This practical talk described common mistakes, how to avoid them, and how to survive the process! Karen also gave a lot of tips on how to manage the issues, such as where to log complaints, who should handle them internally, and having a 'complaints' email address. She also discussed how lessons can be learned to improve the firm's processes so that mistakes are not repeated.

How to be better remembered, referred and recommended

Mark Lee
www.bookmarklee.co.uk

The final talk was by Mark Lee, who shared a tailored extract from his keynote talk on how to be better remembered, referred and recommended. His advice was focused around three key areas: making your mark; making better connections; and making better use of LinkedIn. Mark shared his approach to having more powerful networking conversations and explained how tax advisers can use LinkedIn to generate real business benefits as tax advisers and accountants.

The Q&As

A wide range of questions were asked during the panel session, ranging from cyber insurance to how to protect documents from being read by unauthorised third parties. The panel also discussed limitation of liability, how to get support to handle complaints, how to deal with a complaint if the client hasn't paid your fees and how to deal with complaints where fees were outstanding.

Feedback from the conference

The feedback from the conference was overwhelmingly positive. 'This is an excellent seminar. The material is highly relevant, interesting and practical. And it is valuable for anyone who is in practice, whether they are the owner, a manager or a pure caseworker. The speakers are first rate . The event is lively, engaging and has immediate practical relevance. The live Q&A is a real bonus.'

SUPPORTING TAXAID AND TAX HELP FOR OLDER PEOPLE

You can support TaxAid and Tax Help for Older People by making a donation. If you can, please donate at https://cafdonate.cafonline.org/18211. The funds raised will be split equally between the two charities. Thank you for your generosity.

If you missed the conference, you can purchase the recording at: tinyurl.com/mrzua2z6. The cost is £50 and your payment will go to the tax charities, as everyone has given their time for free.

ADIT

Students celebrate latest ADIT exam success

Nearly 400 international tax professionals are celebrating having passed exams towards the Chartered Institute of Taxation's ADIT (Advanced Diploma in International Taxation) qualification.

Online exams took place in December 2024 in 64 different countries, with 396 students successfully passing at least one exam and 86 achieving ADIT in full by passing a third ADIT module. An additional 10 students have attained the ADIT qualification in the last six months, by researching and writing a successful extended essay on an international tax subject of academic interest.

Of the new ADIT holders, 12 were awarded a distinction grade for excellence in their exams.

CIOT President Charlotte Barbour said: 'I am very pleased to celebrate the success of our latest ADIT graduates, whose recent examination results highlight their dedication to professional development and commitment to mastering the complexities of international taxation. Achieving the ADIT qualification is an excellent achievement – ADIT is a globally respected mark of expertise.

'I offer my congratulations to each of our students for their exceptional achievements. At the CIOT, we are honoured to have provided support to this stage.

'May I also encourage all our new graduates to join our popular International Tax Affiliate programme, and to continue your relationship with the CIOT. This offers a valuable way to enhance your professional profile and distinguish yourself in a competitive market. As an ADIT Affiliate, you can connect with a global community of like-minded international tax professionals, as well as gaining access to resources and opportunities for further learning and development.'

The ADIT qualification is now held by 2,212 tax practitioners in 94 countries and territories, nearly 450 of whom have chosen to subscribe with the CIOT as International Tax Affiliates since attaining the qualification.

The following candidates will receive awards for their achievements in December's exams:

- Elinor Appleyard of London, who is employed by EY, is awarded the Heather Self Medal for the best overall performance in Module 1 Principles of International Taxation.
- Tom Henderson of Reading, who is employed by EY in London, is awarded the Raymond Kelly Medal for the best overall performance in Module 2.09 United Kingdom option.
- Jennifer Osborne of Wolverhampton, who is employed by IMI Kynoch Ltd in Birmingham, is awarded the Tom O'Shea Prize for the best overall performance in Module 3.01 EU Direct Tax option.
- Adriana Stefanova of Sofia, Bulgaria, who is employed by SumUp Ltd, is awarded the IVA Prize for the best overall performance in Module 3.02 EU VAT option.
- Daniel Brown of Manchester, who is employed by HMRC in Salford, is awarded the Croner-i Prize for the best overall performance in Module 3.03 Transfer Pricing option.
- Tahir Kapadia of Mumbai, India is awarded the Wood Mackenzie Prize for the best overall performance in Module 3.04 Energy Resources option.

FALKLAND ISLANDS GOVERNMENT

COMPANY TAXATION OFFICER

Falkland Islands Government

£47,000 to £64,000 – starting salaries will be dependent upon qualifications and experience

Are you a tax professional and looking for a new challenge? Would you like to walk on the beach, the hills or see wildlife on your lunch break? If so, come and join our small friendly team of experienced tax professionals in the Falkland Islands.

The Falkland Islands Government is seeking to recruit a Company Taxation Officer who will join the team in the Falklands on 2 year contract. You will be one of four Company Taxation Officers responsible for assessing and collecting corporate tax receipts.

Along with other members of the Corporation Tax Team, you will be responsible for:

- Applying the Taxes legislation
- Compliance checks and collecting revenue
- Developing and updating tax policies
- Leading on legislative changes.

You will have a proven track record of working in Tax, ideally Corporation Tax. You will have at least one of the following qualifications:

- HMRC Tax Professional Development Programme (now Tax Specialist Programme)
- a Chartered Tax Advisor
- a Professional Accountancy qualification or equivalent.

You must be adaptable, a team player, and able to maintain confidentiality. A sense of adventure is also an advantage as the Falkland Islands offers lots to explore outside of work.

To apply online or for more information about working for Falkland Islands Government please visit **www.jobs.gov.fk**. Applications close **midnight (FI time) on 24 April 2025** with interviews to be held in early May 2025.

LITRG Technical Officer

Chartered Institute of Taxation.

2 permanent positions available – 1 full-time home based and 1 part-time (28 hours) home based
Salary £77,953

Are you passionate about using your tax technical skills to help those who are unable to pay for advice?

CIOT are looking for two new Technical Officers to join the award winning Low Incomes Tax Reform Group (LITRG) team. Reporting to LITRG's Senior Manager, you will work alongside existing team members to give a voice to those who are unable to pay for advice in the tax system.

In this role, you will produce high quality tax technical content such as reports, consultation responses, briefings and website content. You will identify issues within allocated areas of work and propose actions to address them. You will take issues forward by liaising with appropriate stakeholders, including HMRC officials, and you will promote LITRG's work by representing LITRG at events, giving presentations and taking part in appropriate media opportunities.

You will be a CIOT member or otherwise qualified to an equivalent level and have at least five years practical experience of personal tax compliance and advisory work - at least at a level undertaken by a tax manager in practice. If you are proactive, have a flexible mindset, are enthusiastic and can communicate professionally, confidently and effectively with others, we want to hear from you.

Please visit www.tax.org.uk/vacancies for further information or email Sharon Jepson at sjepson@ciot.org.uk. The application deadline is 5pm, 16 April 2025.

Join us in shaping a more just world.

#LexisNexisCareers

SENIOR TRANSFER PRICING ANALYST (Tax department) London based, Hybrid working

About us

RELX is a global provider of information-based analytics and decision tools for professional and business customers. RELX serves customers in more than 180 countries and has offices in about 40 countries. It employs more than 36,000 people over 40% of whom are in North America. The headquarters is in London. The market capitalization is about £60bn ($80bn), making it one of the 10 largest listed companies in the UK. The company is listed on the London Stock Exchange, Euronext and NYSE.

About the role

The RELX Tax Department provides transfer pricing advice and support to all market segments of RELX. The Senior Transfer Pricing Analyst will be a key member of the Tax team and an integral part of the core transfer pricing documentation and compliance program within the RELX Transfer Pricing Team. This role offers exposure to team members across the Global Tax and Finance teams within all RELX business units worldwide. Opportunities to develop knowledge in various tax specialists and technology tools are available.

Responsibilities

- Leading the preparation of transfer pricing documentation including reviewing and updating historical functional analysis to align with current business developments, while maintaining records and related evidence.
- Preparing transfer pricing documentation reports, including developing and maintaining local and country-specific versions of master files.
- Bench-marking reviews and assisting with the CBCR process.
- Supporting the preparation and review of inter-company agreements.
- Developing process improvement initiatives.
- Working with financial management, monitoring inter-company transactions.
- Providing ad/hoc support to stakeholders engaged in audits.
- Work closely with other RELX tax teams for work such as preparation of intercompany specific elements of anti-hybrid report, US BEAT, or other country- specific required analyses.

Requirements

- Experience in transfer pricing, tax or statutory accounting.
- Proficiency in Microsoft Office products (Excel and Word).
- Strong communication skills, both written and oral.
- Collaborate with cross-functional and cross-divisional teams, maintaining accountability and transparency, while being flexible and adaptable to change and new information.

Please send your CV and cover letter.

https://relx.wd3.myworkdayjobs.com/relx/job/London/Transfer-Pricing-Senior-Analyst_R89805-1

RELX

TAX APPRENTICESHIP SKILLS COACH Remote

Do you enjoy coaching others to achieve high standards?

About us

Tolley has been the definitive voice on UK tax for over 100 years. Our focus is 100% tax, and our trusted guidance, research and training materials are produced alongside the most authoritative voices in the industry.

About the role

This role offers a great opportunity to be part of a small team and contribute to the development of a tax specific coaching programme that genuinely helps us to develop the tax professionals of tomorrow, by equipping them with skills to successfully deliver the tax knowledge they learn to meet the needs of clients.

Responsibilities

- Regularly meet apprentices and their managers to review progress and set targets.
- Ensure pastoral care and coaching meet Ofsted Education Inspection Framework requirements.
- Provide coaching on skill development and document progress efficiently.
- Support apprentices with skills development.

Requirements

- CTA qualification or equivalent.
- Experience in tax practice. Up-to-date knowledge of apprenticeship standards.
- Ability to inspire, influence, and motivate.

Please send your CV and cover letter.

https://relx.wd3.myworkdayjobs.com/LexisNexisLegal/job/United-Kingdom/Apprenticeship-Coach_R90744-1

Tolley® Tax intelligence from LexisNexis®

GEORGIANA HEAD
Taxation Recruitment

GEORGIANA HEAD

Director

Tel: 0113 418 0767
Mob: 07957 842 402

georgiana@ghrtax.com

Personal Tax Manager
Manchester
£excellent + free parking

Personal Tax Manager sought by long standing independent firm. In this role, you will manage a portfolio of personal tax clients, including HNW individuals, business owners, directors, and trusts. You will oversee the preparation and review of personal tax returns, trust returns and inheritance tax accounts, ensuring accuracy and compliance with relevant legislation. and provide tax planning advice on areas such as IHT, CGT, and international tax. Great salary and benefits package, hybrid and flexible working available, part time considered. **Call Georgiana Ref: 3540**

Mixed Tax Senior Manager
Ilkley
To £55,000 + benefits

This is a great role for a qualified tax professional based in the lovely spa town of Ilkley in West Yorkshire. This is the gateway to the Dales, and our client is a forward thinking, modern practice which can offer the perfect blend of office and home working. They will even set up a home office for you. This practice prides itself on offering superior client service, and they are looking for someone who really enjoys getting to know their clients and delivering an outstanding service. Mixed tax with a personal tax bias. Great local role. **Call Georgiana Ref: 3516**

Trust Director
Poole, Salisbury, Exeter or Truro

Large independent firm seeks a Trust Tax Director to head a trust team across the South West. This is an exciting opportunity to live in a beautiful part of the world and deal with great quality client work. This role could suit an experienced Senior Manager looking for a step up to Director. In this role, you will manage and develop a team and will be actively involved in client management and technical work. It is likely that you will be ATT and CTA qualified (STEP would be advantageous too). Hybrid and flexible working available. **Call Georgiana Ref: 3546**

Tax Partner Roles
Nationwide

Our client is a rapidly growing, innovative, multi-office, independent firm. For the next stage of their development, they seek several experienced tax partners who can win work, manage and develop teams and produce technical tax work. This firm will consider hires throughout the country, including London, Manchester, Birmingham and Leeds. They are interested in talking to directors and partners with proven experience of OMB tax, private client, VAT or corporate tax. Full- and part-time hires considered, excellent prospects. **Call Georgiana Ref: 3541**

Corporate Tax AM or Manager
Leeds
£47,000 to £60,000 + benefits

Our client is a Big 4 accountancy firm. They seek corporate tax staff to deal with a mix of client compliance delivery and advisory work. It is likely that you will be ACA, ICAS or CTA qualified with proven UK corporate tax experience. You will get the opportunity to work on a wide range of clients from dynamic OMB's to large international groups. Would consider someone who has mainly worked in industry or candidates form smaller firms looking to join a larger practice. The key to these roles is the ability to build long-term client relationships. **Call Georgiana Ref: 3531**

Advisory Tax Role – Private Client and OMB Focus – Manchester
£55,000 to £90,000

Our client is a longstanding, large independent firm of accountants. This business has doubled in size in recent years and as a result is looking for a key hire, an experienced tax professional who can deal with wide-ranging technical work for HNW individuals, families and entrepreneurs and their businesses. This team prides itself on being a good place to work, staff are well rewarded and overtime is paid at all levels. This firm can offer hybrid working and has modern offices in central Manchester and flexible/part-time working arrangements available. **Call Georgiana Ref: 3534**

www.georgianaheadrecruitment.com

Advisory Tax Manager
Manchester
£excellent + free parking

CTA qualified sought by long standing independent firm. This firm's clients range from sole traders and business start-ups to multi-million-pound limited companies. You will work to partners, providing tax advisory services and support complex tax projects, such as corporate restructuring, share schemes, EIS/SEIS, remuneration planning, business exit and succession planning, IHT planning and assistance with tax due diligence. Good prospects, great salary and benefits package, hybrid and flexible working available, part time considered. **Call Georgiana Ref: 3544**

Tax Senior or Manager
Marylebone, London
£60,000 to £70,000

Our client is small independent firm based in Marylebone. They seek an experienced tax professional to work to a partner. The work is an interesting blend of advisory and compliance work for HNW individuals and non doms. Would suit someone with experience of personal or mixed tax. Many of the clients are non-doms or have international wealth. They also deal with trusts. This role would suit someone who enjoys technical tax work. Office based, full- or part-time hire considered. ATT and CTA an advantage. **Call Georgiana Ref: Maryle**

Trust Role in Law firm
Liverpool, Manchester or Birmingham
£50,000 to £65,000

Trust role in a large law firm dealing with a mix of trust administration, trust tax and trust accounting. This role would suit someone with proven UK trust tax experience. You may be ATT or STEP or ILEX qualified. You will work to partners, advise trustees and beneficiaries, addressing periodic tax events within trusts, such as ten-year anniversary charges, entry and exit charges, and the death of life tenants. You will support the wider team by preparing estate accounts, calculating estate income and capital gains tax liabilities and prepare estate tax returns during Probate administration. Hybrid, flexible and part-time all considered. **Call Georgiana Ref: 3550**

Technical Officer
Remote, UK some travel to London
£excellent

Technical Team within a Tax Charity seeks an experienced tax professional. Your role will include plenty of variety helping to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit for those who are least able to afford to pay for professional advice. You will respond to consultations and requests for evidence from government departments and parliamentary committees. You will research tax areas and write reports recommending change. CTA an advantage. Full- or part-time hire. **Call Georgiana Ref: 3548**

Mixed Tax Senior Manager
South Manchester
£60,000 to £85,000

This practice specialises in tax advisory work. The team seeks a corporate or mixed tax trained individual with a genuine interest in OMB tax work. Alongside technical work, you will be actively involved in managing and developing more junior staff and building long term client relationships. There is a genuine opportunity to be a part of the future of this rapidly expanding business. You will also get involved with business development with the partners. Key skill requirement is a strong tax background. **Call Georgiana Ref: 3547**

VAT Accountant – In-house
Leeds
£excellent

Well known FS business seeks an indirect tax hire. It is likely that you will already have experience working in industry and have proven experience of VAT reporting. Large group VAT experience a pre-requisite and previous FS experience an advantage. Based in Leeds, this role can be hybrid worked and flexible hours or part-time are also available. You will need experience of preparing and submitting returns and dealing with queries from the business and HMRC. Would suit someone with good tech skills who enjoys process improvement. **Call Georgiana Ref: 3549**

WE'RE HERE TO BE YOUR MATCHMAKER

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

Shape the future of tax compliance

Are you looking for a role where you can make a real impact?

Scan the QR code to register your interest.

Find your perfect role

Working in compliance in HMRC, there'll be surprising and exciting opportunities ahead. You'll provide exceptional service to our customers, shape policy, tackle complex tax issues, and work alongside teams of experts to influence the future of tax compliance. Step into a role where every challenge brings a chance to grow.

People. Purpose. Potential.

HM Revenue & Customs

MAGNETIC NORTH

GUIDING YOU TO THE BEST TAX JOBS IN THE NORTH OF ENGLAND

CORPORATE TAX PARTNER

MANCHESTER — £negotiable inc. equity

This Top 10 firm is embarking on an exciting period of growth in the North (and nationally) and is looking for an experienced mid-market Corporate Tax Partner to play a pivotal role in the leadership and development of the tax practice in Manchester. You will have experience working with large OMB and PE backed clients and be market facing with strong connections in the local market. This is a rare opportunity to join a thriving global business in a career defining role. **REF: A3553**

TAX SENIOR MANAGER/DIRECTOR

NORTH WALES — To £80,000

Are you a technically strong Mixed Tax Senior Manager, capable of taking ownership of a complex and varied advisory portfolio? Are you looking for a good work-life balance in a relaxed environment where further progression is on the table for the right person? This is an exciting portfolio of work, covering everything from Family Investment Companies, and Share Schemes to M&A transactional work. Our client is a progressive firm with exciting growth plans. **REF: C3649**

SENIOR MANAGER DIRECT TAXES

CHESTER — To £90,000

Our clients in house tax team is a tax centre of expertise for the European jurisdictions of this global business responsible for local tax compliance (corporate, VAT, WHT, etc), US GAAP tax reporting and tax advisory work. In this role you will oversee US tax reporting and local tax compliance for Germany and other European markets. You will need experience in a multi-national corporate tax environment, including Tax compliance and reporting in at least one European jurisdiction and ideally be a fluent German speaker or have a working knowledge of German taxes. **REF: R3652**

CORP. TAX COMPLIANCE MANAGER

MANCHESTER — £60,000

Our global client is looking for a talented Corporate Tax Compliance Manager. In this role, you'll manage a diverse portfolio of clients, build strong client relationships, provide guidance on legislative developments, and oversee junior staff, offering coaching and technical support. The ideal candidate will have strong UK corporate tax experience, including reviewing computations and returns, and knowledge of tax accounting (FRS 102/IFRS desirable). You'll collaborate across teams, resolve complex issues, and contribute to business development. **REF: C3631**

PERSONAL TAX SENIOR/ASS'T M'GER

SHEFFIELD — To £47,000

Highly regarded independent firm is looking to recruit a personal tax specialist to manage a portfolio of personal tax clients, ensuring that they meet their obligations to file tax returns and to provide clients with a proactive, efficient, and cost-effective taxation service. You will also have the opportunity to assist is the management of the team on a day-to-day basis and to assist in the provision of ad-hoc personal tax advisory work, as required. Great opportunity for someone recently qualified looking to develop. **REF: B3635**

IN-HOUSE ASSISTANT M'GER (CT)

WARRINGTON — £50,000 - £58,000

This is a fantastic opportunity for an Assistant Manager (or similar level) to join this truly supportive in-house tax team. The business is in a high growth phase so expect a varied role with lots of opportunity to truly advance your tax career. Supported by a Head of Tax and Manager the role is largely direct tax focused including tax compliance, tax reporting and as well as supporting the team on other tax projects such as TP, SAO & tax governance. **REF: R3643**

TRANSFER PRICING MANAGER

LEEDS — To £60,000

Our clients growing and evolving transfer pricing team is looking for an experienced Transfer Pricing Manager to further expand their transfer pricing service line offering. You should have a solid foundation of providing transfer pricing advice across a variety of industries and sectors. This role offers a great opportunity to progress and fast track your career to senior manager. **REF: B3650**

LOOKING TO RELOCATE TO THE NORTH?

N. WEST/YORKSHIRE/N. EAST — To £six figures

We have some fantastic opportunities for tax professionals thinking about a move to the North, with roles from Head of Tax/Tax Partner through to Assistant Manager in all areas of tax and across all major locations. If you are considering relocating then please do get in touch and we can talk you through the northern tax market to help you make an informed decision. **REF: B3654**

longman
tax recruitment

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