July 2025

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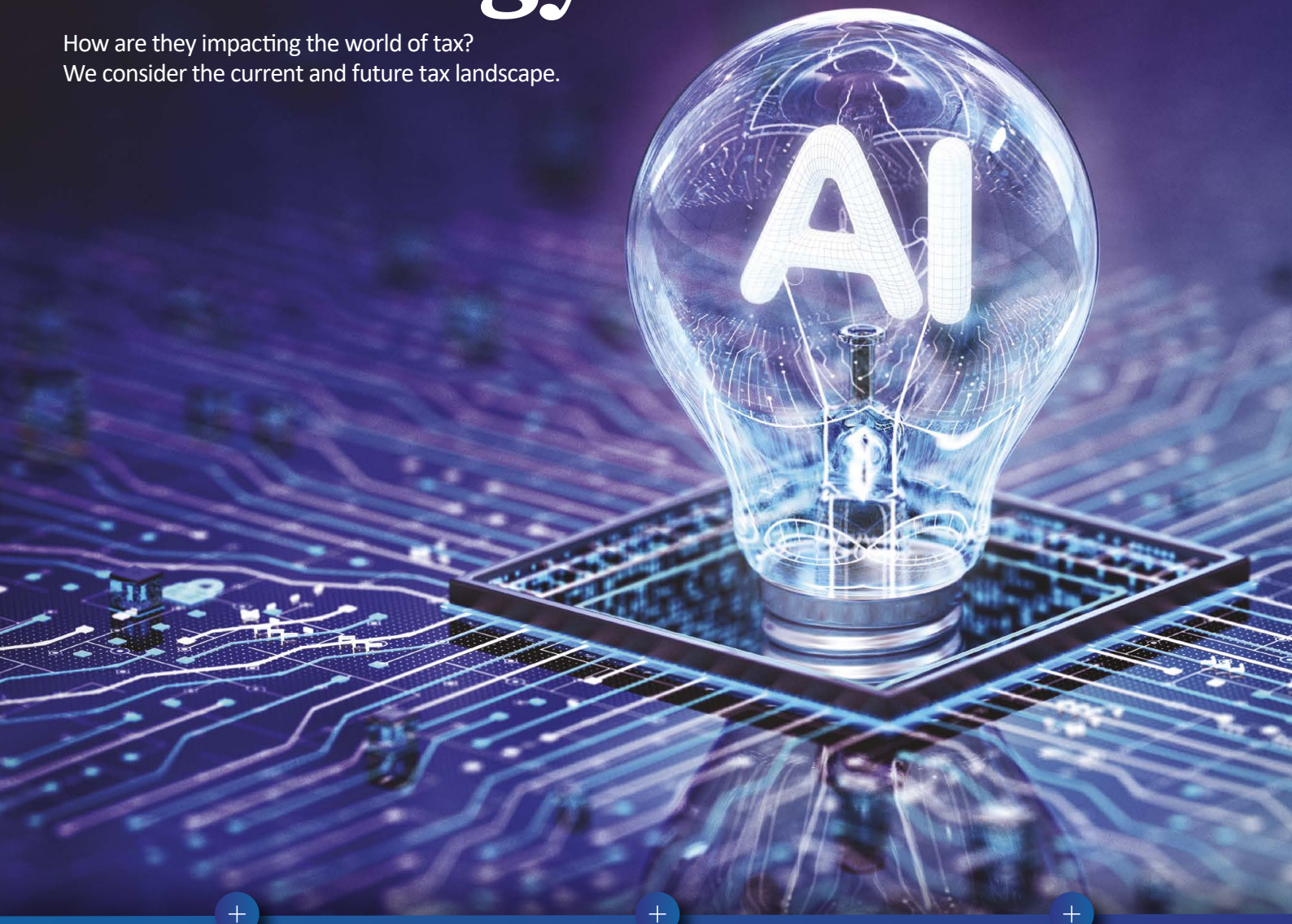

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Government strategy

HMRC plans to tackle non-compliance and the collection of outstanding debts

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HELEN WHITEMAN
JANE ASHTON

Welcome
Looking forwards

We were delighted to welcome almost 300 delegates, speakers and sponsors at our inaugural Tax Technology Conference on 4 June at the ICC Birmingham. The event was packed with insight, innovation and important conversations. From the future of AI in tax to the roll-out of Making Tax Digital for income tax, the conference showcased how rapidly our profession is changing. On page 40, we reflect on what it all means for the future of tax.

On 26 June, we welcomed new members of the ATT, prize winners and their guests to our latest admissions ceremony, held at the elegant 113 Chancery Lane in London. With over 200 attendees, it was a fantastic celebration of the vibrant future of the tax profession.

This month brings the results of the May examinations. We wish all our students the very best of luck. Your hard work and dedication have brought you this far, and we look forward to seeing many of you at our next admissions ceremonies as newly qualified members.

Gaining your ATT or CIOT qualification is only the beginning, though. Our members know that staying up to date is essential, and CPD is mandatory for both the Association and the Institute. Ongoing learning is what keeps our profession sharp, relevant and ready to meet the challenges of an evolving tax landscape.

For those who want to get up to date with the latest developments in capital taxes, ATT technical officer Helen Thornley will be presenting at the ATT's third all member session on 24 September. If you are an ATT member, keep an eye on your weekly updates for registration details. If you're a CIOT member, why not consider taking out joint membership – there are lots of benefits. In addition to free webinars, you will receive Tolley's Tax Guide, Whillans Tax Tables, an annotated copy of the Finance Act and a mouse mat with all the latest rates and allowances. See the full list of benefits at: tinyurl.com/4dtvfm5n.

On Wednesday 9 July, Simon York, former HMRC Chief Investigation Officer, will deliver the CTA Address at RSA House, London and via live stream. Please register at: www.tax.org.uk/ctaaddress2025. The CIOT Autumn Residential conference in Cambridge is 19 to 21 September, and you can find the full programme at: www.tax.org.uk/arc2025.

June was a bumper month for consultation responses with many of the Spring Statement and Tax Update, Simplification, Administration and Reform (TUSAR) day announcements requiring submissions. For a full lists of all the responses, see www.att.org.uk/technical/submissions, www.tax.org.uk/submissions/1 and www.litrg.org.uk/submissions.

Finally, as part of our ongoing mission to promote public understanding of tax, we're calling on our members to help bring tax into the classroom and highlight the rewarding careers the profession offers. Right now, many young people are leaving school with little to no understanding of tax, and this is something that affects them throughout their lives. While HMRC has created some excellent educational resources, many teachers feel unsure about how to use them, often due to their own limited knowledge of tax.

That's where you come in. Your expertise can make a real difference. By supporting local schools and teachers, you can help demystify tax for students. To show you how easy it is to get involved, Emma Rawson (Director of Public Policy) and Steven Pinhey (Technical officer) will be hosting a short, engaging webinar on Thursday 31 July, from 12:00 to 13:00. They'll explain how you can use your knowledge to support teachers, inspire students and contribute to a more tax-aware future generation.

This initiative is led by the ATT, but we warmly welcome members from both the Association and the Institute. Find out more at: tinyurl.com/ncn2c9r8. Let's work together to put tax on the curriculum!

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Regulars

ONLINE PICKS OF THE MONTH

Self-billing invoicing systems
Should they be considered by more business owners?
tinyurl.com/4arreney

UK exit tax charges
The tax implications for ceasing UK tax residency
tinyurl.com/428c4fdf

Tackling tax evasion
How can HMRC do better following recent NAO and Parliamentary reports
tinyurl.com/mr3ts9ms

NICHOLA ROSS MARTIN
PRESIDENT

Interesting conversations

> Government policy often has an unforeseen knock-on effect for tax and so it seems when it comes to reforms in the rental sector.

I noted when I took office that I was looking forward to a busy year in office, and it's just as well I came prepared.

My first event, following the AGM, was to support our joint Tax Technology Conference in Birmingham. The conference, 'Tax Tech 2025' was extremely well received. All credit is due to our CEO Helen Whiteman for devising the concept and our event team for pulling off it in such style.

The day kicked off with an insightful and witty keynote speech by Michael Mainelli, an economist, computer scientist and engineer, who is also the former Lord Mayor of the City of London. He was keen to note the fundamental weakness of placing any reliance on AI Large Language models (LLMs) because (as we all should know by now) they select outcomes based on probability of numbers – and not because the AI is capable of making any judgement per se. This is a good thing to remember: AI will catch you out. It's just a question of when and how.

One great thing about Tax Tech 25 was the enthusiasm of attendees. I lost count of the number of people who came up to me with their suggestions for *next year!*

The Chancellor Rachel Reeves held her spending review in June. Though she did not mention tax in her speech, the published papers show that she included £6.4 billion to cover the already proposed extra funding to modernise and digitalise HMRC and to tackle the tax gap. The government is clearly prioritising capital investment and is not, at this stage, trying to bank any 'quick wins' in terms of tax policy. However, HMRC does have a lot of consultations ongoing, and concluding, which are keeping the CIOT's technical team extremely busy. We expect more as the summer progresses.

Out and about in my new presidential role, I have had interesting conversations with industry stakeholders on the topic of business and agricultural valuations, ahead of the proposed inheritance tax changes. There is a growing consensus that HMRC's data understates the number of estates likely to be affected. Qualified valuers are in short supply, which will be challenging for both affected estates and HMRC. In the interests of transparency, it would be useful for HMRC to create a practical valuation model. AI would surely be useful here, if it were given full access to the Land Registry's data.

Government policy often has an unforeseen knock-on effect for tax and so it seems when it comes to reforms in the rental sector under leasehold reform. I have also been hearing reports of big changes in the rental markets as small landlords move out and bigger companies move in to take their place. The prospect of further capital gains tax rate changes is possibly a factor to consider here.

I was not going to mention tax and employment but when I heard that HMRC is going to look at joint and several liability in the context of reforms to combat PAYE avoidance in the 'umbrella' market, I could not resist. HMRC normally holds 'legislation day' in July. Perhaps we will learn more then...

In June, the CIOT and IFS held a successful debate on the future of international tax co-operation, which highlighted the intrinsic difficulties in reconciling trade policy and tax in a time of tariffs. There are competing interests in the US's approach with the OECD and UN. Whilst Pillar One may seem 'dead' from a US perspective, plenty of administrations in the UN camp support its measures. Conversely, difficulties with Pillar Two include the US's proposal of its 'draconian' section 899 (of 'the One Big Beautiful Bill'), which aims to discourage unfair foreign taxation, be it the undertaxed profits rule, digital services taxes or diverted profits taxes. Panellists came from three continents and displayed a commanding use of global tax acronyms – my favourites being GILTI (as in Global Intangible Low Taxed Income) and BEAT (Base Erosion and Anti-Abuse Tax).

Finally, who cannot be absolutely thrilled by the news that Meredith McCammond, Technical Officer at CIOT's Low Incomes Tax Reform Group (LITRG), was awarded the British Empire Medal (BEM) in the King's Birthday Honours List 2025 for services to vulnerable groups. Great work, Meri!

Enjoy the summer, back soon.

Nichola Ross Martin
President
president@ciot.org.uk

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- Getting ready for MTD
- The A to Z of Alphabet Shares: tax efficiency or trouble ahead
- The new regime for arrivers and leavers – new opportunities for advisers
- Tax implications of Rachel Reeves' first Budget
- "Get on and Build" – Property Taxes update
- Tax Avoidance: recent legislation, case law and the use of the GAAR
- Share Valuations for Capital Taxes – level playing field or moving the goalposts?
- A Sunday morning scamper through shares, school dinners and skullduggery
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GRAHAM BATTY
DEPUTY PRESIDENT

Making tax accessible

> The ATT has recently launched its own TikTok channel to ensure that we meet people where they are, with clear, engaging and accessible tax content.

This will be my final message as Deputy President, and I'd like to take this opportunity to reflect on the past year.

Many of you may recall that I began, back in July 2024, by sharing a little about my history in tax. I also reminded readers that this is actually my second time serving as Deputy President as I was honoured to hold the role previously in 2016-17. July marked more than just a change for the ATT; it was also a time of political change in the UK, with a new government taking office and the appointment of Rachel Reeves as the country's first female Chancellor of the Exchequer.

While the ATT remains steadfastly apolitical and does not comment on political matters, tax itself remains a highly topical issue across the political spectrum. The Autumn Budget was followed by the Spring Statement, with changes including substantial reforms to the non-domiciled tax regime and the introduction of caps on agricultural and business property reliefs for inheritance tax. If there's one certainty in tax, it's that there is never a dull moment and the pace of change continues to challenge and inspire all of us in the profession.

Throughout these developments, the ATT continues to evolve and adapt to the changing landscape, maintaining its position as the leading professional body for tax compliance. A landmark moment came last year when we welcomed our 10,000th member, a testament to the growing relevance and value of our work.

Making taxation accessible and relevant to the public is an ongoing priority. To achieve this, it's vital that we communicate through the channels people actually use. In 2024, we launched a series of 12 educational YouTube videos designed to demystify key tax topics. This year, we have produced another 12, covering everything from Making Tax Digital and the marriage allowance to some of the more unusual taxes from the past, including the soap tax!

The ATT has also recently launched its own TikTok channel, expanding our social media presence to ensure that we meet people where they are, with clear, engaging and accessible tax content. This is an exciting development that will allow us to reach a wider audience and continue to promote the importance and relevance of tax knowledge.

One of the highlights of any year is the ATT Admission Ceremony. This event never fails to inspire me. It is a true privilege to welcome our newest members into the profession and to celebrate not only their individual achievements but also those of our prize-winners. It's heartwarming to see these successes acknowledged in the presence of proud family and friends.

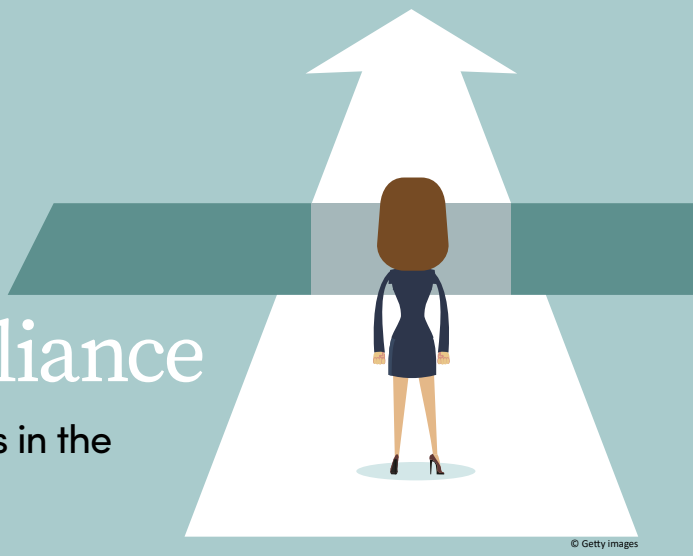
Of course, no achievement is ever truly the result of a solo effort. Behind every individual success story lies a network of support, whether it's the encouragement of family and friends, the dedication of tutors, or the backing of employers and colleagues. Many of our members have balanced the demands of rigorous study with family commitments or other personal challenges. Their determination and resilience are a powerful reflection of the values that underpin our profession.

Looking ahead, on 10 July I will step up to become President of the ATT, succeeding Senga Prior at our Annual General Meeting. Invitations to the AGM have been sent to all members, and I hope many of you will be able to join us for what will be an important event. At the same time, Barry Jefferd will take over as Deputy President, and Eleanor Theochari will become Vice President. I am confident they will both bring great energy and expertise to their new roles. Whilst this will be my last welcome page as Deputy President, I'm pleased to be leaving you in Barry's safe hands.

My presidential diary is already filling up with invitations. If any branches would like to invite me to join them, particularly for special events such as anniversaries, please do let the ATT office know.

Finally, as we approach the summer months, I encourage you to take time away from your usual routines. A well-earned break can do wonders for our focus and productivity. I hope you enjoy some restful and meaningful time away from your desks. Whatever your plans, I wish you a restful and enjoyable summer. I am excited about the year ahead and look forward to the privilege of serving as your President.

Graham Batty
ATT Deputy President
page@att.org.uk



The Tax Gap

Small company compliance

The 2023–24 Tax Gap figures highlight issues in the compliance yield for small companies.

by Bill Dodwell

HMRC published its estimate of the Tax Gap on 19 June 2025 – covering the 2023-24 tax year, with revisions of estimates for previous years (see tinyurl.com/5wxmky5c). The Tax Gap requires that HMRC statisticians and economists estimate the total tax due for the year; consider how much tax has been or will be brought in by HMRC's compliance activities; and then seek to allocate the missing amounts by taxpayer class and type of behaviour. Despite being calculated a year in arrears, estimates abound. HMRC has sought to measure the Tax Gap for 20 years and during that time has refined significantly its understanding of how to estimate the missing cash.

The 2023-24 Tax Gap is estimated at 5.3% of the total tax due, at £46.8 billion. The tax gap for 2022-23 has been revised upwards from the originally estimated 4.8% (£39.8 billion) to 5.6% (£46.4 billion), due to improvements in data quality, the availability of more up-to-date information and methodology changes.

The small company tax gap

The headline this year is on the size of the small company tax gap, which has grown significantly over the last 12 years. Interestingly, the small business tax gap is due more to small companies, with a 40% tax gap, rather than to under-reported self-employment income (which at 23% is the largest component of the 12.5% Self Assessment tax gap). Small businesses are defined for 2023-24 as those with sales up to £10 million, and up to 20 employees.

The Tax Gap figures show that HMRC's compliance yield over the last five years from small companies is a very small percentage of the gross tax gap – around 1% in 2022-24) (see tinyurl.com/mtn2t2sh). The compliance yield from medium sized companies is higher at 8% to 13% (and 13% in 2023-24). The compliance yield from large companies is much more significant at 44% to 55% (and 47% in 2023-24). No doubt this will be seen as demonstrating the value of HMRC's customer compliance manager model. HMRC's data from the random enquiry programme (the basis for estimating some of the tax gaps) shows that in 2021-22 53% of small companies had errors in their returns, with errors in 43% of Self Assessment business returns.

One of the more challenging parts of the report is estimating the different behaviours behind the Tax Gap. HMRC's data attributes the largest (and growing) part to failure to take reasonable care (31%), with error the next most significant category (15%). Avoidance is the least significant category (1.5%) – and has been so for the last five years. Evasion continues to increase and is the third most important category. HMRC estimates that criminals managed to steal some £4 billion in 2023-24, through a combination of alcohol and tobacco smuggling and repayment fraud.

A global problem

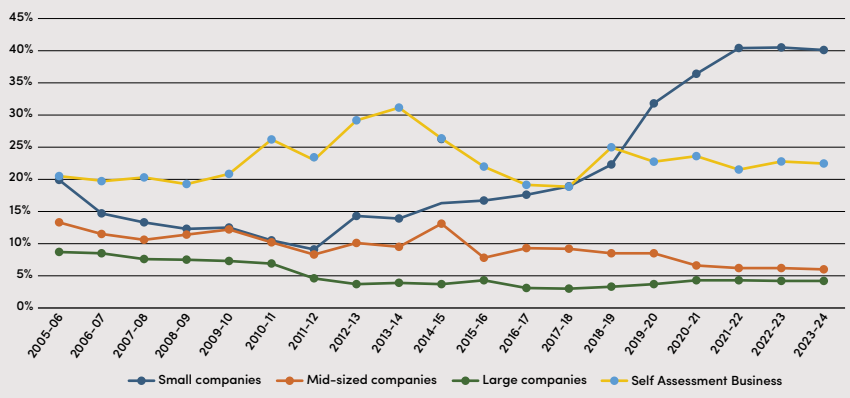
The United States also produces a Tax Gap analysis. It isn't as up to date as the UK but its 2022 analysis showed a much larger Tax Gap and, like the UK, a large small business gap (see tinyurl.com/3e3mkvn8). The estimated Total True Tax Liability for 2022 was $4,635 billion and, after enforced and other late payments of $90 billion, the tax not collected was $606 billion – a gap of 13.1%. Individual business income was $194 billion, with self-employment tax amounting to $71 billion and small company corporate tax $19 billion – meaning that small business accounted for about half the US tax gap.

In many ways, it is inevitable that the small business tax gap will be significant in most countries. Historically, it is the part of the tax system where only the taxpayer has the detailed information – unlike employment, for example. However, new business opportunities through platforms also mean new sources of third-party data for tax authorities, and this is being taken forward internationally.

HMRC's recent Third Party Data consultation (see tinyurl.com/xn5xja6a) also highlighted the value of tax authorities receiving more data from processors on credit/debit card payments to suppliers.

Making Tax Digital for Income Tax is expected to reduce errors through requiring better record keeping, although some tax agents point out that this will include missing expenses, as well as missing income. The scale of the small business tax gap shows the need to focus on a wide range of approaches.

DIAGRAM 1. CORPORATION TAX AND SELF ASSESSMENT TAX GAPS



Name: Bill Dodwell
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Profile: Bill is the former Tax Director of the Office of Tax Simplification and Editor in Chief of Tax Adviser magazine. He is a past president of the CIOT and was formerly head of tax policy at Deloitte. Bill joined the Administrative Burdens Advisory Board in 2019 and is a non-executive board member of HMRC. Bill won the Lifetime Achievement Award at the Tolley's Taxation Awards in 2024 and writes in a personal capacity.


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- Current tools and programmes for data analysis, automation and integration, including AI-powered solutions
- Updates to common tax compliance standards and guidelines such as HMRC's Making Tax Digital (MTD)
- Latest advancements in digital finance with new material on crypto regulation, stablecoins and global disclosure standards

It's a great time to take a look at the updated DITT programme.
Find out more and register at **www.tax.org.uk/ditt**

Closing the tax gap
Government strategy refined

The Spring Statement 2025 brought some real light to bear on HMRC plans to tackle non-compliance and the collection of outstanding debts.

by Tharaka Mudalige, Chris Chinnick, Lucy Sharrock and Polly Pendrich

On 26 March 2025, the Chancellor of the Exchequer Rachel Reeves delivered the Spring Statement 2025, unveiling a comprehensive package of measures designed to address the UK's persistent tax gap. The Autumn Budget 2024 had demonstrated that the government is committed to supporting HMRC's mission to collect all taxes which are due, and there was anticipation for what may follow in the Spring Statement 2025.

Whilst the Budget announcements in 2024 outlined the measures the government planned to put in place to raise tax revenue, a major update that came from the recent Spring Statement 2025 was the announcement of a package of new measures that HMRC will implement, which are intended to reduce tax debt and close the tax gap, in keeping with the government's pre-election pledge from April 2024.

HMRC's most recent 'Measuring Tax Gaps' publication, released in June 2025, estimated that the tax gap – which is the difference between the tax which should have been paid in theory and the amount that is actually paid – stood at £46.8 billion in absolute terms in 2023/24.

The measures in the Spring Statement have a stated aim to collect over £1 billion in additional gross tax revenue per year by 2029-30.

Separately, the government estimates that by the end of December 2024, the tax debt owed to HMRC stood at more than £44 billion, of which £20 billion was over 12 months old. The Spring Statement aims to reduce this both by investing in HMRC's Debt Management team and creating a greater incentive to pay on time by increasing penalties on those who fail to pay their liabilities by the statutory deadlines.

Key Points

What is the issue?
HMRC is intensifying efforts to tackle initial non-compliance and the collection of outstanding tax debts by raising penalties for late VAT payments, hiring more staff and allocating additional resources to its debt management teams. Tax advisers found to be promoting tax avoidance schemes may face suspension from registering with HMRC.

What does it mean to me?
Individuals and businesses should be conscious of HMRC's commitment to undertaking additional compliance activity, as well as the increased penalties where tax is not paid by the statutory deadline.

What can I take away?
The government is considering a range of measures designed to support HMRC's efforts to close the tax gap, including significant investment, clearer behavioural guidelines for taxpayers and penalties that are designed to deter non-compliance. The increased investment in HMRC Compliance and Debt Management teams will result in faster action if individuals and businesses fail to meet their tax compliance obligations.

This article examines the four principal strategies outlined in the Spring Statement 2025 to close the tax gap: increasing prosecutions for tax fraud; expanding compliance interventions; raising penalties for late payments; and investing in HMRC debt management staff.

Increasing prosecutions for tax fraud

A central feature of the Spring Statement is the government's explicit commitment to intensifying the prosecution of tax fraud. HMRC has announced a target to increase the number of charging decisions for tax fraud by 20% by 2029-30. This target will be met by undertaking additional criminal investigations into both companies and individuals.

In cases where HMRC suspects tax fraud, it reserves the right to progress enquiries either through criminal investigation or through its civil investigation procedures, which include cases dealt with under Code of Practice 9 (COP 9). As a result of this commitment, we can expect an increase in the number of criminal investigations that HMRC instigates, either where it is determined that a civil procedure is not appropriate or where a person offered entry into the Contractual Disclosure Facility under COP 9 does not make a full disclosure.

To support this targeted increase in criminal investigations, HMRC is formalising its approach to paying informants. HMRC has always maintained discretion about paying informants, paying £978,256 in 2023-24. The new scheme, modelled on the US and Canadian systems, will reward informants with payments based on a percentage of the tax recovered as a result of their actions.

The language used in the Spring Statement also provides an insight into where these investigations may be targeted. Specific references were made to individuals and companies who make it possible to hide money offshore, and to tax fraud facilitated by those representing large corporations. Whilst not explicitly mentioned, the latter suggests an increased focus on the Corporate Criminal Offence, brought in by the Criminal Finance Act 2017, which can lead to fines and criminal conviction for a company which fails to prevent the facilitation of tax evasion by an associated person.

Expanding compliance activity

To further strengthen tax compliance, the government is investing in additional HMRC staff and resources. The Spring Statement announced the recruitment of 500 new compliance staff, supplementing the 5,000 positions announced in the Autumn Budget. This investment, at a cost of £100 million, is projected to yield an additional £241 million in tax revenue over the next five years.

Over the same period, the government will increase the number of HMRC staff to tackle wealthy offshore non-compliance by 400, which is forecasted to return over £500 million across five years. This will involve bringing in specialists with expertise in wealth management, as well as leveraging AI and analytics to more effectively identify and scrutinise those concealing their wealth.

Penalties for late paid VAT	Before Spring Statement 2025	After Spring Statement 2025
If paid within 15 days of the due date	No penalty	No penalty
If paid within 16 to 30 days of the due date	**2**% of the amount owed at day 15	**3**% of the amount owed at day 15
If paid 31 days or more from the due date	The sum of: ● **2**% of amount owed at day 15; ● **2**% of the amount owed at day 30; and ● daily penalties calculated at **4**% per annum.	The sum of: ● **3**% of amount owed at day 15; ● **3**% of the amount owed at day 30; and ● daily penalties calculated at **10**% per annum.

Focus on tax advisers

HMRC is also looking to strengthen its ability to take action against tax advisers who facilitate non-compliance for their clients. A consultation, which ended on 7 May 2025, asked for views on the introduction of stronger penalties against tax advisers who contribute to the tax gap, including the publication of their details if they are subject to HMRC sanctions, the expansion of information notices that can be issued to tax advisers, and the sharing of information about tax advisers with their professional bodies where appropriate.

These proposals are designed to influence the behaviour of tax advisers by ensuring that they are disincentivised from action that has the potential to increase the tax gap.

The reforms being considered in the consultation follow the Autumn Budget statement that all tax advisers who interact with HMRC must register with HMRC from April 2026. HMRC has stated that this will give it options for compliance enforcement, as tax advisers not meeting the required standards can be suspended from registration. These reforms build on existing powers to take action against 'promoters of tax avoidance schemes' and 'dishonest' tax agents.

To support taxpayers in meeting their obligations, HMRC is also working on a transformation roadmap to 'deliver the digital services which will mean a better experience for our 35 million individual taxpayers, for agents, and for the more than 5 million businesses in the UK', as the Exchequer Secretary announced in March. The Transformation Roadmap is expected to be published in summer 2025 and will set out how HMRC will move towards its ambition to be a fully digital tax authority.

Investing in debt management

Recognising the scale of outstanding tax debt, the government is making a substantial investment in HMRC's debt management capability. It will recruit 600 additional HMRC Debt Management staff to increase the collection of overdue tax debt, in addition to the 1,800 new recruits announced in the Autumn Budget.

The government will invest £114 million into HMRC's Debt Management team over the next five years, which is forecasted to ensure the collection of an additional £2.8 billion of tax revenues in the same period. In addition to internal staffing, there are plans to invest £87 million over the next five years in HMRC's existing partnerships with the private sector debt collection agencies to increase their capacity to collect tax debt.

A key operational change is the reintroduction of 'direct recovery' powers, allowing HMRC to recover outstanding tax debts directly from the bank accounts of individuals and companies who have the means to pay but choose not to. This measure is targeted at those who are aware of their liabilities and have the ability to settle them, reinforcing the message that deliberate non-payment will not be tolerated.

HMRC, in partnership with Companies House and the Insolvency Service, has also committed to a joint plan to tackle contrived insolvencies, committing to the increased use of upfront payment demands, making more directors personally liable for company taxes and increasing enforcement sanctions where they suspect 'phoenixism'.

Increased rates on late payment penalties

Late payment penalties are currently in place across all UK tax regimes. From April 2025, HMRC has chosen to increase these penalties specifically for VAT payments, to encourage taxpayers to pay their liabilities on time. Following the Spring Statement 2025, the penalties that applied for late paid VAT were increased significantly (see box).

Penalties will also be increased for income tax self-assessment taxpayers as they join Making Tax Digital for income tax. From April 2026, those with self-employment income of more than £50,000 will be required to file quarterly under Making Tax Digital. From April 2027, this will be extended to those with an income of £30,000 or more. The payment penalty increases for late payment of VAT noted above will also apply to those who join Making Tax Digital. These changes have been put in place to encourage payments to be made on time.

Conclusion

The announcements in the Spring Statement show that the government is committed to introducing measures designed to close the tax gap. For businesses and individuals, it will be more important than ever to understand the potential consequences of not complying with their tax obligations.

Whilst much of the Statement was focused on deliberate non-compliance, it is clear that HMRC scrutiny will not only be confined to intentional behaviour. With the increased investment in HMRC's compliance staff, there will be more capacity to detect and challenge a wider range of behaviours, including those arising from misunderstanding or a lack of care, particularly where income or assets are held outside of the UK.

Individuals and businesses need to be proactive in maintaining accurate records and seeking professional advice where there is any uncertainty about how tax rules apply in their individual circumstances. They should also be aware of the various routes to make a disclosure to HMRC where they identify historic liabilities that have been unpaid. Those who fail to keep up with their obligations could potentially face investigation and significant penalties as a result.

We would like to thank Lucy Sharrock, Senior Associate, and Polly Pendrich, Associate at PwC, for their assistance with this article.

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CBAM in 2025 and beyond
What every business needs to know

As the EU's Carbon Border Adjustment Mechanism (CBAM) and its UK counterpart near full implementation, importers must be prepared for the imminent changes relating to carbon emissions.

by Craig Stobo

The Carbon Border Adjustment Mechanism (CBAM) has developed rapidly from a policy concept into a central pillar of climate and trade regulation in Europe and is on its way to becoming the most high-profile 'carbon tax' implemented to date.

At its core, CBAM is the European Union's response to the risk of 'carbon leakage': the scenario where companies shift production to countries with weaker climate rules, undermining the EU's efforts to reduce greenhouse gas emissions. By placing a carbon price on certain imported goods, CBAM ensures that these imports face a cost comparable to that paid by EU producers under the Emissions Trading System (ETS). Ultimately, the mechanism aims to make things fairer, encourage cleaner global manufacturing, and help the EU to achieve its ambitious climate targets.

The EU CBAM's transitional (or reporting) phase began in October 2023. During this period, which runs until the end of 2025, importers of high-carbon goods – such as iron and steel, cement, aluminium, fertilisers, hydrogen and electricity – are required to submit quarterly reports detailing the greenhouse gas emissions embedded in their imports. However, they are not yet required to purchase CBAM certificates (the means by which payment of the new carbon tax is to be made in the EU). This 'soft launch' gives businesses and regulators time to adapt before the full, financially binding regime comes into force from the start of 2026.

Meanwhile, the UK has developed its own CBAM. The UK's version will start on 1 January 2027 and closely mirrors the EU's approach in many respects, although there are differences in scope, timing and administration. Both systems remain under active consultation and refinement, reflecting the complexity and significance of this new tax and regulatory landscape.

Recent EU updates

The EU has been actively refining CBAM in response to feedback from businesses and the practical lessons learned from the collation of data (or the lack thereof) during the transitional phase. In early 2025, the European Commission launched a major simplification package, which included a new de minimis threshold: importers bringing in less than 50 tonnes of CBAM goods per year are now exempt from reporting. This move should remove about 90% of importers from the reporting burden while still capturing the vast majority of emissions, thus making compliance easier for smaller businesses.

The Commission has also streamlined the authorisation process for CBAM declarants, simplified emissions calculations and introduced stronger anti-abuse and anti-circumvention measures. For example, EU-origin precursors are now de facto excluded from CBAM reporting, as they are already covered by the ETS. The reporting threshold is now based on annual tonnage rather than value per consignment, providing greater clarity and predictability.

From 2026, the definitive CBAM regime will require importers to report the

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Key Points

What is the issue?
The EU has been refining its CBAM framework during its transitional phase, which continues until the end of 2025. Importers are required to submit quarterly reports on the greenhouse gas emissions of their imports, though certificate purchases – the actual mechanism for payment – are deferred until 2027. Following its departure from the EU, the UK has developed its own similar CBAM, set to commence on 1 January 2027.

What does it mean to me?
At the UK-EU Summit on 19 May 2025, both parties committed to linking their ETS systems and exploring mutual exemptions to avoid double taxation. This includes harmonising reporting and verification methodologies, addressing differences in carbon pricing, and ensuring compatibility between the two regimes.

What can I take away?
Businesses importing into either the EU or the UK need to prepare for robust reporting requirements on embedded carbon emissions. Immediate priorities include establishing robust systems for tracking imports, collecting accurate emissions data, and engaging with suppliers.

embedded emissions in covered imports and calculate their consequential CBAM liabilities, with the purchase and surrender of CBAM certificates for every tonne of CO_2 equivalent embedded in their covered imports beginning from the start of 2027. The EU will peg the price of these certificates to the weekly average of the EU ETS allowance price. Notably, the deadline for CBAM declarations and certificate surrender is being extended from 31 May to 31 August each year, giving more time to gather data and reducing the risk of non-compliance due to tight deadlines.

However, penalties for non-compliance will be significant. During the transitional phase, fines can range from €10 to €50 per tonne of unreported emissions; however, from 2026, failing to surrender enough certificates will result in a penalty of €100 per tonne, adjusted for inflation. The EU may bar persistent offenders from importing CBAM goods into the Single Market and could publicly name and shame them.

The European Commission is currently running a public consultation on the future of the EU ETS and CBAM, open until 8 July 2025, which is gathering stakeholder feedback on the effectiveness of the existing regime and potential changes. Separately, the expansion of CBAM to new sectors and products remains under consideration. The Commission has also announced plans for an EU Industrial Decarbonisation Accelerator Act, expected in late 2025, which will further support the implementation of CBAM and drive decarbonisation across European industry.

> **From 2026, failing to surrender enough certificates will result in a penalty of €100 per tonne.**

Recent UK Updates

The UK government has taken significant steps in 2025 to advance its own CBAM. On 24 April 2025, HMRC and HM Treasury published draft primary legislation for technical consultation – this runs until 3 July 2025. This technical consultation is not a further review of the policy design itself; rather, it is an opportunity for stakeholders to ensure that the legislation accurately delivers the government's policy intent.

The government has also published a CBAM policy update, setting out key decisions taken following the response to the 2024 policy consultation.

The UK CBAM will apply from 1 January 2027 to imports of aluminium, cement, fertilisers, hydrogen, iron and steel. Notably, electricity, glass and ceramics are not included in the initial phase but may be added later. The minimum registration threshold has been revised upwards and is now set at £50,000 of CBAM goods imported in a 12 month period, meaning that only larger importers are required to register and comply. There are also detailed provisions for group treatment, allowing connected companies to register as a group and share liability for CBAM payments.

UK importers will need to submit annual CBAM returns for 2027, with payments due by May 2028. The first return will cover the entirety of 2027 in one 12 month period, before the system moves to quarterly returns from the start of 2028 onwards. Emissions data must be verified by an accredited body, and default values will be used where such data isn't available. The UK also confirmed that it will exclude imported scrap products from the aluminium and iron and steel sectors from CBAM during its initial phase.

Penalties for non-compliance in the UK are expected to mirror those which already exist for VAT, with the possibility of additional administrative or criminal sanctions for deliberate fraud or evasion. The government has established a CBAM Joint Industry Working Group to engage with affected sectors and an International Group to co-ordinate with other governments. And the UK government will also publish further detailed guidance and delegated legislation before implementation.

Closer EU-UK alignment: the 19 May 2025 Summit

The UK-EU Summit on 19 May 2025 marked a turning point in CBAM alignment. Both sides publicly committed to working towards linking their respective Emissions Trading Systems, which would pave the way for mutual exemption from CBAM charges for UK-EU trade.

This would be a win for businesses operating in both markets in respect of reducing double compliance and administrative costs, but there will also be a need to address the divergence in the current carbon prices between the two

EU TIMELINE

To December 2025: Transitional phase, with quarterly reporting but no certificate purchase. Ongoing simplification and alignment efforts, including the new de minimis threshold and streamlined reporting.

Late 2025: Finalisation of amendments to the CBAM Regulation, including further simplification and anti-abuse measures.

Q4 2025: Announcement of the EU Industrial Decarbonisation Accelerator Act. This is expected to further drive decarbonisation and support CBAM implementation.

January 2026: Definitive CBAM regime begins. Importers must report and account for the embedded emissions in covered goods – figures must be independently verified. Full embedded emissions coverage will be phased in up to 2034.

January 2027 onwards: Importers buy and surrender certificates for their CBAM liabilities in respect of embedded emissions in covered goods (from the period starting 1 January 2026).

2027 to 2030: The EU will review CBAM's effectiveness and consider expanding its scope to additional sectors, including chemicals, plastics, oil and gas, as well as to downstream products. The Commission will also monitor circumvention risks and may provide additional guidance on complex supply chains. In addition, it is expected to address the CBAM treatment of exported goods from the bloc.

The European Commission's ongoing consultation on the future of the EU ETS and CBAM, which is open until 8 July 2025, is a key opportunity for businesses to provide feedback on the operation and future direction of the regime.

UK TIMELINE

April to July 2025: Technical consultation on draft primary CBAM legislation, with feedback due by 3 July 2025.

From May 2025: Ongoing dialogue with the EU on ETS linkage and mutual recognition of carbon pricing.

Late 2025: Final legislation and detailed guidance expected.

January 2027: UK CBAM goes live, with annual returns and payments for 2027 due by May 2028.

2028 onwards: Quarterly returns and payments, with the potential expansion to more sectors and products.

The UK government has committed to engagement with stakeholders through its CBAM Joint Industry Working Group and will publish further guidance and delegated legislation before the regime goes live.

different ETSs (currently around €70 per tonne under the EU ETS and £40 per tonne under the UK ETS). One can envisage a scenario where if the UK price aligns upwards to meet the EU price, certain sectors of UK industry may view the previous noted 'win' as somewhat of a pyrrhic victory (agriculture being one such example).

The summit also highlighted joint efforts to harmonise reporting and verification methodologies, develop robust default values and streamline the authorisation process for importers. Both the EU and UK are working to ensure that their CBAM frameworks are compatible, thus making it easier for businesses to comply, whilst also reducing the risk of trade friction.

While formal linkage and mutual exemption are not yet in place, the intent to make this so is very clear. The EU and UK actively continue negotiating these points, and further steps toward formal alignment are expected in late 2025 and into 2026. One key area of focus is likely to be the differing start dates of the respective live (or definitive) regimes. A failure to align these could result in no exemption being in place between the UK and the EU for 2026, thus placing an additional administrative burden on UK suppliers into the EU, and both additional administrative and cost burdens on EU declarants who are importing affected goods from the UK.

Practical implications for businesses

Immediate priorities

For businesses, the most pressing task is to comply with the EU's transitional reporting requirements. If you import covered goods into the EU, you must submit quarterly CBAM reports detailing the embedded greenhouse gas emissions in your products. From 2026, these reports will require to be independently verified, and businesses will need to buy certificates from the start of 2027 to cover their emissions liability for the period starting 1 January 2026.

UK importers should prepare for similar requirements from 2027, including annual and then quarterly online returns, verified emissions data and online payments in respect of their CBAM liabilities.

Both regimes require robust systems for emissions data collection, supplier engagement and compliance reporting. All the signs are that the use of estimated emissions data in both the UK and EU is likely to be more expensive for businesses than obtaining and reporting actual emissions data. From a commercial perspective, a proactive approach to managing the new tax could involve renegotiating or updating contracts with suppliers to ensure that emissions data is provided and verified, investing in carbon accounting technology and ultimately switching to suppliers who are more advanced in their decarbonisation approach.

Supply chain and data challenges

CBAM compliance is not just a finance or tax issue – it's a cross-functional challenge. The data needed to comply is often scattered across procurement, operations, sustainability and IT systems. Businesses must work across departments to track imports, collect emissions data and ensure timely,

accurate reporting. For many, this means identifying data gaps, training staff and working closely with suppliers, especially those in jurisdictions with less developed carbon reporting systems.

Financial planning

The cost impact of CBAM will depend on the carbon intensity of your imports and the prevailing carbon price – this has fluctuated over recent years (sometimes markedly) whilst steadily ticking ever higher. Businesses should run scenario analyses to estimate their CBAM liabilities and consider supply chain adjustments – such as sourcing from lower-emission suppliers – to manage costs. Taking steps to reduce carbon emissions can lower costs and improve competitiveness.

Penalties and risks

Non-compliance carries significant risks. In the EU, penalties for failing to surrender enough CBAM certificates will be €100 per tonne from 2026, and similarly stringent penalties are expected to apply in the UK. Persistent non-compliance can result in exclusion from the EU Single Market and the UK Internal Market, as well as public 'naming and shaming'. There are also reputational risks, as customers and investors increasingly expect transparency and climate responsibility from business. In some cases, criminal sanctions could apply for deliberate fraud or evasion.

De minimis threshold

Small importers will benefit from a de minimis exemption: if you import less than 50 tonnes of CBAM goods per year into the EU, you are exempt from reporting and certificate obligations. The UK's threshold is based on import value (£50,000 per year). However, businesses should keep accurate records to prove that they are under the threshold, as exceeding it – even slightly – will trigger full compliance.

In conclusion

CBAM is more than just another compliance requirement – it's a major shift in how carbon costs are managed in international trade. For businesses importing into the EU or the UK, the message is clear: act now to get your systems, data and supplier relationships in order. The penalties for non-compliance are steep and the reputational risks are real but there are also opportunities for those who get ahead.

By investing in decarbonisation, strengthening supply chain transparency and engaging with policymakers, businesses can not only avoid pitfalls but also position themselves as leaders in the new low-carbon economy.

The recent UK-EU summit and ongoing regulatory updates signal a future of closer alignment and, potentially, smoother cross-border trade for compliant businesses. However, this new environmental indirect tax landscape – and carbon taxes in particular – will keep evolving, with more sectors likely to be brought into scope and reporting requirements set to become more stringent. We will all have to become used to the idea that carbon accounting will be as central to business operations as traditional financial accounting has been. However, by staying informed, investing in robust compliance systems and pro-actively managing the new carbon tax, businesses can turn CBAM into a competitive advantage.

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Residential conversions
VAT saving opportunities

We consider how you can minimise the VAT bill when you are converting a non-residential building into dwellings.

by Neil Warren

The brainchild of this article came when I visited a pub near my local theatre, only to discover that it had permanently closed its doors and will be converted into apartments. A quick question to the impressive new AI link on my mobile phone revealed that pubs in England, Scotland and Wales are closing at a 'rate of more than three per day, an alarming increase compared to 2023'.

In this article, I will consider the VAT issues of a developer buying a pub – or any non-residential building – and converting it into dwellings, focusing on the VAT saving opportunities of these arrangements.

Buying the building: form VAT1614D

Let us call our imaginary developer Marple Developers Ltd, which will purchase the freehold of The White Swan in St Mary Mead from Poirot Brewery and convert it into six apartments, which will then be sold at a profit.

The first challenge is to check whether Poirot Brewery has opted to tax its interest in the building; i.e. will it charge 20% VAT on the sale proceeds? Even if Marple can claim input tax on the project costs – see **Input tax** below – there are two benefits in not being charged VAT:

- Stamp duty land tax: SDLT is charged on the VAT inclusive price of a deal, so there will be an extra 5% cost on the VAT element.
- Cash flow: There is a cash flow challenge in paying VAT on the completion date and waiting up to three months to claim input tax from HMRC on a return.

Key Points

What is the issue?
Residential conversions are expected to increase in the coming years, so it is important that developers utilise the VAT saving opportunities in the legislation.

What does it mean to me?
Developers should be clear that a change in their intentions – for example, deciding to rent rather than sell the converted units – will have an impact on input tax claimed in the previous six years because of the payback and clawback rules.

What can I take away?
Timing is important. Form VAT1614D must be issued to the property owner before the deal takes place; otherwise the developer must pay VAT on the buying price if the seller has opted to tax the building, which will create cash flow challenges and extra stamp duty land tax costs.

There is an escape route for Marple: if a director completes and signs HMRC's form VAT1614D to confirm the company's intention to convert the pub into dwellings, the

purchase will be exempt from VAT; i.e. the brewery's option to tax election is overridden:

- The form must be given to Poirot before the price is legally fixed, usually before exchange of contracts.
- It should be signed by a responsible person.
- The form will not be sent to HMRC but retained by Poirot in the event of a future compliance review.

A question I was sometimes asked when I was on the speaking circuit was whether planning permission had to be in place to convert a non-residential building into dwellings before form VAT1614D could be issued to the seller. The answer is 'no' because the form is only certifying a buyer's **intention** to convert it into dwellings. However, a buyer should retain commercial evidence to prove that this 'intention' is genuine, such as surveyor reports, marketing data about future sales, and business plans.

Note: Form VAT1614D can also be used when the buyer intends to convert a non-residential building into a building which will be used for a 'relevant residential purpose', such as an elderly care home or student accommodation (see VAT Notice 742A para 3.4.1).

Builder services: 5% VAT

Marple Developers is now the proud owner of The White Swan. Its building contractors are standing outside the building with their spades and are ready to start work:

- Construction services that relate to the conversion of a non-residential building into a residential building – including dwellings – are subject to 5% VAT. This reduced rate also applies to materials supplied by builders as part of their work.
- For dwellings, contractors do not require any certificate from the developer to confirm the 5% rate (see VAT Notice 708 s 17).
- The 5% rate applies to all construction work, such as that carried out by electricians, plumbers, bricklayers, decorators and so on. However, it does not apply to the professional services of, say, architects, project managers or surveyors, which are always standard rated.
- The exception with professional fees is when a contractor agrees a 'design and build' contract with the property owner, so that the professionals will supply their services to the contractor. In this case, the 5% rate will extend to professional services.

See Value Added Tax Act 1994 Sch 7A Group 6.

Input tax

Marple Developers has paid 5% VAT to builders and 20% VAT to professionals. It has also paid 20% VAT to builders' merchants for materials that it has purchased without labour. The challenge is to reclaim this VAT as input tax, which will be possible because of its intention to sell the completed dwellings on either a freehold basis or with a lease exceeding 21 years (or 20 years in Scotland), in which case the sales will be zero-rated.

Note: I have assumed in this case study that The White Swan was wholly used as a commercial building and was not partly residential.

Change in intention

Let us put a spanner in the building works. The property market has slowed and Marple has decided to rent out the completed apartments on a buy-to-let basis. It intends to sell them in the future when the market will hopefully be stronger:

- Buy-to-let rental income is exempt from VAT and input tax is therefore blocked by partial exemption (see VAT Notice 706).
- The starting point is that input tax previously claimed by Marple – on the basis of its intention to make zero-rated sales – must be repaid to HMRC on the return that includes the date when it **changed** its plans; i.e. deciding to rent rather than sell. This outcome is known in VAT speak as the 'payback and clawback rules'. The time window for adjusting past input tax claims is six years.
- The payback and clawback rules work both ways: if Marple did not claim input tax because it intended to make exempt supplies, this tax could be subsequently reclaimed if it changed its intentions and decided to sell rather than rent out the completed apartments; i.e. making taxable sales instead.
- It is all about the first supply as far as the payback and clawback rules are concerned.

Two solutions

The input tax repayment to HMRC with the payback and clawback rules will be as welcome to Marple as a police sniffer dog with a heavy cold but there are two possible solutions:

- **Solution 1:** Marple could sell the completed dwellings to a connected party; e.g. a separate limited company or different legal entity to the one that has converted them. The sales will be zero-rated and so avoid an input tax problem; and the connected party will generate the rental income. This strategy is accepted by HMRC as legitimate tax planning but the impact of other taxes must be considered.
- **Solution 2:** The company could make a dual purpose input tax calculation if the rental arrangement is intended to be a temporary measure (see ***Change of intention: partial exemption calculation***).

Final twist: part commercial use

Imagine that we have an Agatha Christie twist to the tale. Before buying the building, Marple decided to retain, say, the ground floor of the pub for commercial use, perhaps a shop, and only convert the two upper floors into dwellings. The VAT position has changed:

CHANGE OF INTENTION: PARTIAL EXEMPTION CALCULATION

Marple Developers has decided to rent out the six converted apartments for two years and then sell them on the open market. The total rental income will be £150,000 and it is expected that the apartments will sell thereafter for a combined total of £1.35 million. Input tax correctly claimed on past returns – when it intended to sell rather than rent – is £90,000.

The potential input tax clawback based on an expected sales split is:

$$£90{,}000 \times \frac{£150{,}000}{£1.5 \text{ million}} = £9{,}000$$

It must be repaid on the return that includes the date when Marple decided to rent rather than sell the apartments.

Note: HMRC will accept any clawback calculation provided that it fairly reflects the use of costs in making taxable supplies. A calculation based on estimated future sales usually gives a fair outcome.

Ref: HMRC's VAT Information Sheet 7/08

- Form VAT1614D can still be issued to Poirot Brewery but it will only apply to the parts of the building that will be converted into dwellings. It will be logical on a floor-by-floor basis for two-thirds of the selling price to be exempt, and that 20% VAT will be charged on the one-third element for the ground floor.
- The builder services will be subject to 5% VAT for work on the two upper floors but 20% VAT will be charged for work on the ground floor.
- If construction services are relevant to all parts of the building – such as roofing work or ground floor foundations – the VAT charged by the builders must be apportioned on a fair and reasonable basis.
- To claim input tax on the ground floor building work, it might be sensible for Marple to opt to tax its interest in the building, so that future rental income or other supplies earned from the ground floor shop will be standard rated. The partial exemption challenge has gone away.

Conclusion

The legislation is intended to encourage the construction of extra dwellings in the UK, hence why the generous VAT concessions considered in this article are so important.

An annual government target of 1.5 million new UK homes means that residential conversions will be an important part of this ambitious target. To complete the loop, I have summarised the key issues (see ***VAT saving tips: residential conversions***).

VAT SAVING TIPS: RESIDENTIAL CONVERSIONS

- Ensure that form VAT1614D is issued to the owner of the commercial property if they have opted to tax their interest in the building; i.e. so that the purchase is exempt rather than standard rated.
- Builders should only charge 5% VAT on their services, including the materials they supply as part of their work.
- Developers can claim input tax on all project costs if they intend to sell the dwellings when they are completed on either a freehold or long leasehold basis; i.e. because they are making taxable sales.
- If a conversion project is part commercial and part residential, the developer should consider making an option to tax election with HMRC so that VAT is charged on income it earns from the commercial unit(s), therefore avoiding a partial exemption problem. The election is overridden as far as residential units are concerned. (See VAT Notice 742A s 3.)
- If a developer changes their intention from selling to renting when the conversion has been completed – or vice versa – they should consider the implications of the payback and clawback rules to adjust input tax claims for the last six years.

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HMRC Spotlight 69 Property business incorporations

A HMRC Spotlight examines a tax avoidance scheme used by landlords to reduce their tax liability, warning taxpayers that it will recover outstanding tax, interest and penalties if the scheme is used.

by Pavandip Singh Dhillon

Key Points

What is the issue?
HMRC's Spotlight 69 targets a tax avoidance scheme involving property business incorporations using limited liability partnerships followed by a members' voluntary liquidation. It was designed primarily for individual residential property landlords to mitigate increased tax burdens using LLP structures before incorporating their business.

What does it mean to me?
HMRC asserts that the scheme does not work. On the capital gains front, new provisions deem a disposal at market value, triggering tax liabilities on gains that the scheme intended to avoid. With respect to stamp duty land tax, it anticipates that existing anti-avoidance rules will impose a full market value charge in notional land transactions.

What can I take away?
Tax advisers should review client affairs carefully if any variant of the scheme was applied. Voluntary disclosure to HMRC will avoid penalties. Advisers should obtain advice if clients have implemented such schemes without their full involvement.

On 28 April 2025, HMRC published Spotlight 69 'Liquidation of a limited liability partnership used to avoid capital gains tax', targeting a scheme (the Scheme) predominantly used by individual landlords carrying on a residential property rental business as a partnership. This article considers the nature of these spotlights and the Scheme that was the subject of Spotlight 69 (see tinyurl.com/yjc3jc9m).

What is a HMRC Spotlight?

Before discussing the Scheme in question, it is worth explaining that HMRC Spotlights are short guides published periodically by HMRC on its website, to shine a 'spotlight' on tax avoidance schemes that it believes do not work but may have been used by a large number of taxpayers, and which are usually marketed by promoters.

The Spotlight explains why HMRC considers that the Scheme doesn't work and warns users that it will seek to recover all outstanding tax, interest and appropriate penalties in relation to the Scheme. A full archive of HMRC spotlight articles can be found at tinyurl.com/4sj82kjm. While outside the scope of this article, there may be significant implications for the promoters and enablers of such schemes being included in a HMRC Spotlight.

What is a tax avoidance scheme?

The definition of a tax avoidance scheme can vary, depending on the relevant tax statute, but under Finance Act 2013 s 207, the General Anti Abuse Rule (GAAR) definition is any arrangement whereby, 'having regard to all the circumstances, it would be reasonable to conclude that the obtaining of a tax advantage was the main purpose, or one of the main purposes, of the arrangements'.

Hallmarks of such avoidance schemes are:

- a 'package' service with pre-prepared template documents, which can be tailored to each client before execution; and
- tax advice provided by the scheme promoter which may not be tailored to the specific client. This is unlikely to be considered as independent advice that will protect taxpayers from inaccuracy penalties, because it is likely to be 'disqualified advice' (see Finance Act 2017 Sch 24 paras 3A and 3B).

The members' voluntary liquidation scheme for LLPs: why was it devised?

The tax burden on residential property landlords has progressively increased in

the last decade or so, most notably the 2017 phasing out of deductions for loan interest in calculating taxable profits from a residential (not commercial) property rental business which are liable to income tax. Statute now permits only a basic rate (currently 20%) income tax reducer for the loan interest paid during the year and/or unrelieved amounts brought forward (see Income Tax (Trading and Other Income) Act 2005 s 272A to 274AA).

This represents a tax relief reduction of up to 25%, which has been a substantial financial issue for some landlords. Some landlords may now be making an economic (and cash) annual loss using ordinary accounting principles yet remain taxable because there is a profit for tax purposes and the tax liability in respect of such is not reduced to nil by the tax reducer.

The Scheme was devised because a company carrying on the same residential property business as the individual landlord is not subject to the same interest relief restrictions. Regardless of the additional legal and tax complexities, the prospect of a full tax deduction under corporation tax rules offered a financially lucrative incentive for aggrieved landlords to incorporate their property businesses.

However, transferring a property business to a company, subject to individual circumstances, can trigger large capital gains tax and stamp duty land tax liabilities. The Scheme seeks to avoid these tax liabilities by using the interim step of transferring the property business to an LLP and then to a company in short order; typically, holding the property in the LLP for less than 12 months.

Capital gains tax

The disposal of the properties to a company by landlords may trigger a chargeable gain on the landlord if the property has increased in value since acquisition, which will be common considering long-term house price growth.

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Uncertainties and unexpected outcomes can be eye-wateringly costly
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Incorporation relief

Where the landlord transfers the property business to the company wholly in exchange for the issue of shares by the company, the landlord can claim incorporation relief in respect of such a gain (net of losses), and this net gain is deducted against the allowable base cost of shares issued to them by the company (see the Taxation of Capital Gains Act (TCGA) 1992 s 162). See the HMRC manual CG65750 for an example of this.

However, a claim for incorporation on the return is liable to HMRC scrutiny, usually via a formal enquiry into the return within the statutory period of 12 months.

The key condition for incorporation relief is that there must be a transfer of a business as a going concern to the company in exchange for the issue of shares. There is no statutory definition of 'business' in the capital gains tax legislation and so case law provides authority that a property-letting concern amounts to a 'business' for these purposes, where the degree of activity outweighed what might normally be expected to be carried out by a mere passive investor, even a diligent and conscientious one (see *Ramsay v HMRC* [2013] UKUT 226).

> **Transferring a property business to a company can trigger large capital gains tax and stamp duty land tax liabilities.**

This means a landlord who does not actively participate in the business will not qualify. Consequently, most landlords who have a passive property business in addition to their main economic activity, whether employment or self-employment, are likely to fall at this key hurdle. As discussed below in more detail, the Scheme circumvented the need for incorporation relief by relying on the partnership (and specifically LLPs) rules for capital gains tax purposes.

Stamp duty land tax

The transfer of the properties to a company that the landlord is connected with would trigger stamp duty land tax (SDLT) on the market value of the property at the higher rate (see Finance Act 2003 s 53 and para 3 Sch 4A). This connection is normally satisfied by the landlord having a controlling shareholding, either alone or by aggregating the shareholdings of persons connected with the landlord, such as spouses and other relatives (see Corporation Tax Act 2010 s 1122).

Inheritance tax

While HMRC mentions possible inheritance tax benefits of the Scheme, in my view it is unlikely to credibly improve the prospects of the shares qualifying for business property relief, as it would likely be excluded from relief on the basis that the business carried on by the company would in most cases consist wholly or mainly of making or holding investments.

How did the Scheme intend to work?

The first point to note is that for both capital gains tax and SDLT purposes, the Scheme required that the property business was carried on by a general partnership, typically landlords and spouses (who benefit from capital gains tax free disposals to each other) but possibly other close relatives.

The partners may formalise a partnership arrangement by entering into a written partnership agreement many years after the partnership is claimed to have commenced, and submitting their individual tax returns (and sometimes partnership returns) on that basis. The test whether there is a partnership in law is outside the scope of this article, but holding property jointly is not in itself sufficient.

The steps which follow can be summarised (in simplified terms) as set out below (references are to TCGA 1992 unless otherwise stated):

Capital gains tax

1. The rental property business (including the properties) is contributed by the partners to an LLP at market value and credited to the member's capital account or potentially sold for cash consideration. This may be an LLP incorporated in England and Wales or a similar partnership in a foreign jurisdiction, which is often favoured by such schemes. This does not trigger capital gains tax as, provided the LLP carries on a business (the property business), the individual partners (now referred to as members in the context of an LLP) are deemed to still hold the property; i.e. the LLP remains tax transparent (s 59A(1)).
2. Within a short period of time, the LLP is put into a members' voluntary liquidation. The commencement of the members' voluntary liquidation does not immediately trigger a

disposal by the LLP or its members (s 59A(2)).
3. The members' voluntary liquidation involves the property business (namely the properties) being transferred by the LLP to a company owned by the LLP members. At this point, the LLP:
   a) has ceased to carry on the property business and so the capital gains tax transparency deeming provision is switched off (s 59A(1)); and
   b) reverts to a body corporate for capital gains tax purposes, as it is for general law purposes (Limited Liability Partnership Act 2000 s 1(2)).
4. Accordingly, the LLP is chargeable to corporation tax on chargeable gains following the end of tax transparency, as if it had never been transparent to begin with (s 59A(5) and s 2). This means:
   a) the chargeable gain for the LLP is based on the increase in the market value on acquisition of the property by the LLP and the disposal to the company (s 18). However, no significant gain is likely to accrue if the LLP only holds the property for a short period of time; and
   b) the LLP members will be disposing of their interest in the LLP, which for similar reasons should not result in any meaningful gain.
5. The key point that the Scheme exploited was the fact that under the statute before October 2024, there was no retroactive capital gains tax charge on the disposal by the partners to the LLP because the statute specifically stated that when the LLP transparent status ceases, there is no deemed disposal by the LLP members of any assets (s 59A(5)).
6. Thus, it was only for disposals after transparency ceases that chargeable gains are assessed as if there had never been transparency, and in that case the LLP obtained a full market value uplift on its acquisition of the properties from the members. The result was that the gain accruing to the landlords was washed out on a tax-free basis before incorporation of the property business.

Stamp duty land tax

In summary, and in simplified terms considering the complexity of these rules, under the SDLT partnership rules:
1. There is no chargeable consideration for SDLT where the partner's interest in the property remains the same as it was before the transfer to the LLP, based on their respective LLP membership interests and partnership interests (Finance Act 2003 Sch 15 para 10).
2. Similarly, the transfer of the property from the LLP to the company will not give rise to any chargeable consideration if the members of the LLP own shares in the company in the same proportion as their membership interests in the LLP (Finance Act 2003 Sch 15 para 18).
3. An SDLT charge can arise if anti-avoidance provisions are engaged – this should be self-assessed by the purchaser (though it rarely is) – meaning that because the partnership rules discussed above apply to the transfer, there is no need for an SDLT incorporation relief claim, which in any case is only possible after at least one year from the date of incorporation of the LLP (Finance Act 2003 s 65). This means the chargeable consideration on the SDLT 1 form in respect of the transaction would be nil and so is not strictly notifiable to HMRC by filing a return.

> **If any variant of the Scheme was used, carefully consider making a voluntary disclosure to HMRC.**

HMRC's view of the scheme

HMRC says that the Scheme does not work for the following reasons.

Capital gains tax

For liquidations on or after 30 October 2024, a new s 59AA was added to TCGA 1992 under Finance Act 2025 to the existing capital gains tax rules applicable to LLPs. This applies where property was contributed by partners to an LLP, which is later liquidated. The new rule provides that on disposal of the property by the LLP following the LLP's capital gains tax transparency ceasing:
- there will be a deemed disposal and reacquisition of the property by the partners immediately before the time that they were contributed to the LLP, at their market value on that date. Thus, the landlords (i.e. the partners) will be liable to capital gains tax on the gain accruing between the price paid for the property and the market value on the date it was acquired by the LLP (s 59AA(2)); and
- that chargeable gain (or loss) will be deemed to have accrued on the date that the LLP makes the disposal to the company (s 59AA(3)).

This new provision specifically targets and closes the loophole that the Scheme sought to exploit, without the need for application of the GAAR. However, HMRC suggests the GAAR may apply to the Scheme in respect of liquidations that took place before 30 October 2024 to counteract the Scheme. This view is based on the artificiality and pre-planned steps involved, effectively removing the tax relief they seek to provide and imposing penalties (of up to 60%).

A full discussion of the GAAR is outside the scope of this article, but I am not aware the GAAR panel has issued a published opinion on the application of the GAAR to the Scheme.

Stamp duty land tax

HMRC believes that the existing widely drafted anti-avoidance provisions will apply to the Scheme, meaning that there is no SDLT relief on the transfer to the company and a full market value charge is imposed on the company under a notional land transaction, ignoring the interim steps involving the transfer to the LLP.

HMRC has enjoyed considerable success at the tribunals in cases involving the application of these provisions and, on that basis, may be well placed to press taxpayers to settle disputes on this specific issue relatively early in the process.

Final comments

Spotlight 69 should prompt advisers to review their client's affairs and ensure that if any variant of the Scheme was used, careful consideration is given to making a voluntary disclosure to HMRC to protect against a later discovery assessment by HMRC and possibly higher inaccuracy penalties for an involuntary disclosure.

Advisers should also ensure that if clients have used this Scheme without their involvement, they should also take advice to ensure HMRC cannot take steps against them as enablers.

Now that the Spotlight has been shone on the Scheme, ignorance is unlikely to be a feasible approach for any party involved in the Scheme.

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Facing a HMRC investigation?
A practical response

We consider the steps to help you manage a HMRC investigation calmly and competently.

by Bryn Reynolds and Ian Robotham

An HMRC investigation or enquiry can be a worrying development for a business but for those in HMRC's 'Large Business Service', it is par for the course. The service covers approximately 2,000 businesses. Roughly half of these businesses are being formally investigated by HMRC at any one time. Some have multiple issues, meaning that there are approximately 2,000 separate cases open.

The 'defence' file

A sensible first step once an HMRC investigation or enquiry is underway, or indeed beforehand, is to start collating all of the necessary information as part of your 'defence' file, if you don't already have it all in place. Not all enquiries or investigations involve the creation of a formal defence file but assembling this at an early stage will help to unearth all of the relevant issues and give you the ability to properly assess the matter.

There should be several parts to any defence file. The following sections should be considered, several of which will need to be updated regularly as matters progress:

- all factual information such as contracts and documentation, together with the financial information necessary to establish the quantum. This should include supporting evidence, if necessary, of matters 'on the ground' (i.e. what happens, when and by whom);
- all professional advice that has been received on the matter (subject to considering matters of privilege);
- all relevant extracts of the legislation, HMRC guidance, manuals and case law;
- any internal decisions on the tax liability and the process that was followed to arrive at that decision;
- correspondence with HMRC, in date order and regularly updated; and
- a timeline with all of the key dates, including appeal deadlines and time limits.

Having all of this information available will make responding to any HMRC queries significantly easier.

The initial assessment

An initial assessment of how best to proceed should then be undertaken once the relevant information has been gathered. This may be a good time for tax advisers to discuss how they would approach managing the issue with HMRC.

Even if on initial assessment you consider that your position is not as strong as originally considered or simply that the tax at stake is not material, it is worth remembering that HMRC will consider a taxpayer's conduct during an enquiry to determine penalties, with mitigation available for telling, helping and giving.

By contrast, if you consider your grounds to be relatively strong, you may wish to make a proactive submission to HMRC with all the relevant information. For indirect taxes, this can have the effect of starting the clock on the one-year time limit. For direct taxes, it may assist in either accelerating a closure notice or allowing you to apply to the tribunal to direct HMRC to provide one in a timely manner.

One key point to be discussed as part of the initial assessment is the treatment that the taxpayer will adopt in respect of future periods.

Future periods

Filing a tax return usually requires a declaration that the information is correct and complete to the best of the taxpayer's knowledge. Where tax is under enquiry, assessment or appeal, it will usually be on the basis that the taxpayer considers the tax was not due. This can be difficult to reconcile with filing future returns in accordance with HMRC's view.

Notwithstanding this point, there is an inherent discomfort with continuing to

submit returns applying a treatment which HMRC has either formally assessed or indicated that it disagrees with. There may be an increased probability of a deliberate penalty in respect of periods after the taxpayer is aware that HMRC disagrees with a position.

In our experience, adopting a consistent treatment is usually the correct approach, where supported by professional advice. This can be accompanied by timely disclosure to HMRC. Consideration could also be given to making payments on account in respect of the uncertain tax payable in order to avoid interest accruing, which can be substantial.

The additional complexity which can be introduced from a mixture of assessments and claims across different periods is significant. A single direction of travel, either assessment or claim, makes the position simpler for both the taxpayer and HMRC, and reduces the risk that relevant time limits will be missed on both sides.

Whilst the taxpayer is filing their ongoing returns, it is likely that HMRC will be proceeding with its formal or informal investigation or enquiry.

Information requests

In order for HMRC to ultimately make an assessment of tax, it will need to receive information to support this assessment.

Where HMRC has requested information, it is worth considering whether the information can be shared with HMRC directly. HMRC frequently makes informal information requests to businesses in order to help it understand the tax treatment. For many businesses, the immediate reaction is to provide the data to HMRC as quickly as possible and not to query whether HMRC has the right to the information.

Where the data concerns suppliers or customers, however, the business needs to be cognisant of its other obligations. Many supplier and customer agreements have confidentiality clauses which should be adhered to. Whilst these will typically have a specific clause allowing businesses to provide this confidential information to HMRC under a formal information notice, this may not extend as far as responding to an informal request from HMRC.

Managing the relationship with HMRC in this instance is crucial and it may be possible to agree collaboratively with HMRC the specific wording of any information notice.

Where the business has determined that the information shouldn't be provided to HMRC and HMRC has issued a formal notice, the taxpayer should consider an appeal against the information notice so that the tribunal can determine whether the information notice is valid (noting that a notice that was approved by the tribunal before issue does not carry an appeal right).

There are two particular issues that we would highlight in relation to information requests – privilege and conduct.

Third-party conduct

It has become increasingly common for a business to be managing a tax risk which is payable by another party. This could be under a tax indemnity, covenant or, in some cases, specialist tax insurance. Often in return for taking on this risk, there will usually be notification and additional conduct rights regarding how the issue will be communicated with HMRC and managed more generally.

If this is relevant to any tax issue, careful attention needs to be paid to any communications with HMRC on the issue to ensure that you are acting in accordance with the conduct rights established in the covenant or policy.

This can be difficult in practice as the counterparty may wish to adopt a different approach to HMRC than the taxpayer and this can have a detrimental impact on the taxpayer's relationship with HMRC.

Privileged advice

Where advice which has been received is potentially privileged, then care needs to be taken not to inadvertently waive privilege by sharing documents with HMRC. It should be noted that legal advice privilege will only extend to communications between a taxpayer and their legal adviser (note, this does not extend to tax advisers or accountants who are not legally qualified). By contrast, once litigation is in reasonable contemplation then litigation privilege has a wider scope.

Discussing the matter with the legal adviser who provided the advice to understand how best to avoid waiving privilege is a useful first step. In many circumstances though, there will be good reasons to share the privileged advice with HMRC. In particular, where a taxpayer can demonstrate that they have followed the advice of a reputable adviser, this is likely to impact the penalty position.

The role of the customer compliance manager

As the investigation or enquiry continues, the Large Business Service is slightly different from the normal taxpayer population in that it will have a dedicated customer compliance manager (CCM). Mid-sized businesses can request a temporary customer compliance manager (tCCM) for assistance if they have particularly complex tax affairs or multiple enquiries open at the same time.

Whilst the CCM is not an impartial mediator, they can be particularly helpful in moving enquiries and disputes along. It may be possible to agree a framework

for resolving the matter with the CCM or use them as an appropriate point for escalation when progress is not being made with the specialist tax team.

They can be particularly helpful in working to receive a clear view or decision from HMRC. The proposed changes to the tax administration framework (which are open for consultation until 7 July 2025) may assist with this. Under these proposals, the system for direct and indirect taxes would be broadly unified, which would lead to a more consistent approach.

Pre-decision

For indirect taxes, as HMRC is approaching reaching a decision, it may issue a 'pre-decision letter'. For direct taxes, HMRC may write to provide its 'opinion' on the issue. This provides the taxpayer with an opportunity to make further representations in response to the pre-decision or opinion.

HMRC can make a decision without realising it. The First-tier Tribunal case of *Isle of Wight NHS Trust and others v HMRC* [2023] UKFTT 23 held that a short reply to a detailed technical submission noting that '[f]or the avoidance of doubt, HMRC does not share the views set out in your letter/report' was sufficient to constitute an appealable decision. HMRC did not intend to make a decision in that instance but the wording indicated that HMRC had expressed a concluded view.

Expediting matters

From a direct tax perspective, it is possible to apply to the tribunal to request that HMRC is directed to issue either a closure notice or partial closure notice. This can be particularly helpful in requiring HMRC to make a firm decision on a matter and provide a clear view which can subsequently be appealed. The timing of such an application is a delicate matter – generally the tribunal will want to provide HMRC with sufficient time in order to consider the relevant information but 'fishing expeditions' and the like are not acceptable.

Whilst indirect tax enquiries do not have a similar process, they have the benefit of firmer statutory time limits in order to raise assessments. HMRC has historically occasionally raised what were described as 'protective assessments' to prevent tax going out of time whilst it considered the matter. The First-tier Tribunal case of *Go City Ltd v HMRC* [2024] UKFTT 745 was informative in that HMRC had raised 'protective' assessments for VAT; however, in respect of the earliest two periods, it had not yet provided a clear decision to the taxpayer and internal documents confirmed that HMRC had not yet arrived at a clear view that the taxpayer's return was incorrect.

Where HMRC has issued any assessment, even if described as 'protective', taxpayers should be aware that all the usual time limits continue to run so action must be taken promptly.

Statutory review and reconsiderations

Once a final decision has been made by HMRC, the taxpayer will want to consider their options: typically, to accept the decision and pay any additional tax; to move straight to appeal at the tribunal; or to request a review from an independent HMRC officer. It can be beneficial to request a review as the review officer could cancel the decision or vary it in favour of the taxpayer.

If the review officer upholds the original decision, the matter is then likely to require a formal appeal and, in the case of indirect taxes, payment of the tax.

Where additional information is provided, this can lead to a reconsideration of the decision. This is particularly complex if the taxpayer has already commenced a statutory review or appeal.

Alternative dispute resolution

Alternative dispute resolution (ADR) is another option which is worth considering. The Tax Tribunal has just issued an updated statement broadly encouraging the use of ADR. A trained and externally accredited HMRC mediator (who unlike a CCM is specifically there in a role as mediator) works to explore the issues. It is also sometimes possible to appoint a co-mediator.

Even where ADR does not result in an agreed settlement of the issue as a whole, often it has the effect of significantly reducing the number of issues under dispute or debate, and making the matter a much cleaner one to eventually litigate through the tribunal system. This has the result of significantly reducing the costs for both HMRC and the taxpayer. ADR is particularly useful in long-running debates where the matter has become entrenched in correspondence.

Formal appeal

Noting that the initial route of appeal is slightly different for direct and indirect taxes, this is a way to ultimately arrange for an independent tribunal to hear the matter and provide a decision which is binding on both parties.

Typically, at this stage the matter will be handled by the HMRC Legal Group. The taxpayer will need to file their grounds of appeal and HMRC will subsequently file their statement of case. At this stage, the matter is increasingly unlikely to be resolved informally (although ADR is still possible). In some instances, HMRC does reconsider its position where it determines that under its litigation and settlement strategy, it is unlikely to succeed.

Whilst tribunal proceedings can be expensive, they do provide a degree of finality (subject to further appeals to higher courts). Where both taxpayer and HMRC are entrenched or fundamentally disagree on a point of principle, this is the only option. It is helpful to identify if this is the case as early as possible and for HMRC and the taxpayer to present the position as clearly as possible to the tribunal.

Judicial review

As a final note, whilst uncommon, it may also be beneficial to run a tribunal appeal and commence judicial review proceedings simultaneously.

Where a taxpayer considers that they have either been misdirected by HMRC or have acted in a way that appears to be unfair, then the matter may be suitable for judicial review.

This requires an application to the High Court because it is only in limited circumstances, where the appeal provisions directly allow it, that the First-tier Tribunal can consider public law arguments such as legitimate expectation. However, if there is a concurrent tax appeal, it may be possible to have the appeal and the judicial review heard together in the Upper Tribunal tax chamber at first instance.

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AI in tax administration Harder, Better, Faster, Stronger

by Kunal Nathwani

We consider the growing role of artificial intelligence in tax administration and its use in automated decision-making by tax authorities.

Artificial intelligence (AI) has been the recent buzz. Whether it's a self-released deepfake video of Emmanuel Macron, market chaos because of DeepSeek or the new acquisition of a data centre, AI has become mainstream news now. Private enterprises and public bodies alike are adopting AI on a larger scale. The advantages of adopting AI are clear: enhanced speed and efficiency, cost savings, the ability to find correlations that may have been previously undetectable to the human mind, systematic and consistent decision-making.

People define AI differently and this tends to cause some confusion. In this article, AI refers to software that simulates elements of human behaviour such as learning, reasoning and classification; in particular AI in this article refers to machine learning. AI, in this context, does not include software developed through traditional decision-trees (in other words, traditional algorithmic tools).

In September 2025, the Institute of Fiscal Studies' Tax Law Review Committee (TLRC) published a paper entitled 'Artificial intelligence in automated decision-making in tax administration: the case for legal, justiciable and enforceable safeguards', written by the author of this article. The paper sets out the author's view in support of the deployment of AI for automated decision-making in tax administration, noting that this deployment is inevitable, and given the benefits of AI could bring significant efficiencies.

Benefits and questions

From a tax administration perspective, there are also additional potential benefits of using AI, such as detecting undetectable or hidden correlations, suspicious activity, trends and indicators of tax loss, etc. (sometimes in real time) and facilitating the use of pre-emptive or defensive measures. All of these ultimately could have the effect of bringing down the tax gap (which has been a key focus of recent governments).

However, as noted in the paper, the current legal tax framework does not properly facilitate the use of AI to make discretionary decisions in tax administration, such as determining the amount of certain penalties to be imposed. There are questions around the legality of the use of AI in tax administration and the availability of adequate safeguards for taxpayers. These questions derive from the fact that the existing tax administrative framework was set up in a world where decisions were primarily made by human HMRC officers.

In a world where AI is deployed to make discretionary decisions, the primary decision-maker would be the AI technology (and not the human). The 'black box' nature of machine learning means that the technology does not provide an explanation for why a decision was arrived at, and programmers are unable to explain with certainty why a decision was arrived at. This means that any human subsequently attempting to explain the rationale for a decision made by AI would in effect be reverse engineering such a decision. Any explanation offered by the human would be of why they ***think*** a decision was arrived at, rather than why a decision was ***actually*** arrived at. This inevitably involves a degree of speculation.

Since publication of this paper, the TLRC has received further comments and has held discussions on the topic, including with the HMRC's Professional Standards Committee. The advisory Professional Standards Committee provides oversight on how HMRC administers the tax system and offers critical challenge to how HMRC exercises its powers, supporting good practice in the use of its powers and safeguards.

A summary of the meeting at which the TLRC paper was presented is published at: tinyurl.com/28ndax7k. The rest of this article summarises some of

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the key points that have emerged from the paper and the discussions around it.

Make it

There is no publicly available list that sets out the processes in which AI is currently deployed by HMRC. From discussions with HMRC, it is understood that the key areas in which AI is currently being used by HMRC are compliance risking (for example, risking taxpayers at the time they file tax returns or make applications for repayment) and detecting VAT fraud through VAT risking.

HMRC is also in the process of developing an internal large language model (LLM) which would be made available to HMRC officers to help them answer questions asked by taxpayers in real time based on HMRC's guidance. Canada has a similar chatbot that it developed (niftily) named Charlie the Chatbot, although this chatbot is made available directly to taxpayers.

It seems that HMRC has no plans to make its LLM available to taxpayers at this stage. HMRC's view is that the development and use of AI tools for automated decision-making is still a few years away; however, given that there has been a general trend towards optimising public sector efficiency, both within the UK and outside, these developments may come sooner than anticipated.

AI has already been deployed by public bodies around the world with varying uses, including the US, Australia, the Netherlands, France, Slovakia, India and others. Even within the UK, departments such as the Department for Work and Pensions have been reported to be using AI to assist in decision-making. In fact, since December 2024, there have been a large number of entries published on the Algorithmic Transparency Standards Hub (ATS) (see tinyurl.com/6au3ynjs), which discloses different government bodies developing technology involving AI (and machine learning) tools to varying degrees to assist with tasks.

While these tasks are in many cases administrative and non-discretionary, the disclosures published show an increased use of AI in UK public administration. It is unclear whether the ATS represents all the uses of AI (and machine learning) tools in public administration as of yet, but some clarity on the point would be welcome.

The TLRC's view is that it is not practical to assume that AI will not be more widely deployed by HMRC in the relatively near future for automated decision-making. There has been an overall push to bring down the tax gap and improve efficiencies in HMRC (especially given pressures on public finances), and AI can serve as a helpful tool to do so. HMRC already has an internal data sciences team that works on AI solutions. Once an internal or governmental decision is made to develop an AI tool, the pace of development could therefore be quick (as it is understood that HMRC generally would look to develop these tools internally).

> **Mitigating the use of AI in automated decision-making requires pre-emptive action.**

It would, however, take some time to socialise, legislate for and develop a new HMRC AI Charter (along with corresponding changes to existing legislation). Therefore, mitigating the risks posed to taxpayers by the use of AI in automated decision-making, and ensuring that taxpayers have justiciable rights, requires pre-emptive action rather than retrospective action, as explained later in this article.

As the reported minutes of the Professional Standards Committee state:

'The members acknowledged that although HMRC is a long way from using AI in the manner hypothesised in the paper, it is important to begin considering the risks and the appropriate protections in any proposed future use. Members were reassured that many of the suggestions in the paper such as best practice model input processes, technical standards and extensive model testing pre-, during and post-deployment, were already in place.'

This is encouraging and it would be good to have more transparency around this on the HMRC website.

Work it

It is important that taxpayer safeguards are brought into effect pre-emptively, before AI is deployed by HMRC in automated decision-making.

As discussed in the report, there are questions around the legitimacy of using AI in tax administration without further legislation facilitating this. This view is yielded further weight by the judgment in the Court of Appeal case *Peter Marano v HMRC* [2024] EWCA Civ 876, where Asplin LJ notes with respect to Finance Act 2020 s 103 that: 'Section 103 is not intended to authorise the use of artificial intelligence.'

Further, the objective of using AI in automated decision-making in an institution is to replace human decision-making with AI decision-making. Given the scale of deployment of AI, any biases or errors in the technology can have significant effects on a large number of taxpayers before detection, even where there is a human element or overview. In view of the black box nature of machine learning, detection (at least based on current levels of technology) can be difficult, which enhances the risk posed to taxpayers.

For example, in the Dutch *toeslagenaffaire* 11,000 parents were subjected to audits on a discriminatory basis due to their non-Dutch nationality. In the Australian *Robodebt* matter (which technically did not involve AI but similarly involved the use of algorithmic tools that replaced human decision-making), AUS $746 million was erroneously recovered from 381,000 people (with AUS $1.751 billion of debt having to be written off).

Supplementary tools that are intended to provide an explanation of the reasons for decision made by the AI (also known as 'explainable AI' or 'XAI') are not developed enough to provide certainty and present elements of unreliability.

Some argue that humans can also have biases and make errors; and therefore there is no need for any additional safeguards where AI is being deployed. This argument does not appreciate the scale of automated decision-making as demonstrated above. Given the systematic and institutional deployment of AI (and speed of decision-making), the number of decisions made by AI in a few years (or less) would often outweigh the number of decisions made by a human HMRC officer or group of HMRC officers in a career.

Further, to train an automated decision-making system using machine learning, the system would (under current methods of development) need to be trained on large volumes of historic data. However, human approaches to decision-making and biases evolve (and have evolved) over the years. Therefore, safeguards are needed to ensure that a system is not being trained using historic data that imports outmoded biases into decision-making.

The *COMPAS* risk management system in the US is used to predict the likelihood of offenders committing future crimes (i.e. recidivism). It was found to discriminate against Black American offenders more than White American offenders as the system had a higher false positive rate for Black American offenders than White American offenders (i.e. it incorrectly predicted that Black American offenders would reoffend more than for White American offenders). Some research suggested that the reason for this was because the system used number of arrests as one of the factors to predict recidivism. Given the historic difference in law enforcement approaches between the two races (e.g. Black Americans historically were arrested for marijuana offences more than White Americans, even though both use marijuana at approximately equal rates), this resulted in higher false positives for Black Americans (thereby importing bias into the system). The literature on AI deployment in public administration generally coalesces around having robust training data in place to ensure that the AI developed is not biased.

As seen from its published minutes, members of the Professional Standards Committee raised an important point about building a culture within tax authorities such that where AI is deployed (or is in the process of being developed): 'HMRC ensure that any proposed systems were supported by a culture that included healthy consultation, high levels of scrutiny and to be accepting of the need to have defined routes for errors to be escalated, acknowledged, and corrected.'

The TLRC takes this to mean that if HMRC officers (or other teams at HMRC) spot errors in decision-making, logic or the process of development, the internal culture should foster the ability of the individual to report such issues, knowing that will be without any backlash; in other words, 'whistleblowers' should be adequately protected. The Professional Standards Committee's view was that building this culture will help to mitigate some of the risks posed by AI by enabling robust development, deployment and vetting systems for AI. The TLRC agrees with this, and the importance of culture cannot be understated.

However, culture in and of itself is unchallengeable. HMRC already has certain internal checklists and processes in place that it follows when developing AI. Although this is a step in the right direction, none of the internal checklists and processes have been disclosed to the public. Further, internal checklists, processes and culture are not challengeable and are unjusticiable. If for any reason individuals at HMRC didn't adequately follow these checklists or processes or ignored them, taxpayers would be without proper redress.

Do it

The discussion paper recommended that an HMRC AI Charter should be legislated for and that this HMRC AI Charter should set out some of the key parameters necessary for HMRC when deploying AI technology in the context of automated decision-making. The implementing legislation should be drafted such that the HMRC AI Charter constitutes affirmative obligations of HMRC rather than mere intentions, which are unchallengeable.

The paper's view is that legislation enabling the use of AI in tax administration with robust remedies and protections for taxpayers, coupled with an internal culture protecting the safe development of AI, would provide HMRC with the legitimacy to deploy AI in tax administration, not least because this would follow due democratic process.

The Australian National Audit Office (ANAO) published a report analysing the governance of AI at the Australian Tax Office (ATO) and found similar shortcomings as expressed in the TLRC paper, making similar recommendations (see tinyurl.com/3m52p9ej). The ATO agreed to the recommendations by the ANAO and have confirmed that they are working towards implementing them. HMRC should not lag behind.

Summary

In summary (and hopefully, 90s electronic music fans have caught on already), I need not say more than Daft Punk already has:

Work it, make it
Do it, makes us
Harder, better
Faster, stronger

Like Daft Punk did with electronic music in the 90s, HMRC has the opportunity to take the lead in fundamentally changing the face of tax administration and making it fit for the AI era.

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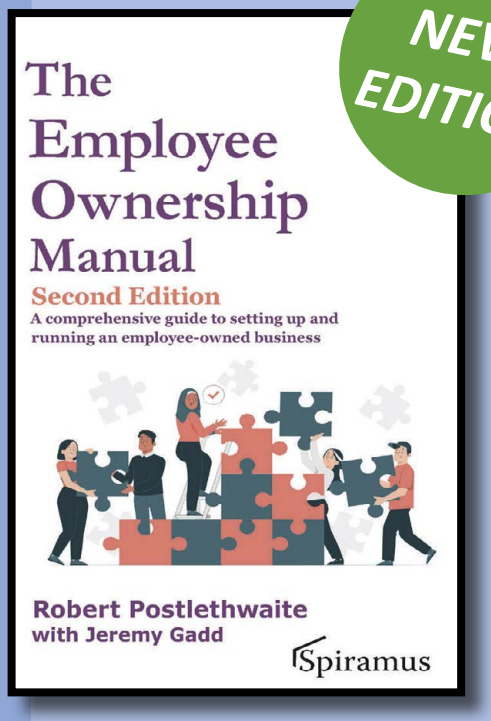

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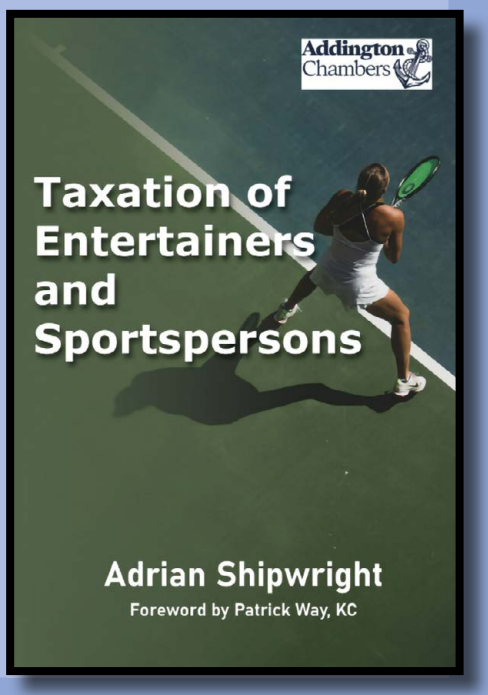

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The UK's Packaging Extended Producer Responsibility

New burdens or sustainable opportunity?

We examine how the UK's Packaging Extended Producer Responsibility regime is impacting the finances of affected businesses.

by Thomas Pegler

© Getty Images

For UK businesses in the crosshairs of packaging legislation, bottom-line costs are about to climb. From data collection to disposal fees, the UK's Packaging Extended Producer Responsibility (pEPR) regime is reshaping the financial and operational burden of packaging compliance, with businesses seeking to understand their obligations as the regulations continue to evolve.

While the regime is still taking shape, the direction of travel is clear: more reporting, more cost and more accountability. This is not just a sustainability initiative; it's a material shift in how packaging obligations are financed and managed.

A quick recap: the evolution of packaging compliance

UK producers have long operated under an iteration of a packaging compliance regime, with the previous version of Extended Producer Responsibility being the 2007 Producer Responsibility Packaging Waste Regulations. That regime introduced the concept of shared responsibility of packaging, with costs spread across producers and local authorities. Reporting requirements were limited, and few businesses needed to understand the full composition of their packaging materials.

The new pEPR regime, legislated via the Environment Act 2021 and implemented from 2023, changes that equation. The most notable shift? Producers are now expected to fund the full net cost of managing household packaging waste, covering collection, sorting and treatment.

The regime also introduces new reporting obligations at a far more granular level – including packaging material, function and use, and future cost differentiation based on recyclability. These data points are no longer optional; they form the basis for future waste disposal charges and reputational scrutiny. Businesses must now understand not just how much packaging they use, but what it's made from, where it ends up and who is ultimately responsible for it.

These fundamental changes bring about an emerging cost complexity: many businesses are now subject to double financial exposure on plastics.

From 1 April 2025, the UK plastic packaging tax (PPT) rose to £223.69 per tonne for plastic packaging with less than 30% recycled content. This may apply alongside disposal fees under pEPR for the same packaging, if it enters the household waste stream.

Who is captured by pEPR?

At a glance, the rules are straightforward. Obligations apply to UK-established legal entities that meet both:

- an annual turnover of over £1 million; and
- more than 25 tonnes of packaging handled in a calendar year.

Those who meet both thresholds are then classified as one of the following:

- **Small producers** (25 to 50 tonnes): required to submit annual data only.
- **Large producers** (over 50 tonnes): required to submit biannual data and, from October 2025, to pay waste disposal fees for household packaging.

However, pEPR goes far beyond thresholds. A producer's obligations depend upon which producer functions they perform, including:

- supplying goods under a brand name;

Key Points

What is the issue?
From data collection to disposal fees, the UK's Packaging Extended Producer Responsibility (pEPR) regime is reshaping the financial and operational burden of packaging compliance as the regulations continue to evolve.

What does it mean to me?
Producers are now expected to fund the full net cost of managing household packaging waste, covering collection, sorting and treatment. The regime also introduces reporting obligations at a far more granular level, including packaging material, function and use, and future cost differentiation based on recyclability.

What can I take away?
For tax and finance professionals, the significance is growing. Packaging obligations are no longer just a line item on a compliance tracker; they are a strategic and financial consideration with real margin implications.

- packing or filling packaging in the UK;
- importing goods in packaging;
- distributing unfilled packaging;
- hiring/loaning reusable packaging; and
- operating a UK online marketplace.

A single company can perform multiple functions, each of which carries separate reporting and cost obligations. Each legal entity within a corporate group must be assessed independently, although a group registration model is available for simplification.

In reality, determining producer status is rarely straightforward. Modern supply chains are rarely linear, and we have seen businesses impacted where they hadn't anticipated, particularly in cases involving parallel supply arrangements, contract manufacturing or third-party imports. The role a business plays can shift subtly depending on the contractual structure or where title transfers, thus making pEPR a more forensic exercise than it first appears.

It's also critical to note that where a non-UK entity supplies packaging into the UK, it is the first UK owner who carries the legal obligations under pEPR.

Practical organisational challenges

Unlike other environmental taxes, packaging data rarely resides with finance. Instead, it's distributed across procurement, packaging design, product development, logistics and third-party suppliers.

Systems such as enterprise resource planning (ERP) systems are seldom configured to capture the data needed to comply, such as weights per component, packaging type (e.g. primary, secondary, shipment) or destination classification (household vs. non-household).

Organisations face genuine challenges obtaining the required data at source. For many, packaging data is fragmented, spread across regional suppliers, legacy ERP systems and functions not traditionally involved in regulatory reporting. Building a complete picture often requires layered internal collaboration and the development of what is, in effect, an evolving organism of packaging data, which is continuously updated but rarely perfect.

Implementation complexities

As with any evolving regime, interpretative complexity adds further layers. The definition of shipment packaging, for example, changed between the 2023 and 2024 statutory instruments. The classification of household vs. non-household packaging is equally nuanced.

While the regulatory framework is becoming more established, interpreting and applying it to complex supply chains remains a challenge. Crucially, the distinction between household and non-household packaging is now tied to defined packaging types:

- Secondary and tertiary packaging are always non-household.
- Primary and shipment packaging are household by default, unless you can demonstrate the end user is a business or public institution.

This means that producers must go beyond general assumptions and link each packaging component to a specific class and recipient. For example, if an office chair is shipped to a wholesaler, the outer shrink wrap pallet (tertiary) is non-household. However, the individual chair's box (primary) is treated as household packaging unless documentary evidence, such as contracts or delivery terms, proves it is intended exclusively for business use.

This classification matters. Household packaging is subject to future waste disposal fees, while non-household packaging is not.

Applying these rules across thousands of stock keeping units or varied fulfilment models, especially where packaging changes by channel, region or customer, can be administratively complex. Businesses need to build internal logic and controls that connect packaging data to intended use, supported by appropriate evidence and cross-functional input.

Financial implications: waste disposal fees and Packing Recovery Notes

From October 2025, large producers must begin paying waste disposal fees for household packaging reported for 2024. These costs reflect the expense incurred by local authorities for collection, recycling and waste treatment.

In parallel, all obligated producers, regardless of household status, must still purchase Packaging Recovery Notes (PRNs) and Packaging Export Recovery Notes (PERNs) to satisfy their recycling obligations.

As of late 2024, the government published illustrative base fees to give businesses a sense of what disposal costs might look like. These included:

- **£485 per tonne** for plastic packaging;
- **£215 per tonne** for paper/board;
- **£455 per tonne** for fibre-based composite packaging;
- **£435 per tonne** for aluminium packaging;
- **£240 per tonne** for glass packaging;
- **£320 per tonne** for wood packaging; and
- **£280 per tonne** for 'other' packaging.

The final fee schedule is expected during the summer of 2025, following analysis of 2024 reporting data, but the implication is clear: household packaging is the key cost driver.

Recyclability Assessment Methodology and strategic alignment

From 2025 data onwards, packaging must be assessed for recyclability under the Recyclability Assessment Methodology (RAM). This involves assigning red, amber or green ratings to packaging components based on how easily they can be collected, sorted and reprocessed.

This scoring will be used to apply modulated fees, meaning packaging with a 'red' rating could attract higher disposal fees in future years.

The implication is strategic: businesses may want to re-evaluate the packaging formats they use today. Simple changes in material composition or labelling could reduce future cost. Some are already:

- integrating recyclability into procurement scorecards;
- creating cross-functional pEPR working groups; and
- aligning environmental, social and governance (ESG) teams with finance and legal on packaging risk.

The decisions made now about formats, materials and documentation will shape both reputational outcomes and financial liabilities in the years to come.

Conclusion

The UK's pEPR regime is more than a regulatory update. It's a structural shift and one that embeds environmental accountability directly into product and packaging design, supply chain ownership and cost allocation.

For tax and finance professionals, the significance is growing. Packaging obligations are no longer just a line item on a compliance tracker; they are a strategic and financial consideration with real margin implications. But with the right preparation, businesses won't just protect their margins; they will define the standard for resilient, responsible packaging in a circular economy.

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The drama of US tariffs
A practical response

We examine the impact of recent US tariff increases, and the steps that businesses can take to manage tariff exposure in the short term.

by Jason Wellden

© Getty Images

Key Points

What is the issue?
Businesses are facing several challenges due to US tariff actions, including increased import duty rates, higher freight costs and supply chain disruptions, prompting businesses to reconsider cost structures. Immediate, drastic changes are advised against given the uncertain regulatory environment.

What does it mean to me?
Three key areas can help businesses to manage tariff exposure – classification of imported goods, establishing the proper origin of goods and the complexities of customs valuation.

What can I take away?
Businesses are advised to use the current period of uncertainty to review their current practices, ensuring correct classification and due diligence on origin and customs valuation. For the long term, strategic considerations may include relocating manufacturing or altering sourcing strategies.

In April, US President Donald Trump introduced a swathe of increased tariffs (or customs duties) in an attempt to stamp out trade deficits and encourage corporations to produce their goods in the US rather than elsewhere. The future of the tariff increases hangs in the balance, as the US Court of International Trade has declared them unlawful. However, the White House has appealed and on 10 June a US federal appeals court ruled that the tariffs will remain in place pending a review by the full 11 member court. The hearing is scheduled to start on 11 July.

These potential increases, coupled with the removal of the de minimis exemption for products from Hong Kong and China, are beginning to have huge implications for both large and small US businesses. To manage the uncertainty, businesses should look at practical steps, which includes firstly understanding the impact of the tariff increases.

What is the impact?

By disrupting global trade, President Trump has reversed a 40 year trend which had seen reduced tariffs, as globalisation produced reciprocal trade deals and faster growing economies. The direct result of the President's actions has been threefold at a minimum: the obvious increased cost of doing business; supply chain disruption; and market uncertainty.

We will delve into these further, as well as how businesses can manage tariff exposure and formulate a strategy for now and the future.

Increased costs

We are already seeing small businesses importing into the US in the textiles sector facing big increases in import duty rates. This risks affecting demand and profitability, wiping out their margins and potentially leading them to close their business. In addition, freight costs have been adversely affected, as was evidenced in the run up to the 2 May deadline for the elimination of the de minimis limit for Hong Kong and Chinese goods.

The decision to make with the increased costs is: who pays them? Does the importer absorb them, does the importer pass them onto the consumer, or do the importer and exporter to the US share the costs? This will depend on the relationship between the parties but such a decision could be the difference between staying afloat or having to close their doors.

Supply chain disruption

When confronted with increased costs, the first thing many businesses will look at is where to strip out unwanted costs. Supply chains cannot be changed overnight and due to the uncertainty caused by the President's approach, making long-term changes, when things could quickly switch, is not recommended. As a result, using the current 90 day pause as a time to reflect on the things that can be achieved relatively quickly is a sensible thing to do.

This involves looking at your current customs position for imports into the US and checking, for example, that the business is using the correct commodity codes. If the business is not, then duty could be being overpaid already, regardless of the impact of Trump's tariffs.

Market uncertainty

Long-term planning is not really a viable option. Given the frequency of change and as global stock markets fluctuate, businesses are being railroaded into looking at the short-term only, which means that any investment and growth decisions have to be postponed. Worse still, it could mean businesses pulling out of the US altogether, with little consideration being given to actually relocating manufacturing there. On the plus side, we have seen businesses which are using this time as a chance to 'take stock' and properly evaluate whether their current supply chains are fit for purpose.

Managing tariff exposure

The amount of customs duty payable is driven by three cornerstones: classification, origin and the customs value of the goods. Managing these elements is key to the success of managing any tariff exposure, in addition to checking whether any special procedure duty relief could be considered.

Classification

Classification involves assigning the correct commodity code to the goods imported. Each imported good will have a commodity code, the first six digits of

which is harmonised across all World Trade Organisation (WTO) members, and each commodity code has a customs duty rate or tariff assigned to it.

Making sure that the commodity code is correct is of vital importance. An incorrect commodity code might mean that a business is underpaying or overpaying customs duty, so this is likely the first exercise which ought to be undertaken. If the commodity code is wrong now, it will continue to be wrong going forward, which means a business will be compounding its tariff issues.

Origin

There has been a lot of media attention in relation to origin. Some advisers are advocating that a simple change in the country of shipment would be enough to change the origin of the goods. This is not the case. There must be substantial transformation to confer non-preferential origin, and this will need to be proved to change the origin from being Chinese, for example.

Making sure that the appropriate due diligence for country of origin purposes has been recorded will be important in case the US Customs and Border Protection raise any concerns. During the current 90 day pause, consideration should be given as to whether any due diligence has actually been done in the first place and if so, whether the correct conclusions were reached.

Customs valuation

This is the most complex area of customs duty and, as such, should not be dealt with lightly. Arriving at the appropriate value for customs purposes is not simply a matter of using the value shown on the commercial invoice; there is much more nuance involved.

Many businesses are looking at ways of 'unbundling' the customs value of the goods, thereby removing non-dutiable elements from the customs value in order to pay less customs duty on import. The aim is to be able to do this in a bona fide way, without adding artificial entities into the supply chain.

This is achievable but is based on and specific to an individual business's fact pattern. However, a word of caution: businesses need to be aware of unscrupulous advisers who are new to the marketplace, offering schemes which appear too good to be true.

Customs duty special procedure reliefs

Some form of duty mitigation is often used as an acceptable way of suspending any customs duty and import VAT. In certain situations in the US, 'duty drawback' may be approved by the US Customs and Border Protection as a way of managing any tariff exposure.

It is also worth considering if any special procedures could be used further down the supply chain to reduce the total customs value when it comes to the US import shipment. An example would be a UK manufacturer using an Inward Processing scheme, where duty and import VAT are suspended. The net effect is that the duty is never paid (the import VAT is also suspended but would have been recovered or accounted for in the next VAT return) and therefore not included in the customs value in the onward sale to the US. To manage the tariff exposure, a business will need to calculate it. Step one therefore must be ensuring that the correct commodity codes are being used.

Formulating a strategy

Businesses should be encouraged to use this time wisely, by checking their commodity codes are correct, checking their due diligence on origin, or seeing if there is a more optimal way of valuing their goods. In reality, any strategy probably needs to be considered as short term and long term.

Short term

Formulating a strategy means looking at the business's own individual footprint to see if, and where, changes can be made. In the short term, this will be based on how costs will increase for that business, what supply chain inefficiencies can be quickly dealt with and what emphasis a business needs to place on both the US market and on long-term planning. If a business wants to operate in the US market, it needs to be agile and adapt quickly. This means keeping tabs on trade developments, as every change in international trade has a knock-on effect somewhere in the world.

Long term

It is possible for medium to long-term plans to be made. Strategies on changing sourcing and manufacturing come into play with consideration being made to potentially relocating to the US, or if the tariffs persist on China, moving manufacturing somewhere else in the Far East. Getting the short-term plans right will be essential to looking into the long term as the basis point will be set. As with the short-term vision though, taking a view on whether the business wants to be in the US market is key.

Editor's note: This article was written before the UK-US tariff deal was announced on 16 June. While the new deal allows 100,000 cars into the US on a 10% tariff, details of the tariff for steel and aluminium are yet to be clarified. 'We're gonna let you have that information in a little while,' said President Trump. It's definitely not a time to be making too many long-term plans...

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The loan danger
An outstanding balance

We look at a case which considers the consequences of a company going into liquidation when it is still owed money on a director's loan account.

by Keith Gordon

I can remember the first time I saw a corporation tax assessment seeking tax on a loan to a participator. (This was in the days before Self Assessment and Corporation Tax Self Assessment and, in those days, assessments came on coloured paper – different colours for different types of assessment. My recollection (and I am more than happy to be corrected) was that this one was purple.)

Having previously worked in what is now the Big Four, loans to participators did not tend to happen that often (or, at any rate, I did not see them). When I moved to a smaller firm, I learned that these were in fact quite commonplace in owner-managed businesses.

As well as the corporation tax, such loans can also give rise to a taxable benefit-in-kind in relation to the employee/director (and Class 1A National Insurance Contributions).

However, it is not only the existence of such loans that can have tax consequences: the end of the loan relationship between a company and a participator can also trigger tax issues.

For example, the Income Tax (Trading and Other Income) Act 2005 s 415 imposes a tax charge where:

- there is a loan by a company to a participator; and
- the company either releases, or writes off, some or all of the debt remaining.

Key Points

What is the issue?
Mr Quillan, sole director of BOH Investments Limited, had an outstanding loan balance when the company went into liquidation, owing roughly £439,954 to his company. He made several payments amounting to around £57,500; however, the remaining balance of £382,456 was never repaid.

What does it mean to me?
HMRC later contended that the non-pursuit of the remaining debt by the liquidator effectively amounted to a write-off, thereby creating a tax liability of £145,058.66 for Mr. Quillan. The tribunal referenced standard dictionary definitions to support its view that the liquidator's actions fell short of officially accepting the debt as uncollectible.

What can I take away?
A slight phrasing difference can determine whether a debt is deemed written off and trigger additional tax liabilities. Careful review of liquidator correspondence during company liquidation is essential, as even minor language variations can have significant tax consequences.

> **A lot of the arguments concerning the meaning of a debt being written off focused on the lack of statutory definition.**

That tax charge is based on the amount that has been released or written off (s 416). The logic is clear: if a participator has received a loan of (say) £100,000 and the company later releases the debt, the participator is effectively £100,000 better off. It makes sense that the participator should then be taxed on that £100,000 windfall.

The practical effect of these rules was considered by the First-tier Tribunal in the recent case of *Quillan v HMRC* [2025] UKFTT 421 (TC).

The facts of the case

Mr Quillan was the sole director of BOH Investments Limited. He owed the company £439,954 when, in 2017, it was resolved that the company be liquidated. In January 2018, the liquidator reported that Mr Quillan had very little funds and insufficient income to make any settlement towards paying off that debt. However, following threats of legal action, as the liquidator reported, Mr Quillan offered to pay the company £57,500 to settle the company's claim against him.

Over the following six months, six payments were made by Mr Quillan to the company, which totalled £57,498. Early in 2019, the liquidator reported that 'no further funds are expected in this respect', thus leaving Mr Quillan's debt at £382,456. BOH Investments Limited was dissolved in April 2020.

HMRC later started to enquire into Mr Quillan's 2018-19 tax return and focused on the loan from the company. The liquidator provided information to HMRC confirming that the balance of the loan 'remained unresolved and was not formally written off'.

HMRC concluded, however, that there was sufficient evidence to conclude that the liquidator had taken a decision not to pursue the outstanding debt. In HMRC's view that was equivalent to it being written off and, therefore, a tax charge under s 415 arose. HMRC issued a closure notice on that basis. The deemed income of £382,456 gave rise to an additional tax charge for Mr Quillan of £145,058.66.

Mr Quillan appealed against the closure notice to the First-tier Tribunal.

The First-tier Tribunal's decision

The case came before Judge Susan Turner and Member Gill Hunter.

The tribunal addressed two arguments put forward by HMRC. First (albeit it was HMRC's reserve argument), it considered whether the loan had been released. It was common ground that a release required more formality than a mere writing off. Looking at the liquidator's report, it was clear that the liquidator took a pragmatic view that further funds (over and above the £57,000 odd already received) were unlikely to be forthcoming. However, there was no evidence to suggest that there was any formal decision releasing Mr Quillan from his debt. As a result, the tribunal decided that there was no release.

The tribunal then proceeded to consider whether the balance of the loan was written off. On the basis of the various correspondence from the liquidator, it was clear that his intention was (had Mr Quillan's circumstances changed) to keep open the possibility of restoring the company to the register in order to recover further funds from Mr Quillan. In the circumstances, this indicated that the debt had not been written off.

For these reasons, Mr Quillan's appeal was allowed.

Commentary

A lot of the arguments concerning the meaning of a debt being written off focused on the lack of statutory definition of the term, and the parties resorted to interpreting dictionary definitions of the term. One part of the tribunal's reasoning was that the *Cambridge English Dictionary* suggested that to write off a debt requires one 'to accept … a debt will not be paid'. In the present case, the liquidator's actions fell sufficiently short of such an acceptance.

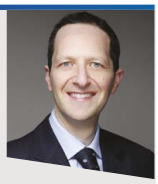
In reaching its conclusion, the tribunal has effectively disagreed with HMRC's published guidance, which suggests that any decision not to pursue a debt amounts to a write off of that debt. That approach might be appropriate in many cases but it is not an invariable rule, as this case demonstrates. Each case must be considered on its own merits and a slightly differently worded report by a liquidator could easily yield a different outcome.

The tribunal also referred to another argument which did not need to be addressed: if the debt had been written off (or released) when did that event occur? HMRC was pinning its hopes on the debt being written off (or released) in the 2018-19 tax year, which was when the liquidator stated that 'no further funds are expected in this respect'. However, it was arguable that the critical date was in the previous year when the liquidator agreed with Mr Quillan to receive the £57,500. That is an argument that will have to be resolved in a subsequent case (or, if HMRC chooses to appeal against the First-tier Tribunal's decision and does so successfully).

Finally, what the tribunal did not mention is why HMRC thought that it could extract the tax from Mr Quillan in circumstances when the liquidator considered recovery of any more funds from him to be unlikely. Had Mr Quillan come into money since the company was dissolved (but without the liquidator's knowledge)? The fact that Mr Quillan represented himself is a possible clue that he remains impecunious. We will perhaps never know.

What to do next

The key takeaway from this case is to read very carefully the correspondence with, and any reports from, a company's liquidators. A slight change in the wording might be the difference between a debt being written off (and a consequential tax charge on the debtor) or not. Given that the debtor will often have little influence on how a liquidator words any reports, this would suggest that, notwithstanding Mr Quillan's success in this case, the liquidation of a company which is owed money by a participator can still spell danger.



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Transfer pricing and profit diversion
Reform for the future

We consider the importance of the UK's profit diversion rules and the main points in the current consultations for reform.

by Sacha Dalton

Multinational enterprises with global operations present a challenge for national tax authorities in ensuring fair taxation. Transfer pricing and the diverted profits tax (DPT) are two key mechanisms designed to prevent tax avoidance and ensure that profits generated in the UK are taxed appropriately.

Transfer pricing refers to the rules and methods for pricing transactions within and between enterprises under common ownership or control. Because of the potential for cross-border controlled transactions to distort taxable income, tax authorities in many countries can adjust intra-group transfer prices that differ from what would have been charged by unrelated enterprises dealing at arm's length (the arm's length principle).

The UK adopted formal transfer pricing regulations in 1998, aligning with the OECD Transfer Pricing Guidelines to ensure that intra-group transactions reflect market conditions.

The DPT was introduced in 2015 to tackle aggressive tax planning by large multinational corporations. It specifically targets:

- companies that artificially avoid permanent establishment in the UK; and
- transactions that lack economic substance and are designed to shift profits offshore.

DPT is set at a higher rate than corporation tax to encourage those businesses with arrangements within the scope of DPT to change those arrangements (usually by changing transfer pricing models) and pay corporation tax on profits in line with economic activity. Initially set at 25%, the DPT rate increased to 31% in April 2023, reinforcing the UK's commitment to tackling tax avoidance.

Why transfer pricing and DPT matter

UK transfer pricing and DPT rules aim to:

- prevent profit shifting: ensuring that profits generated in the UK are taxed fairly, rather than being moved to low-tax jurisdictions;
- maintain fair competition: preventing large corporations from gaining an unfair advantage over domestic businesses;
- boost tax revenue: helping the UK government to collect rightful tax revenues to fund public services; and
- align with international standards: ensuring compliance with OECD guidelines and global tax frameworks.

Transfer pricing is sometimes inaccurately presented by commentators as a tax avoidance practice or technique, although the term itself refers to the set of substantive and administrative regulatory requirements imposed by governments on certain taxpayers. However, aggressive intra-group pricing (transfer mispricing) – especially for debt and intangibles – has played a major role in corporate tax avoidance. This was one of the issues identified when the G20/OECD released its base erosion and profit shifting (BEPS) action plan in 2013.

The OECD's 2015 final BEPS reports called for country-by-country reporting and stricter rules for transfers of risk and intangibles but recommended continued adherence to the arm's length principle. The UK has adopted these recommendations.

Key Points

What is the issue?
Transfer pricing and profit diversion remain a key area of focus for the UK government to ensure that profits generated in the UK are taxed appropriately.

What does it mean to me?
The government is consulting on a package of changes to the UK's legislation concerning transfer pricing, permanent establishments and diverted profits tax aimed at simplifying the tax framework and aligning the UK rules more closely with international tax standards.

What can I take away?
The proposed changes are intended to address concerns of businesses and tax professionals, but some may bring businesses that previously benefited from exemptions within scope of the transfer pricing rules.

In January 2019, HMRC launched a Profit Diversion Compliance Facility (PDCF) to encourage businesses to voluntarily review and adjust their transfer pricing positions. It allows businesses to disclose structures or arrangements that may be subject to DPT. The facility provides an opportunity for multinational enterprises to bring their UK tax affairs up to date and avoid potential penalties.

Consultations on reform

During 2023, the previous government undertook a consultation on a package of changes to the UK's legislation concerning transfer pricing, permanent establishments and DPT. Progress on those changes was delayed by the intervening general election. However, in April 2025 the government announced its next steps in this area, and launched a consultation on reforming transfer pricing, permanent establishment rules and DPT, also publishing draft legislation for stakeholder comments (tinyurl.com/4w4ukxcn).

The proposals aim to:

- simplify the tax framework to reduce administrative burdens;
- align UK rules more closely with international tax standards; and
- address concerns raised by businesses and tax professionals.

This marks a significant step in modernising the UK's approach to international taxation.

The proposed legislation makes a multitude of changes to the UK's international tax rules, most notably reforming DPT by bringing it within the corporation tax charge. Most of the changes were trailed in a consultation response document published in January 2024, and do not come as a surprise. However, there is new clarity about the government's intentions regarding reforming the permanent establishment definition, which was the main aspect of the 2023 consultation on which the previous government did not reach a decision.

The draft legislation and consultation published in April confirm that the government will proceed with aligning the UK's permanent establishment definition with that in the OECD Model Tax Convention, while simultaneously broadening the investment management exemption to address key concerns that UK-based investment managers might be regarded as constituting permanent establishments of the funds for which they make investment decisions (notwithstanding that the funds have third-party investors). The changes to the investment management exemption make clear that commercial investment structures should not be caught.

Overall, we welcome the proposed reforms which will result in some simplification, particularly the repeal of DPT and its integration into corporation tax. This will reduce complexity and align UK tax rules with international standards.

In a separate consultation (see tinyurl.com/mvx5jh5j), the government also invites views on two further changes to the UK's transfer pricing rules:

- Changing the definitions and thresholds around which businesses are within scope of the transfer pricing rules, and removing the current exemption for medium-sized businesses. Although this change would be made alongside taking UK to UK transactions out of the transfer pricing regime (with some exceptions), this would bring more medium-sized enterprises within scope.

> **The proposed legislation makes a multitude of changes to the UK's international tax rules.**

- The introduction of a requirement for in-scope businesses to annually report information about certain cross-border related party transactions to HMRC. The proposed scope includes dealings between a UK-resident company and its overseas permanent establishments, and dealings of UK permanent establishments of foreign-resident companies.

We understand that there is some concern around compliance costs as the new framework may increase administrative burdens, especially for businesses that previously benefited from exemptions.

The closing date for these consultations is 7 July 2025.

The future

For the reasons set out above, transfer pricing and profit diversion continues to be an important area of focus for the government.

The most recent statistics were published in January 2025 for the year 2023 to 2024 (see tinyurl.com/428x5dnk). CIOT discussed these with HMRC as part of our engagement on transfer pricing and profit diversion. It was interesting to put some context around the figures. We were reassured that HMRC has sufficient capacity to deal with advance pricing agreements (APAs) and that all suitable requests for these are accepted into the APA programme.

PODCAST AVAILABLE
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The time taken for APAs to be agreed and cases brought within the mutual agreement procedure to be resolved may look lengthy but are good by international comparisons. It is important to remember that APAs are usually bilateral or multilateral and so the delivery of them is not solely in HMRC's gift; they involve negotiations with other fiscal authorities, and sometimes more than one. Also, the time periods are less surprising if you consider that it is generally the most complicated cases that go into mutual agreement procedure.

The importance of providing certainty was underlined by the consultation published alongside the Spring Statement on the proposals for advance tax certainty for major projects that was trailed in the Corporate Tax Roadmap (see tinyurl.com/2fu2zp5s). The new process will attempt to avoid duplication, and the consultation document suggests that questions about certainty around transfer pricing will be introduced to the APA programme.

We suggested in our response that, given the time lag in achieving an APA, while this may be appropriate for agreeing the pricing detail of an arrangement, it would be helpful if the advance clearance process could rule on the basic transfer pricing model design. This would provide an overall understanding at the investment decision point about how HMRC would look at something from a transfer pricing perspective.

This consultation document also confirmed the outcome of the government's review of the transfer pricing treatment of cost contribution arrangements (contractual agreements between group companies to share the costs and benefits of developing assets such as intellectual property). We welcome that clearance on the validity of a UK entity's participation in cost contribution arrangements will be available under the APA programme.

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Tax Technology Conference 2025
The current and future landscape

The ATT-CIOT Tax Technology Conference on 4 June explored how AI and technology are impacting the world of tax.

by George Crozier

More than 250 tax professionals attended the ATT-CIOT Tax Technology Conference 2025, held at Birmingham's International Convention Centre on 4 June. Conference sessions explored the current and future tax technology landscape, and what it means for tax practices in terms of preparation, safe adoption and advancing ethical AI in tax.

The day was top and tailed by the two organisations' chief executives. CIOT's Helen Whiteman, who conceived the idea of the conference, welcomed attendees with some of the findings of a survey of their 'AI level'. This ranged from the discovery and learning phase (roughly half) through to a small number fully using AI tools already. ATT's Jane Ashton wrapped up the day, thanking speakers and attendees and setting out some of the ways the two organisations are adapting their offer to students and members to reflect technological advances.

In between, attendees heard from leading figures in the adoption of AI and other new technology by HMRC and tax practices, took part in interactive workshops and were shown demos of cutting-edge products. The day closed with a drinks and networking reception.

KEYNOTE ADDRESS: PROFESSOR MICHAEL MAINELLI

Professor Michael Mainelli, Keynote speaker, Founder & Chair Z/Yen Group and former Lord Mayor of London | Helen Whiteman, Chief Executive, CIOT

In his keynote address, former Lord Mayor of London, Professor Michael Mainelli, told attendees that AI will make tax more efficient by automating tasks, improving processing speed and reducing costs, and more effective by enhancing compliance, targeting fraud and informing better tax policies. But he warned them to exercise caution and understand the flaws of AI, which he described as 'like a very happy puppy' that is so keen to please you that it will serve up whatever it thinks you want – even if this sometimes means making things up.

Professor Mainelli suggested that to fully attain the benefits of AI, it is first necessary to simplify the tax system. 'Years ago, when leading a research team in the automotive industry, I learned a mantra about computerisation – simplify, then automate, then integrate… AI can take huge balls of information knitting wool and tangle it better than any kitten. If we want to reap the benefits of AI, we should truly look at simplifying our tax code and procedures before we automate and integrate them.'

Later in his speech, he warned that Central Bank Digital Currencies (CBDCs) are 'potentially a game changer' when it comes to tax collection powers, giving policy-makers new tools to complicate the tax system. 'Complex taxation algorithms can be applied to any CBDC transaction in real time… Once people realise the power of CBDC systems to support various taxation initiatives at low transaction costs, we could expect avalanches of new taxes [to be] proposed… You could easily have child noise taxes, alcohol consumption taxes, foreign visitor taxes, plastic bottle taxes, and so on.' He said he had once given an example of such a tax to a parliamentary committee: the Nelson's Column tax, a hypothetical populist redistribution tax on transactions, set eye-wateringly high in central London and declining as you head out of the capital. CBDCs would make such a tax possible, he suggested.

Professor Mainelli also warned about what he called the 'illusion of innovation'. 25 years ago, automated legal discovery tools were supposed to do lawyers out of work, but instead just increased the scale of documentation enormously. 'Now we talk about AI doing lawyers out of work… [But] AI is now helping them prepare ever longer briefs of dubious quality, and review ever longer briefs from the opposing side.' Innovation, he concluded, does not always result in benefits.

TECHNICAL TAX UPDATES

Tax update: Helen Whiteman, Chief Executive, CIOT | Craig Ogilvie, Director – Making Tax Digital, HMRC | Emma Rawson, Director of Public Policy, ATT | Jane Mellor, Head of Professional Standards, ATT and CIOT

The morning panel session saw Craig Ogilvie, HMRC's Director of Making Tax Digital (MTD), tell the conference how HMRC are building on the success of their app and how we need to 'watch this space' for the digital transformation roadmap. He emphasised that quarterly reporting was being made as simple and cumulative as possible. In response to questions, Ogilvie assured attendees that there are no plans to require taxpayers to pay income tax quarterly. Similarly, there is no immediate plan to introduce MTD for partnerships.

ATT's Director of Public Policy, Emma Rawson, noted that while MTD is the headline, there are also lots of other technological advances coming in tax administration. One of these is e-invoicing, where Rawson stressed the need to weigh the benefits against the burdens, arguing that the government should push a voluntary rollout rather than mandation. She was unconvinced by the idea of triangular e-invoicing via the tax authority, suggesting that where it had been tried it was usually countries with a big tax gap to close, where the burden it imposes might be seen as proportionate. That was not the case in the UK, she said.

Jane Mellor, Head of Professional Standards for CIOT and ATT, spoke about the implications of AI for good practice and professional standards – for example, the need to check output before sending it on and the importance of not letting client data end up in the data sets of tools like ChatGPT. Similarly, when an adviser gives advice that might be put through AI, what are the issues there? The professional standards team are currently working on topical guidance on the application of Professional Conduct in Relation to Taxation (PCRT) principles in relation to use of AI.

Mellor also reminded us that when self-assessment came in, some people said it would mean fewer tax advisers, which did not seem to have transpired, so we should be wary of suggestions that that will be the case with AI.

Jane Ashton, Chief Executive, ATT

BREAKOUT SESSIONS

Attendees took part in four breakout sessions during the afternoon.

Anna Kwiatkowska and Nicola Smith of HMRC presented on **AI at HMRC**. They identified five ways in which HMRC uses AI today:

- assessing the risk of non-compliance;
- the Ask HMRC Online chatbot;
- analysing customer feedback and contact data;
- recommending debt recovery actions; and
- directing correspondence.

They explained that HMRC's IT strategy envisages a much simpler future technology landscape, with fewer separate applications and buying more of the IT the department uses as a service from suppliers.

Participants formed groups to provide feedback to HMRC. Recurring themes included the need for agents to be able to see and do everything the taxpayer can, for a way to track correspondence for agents and for a secure messaging service within the agent services account. Issues caused by the lack of interaction between different HMRC systems were identified.

Dr Sam De Silva of CMS and Matt Woolgar of PwC presented on **Integrating AI solutions in professional services firms**. This covered how to adopt AI tools within firms, including deciding which tool best fits a firm's needs. Attendees were asked to think about what they do as a business, and what services they provide clients, when deciding which tools to incorporate. This included general productivity, summarisation, technical research, data extraction and analytics. The session also focused on legal and contractual issues around adopting AI tools, including who takes on liability if issues arise.

Xiaoshan Sun, Tax Technology Lead at Deliveroo, and John Sandall, CEO of Coefficient, hosted a session on **Best practices for implementing tax technology**. The session highlighted current AI tools and what they can do for small business owners and practitioners, including key prompting techniques and a discussion on what can go wrong when using AI. Attendees were walked through the AI Management Essentials Tool, which is being developed to help small and medium enterprises to establish robust management practices for the responsible development of AI systems and use of AI products.

Rob De La Rue of RSM UK Tax and Russell Gammon of Tax Systems brought together their wealth of experience to present **A practical guide for using technology within in-house tax teams**. The session highlighted that access to technology tools may already be available to businesses via their existing software, as well as demonstrating bespoke software. The presenters highlighted that the journey to embedding tax technology within a business is normally driven by obligations for VAT and corporate tax reporting, and this brings opportunities to deliver greater analysis and controls for the tax team, as well as producing accessible insights about tax in the business for non-tax colleagues.

Lindsay Scott, Technical Officer, CIOT | Emma Rawson, Director of Public Policy, ATT | Senga Prior, President, ATT | Charlotte Barbour, Immediate Past President, CIOT | Helen Whiteman, Chief Executive, CIOT.

PANEL DISCUSSION: ETHICS AND AI IN TAX

Panel session: Paul Aplin OBE, Deputy President, CIOT | Anna Kwiatkowska, Deputy Director Data Science, Chief Data Scientist, HMRC | Dr Sam De Silva, Partner & Global Co-Head Commercial Practice Group, CMS Cameron McKenna Nabarro Olswang LLP | Priya Vijayasarathy, Director – Data & AI, Deloitte | Graham Tilbury, Partner, WTS Hansuke

The afternoon panel saw a discussion on the ethics of AI, chaired by CIOT Deputy President Paul Aplin.

Graham Tilbury, a Partner at the advisory firm WTS Hansuke, raised the problem of AI bias, stressing the need for transparency. Anna Kwiatkowska, HMRC's Chief Data Scientist, acknowledged this issue but pointed out that humans too have biases, and at times AI models are less biased than people. The key lies in the training and skills of users, she suggested.

Dr Sam De Silva, a Partner at the law firm CMS, talked about the importance of 'explainability', being able to explain decisions made on the basis of objective data. He observed that if you apply for credit and are turned down, if the decision-making has been fully automated you have a right under GDPR rules to ask for a human to review that decision. Kwiatkowska sought to reassure practitioners that wherever AI results in outcomes for HMRC's customers there is 'always a human in the loop'.

Aplin highlighted the risks of AI hallucinations, noting that while large language models often get things impressively right, they sometimes get them badly wrong. Observing that HMRC is now using AI to deal with taxpayer queries, Aplin asked who is responsible if an answer is wrong?

De Silva said that if a taxpayer acts on wrong information they receive from HMRC's chatbot, the tax authority should be responsible for that, but he expected that they would disclaim liability. Priya Vijayasarathy, Director of Data and AI at Deloitte, said that the end goal of a correct tax return hasn't changed so the onus to get it right is always going to remain on the taxpayer. Kwiatkowska agreed. She explained that HMRC's own chatbot produces answers based on curated content, operating within very strong guardrails. GOV.UK is trialling a generative AI chatbot but feedback suggests it's getting some answers wrong.

Vijayasarathy stressed the importance of putting good governance in place whenever you replace human tasks with AI. De Silva posed the question of whether people would trust that information they put into HMRC's chatbot – perhaps researching the implications of something they are considering – won't be used by HMRC. Aplin suggested that, in order to know that AI is answering the right question, the default should be to play back not just the question but the assumptions behind it when giving the answer. He also wondered if AI could help in tax simplification. What would be the implications of writing legislation in a more tech-cognisant way?

Helen Whiteman, Chief Executive, CIOT

Graham Tilbury, Partner, WTS Hansuke

Xiaoshan Sun, Tax Technology Lead, Deliveroo

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WELCOME

Richard Wild

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July Technical newsdesk

This is my last introduction to Technical Newsdesk. By the time you read this, I will probably have started my new role in HMRC's Indirect Tax Avoidance and Partial Exemption Team. If you have read my previous introductions, you will know that, prior to joining the CIOT, I was a VAT specialist for many years. I am really looking forward to getting back into the nitty gritty of VAT.

It has been nothing short of an honour to work for the CIOT for the last nine and a half years (over ten if I include the period I was an Indirect Taxes Technical Officer). To have the opportunity to work at the heart of tax policy making, seeking to fulfil our charitable objectives of (to paraphrase) making the tax system better, is very special.

Obviously, it has not all been plain sailing, and over time I became accustomed to telling people that we tried to make the tax system 'less bad'. Actually, that might have happened quite quickly – I recall one of my first CIOT engagements was attending the launch of Making Tax Digital – and we all know how that has gone.

So, what stands out over my time at the CIOT? Here is a much-abridged list:

- Making Tax Digital – as noted above, being present at the launch event, and being involved in the engagement throughout. What this has really underlined for me is the importance of consulting early and properly, rather than governments making big announcements and then consulting on the practicalities afterwards.
- The COVID support schemes, which represented our best engagement with HMRC and HMT, particularly regarding the Self-Employment Income Support Scheme. Yes, there were flaws in these schemes, but the real sense of working together to deliver something quickly and effectively was great to be part of.
- Giving evidence to a particular House of Lords inquiry, and wondering why I was getting a hard time whenever I said anything mildly supportive of what HMRC were doing!
- Being accused by a former Financial Secretary to the Treasury (FST) of issuing an 'incendiary' press release. (I will let you decide which FST and which topic.)
- Recognising the need to celebrate successes, no matter how small. Generally, we will not be able to deliver the significant changes or simplification we desire, but any suggestion we make that is adopted will, by virtue of our charitable objectives, have made the tax system better than it otherwise would have been.
- Being asked to speak at a conference in Malta and then being led astray by two fellow speakers (no names, but you know who you are) and roaming the streets of Valletta trying to find a taxi back to our hotel late at night. Actually, that happened in Prague, too...

Perhaps the most challenging thing during my time at the CIOT has been to try and find the right balance between support and challenge when dealing with HMRC and other policymakers. Even when you think a policy or proposal is a really bad idea, there is a need to recognise that you are dealing with people just like yourself, who are often tasked with doing a job in potentially difficult circumstances. We have not always got it right (hence the wrath of the FST), but everything we have done has been well intended, in pursuance of our charitable objectives.

It is also interesting to look back to see how things have changed over the years. I would like to think that our engagement and influence with policymakers has deepened, and I think the introduction of our 'Rules of Engagement' (tinyurl.com/3w4yv4cv) has kept us on message, and demonstrated to the outside world how we undertake our work.

I have also been writing introductions to Technical Newsdesk for almost the entire period I have been with the CIOT which, give or take the occasional holiday or absence, means I will have written almost 100 of them. They changed from being a series signposting what is in that month's edition to a monthly 'opinion piece' – which, I hope, has been a bit more interesting. I will now need to find another outlet for my thoughts on the tax system.

What has not changed is the continued support from the CIOT technical team, other parts of the CIOT, the ATT and LITRG technical teams, our fantastic volunteer network and, of course, our wider membership. For that, I am hugely grateful.

So, what next for the CIOT technical team? I am delighted to be handing over to Victoria Todd. Victoria is already Head of LITRG and will be taking up a new joint role as Head of LITRG and Head of Tax Technical. Victoria will be supported by a new senior manager role within the CIOT technical team. Victoria joined LITRG in 2005 and became Head of LITRG in 2018. Over the last seven years, she has built on the fantastic work of her predecessor, LITRG's former Technical Director, the late Robin Williamson.

Victoria will be writing the introduction to September's Technical Newsdesk and will tell you more about herself and her plans for CIOT and LITRG. In the meantime, she is keen to talk to volunteers and staff to find out more about work in the various technical areas. She will be attending as many committee meetings as possible over the next few months, so please look out for her and make her as welcome as you have made me.

NEWSDESK ARTICLES

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MANAGEMENT OF TAXES OMB
PERSONAL TAX EMPLOYMENT TAX

Loan Charge Review 2025: joint CIOT and LITRG response

CIOT and LITRG's joint response to the 2025 Loan Charge Review looked at the barriers preventing taxpayers from resolving their loan charge liabilities with HMRC, with a focus on lower-paid agency workers.

The CIOT and LITRG have jointly responded to the 2025 Independent Loan Charge Review, announced on 23 January 2025. Our response concentrated on the various barriers preventing taxpayers from resolving their loan charge liabilities with HMRC – with a focus on lower-paid agency workers. We also explored options to remove or otherwise alleviate these barriers. Our response was greatly assisted by input from TaxAid.

The review is being led by Ray McCann and the government's objectives for the review are to bring the loan charge to a close for those affected, ensure fairness for all taxpayers, and ensure that appropriate support is in place for those subject to the loan charge. In doing so, the reviewer was asked to consider:

- the settlement terms available to those who are subject to the loan charge and who have not yet settled and paid their tax liabilities in full to HMRC;
- how this population could now be encouraged to reach resolution with HMRC; and
- what decisions would be required to ensure that, as far as possible, any new settlement proposals are properly targeted, whilst not imposing significant additional administrative burdens upon HMRC.

In recognising that one of the objectives of the review is to ensure fairness for all taxpayers, we commented that achieving fairness can sometimes present tensions with other policy objectives. For example, recommendations for resolving outstanding loan charge cases would need to balance fairness between those who are outside of the scope of the review (for example, because they have already settled/paid) and those yet to resolve other matters. There is a strong argument to say that fairness requires any changes resulting from the review to be applied to everyone subject to the loan charge, not just those who have not yet settled.

We also recognised the unique circumstances of the loan charge. While supporting HMRC being able to tackle egregious tax avoidance, we felt it was important that HMRC understood the circumstances of what they are addressing, including who is affected by the loan charge and why the issues have arisen, so that action taken is both proportionate and appropriate.

We explained that there would be different barriers to resolution for different groups. We drew on the significant experience of LITRG and TaxAid to highlight the barriers of one group in particular: lower-paid agency workers who found themselves in a loan scheme because of the avoidance behaviour of their umbrella company engagers.

We identified that the barriers to resolving loan charge cases for this group fall roughly into four areas, which present issues in and of themselves, but also overlap and compound. These are:

1. **Lack of information:** Many taxpayers did not have the insight or information to understand the arrangements they were put into, and so did not understand that they had loan charge obligations to fulfil. Their lack of insight and information also meant that they may have been unable to take advantage of the Morse recommendations, which were intended to reduce the impact of the loan charge on some individuals.
2. **Self-assessment issues and other interactions:** This includes issues such as late filing and late payment penalties. Because of unhelpful and poorly targeted HMRC communications, some taxpayers were not aware they had 2018/19 filing obligations linked to the loan charge. Many of those who were aware omitted accurate and complete loan amounts because they lacked information or understanding. We noted that this has led to HMRC issuing assessments/determinations, some seemingly based on an overestimation of loan amounts; and in some cases, interest and penalties could significantly outweigh the tax due.
3. **HMRC's approach:** While noting that this may have softened slightly, we felt that at times HMRC have taken a seemingly rigid, one size fits all approach to the loan charge. The legacy of this approach remains and makes resolution challenging. For example, starting letters with the opening '*I am writing to you because I believe you've used a tax avoidance*

scheme' (with no case officer name given) could be alienating and confusing to workers who did not recognise themselves as being affected by the loan charge.

4. **Trust in, and access to, HMRC's easements:** We noted that HMRC have committed, many times, to deal with people sensitively. They already have 'business as usual' debt recovery policies in place, as well as several specific, potentially very helpful easements, such as that in Income Tax (Earnings and Pensions) Act 2003 s 222 and residual tax concessions, to try and help people who have a loan charge amount to pay. The problem we identified is these are all negotiated/applied at the end of the settlement process, which people appear not to be getting through to due to the barriers we identified. We were also concerned that there is a lot of social media coverage of certain aspects of the loan charge, which in some cases may be generating fear and uncertainty that outweighs all else. We thought that without more proactive reassurance from HMRC, this fear would continue to deter people from entering or progressing through the resolution process, further compounding procedural and escalation issues.

We also discussed barriers faced by another group: those who may have been affected by the loan charge but whose personal circumstances now mean settling their debt is very difficult; for example, because they are now ill or retired or perhaps cash poor/asset rich. We considered that these people also face barriers – typically based on the scale of their liabilities – and identified that HMRC's inflexibility to accept voluntary legal charges on property or even sub-standard offers, etc. could be problematic in this context.

Our recommendations included improving processes on how the loan charge is calculated to maintain a consistent approach where actual information is not available, including the provision of upfront information from HMRC on how assessments/determinations are calculated and if there is a reliable source from the scheme itself.

We suggested reconsideration of the interaction with self-assessment processes to provide a more pragmatic approach to removing inflated debt elements, such as payments on account generated by a determination and allowing late appeals for assessments or determinations and for late filing penalties.

We also suggested that interest could be fully or partially waived. Other possible suggestions were made around IHT, as well as the processes in place to deal with the agreed debt, especially around ability to pay, changes in circumstances, hardship, instalment payments and remission of tax/sub-standard settlements.

Overall, we believe that there is an urgent need for action with the loan charge arising over six years ago and many cases remaining locked in a cycle of unresolved issues. We think that without practical changes to help bring these cases to a conclusion, along with a more nuanced and responsive approach to case management by HMRC, it will be difficult to see how the underlying barriers are going to ease, and indeed suggest that they are more likely to significantly worsen as time passes.

The full response can be found here: www.tax.org.uk/ref1492

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MANAGEMENT OF TAXES

Enhancing HMRC's powers: tackling tax advisers facilitating non-compliance: ATT, CIOT and LITRG responses

ATT, CIOT and LITRG have responded to HMRC's consultation on 'Enhancing HMRC's powers: tackling tax advisers facilitating non-compliance', which looked at options to enhance HMRC's powers and sanctions to take swifter and stronger action against professional tax advisers who facilitate non-compliance in their client's tax affairs. It proposed a complementary suite of potential measures to more effectively review and sanction professional tax advisers whose actions contribute to the tax gap or otherwise harm the tax system.

The consultation can be found on GOV.UK here: tinyurl.com/3kpz2puf

ATT Response

The fact that 'wilfully incompetent' and 'dishonest' tax advisers continue to service the tax needs and requirements of some taxpayers is causing harm to the tax system. This suggests that HMRC could still do more to tackle both these groups of tax advisers. However, there is already a significant body of law available to HMRC, and the ATT urges HMRC to fully assess and utilise these provisions before rushing to add more legislation to the statute.

Enhancing powers to enable HMRC to investigate and request information from tax advisers: The vague and potentially subjective definition of 'reasonable suspicion' that a tax adviser has facilitated an inaccuracy in a taxpayer's return, coupled with concerns about the ambiguity around what constitutes 'facilitation', means that the ATT does not agree that HMRC should be granted easier access to information from tax advisers on these grounds.

Enhancing financial penalties for tax advisers who cause harm to the tax system: The ATT has stated that it does not have statistical data to comment on the adequacy of the current penalties. However, it considers that the current financial penalty for dishonest conduct (ranging from £5,000 to £50,000) could be seen by some unscrupulous tax advisers as being an acceptable cost of doing business and built into their financial modelling. The ATT supports the review of the penalty limits.

Broadening disclosure of HMRC's concerns about tax advisers to professional bodies: The ATT also supports efforts that can make it easier and faster for both HMRC and the professional bodies to respond to and address sub-standard behaviour and work by tax advisers at an earlier stage. This could reduce the level of future damage being caused by some tax advisers.

Broadening the scope of publication of tax adviser details when they are the subject of an HMRC sanction: It is in the public interest for HMRC to publish more information about its activities. The ATT believes that this could help taxpayers to be better informed about their choice of tax adviser by knowing which tax advisers are subject to sanctions or have had limitations imposed on their ability to act effectively for clients. However, the procedure for making a publication needs to be robust with adequate built-in safeguards, especially given the potential reputational and commercial ramifications to the tax adviser of having their details published.

The full ATT response can be found here: www.att.org.uk/ref483

CIOT response

The CIOT support HMRC in tackling the problems associated with poor standards of tax advice and harms to the tax system. The CIOT noted that the consultation document did not set out clearly the harms which HMRC were seeking to tackle (or not tackle) but our understanding is that these fall into two distinct categories which warrant different tailored responses:

1. aggressive deliberate harm by promoters and those submitting spurious claims to HMRC; and
2. harms caused by agents whose performance does not meet adequate standards.

The CIOT would welcome more evidence and statistics about the current harms, as well as evidence about the current use of HMRC powers and instances where they have been unable to use them.

There is nothing set out in this consultation which tackles the fact that unqualified tax advisers, those unaffiliated with a professional body, and indeed those with no previous experience can set up in the tax advice market.

In relation to the main areas covered by the consultation, our response included the following points.

Enhancing powers to enable HMRC to investigate and request information from tax advisers: The CIOT considers that before further powers are given to HMRC, there needs to be a review of all powers and penalties currently applying to tax advisers. This would reduce complexity and ensure that there is no overlap, potential duplication or inconsistency of application. Clear definitions of 'non-compliance', 'facilitation' and 'reasonable suspicion' are essential, as broad, uncertain definitions could inadvertently encompass cases outside the target of the consultation.

Enhanced powers should not be applied where there are differences of opinions on technical areas or genuine mistakes. Clear targeting and guidance will be critical. A number of defences will also need to be in place, such as where the agent has a reasonable excuse. The CIOT would welcome working with HMRC in relation to how this could work in practice. Increased powers should not be accompanied by reduced safeguards.

Enhancing financial penalties for tax advisers who cause harm to the tax system: The CIOT considers that the most appropriate approach (based on those considered) is for a penalty to be calculated on the tax adviser's fees for the advice or compliance work. Care is needed and the penalty needs to be in some way proportionate and impactful to the circumstances.

Fines should apply in general at firm level, although the CIOT can see that if a firm had reasonable protection procedures in place and an individual ignored them, then action against an individual may be appropriate.

Broadening disclosure of HMRC's concerns about tax advisers to professional bodies: The CIOT supports more disclosures being made to professional bodies.

Broadening the scope of publication of tax adviser details when they are the subject of an HMRC sanction: The CIOT considers that there is a public interest in letting people know HMRC are actively enforcing agent standards and publishing the names of tax advisers involved in harm to the tax system. There do have to be safeguards, as publication can have a significant detrimental impact on the adviser's ability to continue in business, regardless of their size – particularly if the press includes information about the adviser's details.

The full CIOT response can be found here: www.tax.org.uk/ref1488

LITRG response

LITRG did not answer the specific consultation questions but took the opportunity to make a few broader points around HMRC's evolving approach to repayment agents. Although there have been past delays in addressing unscrupulous agents, it is encouraging that significant work is now underway. However, we caution against over-correction that could harm legitimate operators meeting genuine needs – such agents leaving the market could limit taxpayer options and access to rightful refunds. Where unfounded claims are made, there is a tax loss. As such, we also stress that holding taxpayers solely responsible for these claims oversimplifies the issue and undermines trust in HMRC and the tax system. LITRG urge HMRC to review its treatment of affected taxpayers. We think there is considerable scope for HMRC to interpret law in a supportive way but at the very least, we think it should clearly outline its compliance strategy to ensure fairness and consistency.

The full LITRG response can be found here: www.litrg.org.uk/11049

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PERSONAL TAX MANAGEMENT OF TAXES

Better use of new and improved third-party data: CIOT, LITRG and the ATT responses

The CIOT, LITRG and the ATT submitted responses to the latest consultation on the topic of third-party data. The consultation is mainly concerned with improving the quality of data that HMRC already gathers in respect of financial account information and card sales.

The consultation explores opportunities for improving the quality of data that HMRC acquire from third parties for tax administration. HMRC consider financial account information and card sales in the consultation, as well as exploring the possibility of collecting new data from financial institutions on dividend income and other investment income.

The intention is for there to be a phased approach to reform. The plan is that phase one will encompass HMRC's bulk data gathering powers in respect of financial account information and card sales. The consultation included three sets of proposals for the existing data sets:

- options for improving reporting, by introducing standing reporting obligations and considering steps to improve the timeliness (and frequency) of reporting;
- options for improving the quality of data reporting, by introducing set schemas and collecting tax references to support better data matching; and
- options for ensuring data quality through due diligence and penalties.

It also explored the possibility of extending reporting to new third-party data sets – dividends and other income from investments. The proposals would apply to financial institutions and are aimed at removing the reporting gap between the information that HMRC receive on financial accounts held by UK taxpayers overseas and domestic reporting.

The consultation can be found on GOV.UK here: tinyurl.com/27da4u25.

CIOT response

The CIOT welcomes policy and processes that make it easier for taxpayers to meet their tax obligations. Improved data collection and effective data matching – helping to deliver pre-populated returns and tax codes, adding depth of information to a future 'Single Customer Account' and improving tax compliance

– are welcome long-term aspirations. However, it is important that these plans are feasible and fit with HMRC's plans for change in the next five to ten years. There are significant IT infrastructure upgrades required at HMRC to enable their current legacy systems to use this data to deliver upgraded functionality.

For pre-population to result in an easier, more streamlined self-assessment process, HMRC need to be able to accurately identify the correct taxpayer; provide data which is sufficiently split between source and periods; and, of particular importance, provide taxpayer or agent functionality to override incorrect pre-populated figures.

The use of pre-population to update PAYE codes during the tax year would improve their accuracy and reduce post year-end adjustments – again, all welcome long-term aspirations. However, a realistic approach is needed, with the priority being to focus on fixing current PAYE pre-population issues first.

The CIOT highlight that the consultation appears to assume there are benefits to the extension of third-party data collection to partnerships, companies (and non-UK businesses), trusts and charities. We await a further policy update on whether Making Tax Digital will be extended to partnerships and companies and a consultation on e-invoicing has recently closed. It is unclear at present how this all fits together.

The CIOT also highlighted interim steps which could help to reduce complexity in the short term, including developing a common reporting template for tax packs; and ensuring that tax packs cover both income tax and corporation tax treatment.

The full CIOT submission can be found here: www.tax.org.uk/ref1485

ATT response

The ATT agrees that the process of pre-populating bank and building society interest needs to be improved, as higher interest rates in recent years mean that more people have had tax to pay on their savings income. Our response highlighted the kinds of problems with the current system reported to us by members.

HMRC currently receive information on around 130 million bank and building

GENERAL FEATURE INDIRECT TAX

Scottish government cruise ship levy: CIOT response

The CIOT has responded to a Scottish government consultation on the potential introduction of a cruise ship levy, a potential new local tax for Scotland.

During the consultation on the Scottish visitor levy, there were calls to also introduce similar levy powers in relation to cruise ship passengers. The Scottish government committed to publish a consultation on a potential cruise ship levy. Published on 27 February 2025, it asks for views on whether local discretionary powers should be given to local authorities, and includes questions on the design and administration of the potential new tax.

In our submission, we ask that the Scottish government use the valuable insight from consultation responses, and their wider engagement with key stakeholders to help:

- determine clear policy objectives to inform the decision on whether to introduce a cruise ship levy and the potential design of the tax;
- consider the cost-benefit analysis of introducing the new tax;
- ensure simplicity of tax administration; and
- undertake and evaluate post-implementation assessments of the effectiveness and administrative burden of the introduction of the Scottish visitor levy.

In our view, it is not clear from the consultation what the main policy aims of a cruise ship levy are. Is the objective of the consultation to tackle over-tourism? Or is the objective to raise revenues to fund investment in local infrastructure, improve tourist attractions in Scotland to further grow Scottish tourism or help grow Scottish ports to boost wider economic activity? Or is the objective to encourage 'greener' ships to visit Scotland?

Clear policy aims are vital to inform the design of the new tax. If the objective is to tackle over-tourism, local discretionary powers may be appropriate to enable each local authority to decide whether to introduce a new tax to tackle their own unique issues with over-tourism. Our preference would be that any local discretionary powers are accompanied with a clear, national framework to provide consistency and reduce complexity and administrative burdens.

If the objective is to raise revenues from the cruise ship levy, consideration may need to be given as to whether centralised powers, implementation and administration may result in a more effective tax. A possible unintended consequence of the discretionary nature of a cruise ship levy might be that the decision not to charge the tax is used to promote the advantage to cruise ship operators of visiting one port as opposed to another where the tax is charged. This could create economic distortions and impact the decision on whether to implement a cruise ship levy or not.

Whilst we welcome the consultation on a cruise ship levy as a sensible next step from the introduction of the Scottish visitor levy, a robust cost-benefit analysis must be undertaken to determine if it is cost efficient to introduce a cruise ship levy. Such a cost-benefit analysis needs to show that the revenues generated by a new cruise ship levy outweigh implementation and compliance costs. If not, are there alternative levers which can be considered to tackle the policy aims, for example over-tourism? Transparency on this cost-benefit analysis will help to justify and develop a mutual understanding between Scottish government and Scottish taxpayers on the decision to introduce, or not introduce, a cruise ship levy.

Our response to the consultation asks the Scottish government to ensure that a cruise ship levy is a straightforward as possible to administer. A key message from our members has been to try and reduce the administrative complexity of the tax landscape in Scotland. The detailed pros and cons of different administration options are not discussed within the consultation. Should a decision be taken to proceed with a cruise ship levy, we would welcome further collaborative work with the Scottish government to explore the design of the tax administration.

This is the introduction of a new tax, like the Scottish visitor levy, and not the introduction of devolved powers over an existing tax or replacement of a previously well-established UK-wide tax. We recommend that the implementation period for any future cruise ship levy is scheduled to enable lessons to be learnt post-implementation of the Scottish visitor levy. Hopefully, the output from this consultation will help the Scottish government to determine clear policy aims and the design of a potential tax and thereafter to undertake the necessary cost-benefit analysis to decide whether it is cost effective to introduce.

Our full submission can be found here: www.tax.org.uk/ref1411

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society accounts each year. This data is matched by HMRC to individual taxpayers to enable them to produce tax computations and Simple Assessments to collect tax on interest, while keeping savers with straightforward affairs out of Self-Assessment. However, according to the consultation, around one in five accounts cannot be matched to a taxpayer. This has implications for HMRC's ability to collect the right tax from savers efficiently.

As part of any changes, it is important that any third-party data used by HMRC to calculate a taxpayer's position is made available to the taxpayer and their agent in a format that can be easily checked and corrected. Even when HMRC has produced the calculation, based on information they hold, the taxpayer remains responsible for ensuring that their tax affairs are correct and complete. It is therefore vital that taxpayers can see and understand the data that HMRC has used. Taxpayers should also be told when HMRC has used estimates and be able to update or challenge them if needed.

The consultation also asked for views on the merits of requiring financial institutions to provide details of dividend information to HMRC. While there would be some limitations to this data, we considered that on balance this would be welcome – provided that sufficient detail is provided so that the taxpayer and their agent can meaningfully check and challenge the figures.

The full ATT submission can be found here: www.att.org.uk/ref481

LITRG response

We are supportive of initiatives that make it easier for taxpayers to comply with their tax obligations and get their tax right. We also support the principle of using third-party data to improve the taxpayer experience with HMRC.

However, LITRG has concerns about the increased use of third-party data and pre-population by HMRC; in particular, whether the current balance of responsibility remains appropriate, since the taxpayer will no longer be the originator for much of the data in their tax return. There is also the question of what happens when the data provided by a third party to HMRC is incorrect.

We welcome some of the proposals in the consultation, such as establishing standing reporting obligations for financial account information and card sales data. We think there should also be an obligation on HMRC to use the data they receive in a timely manner; and to only collect data according to the frequency that they will make use of it.

We suggest that, if the policy intention is to help taxpayers get their taxes right first time, HMRC should require third-party data suppliers to share a copy of the data they provide to HMRC with the taxpayer; for example, as is required under the OECD Reporting Rules for Digital Platforms.

We agree with the intention to use the National Insurance number as a unique identifier for individual customers. However, there are areas that will require careful consideration, as not all customers have a National Insurance number.

We welcome the exploration of methods of improving the quality of third-party data. To improve the customer experience, it is vital that the data HMRC use is accurate and complete; or where it is not, HMRC recognise this and there is a prompt that further action is needed.

The full LITRG submission can be found here: www.litrg.org.uk/11053

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LARGE CORPORATE OMB

R&D tax relief advance clearances: CIOT and ATT responses

CIOT and ATT responded to the consultation on Research and Development tax relief advance clearances published in March 2025.

The consultation (tinyurl.com/22tw2nzd) sought views on clearances for the Research and Development (R&D) tax reliefs, with the aims of reducing error and fraud, increasing certainty for customers and improving customer experience. CIOT welcomed the policy aims of the consultation, and ATT noted that claimants continue to face significant uncertainty about whether activities qualify as R&D and who can claim for contracted-out work, saying that advance assurance in these areas would help to support genuine innovation and investment. However, CIOT highlighted concerns that not all the competing policy aims will be easily achieved through a single new system of clearances. CIOT are concerned that a clearance system which conflates the various policy aims may result in something that is unsatisfactory and underdelivers on all of them.

Both CIOT and ATT responses noted that the current advance assurance regime for R&D tax relief is underutilised. Many claimants and advisers feel that the time and cost of seeking advance assurance outweigh the perceived benefits. To encourage uptake, the ATT recommends that the government allocates additional resources, improves flexibility and ensures that assurance is administered by individuals with appropriate skills and expertise. CIOT agreed that delivering an effective advance clearance system would depend to a very large extent on HMRC's capacity and available resource.

The ATT said that it does not support limiting advance assurance to specific sectors or company types. It should be accessible to any business seeking reassurance, regardless of size or industry. CIOT also said that it would prefer to see a voluntary service available to all potential R&D claimants but could understand the rationale for focusing a voluntary service on growing and high-potential companies. However, CIOT cautioned that identifying sectors with clarity will be difficult.

Similarly, the ATT opposes the introduction of a minimum expenditure threshold (MET) for R&D claims. Whether or not an activity is qualifying R&D depends on the nature and purpose of the work undertaken, not the amount spent on it. Perfectly good R&D work can be, and indeed is, undertaken for relatively small amounts of money. The CIOT agreed with this as a matter of principle but also said that there are good practical arguments in favour of a MET. CIOT suggested that if a MET is introduced, there should be an exceptions process for those below the threshold, so that these companies have an opportunity to request an advance assurance if they are below the threshold and demonstrate that they are undertaking R&D.

The ATT does not support the introduction of mandatory clearances for certain claimants, as this risks creating a two-tier system within the R&D tax relief regime. However, considering the significant levels of fraud identified, the ATT acknowledges that there may be a case for targeted mandatory clearances in high-risk sectors. That said, accurately identifying and defining these sectors – and ensuring that the right companies are included – would present considerable practical challenges.

The CIOT broadly agreed with this and added that the approach to voluntary and mandatory assurances should and would necessarily be different because of the different primary policy aims for each. The policy aims of providing certainty and improved customer experience would require a voluntary advance clearance system that is enabling and helpful for customers; whereas a system focused on tackling error and fraud would have a different approach.

Neither the CIOT nor the ATT consider that any of the three options for voluntary

or mandatory assurances set out in the consultation would be particularly useful or attractive.

ATT said that, rather than adding further compliance burdens, the government should take a broader look at how to reduce error and fraud. The ATT sees merit in considering a shift to a system where all claims are reviewed before payment. This would help to prevent fraud and provide certainty to claimants. It would have resource implications for HMRC, but the Exchequer gains made from the reduction in fraud could compensate for this. While recognising the radical nature of such a change, the ATT encourages the government to explore this option further as part of a more strategic, long-term approach to reforming the R&D tax relief system.

CIOT challenged HMRC to consider what a mandatory assurance requirement would add to the existing compliance measures, particularly the claims notification requirement. The claims notification form alerts HMRC to a new claimant, and HMRC can contact the potential claimant and/or open an enquiry if a claim has been made (depending on the timing), and HMRC has doubts as to the veracity of the claim. Using this existing compliance measure better would be less resource intensive than considering an advance assurance application from the same population.

Our full responses can be found at:
CIOT: www.tax.org.uk/ref1484
ATT: www.att.org.uk/ref485

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CIOT		Date sent
Enhancing HMRC's ability to tackle tax advisers facilitating non-compliance	www.tax.org.uk/ref1488	16/05/2025
Better use of new and improved third-party data	www.tax.org.uk/ref1485	21/05/2025
Research and Development tax relief advance clearances	www.tax.org.uk/ref1484	23/05/20205
Cruise Ship Levy	www.tax.org.uk/ref1411	30/05/2025
Independent Review of the Loan Charge	www.tax.org.uk/ref1492	05/06/2025
LITRG		
Enhancing HMRC's ability to tackle tax advisers facilitating non-compliance	www.litrg.org.uk/11049	07/05/2025
Better use of new and improved third-party data	www.litrg.org.uk/11053	20/05/2025
ATT		
Research and Development tax relief advance clearances	www.att.org.uk/ref485	23/05/2025
Better use of new and improved third-party data	www.att.org.uk/ref481	28/05/2025

Leadership
ATT's new team

ATT has announced its new leadership team for 2025-26.

Graham Batty will advance from Deputy President to take over from Senga Prior as President, while Barry Jefferd will move up from Vice President to become Deputy President. The new Vice President will be Eleanor Theochari. The new team take up their posts at the ATT AGM on 10 July.


Graham Batty

Now retired, **Graham Batty** is a former Associate Director at RSM, where he specialised in the taxation of charities and other not for profit bodies. Graham qualified as a chartered accountant in 1983 and became a member of CIOT in 1986. He became a member of the Association in 2005, joined ATT Council in 2012 and was appointed a Fellow in 2015. He was previously President of ATT in 2017-18. He is Vice Chair of the Examination Steering Group and also serves on the Audit and Risk Committee and the Policy Review Group. He is a former Chair of both the Leeds and Birmingham and West Midlands Branches. Graham is also a Parish Councillor for his local village.


Barry Jefferd

Barry Jefferd is a Senior Partner with George Hay. He advises on the complete range of taxes, although he particularly enjoys capital gains tax, inheritance tax, and property and land transactions. Barry became an ATT member in 2009 and joined Council in 2021. He chairs the Examination Steering Group and is a former chair of Mid-Anglia Branch. Barry trained with a City of London practice where he qualified as a chartered accountant and a Chartered Tax Adviser. He is also a member of the Society of Trust & Estate Practitioners.


Eleanor Theochari

Eleanor Theochari is a Corporate Tax Adviser, specialising in R&D Tax Credits. She leads the R&D tax function as a Partner at Blick Rothenberg, where she is responsible for overseeing the delivery of all clients' R&D claims. Ele became a member of CIOT in 2020 and a member of ATT in 2023. She joined ATT Council in 2023 and also Vice Chair of the Joint Professional Standards Committee. Ele was a finalist in Tolley's Taxation Awards 2022 and 2023 in the Taxation's Rising Star category, and was awarded a coveted place in the 2022 Accountancy Age's 35 under 35.

Spending review
Invest in tracking system to improve HMRC effectiveness, says CIOT

The Institute gave a cautiously positive response to the government's spending review.

CIOT welcomed the confirmation of additional resources for HMRC in June's spending review and set out a number of ways the money could be spent effectively to improve HMRC's efficiency and deliver better service to taxpayers and agents. The Institute also raised a number of questions following the announcement, including around provision for the digitally excluded.

John Barnett, CIOT Vice President, commented: 'This is a significant increase in current spending for HMRC, as promised by the new government. It is important that it is spent well to make real progress in improving current HMRC customer service levels.'

CIOT has said that digitalisation has to work for taxpayers and agents as well as HMRC. John explained: 'Moving from 70% of customer interactions being digital to 90% is a big step up. It will need existing digital services to be improved, the gaps in digital services to be closed, and the level of reassurance for those users of digital services that they have done the right thing to be improved too.'

Reduce demand not support

CIOT emphasised that HMRC need to find ways to reduce the demand for their help, rather than simply reducing the supply of support. A joint CIOT-ICAEW study last year found that more than a third of attempts to contact HMRC are to chase progress on existing matters.

The Institute points out that the need for these could be eliminated by investing in an external tracking mechanism, enabling taxpayers and agents to track that HMRC have received their correspondence, to see where in HMRC it is being handled, and to check progress. The Institute argues that progress chasing should be a key function of any new digital service.

Noting that HMRC have now said that they are going to 'eliminate all outbound post, with limited exceptions such as letters which generate revenue for the Exchequer', John Barnett called on the tax authority to provide reassurance that protection will remain for those who are digitally excluded.


John Barnett

Noting the statement that 'HMRC has worked with the Office of Value for Money to identify £773 million of technical efficiencies', he called on HMRC to set out what these efficiencies are in order to reassure taxpayers and advisers that this is not simply a euphemism for cuts.

Secure communications

CIOT and ATT have both been encouraging HMRC to prioritise the development of secure digital ways to contact them, highlighting a significant unmet appetite to communicate with HMRC digitally. The bodies welcomed the statement by HMRC Deputy Chief Executive Angela MacDonald at the Public Accounts Committee on 12 June that HMRC have received funding in the spending review to allow them to procure and roll out a platform to deliver this, first in compliance, then across customer services.

LITRG

LITRG Technical Officer recognised in King's Birthday Honours

LITRG technical officer Meredith McCammond has been awarded the British Empire Medal (BEM) in the King's Birthday Honours List 2025 for services to vulnerable groups.

Meri, a Chartered Tax Adviser, joined the LITRG team as a Technical Officer in 2013, after starting her career in tax at PricewaterhouseCoopers. She leads LITRG's work on labour market issues among other areas. Since joining LITRG, she has gained recognition externally as an expert in her field. In addition, she volunteers for the tax charities TaxAid and Tax Help for Older People.

CIOT President Nichola Ross Martin said: 'This award is testament to Meri's passion and hard work and to the achievements of LITRG as a whole.'

Victoria Todd, Head of LITRG, said: 'There are few people who are as passionate and dedicated to their work as Meri. She is a champion for unrepresented taxpayers and gives up much of her own personal time to trying to make the tax system easier to navigate for low income, unrepresented taxpayers.'


Meredith McCammond

Reacting to the award, Meri said: 'I'm totally surprised and honoured to receive the BEM – but in truth, this award reflects the work of the entire LITRG team. From all of the personal experiences we bring to LITRG, we know the chaos and disadvantage that can shape people's lives. Add a tax issue into that mix – one that, without support, can spiral and stay with someone for years – and it becomes clear why LITRG's work remains so vital.'

R&D

Advance assurance improvements sought

An improved pre-approval system for research and development tax reliefs could help deliver certainty to businesses, says the ATT, as the government looks to reduce fraud and error in the system. Its members have concerns over the current advance assurance regime, which allows businesses to send HMRC details of their R&D work ahead of claiming tax relief, to confirm it meets criteria. This includes time and cost pressures, and significant uncertainty around key aspects of the R&D tax relief regime.

HMRC estimates that around 18% of claims for R&D relief were the result of error and fraud in 2021-22, totalling £1.3 billion, and recently ran a consultation on the clearances scheme to address these problems.

ATT President Senga Prior said: 'There continues to be significant uncertainty around key aspects of the R&D tax relief regime – particularly in determining whether an activity qualifies as R&D and who is entitled to claim for contracted out activities. Advance assurance on these areas could help support genuine innovation and investment.'


Senga Prior

ATT is calling for greater resourcing to help HMRC effectively pre-assess claims, including in investment in training and expertise of staff.

In the news

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

'At the moment anyone in Scotland earning greater than £30,318 pays more in income tax than if they lived elsewhere in the UK. The difference grows substantially the further up the wage scale people move, as someone on £55,000 faces a bill almost £1,700 greater than a counterpart in England. For a salary of £100,000 the sum rises to more than £3,331 according to the CIOT.'

The Sunday Times on Scottish tax divergence, 18 May

'The Chartered Institute of Taxation explains that National Insurance is a tax on earnings that is paid by both employees from their wages and by employers (on top of the wages they pay out), as well as by the self-employed (from their trading profits).'

Daily Record, 21 May

'Emma Rawson, director of public policy at the Association of Taxation Technicians, said the government would be "unwise" to use the High Income Child Benefit Charge as a model for restricting access to winter fuel payment, adding there were many outstanding problems with the policy.'

The Financial Times on possible reclaim mechanisms for winter fuel payments, 24 May

'We think that DWP and HMRC should work together to ensure that pensioners are warned about possibly needing to pay tax on their state pension in future. This should include setting out how the tax will be collected and the likely tax liability.'

LITRG quoted in the Daily Express on income tax charges for pensioners, 1 June

'The ATT ... said its members had reported receiving one of three letters containing errors from HMRC... Helen Thornley, of the ATT, said: "We have reported all examples to HMRC, who have assured us that this is being investigated 'as a matter of urgency".'

Daily Telegraph, 4 June

'Tax advisers have warned that taxpayers could miss important correspondence if most of the letters were eliminated. Antonia Stokes, of the LITRG, said: "If important correspondence is delivered to online accounts which taxpayers are not able to access, it could lead to tax obligations being missed, taxpayer confusion and ultimately an erosion of trust in HMRC."'

Daily Telegraph, 12 June

Debate

What next for international tax co-operation?

June's CIOT-IFS debate saw an international panel consider whether the US, UK and others can reach agreement on how to tax multinationals.

Top row: Helen Miller, Paul Oosterhuis, Tim Sarson. Bottom row: Tim Power, Chenai Mukumba

Is international tax cooperation now in retreat? That was the question that hung over the latest CIOT-IFS tax debate, which took place online on 16 June, with contributors joining from three continents for a discussion chaired by incoming IFS director Helen Miller.

Tim Sarson, Head of Tax Policy at KPMG UK, spoke first, suggesting the current 'two pillars' process was 'probably the last hurrah' of big, global OECD-led initiatives. This was not just because individual states are threatening this but also because certain blocks that were engine rooms for change at OECD level are starting to disintegrate. His sense was that where things would go next might be more focused on high-net-worth individuals.

He also foresaw much more regional and bilateral tax co-operation going on, as has been seen in the area of trade. What does that mean for taxpayers? 'The dream of having one single standard set of rules globally is pretty much gone but on the other hand I don't think we're going to be back to the wild west days of cross border arbitrage, hybrid entities, hybrid structures, etc.'

Paul Oosterhuis, a leading US international tax practitioner, suggested that the approach of the US government on these issues was being unfairly maligned. The Trump administration is not trying to 'blow up' Pillar Two, rather it is taking the view that the US system should be 'side by side' with it, with the undertaxed profits rule (UTPR) not applying to either US companies or their controlled foreign companies. He thought that 'a pretty reasonable position', arguing that existing US rules were robust and that, in aggregate, US companies would not gain from the US staying out of Pillar Two (the global minimum corporate tax rate).

Much discussion focused on the current US tax bill and in particular section 899, which would automatically designate UTPRs, digital services taxes (DSTs) and diverted profits taxes as unfair foreign taxes, requiring retaliatory measures. Oosterhuis said that the US Treasury is talking with the Senate about two possibilities – delaying the measure for a year to allow more time to negotiate, and moving DSTs and diverted profits taxes from a mandatory to a discretionary category. If DSTs and diverted profits taxes are taken out and it only applies to UTPRs, then the goal will be to get the Treasury's 'side-by-side' arrangement in place before section 899 goes into effect so it need not ever be implemented.

Chenai Mukumba, Executive Director of Tax Justice Network Africa, focused her remarks on the tax discussions at the United Nations, explaining what had motivated them and what they aimed to achieve. She said the conversation now gaining traction at the UN was in large part a response to feelings of non-engagement with the OECD process among developing countries, especially in Africa.

Mukumba said that the UN process was still nascent. Negotiations that have begun this year are expected to conclude in 2027. Have the negotiations been going smoothly? Absolutely not, she acknowledged, noting that the US had walked out. But the negotiations had continued, demonstrating that decision-making does not depend on just a few countries for conversations to continue. Those such as the UK are still present, even after voting 'no' to some of the proposals, and the talks still have momentum, she maintained.

Tim Power is Director for Business and International Tax at HM Treasury. He told the audience that the UK government is seeking a negotiated solution to the issues of concern, but the issues are not straightforward. We know what the US administration's position is on DSTs, but we are yet to understand whether there are alternatives (to scrapping DSTs) which might be acceptable to the US. On Pillar Two, he said it was clearer what the US is asking for, but there are important policy questions, in particular whether switching off the UTPR to US groups' foreign operations will create unacceptable issues from a level playing field standpoint.

Power suggested that the retaliation threatened by section 899 was disproportionate to the amount of tax raised by the measures it is retaliating against. The UK also has a number of specific concerns about the US legislation. These include that the current draft doesn't allow enough time for solutions to be negotiated and then enacted, that the draft is overly prescriptive, that it bundles together different tax issues, and that definitions are very broad, leaving the potential for this to become a repeatedly used tool.

Read a fuller report on this debate at: tinyurl.com/4b5e2yda
Watch the debate at: tinyurl.com/ypuudsak

Spotlight

Employment and Payroll Group and related forums

The EPG is HMRC's main employment taxes forum, focusing on high level policy issues, and is supported by a number of technical focused forums.

The CIOT, ATT and LITRG regularly engage with HMRC regarding employment tax issues – from policy discussions to raising technical issues or clarifying guidance. The primary engagement is through the Employment and Payroll Group (EPG) and this is supported by a number of sub-groups. The terms of reference and membership of each group are published on GOV.UK.

Employment and Payroll Group

The EPG is the principal forum for HMRC and other government departments to engage with the employment and payroll community. It was formed in 2014 and focuses on high-level operational policy and process issues. It meets quarterly for members to raise and discuss issues or problems in administering payroll obligations or in relation to employment tax issues more generally. Recent discussions have included HMRC's work on PAYE reconciliations, and balancing liabilities and payments made to HMRC.

With the closure of the Expatriate Tax Forum, it is now the principal forum for raising expat tax issues. For example, this year the group has discussed the new 'section 690 directions' process.

Construction Forum

The forum was formed in 2020 following representations by the CIOT. It meets quarterly to discuss issues affecting taxation in the construction sector and the implications of tax policy changes. For example, the forum led changes to how the CIS is applied to payments by landlords to tenants for construction work (new Regulation 20A). It has also been exploring the application of the CIS to modern methods of construction.

Benefits and Expenses Sub-Group

This sub-group was reformed following representations from the CIOT. It meets periodically and is the principal route for raising benefits-in-kind and expenses-related policy and technical issues. Currently, it is addressing the mandatory payrolling of benefits-in-kind.

Collection of Student Loans Sub-Group

This sub-group meets quarterly with representatives from the Department for Education and the Student Loans Company. It discusses potential changes to student loan products and the processes relating to their repayment, as well as enabling us to raise issues affecting borrowers and employers. It was through this group that the CIOT raised an issue with the reporting of payrolled benefits-in-kind through Self Assessment returns, with a solution being implemented earlier this year.

Employment Status and Intermediaries Forum

This forum looks at off-payroll working rules, as well as employment status policies and legislation more generally. It has been engaged on improvements to HMRC's Check Employment Status for Tax tool, recent court decisions on employment status, and the changes announced last Budget for umbrella companies.

Share Schemes Forum

The forum was reformed in 2021 at the suggestion of the CIOT and is the principal group for discussing issues relating to tax and employment-related securities. It meets quarterly and has recently discussed corporation tax deductions for share-based payments, the non-domicile reforms, and the new Private Intermittent Securities and Capital Exchange System.

Statutory Payments

The group meets every six to 12 months to discuss issues with administering statutory payments, as well as early engagement on potential changes or additions to payments.

Minutes of the EPG and its various sub-groups can be found on gov.uk at: tinyurl.com/48fhxma9; tinyurl.com/ep68huep; tinyurl.com/2dkp5x6u; tinyurl.com/yencdrbb

Matthew Brown, mbrown@ciot.org.uk

ADIT

Promoting ADIT at IFA 2025 Lisbon

The CIOT is thrilled to be exhibiting its flagship international tax qualification, ADIT, at this year's International Fiscal Association (IFA) Annual Congress in Lisbon, Portugal from 5 to 9 October. We have been regular exhibitors at IFA events since 2010. The Annual Congress is one of the most important events, bringing together leading international practitioners, decision-makers and thought leaders from across the globe. Attended by representatives from governments, legal and accounting sectors, industry and academia, it will see professionals gather for inspiring discussions about the future of international tax.

Topics will involve wealth taxation, the implementation of Pillar Two, the intersection between tax and ESG, and the taxation of globally mobile workers in the 21st century.

It is expected to attract attendees from across the world, particularly from Europe, Africa and Latin America, and will be the perfect forum to promote international tax learning. The Portuguese tax community will, of course, be well represented, and we look forward to showcasing ADIT to Portugal's international tax profession. Our Diploma in Tax Technology (DITT) is available to the majority of IFA members and attendees.

Members of the ADIT Sub-Committee and Academic Board will be in attendance, as well as at the 'meet and greet' sessions at the ADIT exhibition. We will be exhibiting alongside the International Tax and Investment Center (ITIC), a US-based research and education organisation that encourages investment in transition and developing economies. ITIC has exhibited with us at previous IFA Congresses in Berlin and Cape Town. Find more about ITIC at www.iticnet.org.

If you're an ADIT student, graduate or International Tax Affiliate, or an ATT or CIOT student or member, and are planning to attend the Congress, do visit our exhibition stand to talk about the benefits and skills that continued international tax learning can offer. See you in Portugal!

For more information about ADIT, visit www.adit.org. Details about IFA 2025 Lisbon are at www.ifa2025lisbon.com.

Diploma in Tax Technology

DITT: updated syllabus in an evolving tech landscape

In July 2025, the second syllabus update to the Diploma in Tax Technology will be announced by the CIOT.

The tax technology world has evolved rapidly since the initial launch of the CIOT's pioneering Diploma in Tax Technology (DITT) in 2022, especially since our first annual syllabus update last year. More than ever, the need for tax practitioners to embrace technology and the worldwide shift towards digital tax administration is not only advantageous, but essential to stay competitive in this field.

In July 2025, the CIOT is unveiling the second DITT syllabus update, reflecting the advances and transformations in technology that tax professionals will encounter more frequently in their day-to-day work. With new learning materials and assessments delivered in partnership with industry leaders Coefficient and Tolley Exam Training, the updated syllabus offers candidates the opportunity to build their skills and understanding of the key principles that define tax technology today.

A focal point of this update is the rapid development and utilisation of AI across the tax profession. The latest developments in AI powered applications, tax solutions and project management software are incorporated, alongside updated references to the latest UK government and international AI ethics guidelines. There's also an increased focus on digital finance, with new material on crypto regulation, stablecoins, global disclosure standards and real-world use cases such as Digital Product Passports and DePIN.

The 2025 syllabus also addresses recent legislative changes, including the UK's GDPR rules, HMRC digital mandates, post-Brexit VAT rules and global frameworks such as the OECD's BEPS Pillars. With advancements in technology generating increasing public apprehension about data privacy, the 2025 syllabus pays particular attention to updated GDPR compliance within new digital tools and workflows.

The latest processing tools also feature, from cloud-based ERP integrations and no-code platforms for digital invoice processing and real-time data automation, to cloud-native data workflows and iPaaS tools for data integration and transformation practices. These revolutionary technologies and tools offer tax practitioners unprecedented assistance in everyday data analysis, automation and integration.

The growing shift towards digital tax transformation continues to be a key theme throughout the DITT syllabus update this year, with particular focus on agile methods and best practices for compliance. The use of real-world scenarios will also illuminate the challenges that this transformation incurs. For the UK, new digital tax transformation content will include the changes made to HMRC's Making Tax Digital (MTD), such as adjustments to the guidelines of MTD tax reporting requirements. Initiatives such as these underpin how tax reporting and compliance is digitally reframing, further signalling the demand for tax professionals to employ technological tools and practices in their work, to ensure compliance and operational efficiency.

This year's DITT syllabus update reflects the CIOT's ongoing commitment to providing high-quality, relevant learning materials to students, as the qualification consistently adapts to the evolving tax landscape. With the CIOT, candidates completing the DITT can study with confidence, knowing that they are equipped with cutting-edge resources and a tax education that remains at the forefront of industry standards and expectations.

Find out more and future-proof your tax-career today by registering for the DITT at: www.tax.org.uk/ditt

Diploma in Tax Technology modules

Introduction
The first four modules are designed to kick start and refresh candidates with the current tax landscape:

MODULE 1
Understanding tax technology and its impact: an overview

MODULE 2
Types of tax technology

MODULE 3
Data ethics, governance & data security

MODULE 4
Emerging technologies

Skills for the tax technologist
The second group of modules underpins the programme where you choose either module 7 or 8:

MODULE 5
Introduction to project and product management

MODULE 6
Managing and handling tax data

Choose either module 7 or 8:

MODULE 7
Deep Dive into tax technology management

MODULE 8
Essential technology tools for data handling

Skills for the tax practice department
The third and final set of modules are designed to reflect the application of what has been learnt in the earlier modules, and enhance existing professional tax knowledge:

MODULE 9
Understanding the shift to digital tax administration

MODULE 10
HMRC's ten-year strategy

MODULE 11
Opportunities for delivering a more holistic, proactive service

DITT

Navigating the future of AI and Tax: a DITT graduate's perspective


Ajit Jain

Ajit Jain is a Partner and Head of Transfer Pricing at AJMS Global in the United Arab Emirates. With over a decade of experience in international tax and transfer pricing, he specialises in value chain analysis, policy design and regulatory compliance for multinational enterprises. He is currently working on building AI agents, vibe codings for building solutions and tools for tax and transfer pricing. Ajit is also leading the charge in bringing tax technology into mainstream transfer pricing practice.

In 2023, Ajit completed the DITT, a move that has significantly boosted his technical capabilities and positioned him to thrive in the future of tax. His motivation to undertake the DITT was driven by the increasing importance of technology in tax and the need to stay at the forefront of this evolution. He wanted to better understand how 'technology impacts tax functions and to leverage this knowledge' in his practice.

'Working in transfer pricing, the tax technology qualification has been invaluable in enhancing my ability to analyse and defend cross-border transactions and structures,' he said. The DITT has equipped Ajit with 'the latest tools and methodologies to streamline processes, improve compliance, and make data-driven decisions'.

Ajit praised the programme's structure: 'The syllabus was comprehensive, covering critical aspects of tax technology, from automation tools to data analytics.' The learning journey stood out for its interactivity, and relevance with real-world case studies, interactive modules and discussion forums helped to apply the concepts in practical settings. One module in particular resonated strongly. 'Essential Technology Tools for Data Handling was particularly engaging, offering insights into how data can be leveraged to support transfer pricing strategies and compliance.'

Balancing his studies with a demanding career required disciplined time management, said Ajit. His strategy involved 'setting aside dedicated study times and leveraging weekends and evenings effectively.' His advice to future students? 'Approach the material with a practical mindset, focusing on how each module can be applied in real-world scenarios. Engaging with case studies and participating in discussion forums enriches the learning experience.'

The impact of the programme has been far-reaching for Ajit. 'The programme significantly enhanced my analytical skills, particularly in utilising tax technology tools for effective transfer pricing analysis and compliance. The CIOT's Diploma in Tax Technology enhances the tax profession by preparing professionals for the digital future, improving efficiency, compliance and strategic planning.'

Ajit's final words of wisdom are: 'Embrace the learning journey with curiosity and openness to innovation. Stay engaged, network with peers and apply your learning practically to maximise the benefits of this qualification.' His experience is part of a broader trend where digital skills and strategic insight go hand in hand. His journey reflects a broader shift in the tax profession – one where digital fluency is no longer optional, but essential.

Find out more about the syllabus and how the DITT can support your development at: www.tax.org.uk/ditt

Appointment

New ATT Technical Officer: Chris Campbell


Chris Campbell

The Association is pleased to announce the appointment of Chris Campbell as a Technical Officer. Chris started his tax career in 2002 as a university placement student with Anderson Anderson and Brown (now AAB) in Aberdeen. After graduating with First Class Honours in Accounting and Finance from Robert Gordon University in 2004, he returned to the firm as a trainee Chartered Accountant specialising in tax, gaining valuable experience in personal, corporate and employment tax compliance and advisory projects.

In 2008, Chris joined Johnston Carmichael in Elgin as a Tax Senior, progressing to Tax Senior Manager in 2013. Responsible for a portfolio of OMB clients, Chris also had responsibility for delivering all tax compliance and advisory work for several key clients of the firm. He delivered internal training sessions for staff and partners and presented at external seminars and webinars on OMB tax topics. He jointly led the firm's internal student tax training programme, combining knowledge learned from professional studies with practical experience.

Chris joined ICAS in 2022 as Head of Tax (Tax Practice and Owner Managed Business Taxes), where he led on providing technical support for ICAS members, presented seminars and webinars, gave interviews and wrote for the ICAS website and technical newsletters. He represented ICAS on several HMRC forums and led on Making Tax Digital (MTD) for Income Tax.

Chris is a Chartered Accountant and Chartered Tax Adviser, and a member of the ATT. He looks forward to using his past experience in practice to benefit ATT members. He will contribute to our work on OMB taxes, MTD, corporation tax, employment taxes and Scottish taxes.

Disciplinary reports

CONSENT ORDER

Shahla Ela

On 24 April 2025, with the agreement of Shahla Ela of Birmingham, a member of the ATT, the Investigation Committee of the Taxation Disciplinary Board made an Order pursuant to Regulation 8.2 of The Taxation Disciplinary Scheme Regulations 2014 (as amended 2016 and 2024) that Shahla Ela be:

- recommended for removal from the student register, and that any application to reapply for membership would be unlikely to be successful until a period of two years has elapsed;
- fined in the sum of £500.00; and
- required to pay a sum of £730.00 by way of costs.

The Order was in respect of alleged breaches by Shahla Ela of the following Rules of the Professional Rule and Practice Guidelines 2018 (as amended 1 January 2021):

The ATT Online examination regulations

Relevant sections of the exam regulations are:

1. The direct use of GENAI is not permitted. Your answers must be your own work.
5. Taking screenshots or photographs of your screen is strictly prohibited.
6. You are not permitted to copy, photograph, screenshot or retain copies of the exam questions. You are strictly prohibited from distributing unauthorised copies of the exam questions and the ATT reserve the right to take screenshots from your device.
12. The Online exams will again be Open book; this means you may refer to any books, study manuals, pre-prepared notes and online resources during the exams.
14. Software will be used on all answers submitted to check whether you have colluded with any other candidates during the exam. In this context, collusion is defined as communicating with other candidates sitting the exam or any other individual to collaborate, discuss the exam questions or gain any other advantage during the exam. If collusion is detected, candidates will be disqualified (from all the exams sat at that exam session) and reported to the TDB, who have the power to censure, fine or recommend the exclusion of any student from the ATT.

2.6 Professional behaviour

2.6.2 A member must:

- uphold the professional standards of the CIOT and ATT as set out in the Laws of the CIOT and ATT; and
- take due care in their professional conduct and professional dealings.

2.6.3 A member must not:

- perform their professional work, or conduct their practice or business relationships, or perform the duties of their employment improperly, inefficiently, negligently or incompletely to such an extent or on such number of occasions as to be likely to bring discredit to themselves, to the CIOT or ATT or to the tax profession;
- breach the Laws of the CIOT or ATT; and
- conduct themselves in an unbefitting, unlawful or illegal manner, including in a personal, private capacity, which tends to bring discredit upon a member and/or may harm the standing of the profession and/or the CIOT or ATT (as the case may be). For the avoidance of doubt, conduct in this context includes (but is not limited to) conduct as part of a member's personal or private life.

CONSENT ORDER

Jade Frazer

On 24 April 2025, with the agreement of Jade Frazer of Ryton, a member of the ATT, the Investigation Committee of the Taxation Disciplinary Board made an Order pursuant to Regulation 8.2 of The Taxation Disciplinary Scheme Regulations 2014 (as amended 2016 and 2024) that Jade Frazer be:

- recommended for removal from the student register, and that a period of at least two years should elapse before an application for readmission might be successful; and
- required to pay a sum of £730.00 by way of costs.

The Order was in respect of alleged breaches by Jade Frazer of the following Rules of the Professional Rule and Practice Guidelines 2018 (as amended 1 January 2021):

The ATT Online examination regulations

Relevant sections of the exam regulations are:

1. The direct use of GENAI is not permitted. Your answers must be your own work.
5. Taking screenshots or photographs of your screen is strictly prohibited.
6. You are not permitted to copy, photograph, screenshot or retain copies of the exam questions. You are strictly prohibited from distributing unauthorised copies of the exam questions and the ATT reserve the right to take screenshots from your device.
12. The Online exams will again be Open book, this means you may refer to any books, study manuals, pre-prepared notes and online resources during the exams.
14. Software will be used on all answers submitted to check whether you have colluded with any other candidates during the exam. In this context collusion is defined as communicating with other candidates sitting the exam or any other individual to collaborate, discuss the exam questions or gain any other advantage during the exam. If collusion is detected, candidates will be disqualified (from all the exams sat at that exam session) and reported to the TDB, who have the power to censure, fine or recommend the exclusion of any student from the ATT.

2.6 Professional behaviour

2.6.2 A member must:

- uphold the professional standards of the CIOT and ATT as set out in the Laws of the CIOT and ATT; and
- take due care in their professional conduct and professional dealings.

2.6.3 A member must not:

- perform their professional work, or conduct their practice or business relationships, or perform the duties of their employment improperly, inefficiently, negligently or incompletely to such an extent or on such number of occasions as to be likely to bring discredit to themselves, to the CIOT or ATT or to the tax profession;
- breach the Laws of the CIOT or ATT; and
- conduct themselves in an unbefitting, unlawful or illegal manner, including in a personal, private capacity, which tends to bring discredit upon a member and/or may harm the standing of the profession and/or the CIOT or ATT (as the case may be). For the avoidance of doubt, conduct in this context includes (but is not limited to) conduct as part of a member's personal or private life.

CONSENT ORDER

Mr Luke Prout

On 2 May 2025, with the agreement of Mr Luke Prout of Rushden, a member of the CIOT and the ATT, the Investigation Committee of the Taxation Disciplinary Board made an Order pursuant to Regulation 8.2 of The Taxation

Disciplinary Scheme Regulations 2014 (as amended 2016 and 2024) that Mr Luke Prout be:

- censured;
- fined the sum of £2,000; and
- required to pay a sum of £1,005 by way of costs.

On 31 October 2024, the Member was disqualified from driving and was ordered to pay a fine after being found guilty of driving a motor vehicle after consuming so much alcohol that the portion of it in his breath, namely 67 microgrammes of alcohol in 100 millilitres of breath, exceeded the prescribed limit, contrary to s (1)(a) of the Road Traffic Act 1988 and Schedule 2 of the Road Traffic Offenders Act 1988.

The Consent Order was in respect of this driving disqualification and alleged breaches by Mr Prout of the following Rules of the Professional Rule and Practice Guidelines 2018 (as amended 1 January 2021):

2.2 Integrity

2.2. A member must not engage in or be party (directly or indirectly) to any illegal activity.

2.6 Professional behaviour

2.6.2 A member must:

- uphold the professional standards of the CIOT and ATT as set out in the Laws of the CIOT and ATT; and
- take due care in their professional conduct and professional dealings.

2.6.3 A member must not:

- perform their professional work, or conduct their practice or business relationships, or perform the duties of their employment improperly, inefficiently, negligently or incompletely to such an extent or on such number of occasions as to be likely to bring discredit to themselves, to the CIOT or ATT or to the tax profession;
- breach the Laws of the CIOT or ATT; and
- conduct themselves in an unbefitting, unlawful or illegal manner, including in a personal, private capacity, which tends to bring discredit upon a member and/or may harm the standing of the profession and/or the CIOT or ATT (as the case may be). For the avoidance of doubt, conduct in this context includes (but is not limited to) conduct as part of a member's personal or private life.

The consent order can be found on the Taxation Disciplinary Board's website at: www.tax-board.org.uk

A MEMBER'S VIEW

Irsa Hussain

Senior Associate – Global Mobility Tax and Business Development, Vialto Partners UK

This month's ATT member spotlight is on Irsa Hussain, Senior Associate – Global Mobility Tax and Business Development, Vialto Partners UK

How did you find out about a career in tax?

Tax chose me! It was something I fell into at 18 when I started my career as an apprentice at a Big Four firm. I'd always been curious about the world of finance and law, and tax turned out to be the perfect blend of both. I enjoyed how it required logic, critical thinking and applying rules to real-life situations. That early exposure helped me realise tax was far more dynamic and people focused than I ever expected.

Why is the ATT qualification important?

ATT gave me a strong foundation in technical tax knowledge and helped me build the confidence to speak to clients. It's a well-respected qualification that showed my commitment to developing specialist skills and opened doors professionally. It also gave me space to explore different areas of tax and figure out what I genuinely enjoyed, which is what motivated me to continue onto the Level 7 ACA/CTA qualification.

Why did you pursue a career in tax?

It combines problem solving, technical detail and working with people. I liked that it wasn't just about numbers, but understanding someone's position and helping them make informed decisions.

How would you describe yourself in three words?

Curious, resilient, thoughtful.

Who has influenced you in your career so far?

A big influence has been my family. I've seen the sacrifices they made so I could have opportunities they didn't, and that's shaped my work ethic and how I carry myself. I've also had supportive managers, and colleagues who've become great friends. Jagdeep Soor from the Multicultural Apprenticeship Alliance has also had a lasting impact, showing me what it means to lead with purpose.

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

Do it! It's a great foundation but don't just focus on passing the exams; use the opportunity to understand how tax fits into the bigger picture. Be curious, ask questions, get involved and take time to reflect on what areas interest you most.

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

With increasing digitalisation and real-time reporting, compliance is becoming more automated, shifting the focus to strategic advice and stronger client relationships. Meanwhile, global changes like evolving trade dynamics and international tax reform make cross-border planning more complex. Clients need advisers who connect the dots and provide commercial, big-picture thinking.

What advice would you give to your future self?

Things won't always feel clear, and that's okay. Keep going, even when it feels uncertain. Try not to get too caught up in doing the next thing or ticking the next box. Take time to pause, reflect and enjoy what you're doing.

Tell me something that others may not know about you.

I'm an only child of first-generation immigrant parents – the first in my family to go into higher education. It was tough at times, but it's shaped my resilience and my faith grounds me, helping me to stay steady through work and exams, and taught me the value of patience, trust, and not burning out in the process.

Contact

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

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Corporate or Mixed Tax Assistant Manager

Location: Bristol Office | **Qualifications:** ACA / ACCA / CTA qualified, or equivalent experience

Role overview:

Responsibility for a range of corporate and mixed tax work across our growing owner managed business client base, including reviewing corporation tax returns, group reorganisation planning, Purchase of Own Shares transactions, R&D tax relief, handling a variety of tax clearances, working with share schemes and EOT's and handling ad hoc tax queries. This role will be reporting to the tax director and tax partners and you will have the opportunity to take a lead role in developing your skills and experience with the support and assistance of the senior management team. You will be responsible for the financial management of the your clients to include, recovery rates, billing, debt and WIP management.

You are responsible for ensuring that the clients you work with receive the best possible client experience. You need to ensure the staff under your responsibility are mentored, developed, and helped to thrive.

Key skills and competencies:

- Strong tax technical knowledge.
- Post-qualification experience in a corporate tax compliance and some of the planning areas mentioned above (although support will be provided to help develop your skills).
- A background in corporate or mixed tax, who can turn their hand to owner managed business tax planning, corporate tax reviews, R&D, share structuring, share for share exchanges and reorganisations.
- Experience in an assistant manager/manager position.
- Proficiency in Digita tax software and Microsoft Office.
- Excellent interpersonal and client management skills.

Benefits:

Competitive salary | Company pension | Group Life Assurance | Gym discounts | Free on-site parking | Plus much more

To apply or for further information about this role, please email **teamML@milstedlangdon.co.uk**

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Company

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Role

You will be an integral part of the Finance team, reporting to the Assistant Financial Controller and engaging closely with the Commercial leadership. You will be the in-house expert and advisor on all matters relating to taxation. Your key responsibilities will include:

- Develop and implement an effective tax strategy to optimise the company's tax position whilst ensuring and meeting compliance demands with applicable tax laws and regulations.
- Keep up to date with the latest tax regulation, particularly identifying opportunities to optimise tax efficiency across areas such as capital allowance, investment reliefs, R&D tax credits, as well as developing case law and changes in regulates around Landfill Tax
- Manage the company's tax reporting and compliance, ensuring all legal requirements are met whilst having impeccably organised systems and paperwork.
- Ensure all tax compliance is achieved by preparing and submitting timely direct tax returns covering Landfill tax, Corporation Tax, VAT, PAYE and Aggregates Levy.
- Responsible for balance sheet reconciliations of the tax accounts
- Manage tax accounting process, including calculation of deferred tax assets and liabilities making sure compliance is met with financial reporting standards.
- Preparing, reporting monthly, quarterly and annual tax payment forecasting.
- Emphasis, review of processes and audit trail for Landfill Tax.
- Maintaining a tax risk register.
- Lead and manage both external/Internal audit processes and HMRC covering all enquiries, ensuring tax documentation, timely response and communication with stakeholders.
- Prepare and file Landfill Tax returns in collaboration with Finance team and develop towards being the go-to expert on Landfill tax.
- Landfill Tax – Support commercial decision making by being the arbitrator and raising awareness and providing training across compliance and legislative requirements.
- Support the group on providing advisory on ad-hoc tax planning including M&A.

Person

You will bring strong up to date technical expertise across UK tax laws and regulations and proficiency in tax planning and compliance. This is seen as a development opportunity within a commercial environment.

- Of graduate calibre and qualified either/or ACA/ACCA/CTA with relevant Tax experience from practise or in-house from a commercial services background.
- Knowledge of working effectively with accounting systems and practises.
- Experience from within Practise or Commercial environment.
- Knowledge of Corporation Tax and familiar within a corporate, commercial environment.
- Excellent analytical and problem-solving skills.
- Attention to detail and accuracy in financial reporting.
- Excellent presentation and communication skills, both written and verbal.
- Commercially astute, financially literate and up to date with tax laws and regulations.
- Have strong influencing skills and leadership and engage with stakeholders at any level within the Group.

Harbury Consulting have been appointed by Augean Limited as its retained and exclusive Search and Selection partner. If you wish to have a private discussion, then please contact lead consultant ***Hardeep Lall*** *on* ***01858 414309***.

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georgiana@ghrtax.com

Associate Director
Manchester
£75,000 to £90,000 + benefits

An excellent opportunity for a qualified tax professional to join the Manchester office of a group which specialises in entertainers and their businesses. You will need a mixed tax background with strong personal tax experience. As well as technical work, you will support business development strategies, including preparing proposals, actively seeking out opportunities, and assisting with marketing initiatives. Looking for strong client handling and managerial skills. This firm offers hybrid working and will consider part-time or flexible hours. Experience of international tax and non-doms an advantage, as would be Industry sector experience. **Call Georgiana Ref: 4000**

OMB Advisory Senior Manager
Leeds
£excellent

This is a great opportunity for an experienced manager or senior manager who enjoys OMB advisory work. In this role, you will report to the Head of Tax of a large independent firm based in the centre of Leeds. This practice has a rich history, is staunchly independent and has a great client base of entrepreneurial businesses. The focus of this role is advisory projects such as succession planning for businesses, profit extraction, sales and acquisitions, group reorganisations, capital allowances planning, share schemes and share valuations. The firm is happy to support hybrid working, and will consider candidates on a full-time or 4 day a week basis. There is also clear scope for progression. **Call Georgiana Ref: 3566**

Corporate Tax Senior
Hull, Goole or Scarborough
£market rate

Our client is a large independent accountancy firm. They seek a Corporate Tax Senior for their rapidly growing team. This opportunity would suit someone who is ATT, ACA, ICAS, ACCA or CTA qualified, but those qualified by experience also considered. This is an excellent opportunity for you to develop your career within corporate tax. You will deal with a mix of compliance and advisory work. Hybrid and flexible working available and part-time also considered. Various locations in North and East Yorkshire considered. **Call Georgiana Ref: 3559**

Mixed Tax Advisory Senior Manager
Hull
£excellent

Our client is a large independent accountancy firm. They seek an advisory tax specialist for a mixed tax role, working to partners on a wide range of work for HNW individuals, owner managers and their businesses. It is likely that you will be manager level or above and that you will have a relevant professional qualification (CTA, ACA, ICAS or former Inspector of Taxes). Hybrid and flexible working available, and part-time also considered. There is the opportunity for career progression. Excellent local role in East Yorkshire. **Call Georgiana Ref: 3560**

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**

Employment Taxes
Leeds, Chesterfield, York – £excellent

Our client is a large independent firm of accountants. They seek a key hire who will work directly to an employment tax partner helping with the delivery of advisory projects and to provide clients with a proactive, efficient and a cost-effective employment taxation service that meets their needs and those of the regulatory authorities. This role could suit someone currently working in employment tax in another practice or in HMRC. You may be ATT/CTA qualified or qualified by experience. This role can be hybrid worked and the firm has offices throughout Yorkshire and in Chesterfield. Our client can also offer flexible and part-time hours. **Call Georgiana Ref: 3578**

Corporate Tax Manager or Senior Manager – Yorkshire various offices £excellent

Our client is a long-established independent firm of accountants. They seek a corporate tax professional at manager or senior manager level. The ideal candidate will be ACA, CTA or ICAS qualified with a good mix of advisory and compliance management experience. Advisory work will include R&D tax credits, capital allowances, succession planning, and restructuring. There is the opportunity to play a key role in practice development activities, for example – writing thought leadership pieces, delivering presentations and attending networking events. The firm can offer flexible, part-time and hybrid working – scope for progression and work-life balance. **Call Georgiana Ref: 3579**

Mixed or Personal Tax Senior Macclesfield £excellent

Our client is a well-regarded independent firm. They seek an experienced mixed tax or personal professional to join their Macclesfield office. This role would suit someone who is ATT qualified and who has experience running and managing a UK tax portfolio. Our client will consider a part- or full-time appointment. Are you an established tax senior looking to broaden and deepen your experience? You would be a senior member of this tax team, working with managers and partners, building long-term relationships with clients in a friendly supportive office environment. **Call Georgiana Ref: 3577**

Tax Investigations Various offices £excellent

This is a key hire for a highly regarded tax dispute resolution team, a great opportunity to deal with COP 8 and COP 9 work outside of a Big 4 firm. This team deals with high profile cases ranging from small businesses to large charities and corporates. Most of the team are ex-HMRC, but our client would also consider someone who has trained in practice. Key is that you actively enjoy contentious tax work and helping clients to resolve difficulties with their interactions with HMRC. This role could be based from Leeds, Birmingham, London or Manchester. **Call Georgiana Ref: 3581**

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 from 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**

Tax Directors Bristol, Exeter, Poole or Southampton

Large independent firm seeks a key hire – a Corporate Tax Director – based in Bristol, Exeter, Southampton or Poole. You will need significant compliance and advisory experience. You will help manage and develop the corporate tax team and a well-established portfolio of OMB/SME and large corporate clients, providing a mix of compliance and advisory services. You will play a key and leading role in developing and maintaining relationships with our corporate clients and will build strong links with the other teams. This role comes with flexible, hybrid working, with plenty of opportunities to develop and grow your tax career. **Call Georgiana Ref: 3501**

Personal Tax Senior or Manager Berkhamsted Great prospects

Our client is an established tax consultancy which is the sister company to a successful investment management business. They seek a key hire, an office based Tax Specialist who is ATT qualified. You will work in a small team and will help manage the day-to-day compliance for 200 HNW individuals – many of whom have residence and domicile issues. You will also deal with trust work including accounts, administration and trust tax work. This is a chance to get involved in a wide range of advisory work including residence and domicile advice, IHT and CGT advice. There is clear scope for progression to director. **Call Georgiana Ref: 3464**

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We wish to recruit an enthusiastic and experienced person with a wide background in valuation to join our share and business specialist valuation practice. This may be a current or future partner role. The remuneration is subject to discussion and the experience of the candidate.

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Bruce Sutherland & Co. is a specialist share and business valuation practice based in Moreton-in-Marsh, in the north Cotswolds. The firm has been receiving instructions since it was established in 1967 from accountants, lawyers and other organisations based throughout the UK. Our work is very varied and includes valuations for CGT, IHT and employment income tax purposes, business valuations for commercial purposes, valuations for litigation for tax, family and commercial matters, including First Tier Tribunal hearings, Court work and mediations etc. We also value intangible assets for tax and non tax purposes.

Role and Responsibilities
The role will require contribution to the growth and development of the firm's valuation practice by:
- Working as part of our team of specialists.
- Promoting and marketing the team's valuation expertise externally including presenting lectures on valuation.
- Developing and managing workstreams.

About you
- You will be an experienced Share and Business Valuer.
- You will have a broad range of valuation expertise, including tax and commercial engagements.
- You will have excellent communication skills.
- You will be a qualified professional, likely holding FCA/ACA/CTA/CFA or equivalent qualifications.
- You will have good organisational skills and a proactive approach to work.
- You will be enthusiastic about business development and growing a valuation practice.

We are committed to supporting continuing education and professional development. This is an excellent opportunity for the right candidate.

To apply, please send a CV and any other details you think may be relevant to **info@bruce-sutherland.com**

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IN HOUSE VAT MANAGER

LANCS. To £65,000

This is a great role with plenty of scope for growth and development. You will be responsible for the VAT function with a hands-on approach to tasks overseeing UK and overseas tax concerns. You will work within finance and the wider business to ensure VAT compliance and the implementation of best practice, identifying & mitigating risks and ensuring overall compliance for the Business' tax requirements. Hybrid working and part-time considered. **REF: R3696**

LOOKING TO RELOCATE TO THE NORTH?

N.WEST / YORKSHIRE / N.EAST £dep on exp

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: 03654**

CORPORATE TAX SENIOR M'GER

LEEDS To £80,000 dep on exp

A great opportunity to join our clients corporate tax team. If you are an experienced manager and frustrated with a lack of progression at your current firm then this could be the perfect career move. The position will mainly be a tax compliance and reporting role with added people management responsibilities. **REF: 03659**

CORPORATE TAX ADVISOR

MANCHESTER To £55,000

Our client has a people-focused approach, with a strong investment in talent. It is seeking a recently qualified (CTA/ACA/ACCA) Corporate Tax professional to support and expand its growing corporate tax offering. You'll work across a very interesting portfolio, including OMBs and large international groups, delivering a mix of advisory and compliance services. You'll join a supportive, ambitious team committed to continuous learning and professional growth whilst still maintaining a strong work-life balance. **REF: C3697**

EMPLOYMENT TAX SM

NORTH WEST £highly competitive

Working for this global business you will take the lead on incentive structuring and share scheme advice for a diverse client base. You will provide expert tax advice, implement share plans, and support international projects. This is a high-impact role with significant client contact, leadership of junior colleagues, and collaboration across global teams. If you possess strong technical knowledge, a client-focused approach, and a passion for people development, this is the role for you. **REF: C3693**

SENIOR TAX ACCOUNTANT

MANCHESTER To £60,000

Joining this large ambitious global business you will play a crucial role within the tax team, working closely with the Senior Tax Manager. This position offers a unique opportunity to oversee international tax compliance, particularly focusing on the UK and Europe and manage the relationships with tax advisors. You will collaborate across the finance & corporate teams to identify tax-related issues, opportunities, and management of existing structures. **REF: R3675**

TAX DIRECTOR

NORTH EAST £flexible dep on exp

Our client is a leading regional firm with an established network of offices. It is now looking to grow its tax offering and bring in a qualified Tax Director. This is a great opportunity if have prior private client tax experience or a mixed tax background and would suit either an established tax director or a senior manager looking to make a step-up. **REF: 03670**

OMB TAX DIRECTORS / PARTNERS

NORTH WEST £six figures

We have a high demand for senior tax professionals either currently operating at or aspiring to be director / partner level. Opportunities exist across our wide spectrum of clients from tax boutiques through to larger regional and national practices. If you have broadly based OMB tax advisory skills and are interested in a confidential discussion about the market, then don't hesitate to get in touch. **REF: CONTACT IAN**

longman tax recruitment

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