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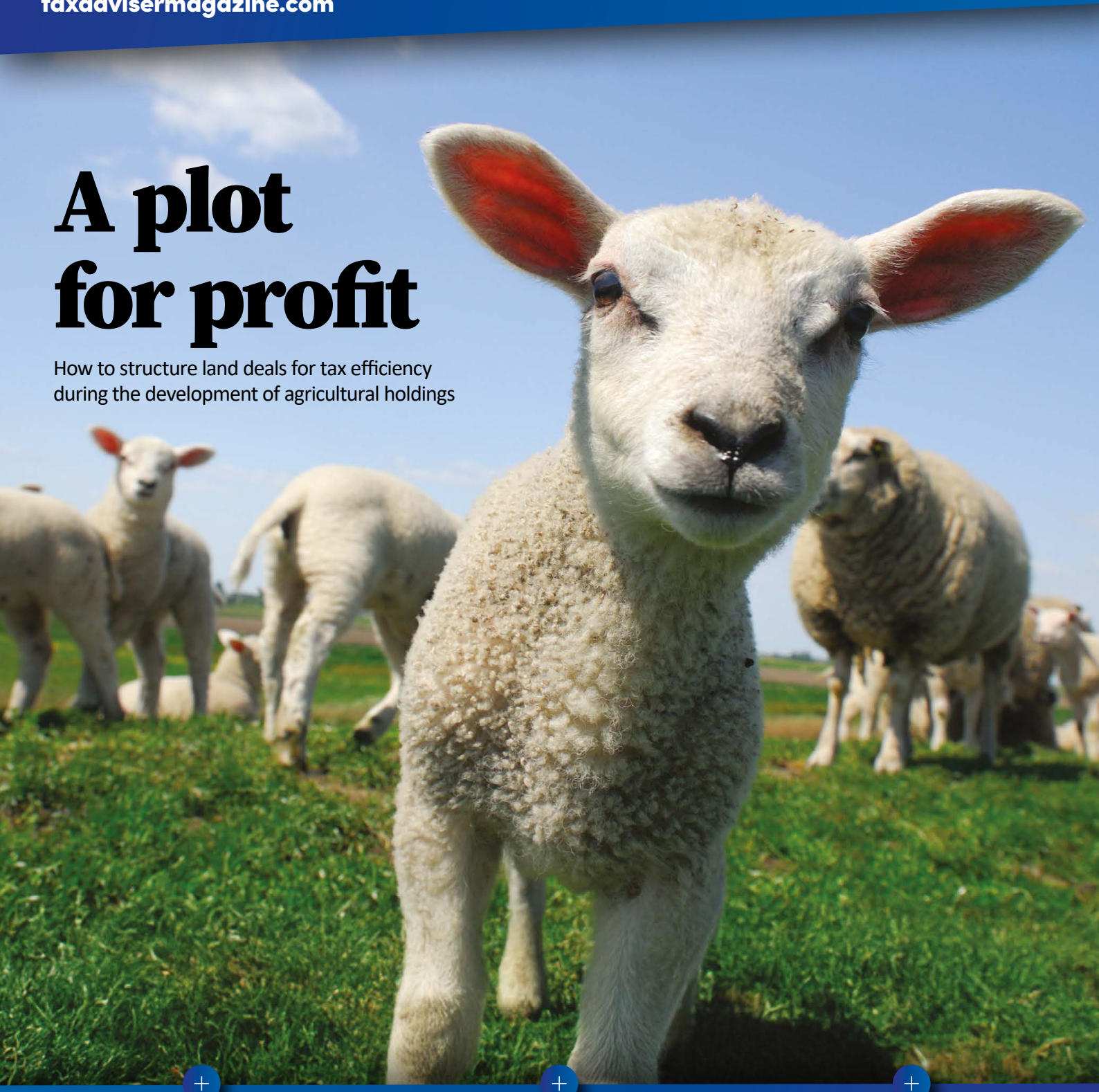

A plot for profit

How to structure land deals for tax efficiency during the development of agricultural holdings

A circular economy

Changes can be made to support more sustainable business models

Private or mixed use?

Providing evidence of commercial use when claiming tax reliefs

Merged R&D scheme

Increased taxable profits may trigger earlier tax payment obligations

ATT - MAY 2025

	TOLLEY EXAM TRAINING*	NATIONAL AVERAGE
Overall	92%	73%

CTA - MAY 2025

	TOLLEY EXAM TRAINING*	NATIONAL AVERAGE
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ADIT - JUNE 2025

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HELEN WHITEMAN
JANE ASHTON

Welcome
A busy Autumn!

We hope you've had the chance to take a well-earned break over the summer months. For the ATT and CIOT technical teams, the work has continued at pace following the publication of a wide-ranging package of draft legislation on Legislation Day. Our teams have been hard at work analysing the proposals, assessing the implications for taxpayers, our members and their clients. This is often the final opportunity to influence the shape of legislation before it is finalised, so it's a crucial phase in the policy process. The teams are focused not only on identifying technical issues or unintended consequences, but also on ensuring that the legislation is workable in practice and delivers on its stated objectives.

We strongly encourage feedback from members. If you have any views about the draft legislation, we would be delighted to hear from you. The deadline for submitting comments is tight – 15 September 2025, but any insights you can share are incredibly valuable to our responses. Please get in touch directly via technical@ciot.org.uk or atttechnical@att.org.uk.

We know that a significant number of you are preparing your firms and clients for the start of Making Tax Digital (MTD), and the programme continues to keep our technical officers busy too. If you want to find out more about these changes, we would encourage you to look at the ATT's MTD resources, which are a growing bank of knowledge as we get closer to MTD going live in April 2026 (see tinyurl.com/mv8m2u3m).

Over the summer, the ATT published additions to its MTD Technical FAQ resource, addressing queries raised by members, and summarising key learnings from its ongoing work with HMRC (see tinyurl.com/2dz83mxt). We are committed to helping members navigate the transition to MTD with confidence, and will be taking queries from members in an interactive online session on 2 October. You can sign up and submit your questions in advance at tinyurl.com/8r56uxz9.

Alongside all this, the ATT's monthly MTD peer-discussion group sessions have proven so popular that we have extended the initiative through to May 2026. Sign up now to share your learnings and queries with fellow members and our technical team (see tinyurl.com/urnvu8d5).

MTD is just one of the topics featured in the latest batch of YouTube videos created by the ATT technical team. This year's videos cover a range of subjects, including starting a new business, tax on side hustles, simple assessment, taxing the state pension and higher rate tax. The team has also enjoyed producing a light-hearted series for younger audiences, designed to be informative, engaging and accessible. If there's a topic you'd like to see covered, do get in touch.

The CIOT's Autumn Residential Conference will once again take place at Queens' College, Cambridge from Friday 19 to Sunday 21 September 2025. The programme includes a keynote address from James Murray MP, Exchequer Secretary to the Treasury, alongside a strong line-up of topical lectures and a collaborative group session. The CIOT Presidential team will be attending, alongside the senior head office staff, and would all love a chance to meet you there. It promises to be a rewarding weekend, and there may still be places available. Please contact events@ciot.org.uk for further information. The full programme is available at tinyurl.com/38wtc7jt.

Finally, on Friday 26 September, the CIOT/ATT European Branch and ADIT, along with the Young IFA Network (UK Branch), will host the Young International Corporate Taxation Conference at the Deloitte Auditorium in London. It includes a wide range of international tax topics and professional development sessions, making it a valuable event for early career professionals. Full details are at www.tax.org.uk/yictpc2025.

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Regulars

ONLINE PICKS OF THE MONTH

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Government strategy on non-compliance
tinyurl.com/yx3fbwxy

CBAM in 2025
What you need to know about the Carbon Border Adjustment Mechanism
tinyurl.com/3n3rjk2t

AI in tax administration
Harder, Better, Faster, Stronger
tinyurl.com/3x3d68c7

NICHOLA ROSS MARTIN
PRESIDENT

The subject of tax reforms

> The big question remains as to whether taxation is an effective way to raise revenue or simply stifles growth.

What a summer it's been, and I am not just talking about the weather!

It's often said that the tax tail should not wag the business dog but given that tax has significant economic impacts I always think that it depends on the proportion of the dog! The proposed changes to inheritance tax in 2026 and 2027 are set to affect business owners, investors, farmers and pension savers. A lot of people are suddenly taking an active interest in tax. Previously, when I met someone and mentioned what I do for a living it could be a bit of a conversation stopper. These days, it's likely to result in a raft of questions about what they should do and what to expect next. The CTA qualification remains as important and relevant as ever!

Recent tax changes have highlighted the importance of tax planning for the many who are likely to be affected. They also serve to illustrate the fact that for every change in taxation there will be unexpected by-products. For example, what will be the impact on the economy if a generation of children inherit wealth prematurely? Will a generation of 'trust fund kids' lose a work ethic or might they be innovative and start up new and interesting enterprises? Please note that I am not for one minute advocating that every family now sets up a trust fund to avoid (or postpone) inheritance tax; other tax planning ideas may well be available.

The big question remains as to whether taxation is an effective way to raise revenue or simply stifles growth. Tax at any level can have a demotivational effect. Take the following example: I have a client who runs a small pub. The brewery takes a percentage cut of turnover if it exceeds a certain level. Having been caught out by the rule and by having paid the price of 'success', the tenant now carefully monitors turnover to ensure that the brewery never receives a bonus again.

It's not an extreme example, but it's a genuine one and that kind of decision making is rife. Think how many businesses are run part-time or via separate limited companies just to avoid VAT registration.

I was delighted to attend the Manchester CIOT/ATT branches 'Summer Social' in August and had some interesting conversations on tax reform and what could be implemented to help simplify the system. As someone noted, we have a national minimum wage, which you might think by its very nature should be tax-free! Would it not be easier to scrap the claw back of the personal allowance when income exceeds £100,000? We have taxation of savings that few understand, and we have a ban on zero hours contracts, which some people actually like. These are all interesting ideas for simplification, and perhaps we can explore your ideas at future branch events.

Still on the subject of tax reforms, you won't have missed the discussions online about the merits of the introduction of a wealth tax. There is unlikely to be time in the current parliament to introduce such a measure but a mere detail like that is not going to stifle speculation. It makes an excellent topic to debate. That is exactly what we are going to be doing at the Labour and Conservative parties conferences this month and next. I have the pleasure of hosting the two debates. Yes, other political party conferences are available too but we at CIOT have limited resources and time to fit them all in.

I see that many people suppose that a wealth tax would focus on the largest land and property rich estates; indeed, when I talk to people outside of the world of tax and accountancy that seems to be a general preoccupation. What people don't seem to realise is that the value of any wealthy individual's investments in stocks and shares generally outweighs their other assets. The rise in, say, the value of rare earth commodities and US tech stock over the last decades have dramatically contributed to the wealth of the wealthiest.

And then there is crypto. As I write this, several crypto currencies have reached new record highs, substantially buoyed up by the deregularising approach of the current US regime. I am sure that volatility of the riskier end of the investment market will be a factor mentioned in any wealth tax debate, as will the whole problem of valuation. I won't try and second guess what else will feature in the discussion, but I look forward to reporting back here with the outcomes in due course.

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BARRY JEFFERD
DEPUTY PRESIDENT

Let me introduce myself...

> I genuinely believe that tax is not only important, but that it's also *fun*.

Hello and welcome to the Deputy President's page for September. I hope you've all managed to enjoy a well-earned break over the summer months, ideally avoiding the worst of the heatwaves while still finding some time to relax and recharge.

At our AGM in July, I was honoured to take on the role of Deputy President, succeeding Graham Batty, who now steps into the role of President. I'm very much looking forward to working closely with Graham and our new Vice President, Ele Theochari, as part of the ATT Leadership Team. Graham's name will no doubt be familiar to many of you, as he has already previously served as President of the ATT. The fact that he's chosen to return for another term is a testament to just how rewarding and fulfilling the role can be.

Since I may be less well known to some of you, let me briefly introduce myself.

I grew up in East Ham – so yes, I'm a genuine Eastender! – before heading west to study Economics and Accounting at the University of Bristol. My professional career began back in London, at a small accounting firm tucked away behind Selfridges on Oxford Street, where I qualified as a Chartered Accountant in 1985. The following year, I successfully passed the Institute of Taxation (as it was then known) exams, which laid the foundations for a lifelong career in tax.

Over the years, I've continued to build on that foundation. I was one of the first accountants in the UK to qualify under ICAEW's probate qualification, and I'm also a member of the Society of Trust and Estate Practitioners (STEP).

Unsurprisingly, this means that I have a particular interest in capital taxes, especially capital gains tax and inheritance tax, and these continue to be a major focus of my day-to-day work.

In 1988, I made the move to Potton in Bedfordshire and joined George Hay Chartered Accountants. I became a Partner in 1990, and in April 2020 I stepped into the role of Senior Partner, which I continue to hold today. Like many of you, I'm on the front line of providing tax advice and supporting clients through the complex and ever-changing tax landscape. I'm sure that if there are issues proving especially tricky or frustrating for you or your clients, then I'm probably seeing them too. But just in case I'm not, I'd love to hear about what's keeping you and your clients awake at night, and maybe I can explore some of those topics in future editions of this page.

My commitment to the profession has always extended beyond client work. Since 1988, I've been an active member of the CIOT/ATT Mid-Anglia Branch Committee, serving in various roles including Branch Secretary and Chairman. I also spent 17 years as a member of the CIOT Education Committee, helping to shape the future of tax education and professional development. More recently, I joined ATT Council in 2021 and currently serve as Chair of the Exam Steering Group.

But if there's one thread that runs through all my professional activities, and one thing you'll no doubt hear a lot from me over the next year, it's my passion for sharing tax knowledge and inspiring others. Whether it's delivering lectures, running branch events or mentoring new professionals, I genuinely believe that tax is not only important, but that it's also *fun*. (Yes, I really do say that, and it even appears on the first slide of many of my presentations!)

Looking ahead, one of my key priorities during my year as Deputy President will be to support and encourage more members to get involved with the ATT's voluntary work, especially around schools and careers outreach. These initiatives aim to raise awareness of the tax profession among young people, break down misconceptions and showcase the variety of rewarding careers that tax can offer.

There's a real opportunity here, not only to give something back, but to play an active role in shaping the next generation of tax professionals. Whether it's delivering a talk in a school, attending a careers fair or simply sharing your own journey, your involvement can make a big difference. And don't worry, you won't be doing it alone. The ATT provides helpful resources, guidance and support to make the process smooth and enjoyable.

If you're passionate about tax and want to help others discover why this profession matters, I strongly encourage you to get involved.

Until next month – stay cool, stay curious and never forget: **Tax is Fun.**

Barry Jefferd
ATT Deputy President
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HMRC's Transformation Roadmap
The future tax system

We consider the plans set out in HMRC's Transformation Roadmap and its vision for the future.

by Bill Dodwell

HMRC's Transformation Roadmap was published on 21 July 2025 and is an extensive vision for HMRC's future and the future UK tax system (see tinyurl.com/bddpc8hb). Of course, there is a great deal about digital, but there's also lots of discussion about the need for cultural change within HMRC and how to benefit from working extensively with others. There has clearly been a great deal of work within HMRC to develop detailed plans for investment and change. Publishing the 63 page Transformation Roadmap after the Chancellor's Spending Review demonstrates that funds are available – some £7 billion over the three to four year spending review period.

The ambition is set out at the start: 'To improve customer experience and close the tax gap, HMRC needs to reform and modernise the fundamental infrastructure of tax and customs administration. Over the spending review period, HMRC will overhaul its legacy IT infrastructure and invest heavily in AI, data capabilities and new platforms that increase the security and efficiency of HMRC's operations and provide an improved picture of a customer's tax affairs and compliance risks closer to real-time.'

HMRC intends that 90% of interactions with taxpayers will be digital – up from 76% currently. This reflects similar growth in customer interaction with banks – and the roadmap reports that the Exchequer Secretary and senior leaders in HMRC have spent time with digital exemplars, including Octopus Energy, Centrica, Barclays and NatWest banks and John Lewis. Major UK banks and utilities have similar challenges to HMRC in moving forward from outdated IT infrastructure. It's good to see that HMRC is exploring 'through a test-and-learn approach, using its adviser-led services (phone and webchat) to coach customers to self-serve online'.

New digital systems

The roadmap covers new digital systems, including a new customer relationship management system 'which will enable more personalised support for customers and their advisers. This will be supported by technology that joins HMRC's systems up.' Individuals joining Making Tax Digital for Income Tax are being migrated from the older CESA platform to the new enterprise tax management platform (ETMP) and no doubt other Self Assessment taxpayers will be migrated afterwards. A new system to manage corporation tax will be built to replace the legacy CoTax system.

The roadmap notes that the government will not be proceeding with MTD for corporation tax, but that working with stakeholders will 'develop an approach to the future administration of CT that is suited to the varying needs of the diverse CT population'. Inheritance tax will be digitised from 2027-28 and, of course, VAT is already on the modern ETMP system. There will be a new secure digital channel for three-way communications between HMRC, taxpayers and agents, including document exchange.

Using data

There is great emphasis on extra data – and making better use of it. Pre-population will be expanded, so that HMRC will fill in data fields in tax returns for the taxpayer to check and approve. Better data will allow for more accurate tax codes and simple assessments. Data will also support targeted 'nudges' to prevent taxpayers from making errors both in Self Assessment tax returns and in Making Tax Digital submissions. Third party data will support automatic registration of taxpayers for Self Assessment and MTD.

Closing the Tax Gap

Closing the Tax Gap is naturally an important part of the roadmap, given that it is one of the government's three priorities. The document notes that: 'HMRC is taking a multi-faceted approach to address the small business tax gap through digitalisation, use of third-party data, and improving standards in the tax advice market.' HMRC is also investing in taxpayer education and better guidance. No doubt some of the 5,500 new recruits will contribute to additional compliance enquiries, but the numbers of micro businesses means that tax audits alone will not solve the tax gap.

Another major tax gap area is legal interpretation, where HMRC estimates that £5.4 billion was lost in 2023-24. 'HMRC will tackle the tax gap caused by legal interpretation, including through clearer expectations in guidance products and by pursuing available options for legislative changes in those areas most prone to a disputed legal interpretation challenge.' The new Guidelines for Compliance should help, as would adding more examples into HMRC guidance.

Artificial intelligence

There's lots about using AI. 'The department plans to increase and expand its use of AI to target compliance activity, guide customers to the right advice, follow up on the minority that have not paid the right tax, and empower colleagues to work more effectively. HMRC is making use of machine learning and Generative AI to streamline administrative tasks such as summarising customer calls. HMRC will continue to adopt AI responsibly, applying its established ethical and safety controls, ensuring alignment with government AI, technology and accessibility frameworks, and HMRC's Charter standards.'

This is a landmark document from HMRC and it's good to see it will be updated periodically. It heralds investment in HMRC's people and systems to the benefit of all of us. I recommend the roadmap to you!

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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. He joined the Administrative Burdens Advisory Board in 2019. Bill won the Lifetime Achievement Award at the Tolley's Taxation Awards in 2024 and writes in a personal capacity.

From plot to profit

Structuring land deals for tax efficiency

Naomi Stewart joins in conversation with Tom Sater and Paul Sams to highlight the critical considerations in supporting landowners through the complex journey of making the most of their agricultural holdings.

In recent years, a growing number of UK landowners have explored the development potential of their agricultural holdings. Whether exploring residential schemes or renewable energy projects, the financial upside is clear. However, without robust tax planning, legal foresight and a realistic understanding of how these projects unfold, that promise can easily become a much longer endeavour than hoped for.

Defra estimates that around 90% of farm enterprises in England are family-run. This fact alone underlines the complexity of many land deals, where succession concerns, emotional attachment and complex ownership can all add layers of complication. Converting farmland into profitable development land is rarely just a transaction; it is a multi-year process demanding collaboration, legal clarity and early attention to tax implications.

Clarify ownership early

'Land that has been passed down through generations can have complicated title issues, especially where probate is incomplete or old agreements were never formalised,' explains Paul Sams, Managing Partner at Dutton Gregory. 'Landowners must conduct thorough due diligence before entering into discussions around selling their land; it can save a lot of time and frustration down the line.

'Additionally, long-term tenancies or licences can become speedbumps in the process that need ending or resolving, especially where these are verbal agreements among friends or neighbours.

Key Points

What is the issue?
As UK landowners increasingly explore the development potential of agricultural holdings, careful tax and legal planning becomes essential to ensure profitability and avoid costly missteps. Historic title issues, unresolved probate and informal tenancy agreements can delay or derail development. Legal due diligence is vital to establish clear ownership and secure vacant possession.

What does it mean to me?
Development strategy significantly impacts tax relief eligibility. Leasing land for renewable energy, such as solar farms, can jeopardise agricultural property relief and business property relief, especially if passive income dominates.

What can I take away?
HMRC may apply income tax if land was acquired with a clear profit motive. Structuring deals with deferred sales or overage agreements can help to retain capital gains treatment. VAT is another critical factor. While bare land sales are VAT-exempt, opting to tax can allow recovery of related costs; however, this decision binds the land for 20 years.

Tenancies can also create additional financial responsibilities that need settling before any real planning begins as vacant possession is a key element for most developers – addressing this too late can stall projects indefinitely.'

For advisers, supporting clients to establish clear legal ownership and resolve any historic or informal tenancy arrangements early in the process is essential. These issues, if left unchecked, can delay or even derail an otherwise viable opportunity.

Collaboration requires structure

Where a single parcel of land isn't sufficient to attract developer interest, whether due to access, scale or infrastructure needs, landowners may be best served by collaborating with neighbours. This strategy often makes sense commercially but creates a web of legal, tax and practical considerations.

Equalisation agreements are a common route for landowners who are seeking to share proceeds fairly. These agreements allow contributors to benefit proportionately from development gains, even if their plots are used differently. However, while equalisation works commercially, it can be highly inefficient from a tax perspective. Payments between landowners can attract double taxation, with no relief for the paying party, undermining the fairness such agreements aim to deliver.

A more comprehensive, albeit more complex, solution lies in land pool trusts. These allow landowners to transfer their land into a shared trust and receive a proportional share of the whole in return. This simplifies profit distribution and provides developers with greater certainty that the entire development footprint is secure.

'The trust structure removes the risk of a single landowner pulling out and derailing the entire scheme,' explains Naomi Stewart, Head of Tax at Shaw Gibbs and Partner at Martin and Company. 'However, it comes with challenges, including potential loss of tax reliefs, high administrative demands and the need for close cooperation among landowners.'

Other mechanisms include covenants and cross-option agreements. Covenants can provide comfort that compensation will be received if development proceeds, but the uncertainty they create can deter developers. Cross-options, meanwhile, offer flexibility and equitable returns but are often hard to value and administer. Ultimately, the structure chosen must balance legal clarity, tax efficiency and commercial certainty, ideally with early input from specialist advisers on all sides.

Development strategy shapes tax position

Once ownership is clarified and collaboration agreed, landowners must decide how the development will proceed. While residential development is familiar territory, the rise in renewable energy, particularly solar, is prompting fresh interest. Each route brings distinct tax implications.

'What landowners need to be aware of is that leasing farmland to a third party, such as a solar or renewables company, can have significant implications for both agricultural property relief and business property relief,' says Stewart. 'Whilst the headline rate of these reliefs is being reduced from 100% to 50%, they still offer significant opportunity for inheritance tax savings so need to be secured wherever possible.'

Agricultural property relief requires the land to be occupied for agricultural use. Long-term leases to solar operators, which generate passive rental income, typically remove this status, reclassifying the land as an investment asset and disqualifying it from relief.

The implications for business property relief can be even broader. Relief depends on the business being 'wholly or mainly' trading. HMRC applies a multi-factor test, looking at turnover, profit sources, asset use and employee activity over a two to three year period. If investment activity outweighs trading, especially where solar leases or other non-agricultural income dominate, business property relief could be lost across the whole business.

Agricultural profits are often volatile, so even short-term fluctuations can tip the balance. 'Where land is expected to rise significantly in value or be exposed to inheritance tax in future, a common planning strategy is to carve out the investment element,' Stewart explains. 'Transferring the leased land into a trust, company or another individual's ownership can protect the remaining trading business's business property relief eligibility. While the carved-out land won't qualify, the value it generates is removed from the estate, preserving relief elsewhere.'

The long timelines involved in renewables projects further complicate matters. 'We're now looking at connection dates in the 2030s or even 2040s,' says Tom Sater, Head of RO Energy. 'Much of this delay is tied to the available capacity with the National Grid. Landowner engagement is required to secure initial offers from National Grid, which is subsequently followed by more detailed agreements. Even these initial steps can be enough to trigger movement with National Grid, and with such long timelines, starting early is essential.'

There are practical considerations too. 'Renewables projects, including solar and wind farms, require maintenance which in turn requires access,' Sater adds. 'That can become a problem if you've allocated a portion of land off the beaten track, or where access arrangements disrupt other parts of your business.' These factors may not affect tax directly, but they can shape the overall commercial viability of a development scheme.

Capital or income? Structuring for favourable treatment

One of the most crucial questions facing landowners is whether a development – related disposal will be subject to capital gains tax or income tax. Capital gains tax is usually more favourable, but it's not guaranteed.

'If HMRC considers that you acquired or prepared the land with a clear intent to make a profit from its development, then the transaction may be taxed as income,' Stewart explains. This is particularly relevant under the 'transactions in land' rules, which focus on the original intention behind acquiring or holding land. For example, buying land out of a company with future development in mind, even if leased back to a farming business, can trigger income tax treatment if HMRC sees a clear profit motive.

Here, structuring is key. 'This area is governed by intention-based legislation, meaning a paper trail and early legal advice are critical,' she adds. 'Landowners need to be clear on the purpose of a deal from the outset and consider how that purpose might be interpreted years later, especially if value has risen sharply.'

Where future development is possible but not definite, strategies such as overage agreements or deferred sales can help to preserve capital gains tax treatment, so long as they're carefully structured and reflect commercial reality.

To tax or not to tax: VAT considerations

VAT is often overlooked in land deals, but its impact can be significant, particularly when recovering costs incurred in promoting or preparing the land for sale.

'By default, bare land transactions are exempt from VAT, meaning no VAT is charged and none can be recovered on associated costs,' Stewart explains. 'However, landowners can choose to "opt to tax" commercial land, which changes its VAT status from exempt to standard rated. This allows VAT to be charged on sales or leases of the land and, crucially, enables recovery of VAT on related expenses – for example, fees paid to promoters or professional advisers.'

However, opting to tax is not a short-term commitment. 'An option to tax is binding for a minimum of 20 years and can't easily be revoked even after that time,' she adds. If the buyer is unable to reclaim VAT, such as an individual or non-registered entity, this could reduce the land's market value or even prevent a sale.

If the purchaser is a VAT-registered housebuilder, opting to tax may be a sound strategy. But the decision must be made at the right time, with clarity over the land's intended use. 'Making the right choice at the right time can protect profit margins,' says Stewart. 'Missteps, however, can result in avoidable VAT liabilities.'

Integrated advice is essential

Land sales and development are rarely simple, especially for agricultural landowners who are facing complex family dynamics, regulatory changes and uncertain timelines. From ownership and collaboration through to structuring, VAT, capital gains tax, agricultural property relief and business property relief, every aspect of a development transaction carries significant tax implications.

For tax professionals advising landowners, the message is clear: integrated, early-stage advice is essential. 'No one element, whether VAT, business property relief or capital gains tax, exists in isolation,' Stewart notes. 'And the success of a land sale or development hinges on how these parts interact.'

Collaboration between tax advisers, legal teams and commercial consultants is therefore vital. With the right structure, forward planning and informed decision-making, practitioners can help landowners to turn development opportunities into lasting, tax-efficient value, preserving not just profit, but also the legacy of the land for future generations.

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Circular economy and taxation

The implications for tax policy

We consider how a move towards a circular economy can bridge the gap for sustainable growth – and how this would impact tax policy.

by Weronika Zurawska and Peter Jelfs

Key Points

What is the issue?
A circular economy moves away from the traditional linear model of 'take-make-dispose' and instead focuses on eliminating waste, keeping materials in use and regenerating natural systems. We explore how current tax systems hinder the transition to a circular economy and what changes are needed to support sustainable business models.

What does it mean to me?
While many businesses and governments are adopting circular principles, tax systems create barriers for circular practices such as repair, reuse and remanufacturing, which are often penalised through VAT, customs duties and labour taxes.

What can I take away?
We consider how tax reform – such as adjusting VAT rules, redefining customs classifications and shifting tax burdens from labour to resource use – could better align fiscal policy with environmental goals.

The global economy is increasingly strained by resource depletion and environmental degradation. In response to these challenges, the concept of a circular economy has emerged as a compelling framework for sustainable growth by operating within both social foundations and planetary boundaries. By redefining the traditional linear 'take-make-dispose' approach, the circular economy promotes resource efficiency, waste reduction and extended product lifecycles.

While some businesses are progressively embracing circular principles and governments are introducing circular guidelines and policies, most tax systems remain anchored in linear economic models. This misalignment may create significant barriers for circular business models. However, if designed effectively, tax systems have the potential to become powerful enablers of the circular transition.

This article explores the core principles of the circular economy, examines its impact on business models and product lifecycles, and considers the implications for tax policy – supported by practical examples.

> **If designed effectively, tax systems have the potential to become powerful enablers of the circular transition.**

The circular economy and its impact

Defining the 'circular economy'

The circular economy offers a systemic shift away from the traditional linear model of production and consumption, which is based on extracting resources, manufacturing goods and disposing of them after use. Instead, it proposes an economy where waste and pollution are designed out, products and materials remain in use for as long as possible, and natural systems are restored rather than depleted.

Rather than relying on endless resource extraction, the circular economy is built on three core principles (see tinyurl.com/23c5r8m4):

1. **Eliminate waste and pollution** through smarter design and systems thinking.
2. **Circulate products and materials** by keeping them in use at their highest possible value.
3. **Regenerate nature** by designing economic activity to support and restore ecosystems.

This approach not only supports environmental sustainability but also presents new business opportunities. However, as many companies begin to implement circular strategies, they quickly encounter a major structural barrier: most fiscal and regulatory frameworks, especially tax systems, remain rooted in linear logic. They continue to incentivise resource extraction and throughput, while penalising labour-intensive activities like repair, remanufacturing or reuse – core components of circular models.

Circular business models

Circular business models translate circular economy principles into practice by rethinking the entire product lifecycle – from design and sourcing to production, use and end-of-life (see ***Figure 1: Circular product lifecycle***). Unlike linear models that prioritise volume and turnover, circular business models focus on

FIGURE 1: CIRCULAR PRODUCT LIFECYCLE

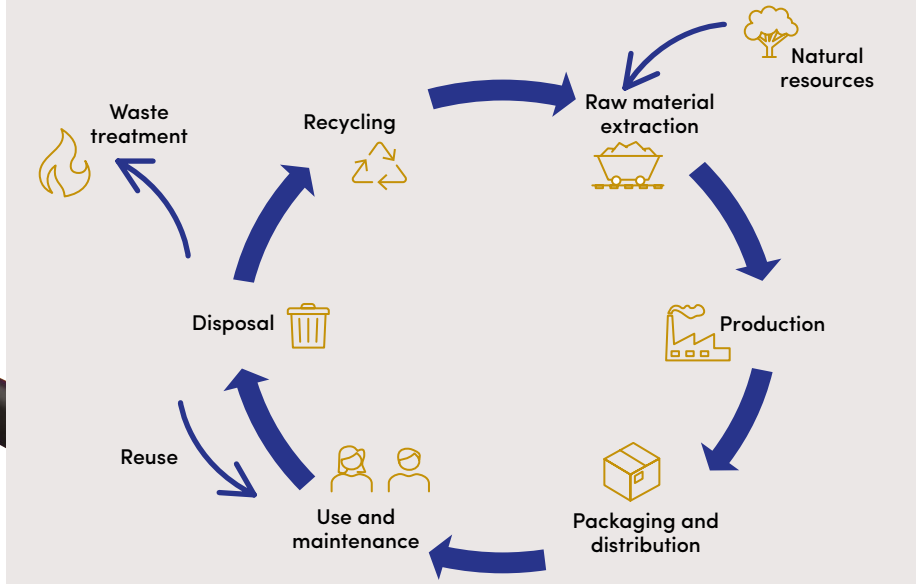

FIGURE 2: HIERARCHY OF RS

Smarter creation and use of products	Refuse
	Rethink
	Reduce
Extending the lifespan of products and parts	Reuse
	Repair
	Refurbish
	Remanufacture
	Repurpose
Useful application of materials	Recycle
	Recover

longevity, efficiency and resource optimisation (see bit.ly/4lvNoxk).

To guide this shift, the 'Hierarchy of Rs' (see ***Figure 2: Hierarchy of Rs***) helps businesses and policymakers to prioritise strategies – from refusing unnecessary production altogether to recycling and recovery as last resorts (see tinyurl.com/4u7r9hyj). Not all forms of circularity are equal: the earlier the intervention (e.g. refusing or rethinking), the greater the environmental and economic benefits.

However, existing tax systems often do the opposite by placing the greatest burden on the very practices that should be promoted – such as labour-intensive repair or Product-as-a-Service models – while continuing to favour virgin material use through lower taxation. This contradiction highlights the urgent need to align fiscal tools with circular economy objectives, making it easier – not harder – for businesses to operate in a regenerative way.

Various circular business models exist, and examples include:

- **Circular supply:** replacing virgin materials with bio-based or recycled inputs;
- **Product life extension:** extending product lifespan through repair, remanufacturing and refurbishment;
- **Sharing:** promoting the use of underutilised consumer assets more intensively; e.g. where private owners can share their assets (such as houses and cars) with strangers in exchange for a payment;
- **Product-as-a-Service:** shifting from product ownership to service provision; and
- **Resource recovery:** recovering and reintroducing secondary raw materials into the production cycle; e.g. a trade-in programme for old devices.

Manufacturing companies may apply circular economy principles and lifecycle assessment in their whole business, while other firms specialise in a single step of this process, such as supply of circular materials or resource recovery.

However, as the circular economy disrupts traditional linear supply chains, tax systems based on conventional business models struggle to accommodate the complexity of circular flows, creating tax barriers at each stage of the lifecycle. If we want to align our tax system with the circular principles, then almost every field of tax will require significant changes (removing existing barriers and creating strong incentives that are aligned with other policy mechanisms).

Tax implications: barriers and challenges

Current tax systems have significant implications at almost every step of the lifecycle of a circular product or a service. In this section, we will look into different types of direct and indirect taxes.

VAT

VAT is a clear example of how the current tax system was built for a linear economy and often works against circular business models. Companies trying to recover and reuse products after their first lifecycle can face serious barriers; for example, used products are often classified as waste, meaning that businesses have to pay a waste tax even when the materials are meant for reuse. When those same products are refurbished and sold again, a full VAT rate typically applies, despite the fact that much of their value comes from components that have already been taxed.

The picture isn't much better for repair services. Some countries apply reduced VAT to repairs to encourage longer product lifespans but these rules vary widely, creating challenges for companies operating internationally. Food donations are also penalised in many jurisdictions – giving away surplus food can still trigger VAT obligations, making it more expensive to donate than to throw food away.

Some countries are starting to address this. In Sweden, recent proposals aim to simplify VAT rules by expanding the profit margin taxation for second-hand goods and exempting food donations to approved charities. Such reforms, reflected in the EU's 'Greening VAT' agenda, are key to making circular practices financially viable but remain the exception, not the rule.

Customs taxes

Customs regulations are another area where linear assumptions obstruct circular practices. One persistent challenge is the lack of harmonised definitions across borders, particularly in distinguishing waste from secondary raw materials. This inconsistency often results in second-hand goods and recycled materials being treated as waste, triggering restrictions and tariffs that make circular trade unnecessarily difficult or expensive.

Under current customs rules designed for virgin goods, there are many other issues; for example, refurbished goods are in most cases taxed as new, and determining the country of origin for recycled materials is complex and burdensome.

However, some international momentum may help to reshape these

outdated norms. Initiatives such as the WTO's Trade and Environmental Sustainability Structured Discussions and the Informal Dialogue on Plastics Pollution are beginning to address these structural issues. Moreover, the introduction of carbon border adjustment mechanisms by the EU (and UK) offers a precedent for aligning trade and environmental objectives.

Labour taxes

The EU's current tax structure is heavily skewed towards labour: more than 50% of all taxes collected in the EU come from labour-related contributions, while less than 5% comes from green or environmental taxes. This imbalance creates a systemic disadvantage for circular economy models, which tend to be labour-intensive by design.

Repairing, refurbishing, disassembling and remanufacturing products all require skilled hands-on work, yet employers must pay high payroll taxes and social security contributions for each new hire. For circular businesses, this means that doing the right thing environmentally often comes with a financial penalty.

In addition to these structural inefficiencies, circular companies face practical challenges. Many need to invest in upskilling staff but they receive limited incentives to cover training costs. Labour tax incentives are rarely aligned with sustainability goals. While some countries offer generous tax write-offs for machinery or automation, there are few comparable benefits for businesses that rely on human expertise.

This misalignment is especially problematic in the context of an ageing European workforce. As labour supply shrinks and demand for meaningful jobs increases, tax systems should encourage job creation in sectors like repair and reuse, not penalise it.

Green and resource taxes

Despite the growing environmental and economic case for taxing resource use and pollution, green taxes make up less than 5% of total tax revenues in the EU. At the same time, harmful subsidies for fossil fuels and primary resource extraction still persist, undermining the polluter-pays principle and distorting competition.

The result is a tax system that sends weak or contradictory price signals. Businesses which are striving for circularity often encounter overlapping taxes (e.g. VAT and waste tax on reused materials), unclear eligibility for environmental exemptions, and uneven enforcement. Rather than rewarding resource efficiency, the system often penalises it through complexity and inconsistent application.

Circular practices – such as using secondary raw materials, repurposing waste heat or designing for longevity – rarely receive direct tax benefits. Environmental charges are often too low to stimulate behavioural change for companies, and the compliance costs are often higher than actual environmental tax costs. Meanwhile, companies that overconsume or pollute still benefit from low effective tax rates or indirect subsidies.

In light of demographic and economic shifts, including an ageing workforce and shrinking labour base, there is an urgent need to shift taxation toward what we want less of: pollution and virgin resource use. Resource taxes can help to rebalance the system, expanding the tax base while incentivising more circular business practices.

Transfer pricing: valuation complexities in circular models

Circular business models introduce significant complications for transfer pricing rules, which were designed for conventional, linear value chains. One major challenge lies in valuing remanufactured or reused goods – often there are no directly comparable market transactions against which to set an arm's length price. Similarly, many circular enterprises rely on proprietary or decentralised technology, making the valuation of intellectual property particularly difficult in cross-border contexts.

The complexity deepens with Product-as-a-Service models, where ongoing access replaces one-off sales. In these cases, allocating profits across jurisdictions and determining where value is created becomes difficult, especially when services span several countries. These new models challenge existing norms and demand clearer, more flexible guidance.

Conclusion: building a tax system for circularity

The circular economy offers not only an ecological imperative but also a profound economic opportunity – one that can drive innovation, resilience and long-term value creation. However, for its potential to be fully realised, tax systems must evolve beyond their linear foundations. As this article shows, fiscal policies currently create structural disincentives for circular practices, from penalising repair and reuse to undervaluing environmental benefits.

It is important to clarify that this article does not serve as a policy recommendation. Rather, it aims to set the foundation for understanding the complex relationship between tax systems and circular business models. The insights presented are based on discussions and workshops with numerous multinational enterprises operating in Europe, many of which are actively trying to implement circular strategies but continue to face significant tax-related obstacles.

This ongoing dialogue with industry underscores the urgency of mapping out tax barriers comprehensively across different jurisdictions and lifecycle stages. Only by identifying these friction points can we begin to ask the right questions. What would a tax system look like that truly supports circularity? Which incentives are most effective and fair? How can we align fiscal tools with broader environmental and social goals?

Reforming taxation to support circular economy principles is not just about removing hurdles; it's about reshaping the rules to reward resource stewardship over depletion. This will require collaboration across governments, businesses and civil society, as well as a willingness to rethink what we value and how we measure progress.

If we are serious about sustainable development, then tax reform must become a cornerstone of circular economy strategies – not an afterthought. The future of taxation is not just about raising revenue; it is about designing systems that enable sustainable, regenerative and inclusive economic growth.

The views and opinions expressed in this article are solely those of the authors and do not reflect the views of their employers.

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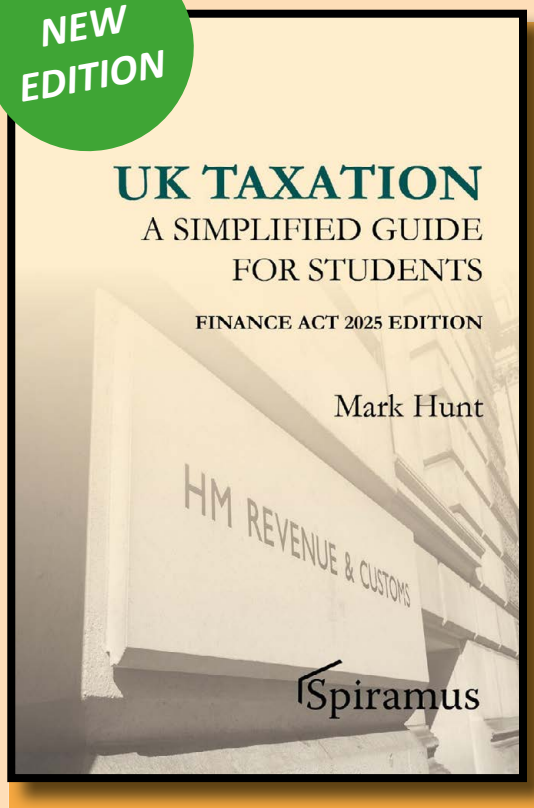

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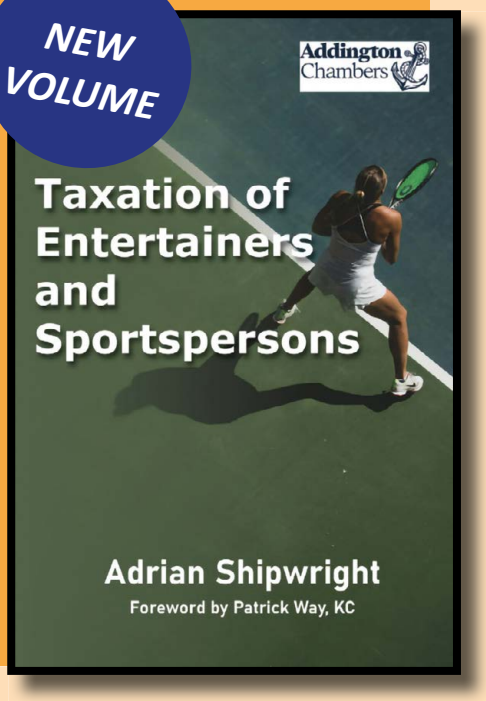

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Motorbikes, yachts and horses
Private or mixed use?

Determining whether assets or property have a personal or business usage can have significant impact on taxation levels.

by Julie Butler

Key Points

What is the issue?
We examine how HMRC assesses the private versus business use of certain assets, such as motorbikes, yachts and horses, and the tax consequences that follow. Key cases illustrate the importance of evidencing commercial use when claiming tax reliefs.

What does it mean to me?
In *Toye v HMRC*, the director of a locksmith company claimed input VAT on three motorbikes, as they were integral to the company's fast-response locksmith service. In *Holding v HMRC*, the taxpayers purchased a property with extensive equestrian facilities and argued that part of the land should be classified as non-residential for stamp duty land tax purposes.

What can I take away?
Tax advisers must ensure that clients retain robust evidence of business use for assets that HMRC may presume to be private. It underscores the importance of strategic planning, clear documentation, and understanding how HMRC interprets usage at the time of tax submissions or property transactions.

Yachts and horses have often been grouped together as targets for HMRC with regards to private usage. However, in the recent case of *L Toye v HMRC* [2025] UKFTT 301, motorbikes have entered the fold. The case covers many tax areas, from the 'personal liability notice' and post-liquidation of Mr Toye's company to the private usage of motorcycles. The facts that led to the case are set out below.

Toye v HMRC: the use of motorbikes

Black Wolf Ltd traded as a locksmith since 2013 and was registered for VAT. Mr Toye was the sole director and shareholder, although he asserted that his nephew, Mr Chaston, owned 49% of the shares in later years and was the key decision maker. The company ceased to trade in 2022.

Input VAT claim on motorcycles

The concern of HMRC was linked to an input tax claim made by Black Wolf on the purchase of three motorcycles, which HMRC had alleged had been 'fully private vehicles with no apportionment made for private use'. It issued an assessment plus a deliberate behaviour penalty.

The company had ceased to trade, so HMRC issued a personal liability notice to Mr Toye for the penalty, which some might consider a little harsh. The personal liability notice is a timely reminder that if a company is liquidated, there can still be personal liabilities on the directors or shareholders on any errors of submissions.

Mr Toye appealed against the personal liability notice and the case ultimately came before the First-tier Tribunal. His argument was that the motorbikes had a business purpose because they were an important part of the 'fast reception' service that had been offered by the company to customers who had locked themselves out of their home and urgently needed a locksmith. The bikes were adjusted to be fitted with specifically designed boxes holding the appropriate tools and equipment.

This case highlights the need to evidence any business usage of questionable assets such as yachts, motorcycles and horses. Mr Toye acknowledged that the third bike was transferred to himself for private purposes when the number of employees was reduced from three to two; and that output tax should have been declared when the transfer to him personally took place.

Misleading emails

HMRC's view that deliberate behaviour had taken place was largely due to an email from Mr Toye to the officer on 1 August 2022, in which he said that 'none of the motorcycles should have gone through on the company's accounts'. There was also an insurance issue that created a problem with the bikes being in the company name, rather than the individual riders' names. The officer concluded that Mr Toye had been guilty of 'claiming personal expenses through the company'.

Mr Toye explained that following major surgery in 2017 he had experienced sustained ill health. This had resulted in his nephew Mr Chaston managing the business for most of the years up to 2022 and 'in his view [his nephew] was the guilty party'. Mr Toye also emphasised his personal difficulties in dealing with paperwork and written communications, telling the tribunal that he 'never comes across well in emails'. As far as dealing with HMRC was concerned, Mr Toye explained that he had always preferred to sort out 'matters with them face to face'.

Bikes adapted for business purposes

The First-tier Tribunal decided that Mr Toye was a 'reliable and credible witness'. The fact that the bikes had been fitted out for business purposes was evidence that an input tax claim was justified. The tribunal found that the company had correctly sought to recover input tax at that stage, stating: 'There is nothing, therefore, on which either a deliberate penalty assessment against the company, or the personal liability notice can bite.' This case shows that evidence of such matters should be retained.

The decision is a timely reminder that a behavioural penalty is always determined by the thinking of the business owner or director at the time when a return is submitted to HMRC – and not a later date when a director might acknowledge that errors were made on the return in question.

Holding v HMRC: the use of horses

The parallel with horses is that they are always seen as private. It is up to the taxpayer to prove that business usage exists and applies, or the case may be reviewed. The impact of the negative approach by HMRC on horses can be shown in many examples. The number of equine cases coming through the tribunals seemed high in recent years, including *Thorne* [2016] UKUT 349, *Murray* [2014] UKFTT 338 and *Cliff* [2019] UKFTT 564.

Likewise, stamp duty land tax tribunals have seemed non-stop. For example, in the case of *Holding v HMRC* [2024] UKFTT 337, Mr and Mrs Holding had bought a relatively large property comprising a farmhouse, gardens, swimming pool, outbuildings, equestrian facilities, paddocks and fields. At the time of purchase in August 2018, this was the Holdings' second property.

Mr and Mrs Holding had been ordered to pay £603,750 in higher rate stamp duty, as the property was deemed purely residential. However, of the total 41 acres of land acquired, approximately 24 acres of the property were fields. The Holdings argued that these fields were not part of the dwelling's grounds under Finance Act 2003 s 116(1)(b), and should be classified as non-residential ground, attracting a lower rate of stamp duty land tax.

Following an enquiry into the appellant's stamp duty land tax return, HMRC issued a closure notice amending the return to show additional stamp duty land tax was due, as the fields were acquired together with the dwelling as part of the same transaction. The Holdings disputed this, claiming that they only owed £219,500 on the transaction as the fields were non-residential property. However, the First-tier Tribunal found that the entire area was residential property, and therefore did not qualify for non-residential stamp duty land tax.

Evidence of commercial use needed

In the *Holding* case, at the time of the purchase the property had been developed to have extensive equestrian facilities, including stabling for eight horses. The fields provided winter grazing for the horses and were available for riding. The Holdings also had the option to keep animals such as sheep and alpacas. In addition, the fields provided privacy.

There was no evidence as to how the previous owners had used the fields. This would have been very helpful, as mixed usage stamp duty land tax cases are judged by what is happening on the date of completion. Evidence of independent, historic commercial use of the property would have supported the claim for non-residency.

The First-tier Tribunal said it was the existing 'availability for use' that was significant. It was found that the fields provided an amenity or benefit to the farmhouse and as such 'performed a function' to the farmhouse as a dwelling, irrespective of whether the land was more than Mr and Mrs Holding needed. The commercial use was not confirmed.

Issues for consideration

As mentioned, the First-tier Tribunal was not persuaded that the fields provided no amenity, benefit or function in relation to the farmhouse. However, there are many advantages to houses with large grounds having some commercial use. It is therefore important to look at matters that would or could have changed the decision of the tribunal in this case.

Commercial history of the fields before the property was acquired would have been pertinent. Evidence that the fields would not all be used for the amenity and benefit of the farmhouse would have also helped, such as the letting of some fields to a third party. Not only is this an income stream but it also helps protect future tax reliefs, though many argue that a change of legislation is perhaps needed to give more clarity on the subject.

A commercial business operation distinct from the residence with a history of such use prior to completion will impact stamp duty land tax. These matters should be attended to at the point the brochure for sale is put together. In order to achieve the sale, the vendor should be genuinely trying to help the purchaser with a correct claim for mixed usage stamp duty land tax and have everything prepared, especially in this current difficult property market. Ideally, planning should be in place some years before the sale with everything looked at in the round with a real strategy and evidence to support the claim.

The Upper Tribunal case in *Suterwalla v HMRC* [2024] UKUT 188 seems to take a more positive view for the taxpayer on the definition of the commercial use of paddocks. The Suterwalla's paddocks were classified as non-residential, as they were not part of the garden and grounds. However, it should be noted that there are some differences from the *Holding* case. The paddock was let out commercially on the same day that the purchase of the property was completed. , which the First-tier Tribunal thought was important and the Upper Tribunal said was useful. Their paddock had a distinct title at the Land Registry, which was separate from the dwelling, gardens and tennis court. It was not visible from the house and was accessed via a small gate.

In conclusion

Any commercial use of horses, yachts and now seemingly motorbikes must be evidenced and retained. Memories and motives can blur, and the taxpayer must be prepared with answers to possible questions, and mindful of the well-worn private use path taken by HMRC!

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Merged R&D scheme
Impact on quarterly instalment payments

We explore the implications of the new merged R&D tax relief regime for taxable profits and quarterly instalment payment obligations.

by Andy Grey

The merged research and development (R&D) tax relief scheme was introduced for accounting periods beginning on or after 1 April 2024. Whilst most commentary to date has focused on the changes impacting the R&D landscape, one important aspect not to be overlooked is the wider impact on tax attributes and quarterly instalment planning.

The former regimes

Under the SME regime, the impact of an R&D claim acted as a 'super-deduction' within the tax computation – reducing taxable profits. To the extent that a loss arose, a company could surrender such losses for an R&D tax credit.

As a reminder, 'large companies' (those with taxable profits in excess of £1.5 million) are required to pay their corporation tax liability under quarterly instalments, rather than nine months and one day after the end of the accounting period. These thresholds are reduced by the number of associated companies (the impact of which we will see in the example below).

If a company anticipated taxable profits of £2 million but also had qualifying R&D expenditure under the SME regime of £800,000 (resulting in a further deduction of £688,000) then it would fall below the quarterly instalment payments (QIP) threshold (assuming no other associated companies) and continue to pay its corporation tax liability nine

Key Points

What is the issue?
Under the merged regime, R&D relief is now treated as a taxable credit, which increases taxable profits rather than reducing them. This change can push companies above the QIP threshold, even if their underlying profits remain unchanged, thereby triggering earlier tax payment obligations.

What does it mean to me?
When calculating QIPs, companies must base their instalments on pre-credit tax liabilities. This can lead to underpayment and interest charges if not properly accounted for. The 'year of grace' rule gives companies a one-year buffer before entering the QIP regime, though this does not apply to companies in the 'very large' instalment regime.

What can I take away?
Advisers are encouraged to help clients forecast their taxable positions under the new rules and ensure timely compliance with QIP obligations to avoid penalties and interest.

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TAXABLE PROFITS UNDER THE MERGED REGIME

		SME regime		Merged regime
Taxable profits before R&D claim		£2,000,000		£2,000,000
R&D expenditure	£800,000		£800,000	
R&D enhancement (86%) / R&D credit (20%)	£688,000	-£688,000		£160,000
Taxable profit		**£1,312,000**		**£2,160,000**
Corporation tax payable (at 25%)		£328,000		£540,000
R&D credit		-		-£160,000
Tax payable		**£328,000**		**£380,000**

months and one day after the period end. This is no longer the case under the merged R&D regime!

The merged R&D regime

For accounting periods beginning on or after 1 April 2024, the R&D relief under the merged regime is treated as a taxable credit – rather than a super-deduction. This has two important impacts.

Firstly, the taxable credit is to be taken into account in determining whether or not the company's taxable profits will fall into the QIP regime or not. Taking the example above and applying it to the merged regime, a company anticipating taxable profits of £2 million with £800,000 of qualifying R&D expenditure would have a taxable profit of £2.16 million and therefore need to consider the QIP regime. This is shown in ***Taxation profits under the merged regime*** above.

The second impact is that the reduction in the tax liability from the credit cannot be taken into account for QIP purposes. The R&D expenditure credit (the RDEC) is a standalone credit, so is not treated as a deduction in calculating the corporation tax liability. The reduction in liability from the RDEC therefore should not be taken into account for the calculation of quarterly instalment payments; i.e. instalments in the above example should be made on the £540,000 rather than the £380,000, otherwise late interest will be calculated.

What about the year of grace?

A company will only need to pay its corporation tax liability in quarterly instalments when it is within the regime for a second consecutive period. Whilst this grace period is useful in giving companies time to plan and prepare, it is important to be aware of when the instalment dates fall due – particularly with interest on late or underpaid instalments now being charged at 6.5% from 18 August 2025.

Let's look at the above example again – but this time base the workings on two associated companies, such that the thresholds for QIP become £750,000.

In the year ended 31 March 2025, taxable profits of £1,312,000 result in the company being in excess of the QIP threshold for the first time, and so it will need to consider QIPs for the 31 March 2026 period end. The quarterly instalment dates become:

- 14 October 2025: 25% of estimated liability
- 14 January 2026: 50% of estimated liability
- 14 April 2026: 75% of estimated liability
- 14 July 2026: 100% of estimated liability

Note also that the company tax liability for the 2025 tax year will also be due on 1 October 2026, which can have a significant impact on cashflow.

The very large instalment regime

What about companies in the very large instalment regime? Companies in the 'very large' regime have their instalment due dates accelerated by a further three months, becoming: 14 June 2025; 14 September 2025; 14 December 2025; and 14 March 2026.

A company is considered to be in the very large regime if its taxable profits exceed £20 million. This threshold is reduced by the number of associated companies, so whilst you would normally not expect to be caught out by having profits rise to this level in one year, it is not uncommon for companies to fall into the accelerated regime with relatively modest profit levels, by virtue of being part of a group with multiple subsidiaries worldwide. This can particularly be the case with private equity-backed businesses.

Crucially, there is no 'year of grace' under the very large instalment regime. Once a company falls into it, the new instalment dates are to apply in that year.

Why is this important?

A company previously making R&D claims under the SME regime will need to consider how the impact of the merged R&D regime impacts their taxable profits, and whether they inadvertently fall into the QIP regime.

As can be seen from the dates above, falling into the quarterly instalment regime can result in a company being required to settle its tax liability significantly earlier than if it is used to doing this nine months after the year end, and potentially incurring interest charges if it is not on top of its instalment payment dates.

Advisers are strongly recommended to proactively engage with taxpayers to help forecast their future position, bearing in mind the interaction of the R&D merged regime and quarterly instalment payments, in order to help mitigate interest charges accruing.

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Unpaid employment taxes
Shifting liability

We outline the main provisions under which HMRC can transfer the liability for unpaid employment taxes via a personal liability notice, transfer notices or deeming provision.

by Pavandip Singh Dhillon

Employers are legally responsible for deducting, accounting for and paying income tax and Class 1 primary NIC to HMRC under the PAYE system. This article explains the main legal provisions that allow HMRC to transfer this liability from the employer to another person – by means of a personal liability notice, transfer notices or deeming provision.

National Insurance contributions

Under Social Security Contributions and Benefits Act 1992 Sch 1 para 3, employers are initially responsible for paying Class 1 primary NICs. They must deduct these from the employee's earnings, subject to certain deductions that are permitted under Social Security (Contributions) Regulations 2001 Sch 4 para 6(2).

Criminal liability for NIC evasion

Under the Social Security Administration Act 1992 s 114, anyone who fraudulently avoids paying NICs commits a criminal offence. If convicted:

- on indictment (in a Crown Court), they can face up to seven years in prison; or
- on summary conviction (in a Magistrates' Court), they can be fined up to the statutory maximum, which is currently unlimited.

If the offence is committed by a company, and it occurred with the consent, connivance or neglect of a company officer (such as a director), s 115 allows that officer to be prosecuted personally.

Personal liability notices to culpable officers

HMRC may issue a personal liability notice to individual officers of a company – referred to as the culpable officers – if it believes that the company's failure to pay NICs in time was due to fraud or neglect by those individuals. This power is granted under the Social Security Administration Act 1992 s 121C. The personal liability notice can cover the unpaid NICs, as well as any interest and penalties that have accrued or may arise in the future.

This provision means that both the company and the culpable officers are jointly liable for the debt. Any amount paid by one party reduces the liability of the other. This joint liability is set out in s 121C sub-ss (7) and (8). This mechanism is a common feature of personal liability notices and serves as a reminder that individuals in positions of responsibility within a company can be held personally accountable for failures to meet NIC obligations where misconduct is involved.

Where the employer is not liable

If an employer is responsible for paying secondary NICs but fails to pay the primary NICs due for a particular employee, the employer may not be held liable in certain circumstances. This applies where either:

1. the failure to pay was caused by something the employee did or failed to do, and not because of any negligence by the employer; or
2. HMRC is satisfied that the employee knew the employer had deliberately not paid the primary NICs and the employer has not recovered those NICs from the employee.

In such cases, under Social Security (Contributions) Regulations 2001 Reg 86 the employer's liability for the NICs is removed. HMRC can then issue a decision notice under Social Security Contributions (Transfer of Functions, etc.) Act 1999 s 8 to recover the unpaid NICs directly from the employee.

Income tax

Reg 21(1) of the Income Tax (Pay As You Earn) Regulations 2003 requires employers, and other payers (defined in Reg 12) to deduct income tax from payments of net PAYE income. Tax is calculated after deducting allowable pension contributions and Gift Aid donations. The tax must be

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Key Points

What is the issue?
We explore the legal mechanisms through which HMRC can shift liability for unpaid employment taxes – specifically income tax and NICs – from employers to individuals or third parties. Employers are primarily responsible for deducting and remitting these taxes, but HMRC has powers to transfer liability in cases of fraud, neglect or non-compliance.

What does it mean to me?
HMRC can issue personal liability notices to company officers if unpaid NICs result from their fraud or neglect. Similarly, HMRC can shift income tax liability to employees if employers acted in good faith or if employees knew of deliberate under-deductions.

What can I take away?
The article also discusses notional payments – non-cash benefits treated as taxable income – and how employers must still account for PAYE on these. If they fail, HMRC can issue determinations under Reg 80 and in some cases shift liability to employees under Reg 81.

NOTIONAL PAYMENTS

A notional payment is a type of payment that is treated as if it were made to an employee for tax purposes, even though no actual money has changed hands. This concept is defined at Income Tax (Earnings and Pensions) Act (ITEPA) 2003 s 710(2).

A notional payment typically arises when an employee receives a benefit or entitlement that is taxable as employment income, but no cash is paid at the time. The employer is still required to calculate and account for PAYE tax on that benefit, even though they cannot deduct it from actual wages at that moment.

Examples include:

- payments made by a third party on behalf of the employer;
- employment-related securities or shares provided to an employee; and
- benefits in kind that are treated as earnings under specific provisions of ITEPA 2003.

This means that if an employer fails to operate PAYE on a notional payment, HMRC can treat that as a failure to deduct tax properly. The employer is still liable to account for the tax, even though no actual payment was made to the employee.

Reg 62 (deductions for notional payments) obliges employers to deduct tax from other relevant payments which are actually made at the same time. The employer must account to HMRC for any amount which it is unable to deduct because actual payments are insufficient.

Shortfall notional payments may only be collected under a Reg 81 determination.

deducted using the employee's tax code, if one is available.

Under Reg 185(5), the net tax deducted during the tax year (for self-assessment purposes) includes not only the actual tax deducted but also any tax that should have been deducted but wasn't. This includes:

a) tax that the employer was required to deduct from relevant payments but failed to; and
b) tax that the employer was required to account for under Reg 62(5) (notional payments) but did not.

Thus, employees are generally given credit for PAYE tax that should have been deducted by the employer, even if it wasn't (subject to some exceptions).

Under a Reg 72(5) or Reg 81(4) direction, HMRC will direct that the employer is not liable for the tax that has not been or is not accounted for. This tax is not to be added as tax treated as deducted from the employee under Reg 185(5) (self-assessment) and Reg 188(3) (other assessment) purposes.

PAYE failure by employer (Reg 72)

Regulation 72 only applies where there has been a failure by the employer to deduct income tax from amounts paid to the employee.

Under Reg 72(5), HMRC can issue a direction notice to both an employer and an employee directing that the employer is not liable to pay income tax that was deductible but which it failed to deduct from the employee's pay – referred to as 'the excess' – if either of two conditions is met.

- **Condition A** is that the employer can satisfy HMRC that it took reasonable care and that the failure to deduct the tax was an error made in good faith.
- **Condition B** is that HMRC believes the employee knew the employer deliberately failed to deduct the correct amount of PAYE tax from their pay.

In either case, the liability for the unpaid tax may be shifted from the employer to the employee.

Under Reg 72A, an employer who has failed to deduct PAYE tax from an employee's earnings can formally request that HMRC issue a Reg 72(5) direction. This direction shifts the liability for the unpaid tax from the employer to the employee, provided the conditions above are met. See ***Cos Systems v HMRC.***

Unpaid PAYE under Reg 80 determination (Reg 81)

Regulation 81 applies to all PAYE liabilities, including where tax is deducted but not paid to HMRC.

HMRC can issue a Reg 80 determination to an employer when it believes the employer has failed to deduct PAYE tax from payments made to employees or has failed to account for tax on notional payments. This determination can cover more than one employee.

The employer has the right to appeal the determination. It is treated as an income tax assessment on the employer and is subject to the appeal procedures set out in Parts 4 to 6 of the Taxes Management Act 1970.

If the tax assessed under the Reg 80 determination is not paid within 30 days of the appeal deadline (which is 30 days from the date of the notice), HMRC can shift the liability to the employee by issuing a Reg 81 determination, provided one of two conditions is met:

- **Condition A**: HMRC believes the employee received the payments knowing that the employer wilfully failed to deduct the correct amount of tax.

COS SYSTEMS V HMRC

An employer request for HMRC to issue a Reg 72 makes the process mandatory: if an employer makes a valid request and the conditions are satisfied, HMRC must issue the direction. This was confirmed in *Cos Systems Ltd v HMRC* [2017] UKFTT 168, where the tribunal stated at para [20] that HMRC does not have discretion to refuse a direction once the statutory requirements are met.

Note that there is no equivalent provision in Reg 81 that allows the employer to compel HMRC to issue such a determination. In other words, under Reg 81, the decision to pursue the employee lies entirely with HMRC, and the employer has no right to request or require it.

This distinction is significant for advisers. Under Reg 72A, employers have a statutory route to shift liability to employees in qualifying cases, whereas under Reg 81, they do not.

GAYEN v HMRC

In *Gayen v HMRC* [2013] UKFTT 127, Dr. Gayen had worked for several hospitals that failed to deduct the correct amount of PAYE tax. He submitted his self-assessment tax return on time, relying on the PAYE system to have accounted for his tax liability. HMRC later issued a closure notice increasing his tax liability and imposed a penalty for late payment.

The First-tier Tribunal found that Dr. Gayen had reasonably relied on the PAYE system and that the under-deduction was not his fault. Crucially, HMRC had not issued a Reg 80 determination against the employer to recover the unpaid PAYE. As a result, the tribunal ruled that HMRC could not then seek to recover that same tax from the employee through self-assessment. The employee was entitled to credit for the PAYE that should have been deducted, even though it wasn't.

This case reinforces the principle that the PAYE system is designed to relieve employees of responsibility for tax that employers are legally required to deduct. If HMRC does not pursue the employer through the proper channels (such as a Reg 80 determination), it cannot shift the burden onto the employee after the fact.

- **Condition B**: The unpaid tax relates to a notional payment that the employer was required to deduct tax from. The definition of 'notional payment' is taken from ITEPA 2003 s 710(2)(a), as applied by Regulation 2.

However, if HMRC fails to issue a Reg 80 determination to recover unpaid PAYE from an employer, it cannot then deny the employee credit for that PAYE under the self-assessment system (see *Gayen v HMRC*).

Special cases: PAYE and NIC liability transfers

Agency workers

Under s 44 of ITEPA 2003, if a worker provides services to a client through an agency and is under the client's direction, supervision and control, then:

- the worker is treated as an employee of the agency; and
- any payments received are treated as employment income for the purposes of income tax.

Equivalent rules for NICs are found in Social Security (Categorisation of Earners) Regulations (SSCR) 1978 Sch 3.

If s 44 applies, the agency is treated as the employer for PAYE purposes under ITEPA 2003 s 688(1) and PAYE Regs 2003 Reg 10.

Transfer of liability

- **Fraudulent documents:** If the client provides the agency with a fraudulent document to misrepresent the employment relationship, the client becomes liable for PAYE and NICs.
- **Anti-avoidance:** If a third person sets up an arrangement to avoid treating the worker as an employee, they may be treated as the employer.
- **Personal liability notices:** If PAYE is not deducted, HMRC can issue a personal liability notice to company directors involved in the failure. All directors served with a personal liability notice are jointly and severally liable.

Travel expenses

Under ITEPA 2003 s 338, employees can claim income tax relief for travel expenses incurred for work duties, but not for ordinary commuting. For agency workers, each engagement is treated as a separate employment under s 339A, which may allow more travel expense claims.

The equivalent NIC rules are in SSCR 2001 Sch 3.

Transfer of liability

- If a client provides a fraudulent document to enable improper travel expense deductions, they may be treated as the employer for PAYE and NICs.
- HMRC can issue personal liability notices to directors of client companies for unpaid PAYE. The NIC equivalent is found in SSCR 2001 Sch 4 para 29Z1.

Managed service companies

MSCs are often used to avoid direct employment. Workers become directors and members of these companies, which are managed by MSC providers. Under ITEPA 2003 s 61D, payments (often dividends) from an MSC to a worker are treated as employment income and subject to PAYE.

The equivalent NIC rules are in the Social Security Contributions (Managed Service Companies) Regulations 2007 (Regs 3 and 4).

Transfer of liability

Under ITEPA 2003 s 688A and PAYE Regulations Reg 97B, HMRC can transfer PAYE liability to:

- directors or associates of the MSC;
- the MSC provide; and
- anyone involved in setting up the arrangement.

This applies if HMRC believes the PAYE debt is irrecoverable from the MSC. There is a 12 month time limit (under Reg 97D) for HMRC to issue the transfer notice after the relevant demand is made.

NICs liabilities can also be transferred under SSCR 2001 Sch 4.

The intermediaries (IR35) legislation contains similar, albeit more complicated rules, in relation to clients and which are beyond the scope of this article.

In conclusion

Employment income is a key source of revenue and collection pressures are likely to cause HMRC officers to resort to these powers to recover PAYE and NIC debts. Advisers should be aware of this risk when guiding clients with planning and compliance.

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Top slicing relief rules

Tim Good, the bad and prevailing practice

We look at the case of *Joye v HMRC*, which identifies when the prevailing practice changed in relation to top-slicing relief.

by Keith Gordon

In the March issue of *Tax Adviser*, I discussed the case of *Sarah Yaxley v HMRC* [2025] UKFTT 51 (TC) (*'The power of a single word'*). The background to that case was a challenge to HMRC's calculations of top slicing relief and how Mrs Yaxley fell foul of procedural hurdles preventing her from obtaining the full amount of relief to which she was entitled under the top slicing relief rules (when correctly applied).

The fact that HMRC had been misapplying those rules became clear in the First-tier Tribunal's decision in *Silver v HMRC* [2019] UKFTT 263 (TC), which was published on 18 April 2019, although concerns had been raised in the professional press previously. Following the *Silver* case, the law was amended (or clarified) and HMRC's official position subsequently changed so as to be aligned with the *Silver* decision.

This article concerns another case in the top slicing relief story: *Joye v HMRC* [2025] UKFTT 664 (TC).

The facts of the case

Mr Joye submitted his 2017-18 tax return in July 2018. His return included a computation for top slicing relief of about £10,800. I infer that his return was submitted electronically and, as a result, the calculation of top slicing relief was required to conform with HMRC's interpretation of the law (whether or not that interpretation was in fact correct).

I also infer that the return was not the subject of any enquiry by HMRC, the enquiry window ending in July 2019. Furthermore, it seems that Mr Joye did not seek to amend his tax return, which is something he could have done up to 31 January 2020. Therefore, the return can be considered to have become final on 31 January 2020.

On 5 May 2020, however, Mr Joye made a claim for overpayment relief in accordance with the rules in the Taxes Management Act (TMA) 1970 Sch 1AB. Mr Joye's claim was based on his belief that the top slicing relief should have been just over £66,000 and therefore he sought a repayment of over £55,200.

By the time that the case reached the tribunal, HMRC agreed that the original top slicing relief calculation was wrong and that Mr Joye's increased claim for top slicing relief was based on a correct interpretation of the legislation. It appears, however, that initially HMRC resisted this – although the tribunal's decision is not totally clear on this point. As a result of HMRC's acceptance (whenever it took place) that Mr Joye's revised calculation was correct, the focus of the dispute turned on the availability of overpayment relief and the Sch 1AB rules themselves.

Schedule 1AB provides a time-limited opportunity (four years) for taxpayers to recover overpaid tax over and above a taxpayer's right to amend a Self Assessment return. However, presumably to provide some sense of finality within the Self Assessment system, a taxpayer's right to overpayment relief under Sch 1AB is subject to a number of restrictions. They are set out in para 2 of the Schedule as eight exceptions (or 'Cases') which, if engaged, prevent a claim from being validly made.

Of particular importance in this case is Case G, which prevents an overpayment relief claim being made when the original (but now accepted to be incorrect) calculation of the taxpayer's tax liability 'was calculated in accordance with the practice generally prevailing at the time'.

Key Points

What is the issue?
The case of *Joye v HMRC* addresses the issue of top slicing relief and the concept of 'prevailing practice' in tax law. HMRC contested overpayment relief based on Schedule 1AB of the Taxes Management Act 1970, specifically Case G, which bars relief if the original calculation followed the prevailing practice at the time.

What does it mean to me?
The tribunal had to determine whether HMRC's interpretation of the law in July 2018 constituted a generally prevailing practice. Crucially, the tribunal identified a September 2017 article by Tim Good as the turning point, marking the end of the previously prevailing practice.

What can I take away?
This case is notable for successfully arguing the absence of a prevailing practice, a rare outcome. Taxpayers seeking similar relief must demonstrate that their position reflects a broader shift in professional consensus.

The First-tier Tribunal's decision

The case came before Tribunal Judge Geraint Williams and Jane Shillaker.

The first matter that the tribunal had to decide was the date on which the tribunal has to determine the prevailing practice. Without much hesitation, the tribunal stated that in a case such as this, it is the date on which the original tax return was submitted; therefore, July 2018.

The tribunal then turned to the case law on prevailing practice. In recent years, this has focused on cases where taxpayers have sought to avoid a discovery assessment. This is because TMA 1970 s 29(2) provides a defence against discovery assessments, available to taxpayers if their return was made in accordance with the then prevailing practice.

The logic is that taxpayers should not be subject to any additional tax simply because, subsequent to their return being submitted, HMRC's views have changed. (It should be noted that this defence does not apply in cases where the return was subject to an enquiry. In such cases, HMRC is entitled to depart from previous views of the law, although any earlier prevailing practice will, of course, be relevant should penalties be imposed.)

> **Taxpayers should not be subject to any additional tax simply because HMRC's views have changed.**

The tribunal focused on the First-tier Tribunal's decision in *Boyer Allen Investment Services v HMRC* [2012] UKFTT 558 (TC), which set out propositions that will allow a court or tribunal to determine whether a practice can be said to be generally prevailing. In summary, those propositions are:

1. The alleged practice should be capable of being readily ascertained, have substance and be sufficiently precise.
2. It will be readily ascertainable, either through published statements or by way of settled practice.
3. An internal HMRC practice will not be generally prevailing until it can be identified with sufficient precision by taxpayers and their advisers.
4. The same quality of clarity and precision must be shared by HMRC and taxpayers (and their advisers).
5. To be generally prevailing, it must have been adopted by HMRC and generally (if not universally) by the taxpayer community.
6. The practice must be settled and applied in a consistent manner.

The tribunal considered a number of different sources to ascertain what (if any) was the prevailing practice. In particular, the tribunal accepted that HMRC's published manuals (as at August 2016) reflected evidence of an ascertained substantial and sufficiently precise practice. However, the picture was not so clear in relation to whether the practice was adopted generally outside HMRC. Industry articles published after March 2020 did acknowledge HMRC's change of practice post-*Silver* but these were of little assistance to Mr Joye, as he needed to show the absence of a generally prevailing practice when he submitted his return in July 2018.

What the tribunal found particularly relevant in this regard was a number of articles published in *Taxation*. There were a couple of articles by Richard Curtis in the noughties which looked at top slicing relief. In particular, in September 2009 Richard wondered whether 'it is time for HMRC to adopt a new interpretation'. He asked himself: 'Am I on to something here or would that still just be a novel interpretation of the legislation?'

Whilst it can be said that Richard had (correctly, so it transpires) identified flaws in HMRC's interpretation of the legislation, the tone of the article suggested that his was a lone voice (very much like the child in the story of the emperor's new clothes) and therefore insufficient to displace the practice generally prevailing at the time.

The tribunal next considered another article from *Taxation*, this time written by Tim Good (who represented Mr Joye in the present case). Tim's article was published in September 2017 and he set out a number of ways in which, he believed, HMRC's interpretation was wrong. From my recollection, most of these difficulties arose because of the various changes in the taxation of savings income a few years earlier. The article's standfirst (quite possibly written

by Richard Curtis, who was then the editor of *Taxation*) said: 'Tim Good … suggests that it is time to follow the legislation rather than existing practice.' The tribunal considered this to be further evidence that there was indeed a generally prevailing practice at the time of publication.

However, the tribunal continued and concluded (correctly in my view) that Tim's article 'was the catalyst for the taxpayer community challenging HMRC's practice'. This conclusion was further evidenced by articles published in 2019 both before and after the *Silver* decision.

The tribunal therefore decided that the previous generally prevailing practice came to an end on the date of publication. As that predated Mr Joye's tax return, the tribunal concluded that the calculation in the return was not 'calculated in accordance with the practice generally prevailing at the time'. As a result, Case G did not apply and Mr Joye was entitled to his overpayment relief.

Commentary

This is the first case that I can remember where the taxpayer has won a prevailing practice argument. The case is different from the others of the past two decades, though: the other cases involved taxpayers seeking to establish the existence of prevailing practice, whereas this case involved a taxpayer trying to show the absence of a prevailing practice. However, what is particularly helpful about this case is that it demonstrates that there was a prevailing practice but that this later ceased to be the case.

What I found of particular interest was the date that the tribunal chose to represent the end of the previously prevailing practice – being the date of the publication of Tim Good's article in September 2017. That approach certainly has the advantage of precision in that it is possible to point to the date of publication with some certainty (if one overlooks the fact that *Taxation* articles are generally published online a day before the formal date on the cover of the printed magazine).

However, it takes time for a practice to change. I am sure that of all the people who read Tim's article, only a small minority read it on the date of publication, even if they read it within a week or so. Of course, this assumes (and I am sure the publishers of *Taxation* would agree) that the readership is so significant a proportion of the population that it can be sufficient to negate the prevalence of a particular practice. It is at least a mainstream publication within the tax profession.

> **It can be possible to challenge interpretations of the law, even if they are deeply embedded within the tax community.**

It seems to have helped Mr Joye that Tim's article was widely disseminated amongst tax advisers across the country and that Tim had managed to collate evidence of challenges to HMRC's interpretation from as early as late 2017.

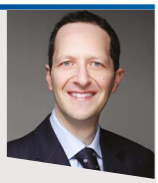
In short, as the tribunal stated, Tim's article was the catalyst for change. However, possibly for pragmatic reasons, the tribunal also decided that the date that the previous practice ceased to be generally prevailing was the date of publication.

Even if those two statements are considered to be inconsistent and that the change must inevitably have taken place *after* the date of publication, the tribunal referred to sufficient evidence to support the view that the change predated the submission of Mr Joye's return. Of course, if it were decided that the change took place on a later date, there would inevitably be some arbitrariness and subjectivity as to the date chosen. For example, suppose a tribunal had chosen 1 May 2018 to be the date when the effect of Tim's article had reached a tipping point; that would be unhelpful to a taxpayer who had submitted a tax return on 30 April 2018. The tribunal's approach, as I have said, removes some of this capriciousness.

What to do next

The case shows it can be possible to challenge interpretations of the law, even if they are deeply embedded within the tax community, and to do so successfully. However, what perhaps proved to be crucial in the present case was the volume of evidence that demonstrated how Tim's article had set off a chain reaction amongst tax advisers.

As a result, if you are proposing to demonstrate the absence of a generally prevailing practice, it will be very helpful to show that the view you are advocating is more widely held and is being acted upon by others. As might be said, there are two types of taxpayer who appear before the tribunal: those who are loaded with evidence; and those who lose.



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The latest challenge 21st century tax crime

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What does tax crime and evasion look like in modern times? And what can we do to fight it?

by Simon York

Simon York CBE is a former Director of HMRC's Fraud Investigation Service and has spent his career in tax and financial investigation. He is currently working as a strategic advisor with Deloitte, and gave this year's CIOT Address on 'Tackling tax crime – 21st century solutions'.

If you are looking for a job with security, one spent tackling tax evasion is a decent choice. Since tax, duties and tariffs first existed, people have found ways to evade paying them. Hiding transactions, wealth and assets have been the hallmarks of tax crime for centuries – as demonstrated by the regular use of anonymous numbered Swiss bank accounts as a plot device in so many novels and films...

The leaking of the Panama Papers in April 2016 did a lot to highlight these issues to the public. While the story wasn't all about tax, its global nature, the household names and the huge amounts of money involved exposed the industrial use of shell companies. It became clear that much of what was happening was being driven by unscrupulous professional advisors or facilitators.

The nature and scale of tax crime

In the UK, the latest estimate of the annual tax gap is around £46.8 billion. (In the US, it's around £700 billion.) Not all of that is evasion but a good proportion of those figures comes from deliberate behaviour of one sort or another. Evasion by its very nature is hidden and difficult to measure. In the UK, probably more than £15 billion a year, and possibly significantly more, arises from evasion or criminal behaviours.

The huge amounts of money involved, which could be otherwise be funding public services, is a crucial reason for tackling tax crime, but other reasons are important too. We all need to pay more tax to cover the amount not paid by the evaders and criminals. But there are more direct victims of tax crime. Some have lost state pension credits due to payroll fraud. Others think they have paid stamp duty only to find their solicitor has submitted false documents, underpaid duty and pocketed the difference. Shopkeepers may be threatened by an organised crime group to sell illicit, non-duty paid products or face the prospect of going out of business.

It is vital to maintain public confidence in the tax system. Diminishing trust in a tax system leads to lower levels of tax being paid voluntarily. Honest citizens and legitimate businesses must be reassured that the tax administration can effectively tackle those who break the rules.

We must also send a clear message of deterrence to certain individuals and sectors that their bad tax behaviour can mean life changing consequences for them.

Key trends and challenges

Almost everything that my HMRC Fraud Investigation team dealt with had an international element – and significantly more so than 20 or 30 years ago. Our investigations covered cross-border transactions; offshore banks, trusts and companies; and every variety of legal entity based in secrecy jurisdictions or tax havens. Some crime groups essentially operated as international businesses with all the logistics, inventory and financing that goes with that.

Most tax organisations are now predominantly digital or online, which makes them a huge target for fraudsters. And technology more generally is a significant factor in enabling tax crime:

- encrypted criminal communications hide activity from HMRC investigators;
- mass trading of stolen data enables identity-based tax fraud;
- the mass creation and liquidation of companies enable mini umbrella company frauds;
- millions of people can be reached through social media to promote fraudulent schemes;
- corrupt fintech firms can infiltrate the digital payments systems of unwitting banks to enable the laundering of criminal proceeds;
- quasi-cyber attacks are being used to steal tax repayments or relief payments; and
- artificial intelligence (AI) can be used to create false documents to support R&D claims.

We have seen a massive increase in financial complexity – blending traditional crimes involving cash, property and gold with crypto assets, alternative banking platforms and the ability to move money across multiple jurisdictions in hours. Deliberately long and opaque supply chains have become a key element in a growing number of tax crime types.

This all creates a huge headache for governments and tax administrations. Tackling such criminal activity requires being able to detect the crime in the first place, to work at the requisite pace, to develop or hire the necessary skills and talent, to ensure the ability to investigate across borders, to procure or develop the right technology and to ensure access to the intelligence needed to gain actionable insight into what's going on.

So what are the solutions?

There are a few specifics which I will address below. But first, here are a couple of examples from my own experience – one that didn't work and one that did.

Deterrent prosecutions

In 2011, the new coalition government wanted to do more to tackle evasion and avoidance. There was very significant investment in HMRC staff to tackle non-compliance with new teams, new legislation and new approaches.

One approach was what we called 'volume crime'. The theory was that by prosecuting 1,000 more people a year, we would create a deterrent effect and stop people evading tax. This proved hugely challenging for HMRC, the Crown Prosecution Service and the criminal justice system more generally.

The target was met but, in my view, that was at quite a cost in terms of other important and probably more impactful things that we could have done with that resource. Ultimately, it made very little difference in terms of the overall scale and value of tax evasion.

A multi-faceted approach

More encouraging, I think, was the response to missing trader or carousel fraud. This is a complex VAT fraud involving goods or intangibles going round in circles via lengthy supply chains – before part of that chain going missing and taking the VAT with it. It was perpetrated by organised crime groups and, at its height, was costing more than £4 billion a year – money that was usually going straight overseas into property, gold and other offshore investments.

HMRC did begin by trying to investigate and prosecute its way through this threat, which almost crippled its enforcement activities and was making negligible difference to the overall volume of the fraud. So we developed a multi-faceted approach, including hardening the department's repayment processes, tightening up VAT registration, introducing sophisticated, real time risk rules, and seeking derogation from EU law to make it impossible to commit the fraud using the criminals' favourite commodities.

> **Investigating single instances of evasion is unlikely to get you want you want.**

Specialist teams were developed to monitor suspicious traders and to educate businesses in high-risk sectors. In parallel, parts of the illicit supply chains that were enabling the illegitimate trading were targeted using civil investigation powers, resulting in large fines and disqualification of directors. And the criminal justice interventions – criminal investigation and covert intelligence collection – were reserved for the guiding minds behind the frauds. Overall, this whole system approach reduced the threat from that fraud by over £3 billion annually.

Criminal investigations

Clear strategic intent is essential – being clear why you are taking the actions you are, how you can make maximum impact on the scale of tax crime, and then using all elements of the system to achieve that intent.

Investigating single instances of evasion is unlikely to get you what you want. But criminal investigations do play a vital part in the overall strategy to tackle tax crime and are crucial in driving behavioural change. They can alter the risk/reward ratio for wealthy individuals or corporates who might decide not to cross the line if they perceive the risk of jail time as too high. They can also impact sectors that have widespread tax evasion.

Sometimes only a criminal investigation will enable you to gain insight into those perpetrating fraud and their modus operandi in order to find out what is really going on.

You can also focus on the enablers or facilitators who have a disproportionate impact on the amount of evasion. I think tax administrations could do more to act quickly and aggressively to take the most harmful actors out of the game before they create the inevitable victims of failed schemes.

Data and intelligence

HMRC already has significant data and intelligence capabilities. Indeed, the department is one of the biggest holders of data in the UK, dealing with citizens from cradle to grave – from child benefit to inheritance tax.

Much of that data ends up in Connect, which is HMRC's mammoth data matching system. This includes all the data provided by millions of individual taxpayers and businesses, as well as details of property ownership, credit and debit card totals for all UK businesses, data from online platforms, banking information from over a hundred countries, cross-references to previous data leaks – and more.

HMRC also has significant investigatory and covert powers to carry out surveillance, to use informants and

CRIME IN THE 21ST CENTURY

What does tax crime or tax evasion look like in the 21st century? Here are some examples of how tax crime has developed:

- An ultra-high net worth individual controlling a multi-billion pound international business has evaded tax on hundreds of millions by putting that sum in an offshore jurisdiction, disguised via a complex and opaque structure of companies trusts and investments.
- A crime group, specialising in money laundering, recycling millions of pounds through different criminal channels, including through off-record payrolls in construction sector supply chains.
- Quasi cyber-attacks on HMRC tax regimes are designed to generate entirely false tax repayments – at scale.
- Specialist, criminal facilitators orchestrate the abuse of specific tax reliefs, notably R&D in recent times.
- Smaller retail or hospitality businesses are using till software which automatically skims off 10% of receipts and balances the books.
- And, of course, international crime groups evade various duties, and make money to fund other criminal enterprises, by smuggling illicit tobacco.

to intercept phone calls or emails. I think tax administrations could act more aggressively, using every tool in their armoury, to target key facilitators, corrupt professional advisors and professional money launderers.

Building partnerships

However, even more data and intelligence can be useful in tackling modern day tax fraud. Some of that requires ambitious partnering with the private sector to take advantage of an increasingly transparent world – whether that's working with banks to understand and prevent financial crime; accessing specialist crypto and blockchain investigation capabilities; or using private sector aggregators of data, like worldwide ultimate beneficial owners of corporate entities or property.

The government can't do this all itself and a new culture that welcomes this sort of partnership is essential.

International collaboration

International collaboration is required too – going beyond the policy initiatives of bodies like the OECD to ensuring more direct and timely operational cooperation between tax administrations and law enforcement.

A little-known fact is that HMRC has officers based in 40 embassies or high commissions in key jurisdictions around the world – officers who coordinate action and gather intelligence from international partners.

There is also the J5 – something I helped to create – where the UK, US, Dutch, Australian and Canadian tax enforcement teams share intelligence, coordinate international investigations and help develop each other's capability. As tax crime becomes more and more international, it is critical to continue to invest in this type of collaboration or tax enforcement will get left behind by sophisticated and internationally mobile criminals.

In conclusion

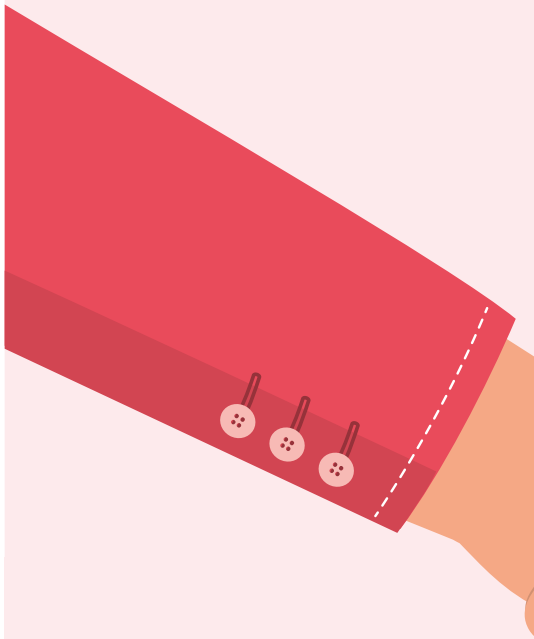
Tax administrations like HMRC need the right resources and skills. I know from my time there that HMRC could achieve more if it had more resources. But the compliance part of HMRC already has around 28,000 staff and that's a big number by any comparison. So it's also important that ministers challenge the department to have the right focus, strategic intent and technology to ensure maximum efficiency.

Staff skills are as important as numbers, though, whether that's the need to significantly improve and modernise internal training or to buy in the necessary skills. This is possibly the most critical issue in my opinion.

It's a tough job to tackle tax crime, and in my experience, HMRC does a lot very well. But the challenge continues to become more and more difficult. Ministers and senior tax administration officials – in the UK and across the globe – need a laser focus on this, the most deliberate type of non-compliance. It needs resourcing properly and to be an increasingly active and creative partner with organisations in both public and private sectors.

Name: Simon York CBE
Position: Former Director of HMRC's Fraud Investigation Service and is currently working as a strategic advisor with Deloitte and Sayari
Email: simonyork@deloitte.co.uk
Profile: Simon has spent his career in tax and financial investigation. As the first Director of HMRC's Fraud Investigation Service, Simon built an organisation able to deploy a wide range of techniques, capabilities and powers (including criminal investigations) to tackle serious tax fraud and money laundering.

Private client advice
Collaboration is key



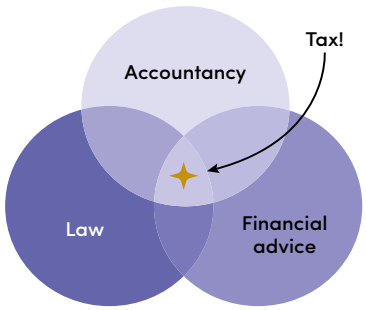
Legal and tax professionals often share responsibility for their client's benefit. We consider how they should work together to provide private client advice.

by Julie Partington

In the realms of private client advice, the tapestry of tax, financial and legal guidance can be so tightly interwoven that distinguishing where one thread ends and the other begins can be challenging.

As a solicitor with 20 years' experience in private client work, I appreciate the importance of collaboration with financial advisers, accountants and specialist tax advisers. Together, we tackle estate planning, probate, trusts, business interests and property transactions to meet our clients' holistic needs.

My understanding of the UK tax system has recently deepened after qualifying as a member of the Association of Tax Technicians. This has highlighted the blurred boundaries where my expertise as a lawyer overlaps with that of tax specialists. However, I have to recognise when I need to step aside, and when a more experienced tax expert should step forward.



Venn diagram courtesy of James Edwards ATT CTA, Tax Director at Anderson & Edwards Ltd

A lawyer's role

The core tasks of many lawyers involve:

- identifying the client's problem;
- interpreting and applying relevant law from cases and statutes;
- advising clients on their rights and duties; and
- obtaining instructions and drafting appropriate documents.

This appears simple enough in theory but in practice these steps are complex. Clients often seek advice during emotionally charged times, when they can be facing their own mortality or coping with a loved one's incapacity or recent death. Initial meetings require careful listening and observation. We adapt our communication styles and assess risks beyond what is being discussed in the meeting room.

Back at our desks, switching to a more tax-focused mode – dealing with facts, figures and calculations – can offer welcome relief from the emotional intensity at times. The challenge of converting a complex calculation into a simple equation for a client involves focus, discipline and a methodical approach.

I must, however, recognise the limits of my expertise. I am not equipped or regulated to project long-term tax exposure across generations based on financial forecasts. Projecting future inheritance tax liabilities or interpreting trust tax treatment in granular detail involves financial or bespoke tax advice.

Likewise, tax advisers drafting clauses or considering legal areas outside tax may inadvertently give unauthorised incorrect legal advice. Recognising when to bring in the right expert is critical.

Some of the most successful professional collaborations I have been part of are not one-off engagements, but ongoing relationships. Having a clear, mutual understanding of when to refer clients (and what your firm does or does not cover) makes everyone more efficient and improves client outcomes. We will look below at some of the key areas for collaboration.

Inheritance planning, wills and estates

Estate planning naturally involves collaboration between lawyers and financial advisers. Lawyers hit a regulatory brick wall when the client needs advice on financial restructuring, so we rely on a trusted financial adviser to explore the client's investment options and test the outcomes of various scenarios for them.

Financial advisers often come to lawyers when clients lack wills, particularly in blended family situations where intestacy rules would not reflect the client's wishes. A will incorporating simple life interest provisions, for example, can ensure the surviving spouse is looked after for their lifetime; on their demise, the children from a previous relationship can receive the preserved capital from their parent's estate.

A lawyer's initial will meeting reveals more than instructions. The latest cases heard in the courts remind us that we also need to 'read the room' to identify any potential red flags, by probing family history, relationships, mental capacity and potential safeguarding issues. We also review financial circumstances and potential reliefs like business property relief, agricultural property relief and charitable exemptions.

Sometimes, a will clause update is the only change required, such as adjusting age stipulations for grandchildren's inheritance to preserve

WHY COLLABORATE WITH OTHER PRIVATE CLIENT ADVISERS?

- **Client protection**: This ensures our clients receive accurate advice, not based on guesswork or assumptions.
- **Regulatory compliance**: Both the Solicitors Regulation Authority and tax regulators like the Chartered Institution of Taxation expect professionals to know, and stay within, their limits.
- **Professional indemnity coverage**: Engaging outside our respective remits may not be covered by our costly yet essential professional indemnity policies.
- **Clarity in scope**: Formalising the referral helps all advisers to document who is doing what, and what has not been advised on. This limits the overall risk to the client of gaps that are left unfilled.

MR OSWALD: A CASH FLOW FORECAST

Mr Oswald inherited under Mrs Oswald's will. As the surviving spouse, this left him with all of their combined assets in his sole name, totalling £1.4 million. We prepared a simple will for Mr Oswald, leaving his estate equally between his two surviving children, with legacies to charities that had helped his wife during her short period of illness.

The initial fact find showed that the transferable nil rate band available on Mr Oswald's future demise would be reduced by lifetime gifts that Mrs Oswald had made. A generous lady, she had made regular gifts to their two children and their five grandchildren, on the incorrect assumption that her annual gift allowance was £3,000 per person rather than total per annum.

The value of the estate was likely to rise rather than diminish. The property was in an affluent area and Mr Oswald had no plans to relocate. By his own admission, his wife had been the 'big spender' and he preferred a more modest lifestyle and led a frugal life.

Mr and Mrs Oswald had self-managed their investments, which provided them with an income that they deemed acceptable. Mr Oswald also received a healthy income from his private pension, which had started to mount up in the bank, increasing his overall capital. He was averse to making regular gifts though, as he wanted to ensure that some money was tucked away if needed for emergencies.

On our recommendation, Mr Oswald met with a financial adviser who explored his long-term goals and produced a cash flow forecast. Mr Oswald invested in a discounted gift trust. This was attractive to him as he would retain the right to fixed regular payments yet reduce the estate's overall value for inheritance tax. Mr Oswald was educated on the possibility of making gifts out of income to his family, and he was pleased that these would not nibble away at his own available nil rate allowance if recorded correctly.

valuable reliefs like the residence nil rate band.

Clients are strongly advised to consult a financial adviser when an inheritance tax exposure is likely, as the will can only go so far. See the example of ***Mr Oswald: a cash flow forecast*** in the box below.

Trusts: lifetime giving and will trusts

As mentioned above, reciprocal relationships between the professions hinge on an understanding of whose skill set needs to be utilised and when. Missteps can occur if lawyers advise on complex trust issues without specialist support or if tax advisers design trusts without legal involvement.

Trusts are legal arrangements and inevitably, lawyers are involved at various stages. Some of the legal issues that arise include:

- identifying the suitability and scope of settlor powers when clients enquire about setting up lifetime trusts;
- advising on the governance and ongoing trustee duties when executors of a will administer the estate and then transition to becoming custodians of trusts established in a will;
- drafting legal documents that support the trust's administration, including deeds retiring old trustees and appointing replacements;
- drafting documents confirming an appointment of trust assets out of the settlement; and
- drafting minutes recording the thought process behind the trustees' decisions.

This documentation can be invaluable for future trustees in establishing what has happened during the lifetime of the settlement and why.

However, the specific tax consequences, such as exit charges, periodic charges, capital gains tax and income tax implications, are critical to whether a trust is viable or appropriate. Lawyers and financial advisers must lean on tax advisers' expertise to assess tax efficiency and monitor the ongoing compliance, such as the preparation of trust accounts and submission of trust tax returns where appropriate.

Ongoing collaboration ensures that trusts are both legally sound and tax efficient. We are also mindful of the capacity in which we are advising the trustees, as this can be in conflict if they are also a potential beneficiary of the trust assets. It is therefore crucial that they receive independent advice in those circumstances. See ***Mrs Hooper: life interest will trust***.

MRS HOOPER: LIFE INTEREST WILL TRUST

An independent financial adviser approached me regarding a long running life interest will trust, where Mrs Hooper, the surviving spouse, received income under her late husband's will.

The new trustees were nervous of their roles and required advice on their responsibilities. Together, we prepared a timeline which could be referred to annually. This set out the deadlines for preparing and submitting tax returns, paying any resulting tax and also ongoing trust expenses. I also prepared an outline of what will happen on Mrs Hooper's demise and the impact of the trust on her estate, including who pays the resulting tax.

A tax adviser was introduced to advise on the possible capital gains tax implications of selling a business asset whilst held in the trust and prepare the ongoing tax returns. The clients told me they were delighted to be supported by a 'dream team' of advisers and felt armed with the necessary information to carry out their new roles efficiently.

Other areas for collaboration

Property and land ownership

Overlap occurs when clients ask lawyers about reliefs like multiple dwellings relief or mixed-use property claims, or when tax advisers recommend legal ownership structures such as tenants-in-common with beneficial interest splits.

Lawyers draft declarations of trust and discretionary trusts, but decisions around stamp duty land tax, capital gains tax or VAT on land and property often hinge on a tax adviser's technical tax expertise.

International planning

For overseas clients, legal advice on domicile, trust situs and UK reporting obligations must align with tax advice on remittance basis planning, double tax treaties and capital gains tax liabilities.

As a tax technician, I can advise on the tax residency or domicile analysis under the statutory residence tests or HMRC guidance. However, the application of these sometimes baffling rules to the client's specific circumstances still feels beyond my comfort zone and therefore requires collaboration with tax specialists.

Company and commercial

Lawyers are often consulted over business structuring for family companies, LLPs or property holding vehicles. The tax implications require specialist advisers. Likewise, when a tax adviser is proposing a structure (such as a family investment company), we expect a referral back to a lawyer to advise on the legal set-up, fiduciary issues and implementation of the deeds and supporting documents.

These matters are far too complex to sit squarely in either a solely legal or taxation camp. The solution? An explicit collaborative approach where each adviser tackles what they are fully confident in doing.

Exchanging information

Now that we have explored the benefits of collaborations, let's get clear on the mechanisms. Any successful onboarding process depends on timely and secure information sharing. From a lawyer's experience, here is what I find most useful.

Consent and confidentiality

Before lawyers share client information with other professionals, or vice versa, we should attend to the following:

- obtain the client's informed consent, ideally in writing;
- explain what will be shared, why and how it will be used; and
- confirm whether the new adviser is also professionally regulated.

This ensures we remain compliant with GDPR, confidentiality duties and the Solicitors Regulation Authority rules.

This is the client information which we are able to share with other advisers:

- draft wills, trust deeds or property documents;
- probate records, inheritance estate accounts or deeds of variation;
- information about powers of attorney or third-party interest;
- statements of assets and liabilities, title deeds and valuations;
- family circumstances, client intentions and governance issues;
- previous advice or legal constraints that may affect tax planning; and
- any practical guidance that will aid communication, such as the client is hard of hearing, anxious or grieving.

It is important to remember that legal privilege may apply to legal advice from a lawyer to the client, but that privilege can be lost where that advice is shared with non-lawyers. Typically, privilege may not be relevant, but clients should be made aware of the issue.

Joint client meetings

One of the most effective ways to align advice is through joint meetings with clients and the involved advisers, particularly where large estates, intergenerational plans or high-risk structures are involved. These allow us to spot inconsistencies, flag issues early and present a united front to the client. It also saves the client time in travelling to different offices, and going over the same information on more than one occasion.

Afterwards, we often circulate joint notes, including to the client, summarising what was agreed, what further information is needed, and who is responsible for what happens next. Behind the scenes, diary entries are updated in all calendars to record key dates with timely reminders of who is to do what, and when.

It is also good practice to set out in writing what each adviser will provide, note whether advice is being given jointly or separately, and set out the anticipated costs and scope of work. This is especially important for anti-money laundering obligations and reporting responsibilities, where confusion could result in an unexpected and avoidable liability.

In conclusion

I anticipate these relationships gaining even more momentum in the next few years. Tax governance is becoming more complex and since the 2024 Autumn Budget, pensions have become a hot topic. Lawyers will be able to explain the technical process after death but must hand over the detailed lifetime advice to specialists.

For high-net worth clients, families and business owners, tax and legal advice must be aligned to be effective. From a private client lawyer's perspective, the best outcomes arise when we work together as strategic partners, not in silos. It is also knowing when to refer, how to coordinate and how to support each other to deliver the best possible service to our shared clients.

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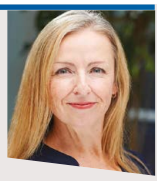

Profile: Julie Partington is an Associate Solicitor and Tax Technician with Dutton Gregory's Wills, Trusts & Estate Planning department. She specialises in the administration of estates, trusts, preparation of wills and powers of attorney. She is a member of the Association of Tax Technicians, enabling further support to commercial and private clients.

NEWSDESK ARTICLES

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WELCOME

Victoria Todd

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September Technical newsdesk

I am delighted to be writing my first introduction to Technical Newsdesk, two months into my new role as joint Head of the Low Incomes Tax Reform Group (LITRG) and Head of Tax Technical at CIOT. Some of you may know me already: in May of this year, I celebrated 20 years of working at CIOT, all that time within the LITRG team.

I have not taken on Richard's old role in full; we are recruiting a new CIOT technical team senior manager, and I will focus on the strategic parts of the Head of Tax Technical role, including how we operationalise our Public Awareness Strategy, which was set last year by CIOT Council.

CIOT held its Parliamentary Reception on 30 June, with speeches from Craig Mackinlay (Lord Mackinlay of Richborough), our parliamentary sponsor, Shadow Financial Secretary Gareth Davies MP and Exchequer Secretary James Murray MP. There was some good-natured political banter between the three speakers but what really struck me was the way all of them spoke about the CIOT and the impact that our work has had on their work as MPs. All three commented on the impressive quality and breadth of work by the technical team, our committees and volunteers, and they highly praised LITRG's work on behalf of unrepresented taxpayers. This leaves me in no doubt as to the remarkable role the CIOT's technical function plays in delivering a better tax system, informing and influencing decision makers and supporting taxpayers and agents.

But this success does not come without its challenges as the tax system continues to grow and become more complex, and the government and HMRC change at an increased pace as they try to deliver on their digital first strategy. Other changes, such as the increased use of AI, the way people get their information, the growth of online platforms and the ageing population, also affect the work we do.

In his introduction to the HMRC transformation roadmap, the Exchequer Secretary has challenged HMRC to go 'faster', to be more 'agile', to use a test and learn approach and to experiment more. HM Treasury published a policy paper 'Tax Policy Making Principles' in June 2025, which talks of more flexible engagement arrangements in the development of tax policy with a new agile approach to consultation.

More than ever, we need to prioritise our technical work, focus our efforts on those priorities and use our (limited) resources in the most impactful way. Our work must be targeted and adaptable as HMRC and government change the way they work and engage. Understanding our wide-ranging audiences is essential, as is determining how we can best engage with different groups (whether as listener or educator) to most effectively fulfil our charitable objectives.

I will be focusing on these strategic questions and considering how we share and leverage expertise to achieve closer collaboration across our technical function, including drawing on the expertise of our committees. Please share your thoughts and ideas about how we can maximise the exceptional expertise of both our members and technical teams (or to use a quote from the last Finance Bill debates 'the now-famous CIOT') to make the biggest positive difference to the UK tax system.

GENERAL FEATURE

HMRC Transformation Roadmap

HMRC published their long-awaited Transformation Roadmap, which sets out a bold programme of change which aims to transform HMRC customer service, improve existing digital services, introduce new digital services and help HMRC to close the tax gap.

ATT, CIOT and LITRG welcomed the publication of HMRC's Transformation Roadmap on 21 July, large parts of which reflect things which we have been calling for, particularly in terms of improving customer service, improving existing digital services and the development of new digital services.

The joint CIOT ICAEW project 'Tackling HMRC's customer service challenge', published in December 2024, set out recommendations on the introduction of some form of progress tracking for legacy systems, where cost effective, and the need for the development of secure digital communications. Both feature within the roadmap. Our project also highlighted a desire to digitally self-serve, but there remain significant gaps in digital services, and pain points with existing digital services (perhaps due to features being scoped out of design). HMRC have committed to continue to work with professional bodies in developing new digital services.

Annex B of the roadmap contains a list of digital projects that HMRC plan to work through. ATT and CIOT welcome the inclusion of the following priorities which we have been working on with HMRC:

- Enable agents to withdraw their clients from self-assessment digitally when they no longer need to complete a tax return. Currently, agents need to call or write to HMRC to do this.
- Enhance the Income Record Viewer to share more of the information HMRC already holds about taxpayers with their agents. Expanding this service should allow agents to file returns faster, and identify and resolve any differences between HMRC's data and the taxpayer's records more quickly.
- Launch a new service to allow agents to digitally submit information which may impact their client's tax code. Currently, agents need to call and wait on the phone to resolve issues with clients' tax codes.
- Provide the ability for agents to track the progress of their client's submissions and repayments. This should help to save time spent by agents following up on refunds, which due to increased security measures are often delayed by weeks or months.

ATT, CIOT and LITRG also welcome the roadmap's focus on protecting customers who are vulnerable or digitally excluded. We also welcome the statement that Making Tax Digital (MTD) for Corporation Tax will not go ahead, something we have called for clarity on as time has moved on and projects such as e-invoicing have emerged.

Despite the commitments in the roadmap being welcome, there is further to go. There are a lot of proposals in this package which are aspirational but lacking clear timelines; significant investment and work is required to update HMRC IT infrastructure; significant gaps in digital services remain (particularly for agents); and there is a need for clear standards for the development and delivery of all new digital services, including ensuring that key functionality such as progress chasing is built into every new digital system.

As always, we welcome all future engagement with HMRC to help to move these, and the plans in the roadmap, forward.

Lindsay Scott *lscott@ciot.org.uk*

MANAGEMENT OF TAXES

Closing in on promoters of marketed tax avoidance: HMRC consultation

CIOT, LITRG and ATT responded to HMRC's consultation published in March 2025 proposing a range of new measures to tackle the small number of promoters of marketed tax avoidance still operating, including the introduction of new strict liability criminal offences. At the time of writing, we are considering the consultation outcome, summary of responses and draft legislation published in July 2025 on 'L-day'.

The CIOT response

The CIOT supports the government in taking a robust approach to those who continue to devise, promote or sell mass-marketed tax avoidance schemes. However, it is also essential for building and maintaining trust in the tax system that the way HMRC use their powers and operate safeguards can be effectively monitored and subjected to appropriate oversight.

As well as seeking new ideas to deal with the promoters and support those who use tax avoidance schemes, there were proposals in four specific areas.

Expanding the scope of the Disclosure of Tax Avoidance Schemes (DOTAS) regime by introducing a new disguised remuneration hallmark and by creating a new strict liability criminal offence of failing to disclose notifiable arrangements to HMRC under DOTAS

On the new DOTAS hallmark, the CIOT noted that HMRC have been overwhelmingly successful in forcing schemes to be registered under DOTAS by reference to existing hallmarks; however, it is debatable whether the promoters behind the types of schemes being targeted by the new hallmark will disclose, given that they have a history of not disclosing under DOTAS when they should. If the government decides to introduce a new disguised remuneration hallmark, we consider that its precise scope would benefit from further consultation with stakeholders. It should be made clear that genuine tax-free payments are not in scope.

On the strict liability criminal offence, the CIOT raised serious concerns, because in our view DOTAS is much too wide in its current formulation to be suitable for a criminal offence. It also seems draconian to apply the criminal offence to every hallmark when the proposal is motivated by specific problems with disguised remuneration tax avoidance schemes. In addition, a proposal to increase HMRC's powers like this needs to be measured against a hypothetical test of what would happen if an HMRC officer decides to use or target the legislation inappropriately. In our view, the present proposal places too high a level of reliance on HMRC's unpublished (and as such not transparent) internal governance process to provide appropriate, independent safeguards, to work effectively, and to ensure that inappropriate use could never happen in practice.

Introducing a universal stop notice and promoter action notice

The CIOT recognised that there is a problem with 'phoenixing' of companies by promoters and supported these proposals in principle. However, it expressed concerns that a person in breach of a universal stop notice could also potentially face criminal prosecution, through the creation of a new strict liability criminal offence of failing to comply with a universal stop notice. We would support HMRC publishing more information externally about how decisions to issue stop notices are made and how their internal governance

process works. This would improve the transparency of the regime and help to provide reassurance to external stakeholders that it is working as intended and being targeted appropriately.

Tackling controlling minds and those behind the promotion of avoidance schemes through new highly targeted obligations and stronger information powers

The CIOT is concerned that the same obstructive tactics will be employed by promoters to frustrate HMRC's efforts to obtain information about the avoidance arrangements using a connected parties information notice (CPIN); and/or the controlling minds will still attempt to dictate the responses that the recipients of a CPIN provide to HMRC. We suggest that the model for the CPIN should be based on existing information powers.

Exploring options to tackle legal professionals designing or contributing to the promotion of avoidance schemes

The CIOT agrees that action needs to be taken to address the behaviour of the small number of legal professionals who are involved in the promotion of tax avoidance schemes and we support HMRC's efforts to tackle this problem.

The consultation document also mentioned lifestyle restrictions, such as removal of passports and driving licences. Given the draconian nature of the proposals and their potential uneven effect, the CIOT does not support their introduction.

Finally, the CIOT noted that a major challenge for HMRC is how to deal with promoters who are based outside the UK, as it seems most of those left in the market are. It is not clear how these proposals will overcome what is seemingly one of the most difficult barriers to the effectiveness of HMRC's existing powers.

The full CIOT response can be found here: www.tax.org.uk/ref1489

The ATT response

In our response, we made the following comments in relation to the four areas being considered.

Expanding the scope of the DOTAS regime

We are not in favour of a new DOTAS hallmark linked specifically to the features of disguised remuneration schemes and believe that the current hallmarks are sufficient. Any new hallmark should only be introduced where there is a need to establish new clear and objective criteria to differentiate potentially abusive or high-risk tax planning from legitimate, commercially driven transactions.

We do not consider it appropriate for the hallmarks to be narrowly tailored to address specific areas, such as disguised remuneration schemes.

Introducing a universal stop notice and promoter action notice

We support the introduction of both universal stop notices and promoter action notices to more efficiently and effectively disrupt the business model that promoters rely on. However, we are not in support of a criminal strict liability offence, and in our view, imposing a criminal sanction based purely on the commission of an act, without considering the individual's intent or understanding, is neither proportionate nor appropriate in the context of tax compliance.

Introducing new highly targeted obligations and stronger information powers

We agree that there is no place in our society for those involved in the creation, promotion and sale of marketed tax avoidance schemes that do not work within the letter or spirit of the law, and support the government's work in deterring, disrupting and otherwise frustrating promoters of tax avoidance. We also believe that it is right that the controlling minds behind these schemes are appropriately held to account. We therefore support the introduction of CPINs and promoter financial institution notices subject to there being appropriate and proportionate safeguards in place.

Exploring options to tackle legal professionals designing or contributing to the promotion of avoidance schemes

The ATT is the leading professional body for individuals providing tax compliance services. While some of our members may undertake work that intersects with the legal profession, this is not an area in which the ATT holds sufficient specialist expertise to comment in detail on the proposals. However, we believe that if a legal professional carries out promotion activities that do not attract legal professional privilege, such as organising and managing arrangements which might include making contracts with end users or administering scheme transactions,

INDIRECT TAX

The tax treatment of remote gambling: HMT and HMRC consultation

The tax treatment of remote gambling consultation focused on how the taxation of the UK-facing gambling sector can be simplified, with proposals to merge the three existing gambling excise duties – remote gaming duty, general betting duty and pool betting duty – into one: the remote betting and gambling duty.

In our response we welcomed, in principle, simplification of the taxation of gambling. But we noted that there are at present seven different categories of excise duty spread across the three heads of gambling excise duty and, if the consultation proposals (tinyurl.com/yjkbfv4a) are adopted, these seven distinct categories will remain albeit going forward under one new head of gambling excise duty. In addition, only a minority of taxpayers would be subject to fewer gambling excise duties, as only 25% of businesses in the sector are currently registered for more than one gambling tax.

Different gambling activities (fixed-odds betting, pool betting, betting exchanges, bet brokers, financial and non-financial spread betting, remote gaming (slots, casino games, and poker), and remote bingo) are proposed to be taxed by the remote betting and gambling duty (RBGD). We highlighted that it is likely that differences to the detailed rules for different types of gambling will have to be maintained within RBGD, thereby limiting the scope for any meaningful standardisation and simplification.

We raised concern that the proposals may result in greater complexity and unintended consequences in some areas, such as the taxation of bets placed via self-service betting terminals, telephone, text and email, as well as with any change in the rules relating to free bets, freeplays and restrictions placed on the deduction of the value of prizes paid to customers.

If the RBGD is introduced, we supported the existing sanctions for the taxation of gambling and noted that the introduction of the RBGD would present an opportunity to ensure that the design of any associated penalty regime is aligned with modern best practice for a proportionate regime that encourages compliance.

The full CIOT response is available here: tax.org.uk/ref1510

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then they should be subject to the DOTAS rules.

The future

The consultation notes that 'persistent non-compliance has built the justification for thinking only the risk of a custodial sentence, a criminal fine, or lifestyle restrictions such as travel or driving bans, will provide a genuine deterrent'. We acknowledge that these sanctions, whether applied individually or in combination, could have a meaningful deterrent effect. However, their effectiveness depends critically on the ability to apply them to the controlling minds and key individuals behind promoter organisations.

One concern we have, albeit without access to empirical data to substantiate it, is that many of these individuals may be based in jurisdictions where HMRC would face significant challenges in enforcing such sanctions. In the absence of a credible risk of enforcement, the deterrent value of even the most severe sanction is significantly diminished and risks becoming, in effect, toothless. Overcoming this issue may require enhanced international collaboration, bilateral agreements and the development of more robust cross-border enforcement mechanisms.

The full ATT response can be found here: www.att.org.uk/ref484

The LITRG response

LITRG did not offer detailed comments on the specific proposals, although we liked many of the ideas proposed, because we believe the issue of disguised remuneration is better understood – and more effectively addressed – through a different lens: addressing the structural use of PAYE avoidance within supply chains. This is precisely the direction of HMRC's 2023 umbrella company consultation work, which rightly refocuses everyone concerned on the correct operation of PAYE.

It is therefore surprising that these umbrella company proposals – which appear to be aimed at the same £500 million disguised remuneration tax loss – are mentioned only briefly in one paragraph of an otherwise extensive consultation with 60 questions. In the LITRG response, we say it almost feels as though HMRC are addressing two separate issues, which, we suggest, poses significant risks.

LITRG believe it would be helpful for HMRC's counter avoidance and other relevant teams to publish a joint strategic paper outlining their shared approach to disguised remuneration and umbrella companies. This paper should clearly set out how policy and compliance functions will collaborate after April 2026.

The full LITRG response can be found here: www.litrg.org.uk/11064

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MANAGEMENT OF TAXES

Reform of behavioural penalties: HMRC consultation

CIOT, ATT and LITRG responded to HMRC's consultation published in March 2025 seeking views on options to reform error and failure to notify penalties in FA 2007 Sch 24 (Penalties for errors) for direct taxes and FA 2008 Sch 41 (Penalties: Failure to notify and certain VAT and Excise wrongdoing). At the time of writing, the government is analysing responses.

The consultation proposed two different approaches to reform:

1. Reform the existing framework: This approach would retain key aspects of the existing penalty system but simplify how penalties are calculated and applied. This could involve reducing the number of penalty categories, standardising how behaviour is assessed and making the rules clearer and easier to follow.
2. An alternative model: This approach considered a more fundamental redesign of penalties to improve clarity and consistency. It looks at whether a different structure could better achieve fairness, compliance and deterrence while reducing complexity for taxpayers, agents and HMRC.

The CIOT response

The CIOT agrees that the current error and failure to notify penalty regimes are complex, difficult to administer and in urgent need of simplification. They also need to provide stronger incentives for taxpayers to make disclosures and co-operate with HMRC compliance checks.

We support the removal of minimum 10% penalties for inaccuracies disclosed after three years and for failures to notify for non-deliberate behaviour after 12 months, and we agree that there is scope for penalty reductions for the type and quality of disclosure to be simplified. But we are not convinced that the suggestion of breaking down reductions between 'telling' and 'helping' and 'giving access' will simplify the regime. Arguably, there should be a single reduction for co-operation.

We agree with the principle that deliberate behaviour should be penalised more than careless behaviour. In our view, the current penalty ranges for deliberate behaviour are appropriate. We are not persuaded that they should be increased.

We struggle to see that there is any merit in increased penalty levels for continued/repeated errors because we consider this is already built into existing penalty calculations.

We support the simplification of offshore penalties. The rationale for having higher rates for offshore non-compliance is no longer valid now that there are sophisticated data sharing mechanisms with most overseas jurisdictions. The deterrent effect of higher penalties is also highly questionable. A simplification would be to restrict increased penalties to offshore matters where the behaviour is deliberate and where the offshore territory has not signed up to Automatic Exchange of Information Agreements.

We are attracted to the idea of replacing penalty suspension with a 'caution'. We think the other suggestion in the consultation – of automatic suspension with the penalty being reinstated for another mistake (which may be unrelated) – is problematic, albeit well intentioned. It would be more complex to implement than a caution.

On the alternative model, our view is that the link between behaviour and penalties needs to be retained because it is an important principle. As such, we do not support stripping back behavioural considerations as is being suggested, but we can see the advantages of simplifying the current regimes. We therefore support retaining (but simplifying) the existing regime so that it remains necessary for HMRC to demonstrate careless or deliberate behaviour.

We do not agree with the proposed new non-financial sanctions, not least as they are too draconian and would deter taxpayers from making disclosures and agreeing to deliberate penalties.

The full CIOT response can be found here: www.tax.org.uk/ref1486

The ATT response

ATT fully advocate a modern tax administration system which seeks to prioritise informing and educating taxpayers of their tax obligations over penalising them, either financially or otherwise.

We support penalty systems which provide consistent graduated responses to taxpayer behaviour, ranging from providing extensive opportunities to voluntarily correct mistakes up to the pursuit of criminal sanctions for cases of serious fraud or evasion.

We consider that there are opportunities to simplify the current penalty regimes by:

- eliminating the minimum 10% penalties currently applied to inaccuracies disclosed after three years and to failures to notify disclosed after 12 months, in cases of non-deliberate behaviour;
- aligning onshore and offshore penalties; and
- replacing suspended penalties for careless errors and omissions with a 'Must Improve' letter.

We support HMRC looking at new and improved ways to modernise and simplify the penalty system, but we were not in support of the alternative legislative process put forward in the consultation. We had concerns that the delivery costs would outweigh any opportunities for simplification, particularly in relation to:

- the transitional costs of introducing new legislation;
- moving to new processes for administering and dealing with the penalties; and
- educating taxpayers on any new sanctions or safeguards.

Whilst the change would introduce a new misdeclaration/failure to notify penalty and a civil evasion penalty, we did not believe that these changes were radically different enough from the existing penalty systems to justify the overhaul.

The full ATT response can be found here: www.att.org.uk/ref482

The LITRG response

LITRG welcomes HMRC's continued engagement on penalties and agrees with the aim of simplification, while minimising any detrimental impact on perceived fairness. LITRG notes that HMRC have recently consulted on new ways of tackling non-compliance and the better use of improved third-party data, and it is important that they consider how reforms across these areas interact.

We also think that an important part of ensuring that behavioural penalties are fair is the question of the extent to which a taxpayer can rely on HMRC's guidance and tools on GOV.UK, as well as data provided by a third party. In either case, if the taxpayer places reliance on the guidance or assumes that third-party data is correct, but this leads to them incurring an inaccuracy or failure to notify penalty, this will also damage trust in HMRC and the tax system.

We recommend that the minimum 10% penalties should be removed for both inaccuracies disclosed after three years and failures to notify disclosed after 12 months for non-deliberate behaviour. The minimum 10% penalty for inaccuracies disclosed after three years does not have a basis in statute, which we do not think is appropriate as a matter of principle. We agree that the system of penalty reductions could be simplified. HMRC also need to consider how the distinction between unprompted and prompted disclosure interacts with their greater use of one-to-many campaigns.

We agree that penalties for offshore non-compliance could be simplified. Where behaviour is not deliberate, we do not think there is justification for different penalty ranges for different territories.

We would like to see HMRC make use of penalty suspension in a wider range of circumstances. Of the two approaches discussed in the consultation document, we prefer the second, whereby HMRC would issue a 'caution' for a first inaccuracy or failure. We think this approach could help to build trust in HMRC.

We are not supportive of an alternative model for penalties that would not be behaviour-based. Behaviour-based penalties provide an important safeguard for unrepresented taxpayers.

In respect of all the proposed reforms in the consultation, it is essential that HMRC give careful thought as to how they will raise awareness of them at a time when non-compliance can be deterred or caught at an early stage.

The full LITRG response can be found here: www.litrg.org.uk/11066

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MANAGEMENT OF TAXES

Improving HMRC's approach to dispute resolution: HMRC consultation

CIOT, ATT and LITRG responded to HMRC's consultation published in March 2025 looking at options for simplifying, modernising and reforming HMRC's approach to dispute resolution. The consultation focused on the ease of access and use of HMRC's alternative dispute resolution and statutory review processes. At the time of writing, the government is analysing responses.

The CIOT response

The CIOT supports the aligning of appeals processes between direct and indirect taxes because it would help to mitigate the confusion and misunderstandings that different rules, terminology and procedures currently create, and would be of particular benefit in multi-tax disputes. We consider that it would be preferable to move all taxes onto the direct tax appeal process. This is because the approach taken by HMRC in direct tax cases usually has the advantage of providing more time and opportunity for the dispute to be resolved by agreement.

We do not support aligning the existing direct and indirect models in the way proposed in the consultation document, which is more akin to the indirect than direct model. The existing indirect process leaves little time for further discussion once HMRC have issued their formal decision, unless the review period can be extended. It is often the case that even at this stage there can still be uncertainty and misunderstandings over the facts.

There is the option within the direct taxes model for the taxpayer to opt for statutory review before one is offered, so the dispute could still proceed to a formal appeal quickly if that is what the taxpayer wants. Additionally, the direct tax model can facilitate swift resolution of a dispute if HMRC have the information they need and can issue a view of the matter letter quickly. Adopting the direct tax model therefore seems to provide HMRC with the flexibility to act efficiently in suitable cases and to take longer in other cases.

We support alternative dispute resolution (ADR) as an important tool in the resolution of tax disputes. ADR can play a vital role in helping the parties to resolve their tax disputes without needing to go to the Tax Tribunal. We therefore support there being a requirement for HMRC and taxpayers to demonstrate that they have considered other means of dispute resolution, but we question whether this needs to be prior to appealing to tribunal.

HMRC should endeavour to raise awareness of, and offer, ADR at every opportunity during the course of a dispute, pre- and post-decision. The process for applying for ADR should be as simple and straightforward as possible, while also maximising the likelihood that all appropriate cases will be accepted. HMRC could help their caseworkers to identify taxpayers who are most likely to be unaware of ADR by continuing to embed

collaborative ways of working, including the use of mediation, into their internal training programme and internal and external guidance.

In terms of alignment, the direct tax model, which allows access to ADR without the need for an appeal to the tribunal to have been made, seems preferable compared to the indirect taxes model, which only permits applications for ADR once the taxpayer has appealed against an HMRC decision to the tribunal and has received an acknowledgement from the tribunal. This can trip taxpayers up and lead to them to applying for ADR too early and having their applications rejected by HMRC.

We do not agree with the suggestion of charging taxpayers for using ADR. Charging taxpayers for using ADR could be counterproductive and deter people from using it. In terms of streamlining and integrating the dispute resolution process with other HMRC digital services, such as customer accounts, we do not believe that this will increase taxpayers' awareness and understanding of, or willingness to use, statutory review or ADR, which we consider to be a greater priority. Our view is therefore that if HMRC resources are limited, they should not focus them on changing the online processes, but on taxpayer education and awareness raising.

The full CIOT response can be found here: www.tax.org.uk/ref1508

The ATT response

The ATT made comments in relation to the three areas being considered by the consultation.

Reforms to improve support and guidance for customers going through a compliance intervention

We support the need for enhanced guidance on compliance interventions and the appeals process, particularly to ensure that all taxpayers (especially those who are unrepresented) are aware of how and where to access appeal processes during a compliance case. We also agree that, if implemented effectively, a digital appeals route has the potential to offer a more efficient and streamlined method for resolving disputes and maintaining engagement with HMRC. However, it is essential that alternative, non-digital options remain available to ensure accessibility for those who are digitally excluded and for these to be clearly signposted.

Simplifying and aligning processes

We support the alignment of appeal processes across direct and indirect taxes. However, we have concerns regarding the current proposal in which the issue of an informal pre-decision letter is not mandatory. If left to HMRC's discretion, the absence of such a letter could reduce opportunities to resolve disputes at an early stage, potentially leading to unnecessary progression into the formal appeals process.

Reforms to improve access to ADR

We support the inclusion of all appropriate areas within the scope of ADR and believe that access to the process should be simple and straightforward. However, we do not agree with the introduction of a charge for the use of ADR. We believe that ADR should remain free at the point of access, as it plays a vital role in promoting fair, proportionate and accessible tax administration. Introducing a fee risks undermining the effectiveness and equity of the process.

The full ATT response can be found here: www.att.org.uk/ref486.

The LITRG response

The LITRG response focuses on the usability and accessibility of statutory review and ADR for unrepresented taxpayers who are unable to pay for professional advice. It is important that these safeguards are accessible for all.

We acknowledge that streamlining the online application process may help to improve the accessibility of dispute resolution processes, but we note that it is essential to improve awareness and understanding of them. HMRC could be much more proactive in explaining and offering the options to taxpayers. It is also important that alternative application processes remain available for those taxpayers unable to access an online route.

We are supportive of HMRC's exploration of alignment of the appeals process across all taxes. We think the accessibility of ADR could be improved by removing the requirement to appeal to the Tax Tribunal before applying for it. It is unfortunate that some cases are currently rejected because the taxpayer applies at the wrong time. This barrier should be removed.

We welcome the development of a principles-based approach to determining what is in scope for ADR.

We think the idea of charging for ADR strongly contradicts HMRC's stated objective of wanting to encourage take-up of dispute resolution processes. Introducing a charge would make ADR less accessible and would arguably contradict the HMRC Charter standard, 'making things easy'.

The full LITRG response can be found here: www.att.org.uk/ref486

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INDIRECT TAX OMB LARGE CORPORATE

VAT treatment of business donations of goods to charity: HMRC and HMT consultation

The government is consulting on changes to the VAT treatment of goods donated by businesses to charities. Currently, VAT relief applies to goods donated for resale, but not to those given for use by the charity or for onward donation. The proposals aim to remove this inconsistency and encourage more donations.

In our response to the consultation document VAT treatment of business donations of goods to charity (tinyurl.com/2xpf8bfx), the ATT welcomes the proposed VAT relief.

At present, businesses can claim VAT relief on goods donated to charity for resale. However, they must account for output VAT if those goods are donated for the charity's own use or for onward donation to beneficiaries. The ATT notes that this inconsistency creates a disincentive to donate, particularly where the VAT cost is significant or the rules are seen as overly complex.

The ATT highlights the proposed relief's potential to reduce waste and support the circular economy by extending the useful life of goods. However, we caution against unintended consequences, such as businesses using the relief to offload unusable items.

The ATT does not support the introduction of monetary thresholds or eligibility criteria based on specific types of goods. We argue that such restrictions would reduce flexibility, increase administrative burdens and fail to reflect the diversity of donors, donees and charitable purposes. If any form of definition is deemed necessary, the ATT suggests that a carefully considered exclusion list would be more effective than an inclusion list, as it would allow a broader range of goods to qualify by default.

The ATT also believes that restricting the relief solely to goods distributed directly to individuals, or to charities with a poverty-relief objective, may discourage donations. Charities support a wide range of causes, and such restrictions could exclude organisations carrying out valuable work in education, health, environmental protection and other areas that deliver significant public benefit.

On eligibility, the ATT agrees that a verifiable status – such as being registered with the Charity Commission – should form the basis for access to the relief to

reduce the risk of abuse. However, we urge the government to consider extending the relief to other not-for-profit organisations, such as food banks and social enterprises, where appropriate safeguards can be put in place.

The full ATT submission can be found here: www.att.org.uk/ref487

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INDIRECT TAX

Strengthening the soft drinks industry levy: HMRC and HMT consultation

The soft drinks industry levy consultation asked manufacturers and sector specialists to provide evidence on whether milk-based drinks with added sugar should become subject to the levy. The CIOT raise a point around the differences in two governmental social policies for tax that result in different taxation outcomes for the same product.

The soft drinks industry levy (SDIL), or 'sugar tax' as it has been known in the media, came into effect in April 2018. Its purpose was to incentivise producers of soft drinks to remove added sugar resulting in lower sugar or sugar free alternatives, thereby reducing the sugar consumption of the population that contributes to obesity and tooth decay, particularly in children. There were several exemptions from SDIL including drinks that were at least 75% milk. The current consultation (tinyurl.com/hewmp6k7) considered whether this exemption should be removed.

We highlighted that in the VAT legislation, cold milk-based drinks, irrespective of added sugar content, and which are not supplied in the course of catering and consumed on-premises, are categorised as 'food' rather than 'beverages', and hence fall within the food zero-rating for VAT social policy purposes (the opening paragraph of Group 1, Schedule 8 to the VAT Act 1994, item (6) of the 'items overriding the exceptions', and note (6) of the same group refer).

This means that the VAT is not charged on the supply of cold milk-based drinks in these circumstances – they are not taxed. If the proposed removal of the exemption from SDIL for milk-based drinks with added sugar is taken forward, it will result in the taxation of the same product for social policy reasons relating to health. We anticipate that having two tax outcomes, both ostensibly based on social policy reasons, for the same product may cause confusion, which can increase the likelihood of errors.

The full CIOT response can be found here: www.tax.org.uk/ref1509

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CIOT		Date sent
Behavioural penalties reform	www.tax.org.uk/ref1486	17/06/2025
Advance tax certainty for major projects	www.tax.org.uk/ref1483	17/06/2025
Closing in on promoters of tax avoidance	www.tax.org.uk/ref1489	18/06/2025
Non-domicile taxation reforms: issues that may require legislative change and other areas of uncertainty	www.tax.org.uk/ref1521	25/06/2025
Measures to address avoidance of non-domestic rates	www.tax.org.uk/ref1506	27/06/2025
The Tax Administration Framework Review: Improving HMRC's approach to dispute resolution	www.tax.org.uk/ref1508	03/07/2025
Reform of transfer pricing, permanent establishment and Diverted Profits Tax	www.tax.org.uk/ref1507	04/07/2025
Transfer pricing: scope and documentation	www.tax.org.uk/ref1515	04/07/2025
Scottish Visitor Levy: VAT Position and GOV.UK Guidance	www.tax.org.uk/ref1528	07/07/2025
Tax Treatment of Remote Gambling	www.tax.org.uk/ref1510	18/07/2025
Strengthening the Soft Drinks Industry Levy	www.tax.org.uk/ref1509	18/07/2025
LITRG		
Independent Review of the Loan Charge	www.litrg.org.uk/11061	12/06/2025
Closing in on promoters of tax avoidance	www.litrg.org.uk/11064	16/06/2025
Reform of behavioural penalties	www.litrg.org.uk/11066	18/06/2025
Low Pay Commission 2025	www.litrg.org.uk/11068	02/07/2025
Improving HMRC's approach to dispute resolution	www.litrg.org.uk/11069	04/07/2025
ATT		
Electronic invoicing: promoting e-invoicing across UK businesses and the public sector	www.att.org.uk/ref478	29/05/2025
Reform of behavioural penalties	www.att.org.uk/ref482	18/06/2025
Closing in on promoters of tax avoidance	www.att.org.uk/ref484	18/06/2025
Improving HMRC's approach to dispute resolution	www.att.org.uk/ref486	02/07/2025
VAT treatment of business donations of goods to charity	www.att.org.uk/ref487	16/07/2025

Reception

MPs and peers praise Institute's input

More than 100 parliamentarians, officials and tax professionals attended CIOT's parliamentary reception on the House of Commons terrace on 30 June, enjoying glorious sunshine on one of the hottest days of the year.

The reception aims to improve the understanding of politicians and journalists of what tax advisers do and how the tax system works, as well as strengthening the Institute's links with parliamentarians.

Welcoming guests to the event, CIOT President Nichola Ross Martin said that CIOT is delighted to work with politicians of all parties and, over the last two years, has engaged with parliamentarians from seven different parties, as well as crossbenchers in the Lords. 'Why do we engage beyond the government? It's simple really. We want to support the parliamentary scrutiny process, and inform wider political debate and policy making around tax. It's in the public interest.'

She introduced the event's parliamentary sponsor, Lord Mackinlay of Richborough, describing him as a longstanding member and friend of the Institute, and recalling how horrified she and others at the Institute had been when he was taken seriously ill and came close to losing his life in autumn 2023. 'It was unclear if Craig would ever be able to come back to this place. But back he came with enormous resilience and four artificial limbs. The bionic MP – receiving a cross-party standing ovation on his return last year. And now he's the bionic peer!'

Lord Mackinlay thanked Nichola for her remarks and the Institute in general for having been supportive of him and his family during his recovery. He was followed by two further speakers at the event – shadow tax minister Gareth Davies MP and tax minister James Murray MP. The minister praised the Institute for its input into tax policy while the shadow minister thanked CIOT for its help during the Finance Bill earlier in the year, saying it was 'the most helpful, the most effective institute I've ever dealt with'.

Among the other parliamentarians who attended the event were Liberal Democrat Treasury spokespersons Daisy Cooper MP and Baroness Kramer. HMRC was also well represented, with Chief Executive JP Marks and lead non-exec director Jayne-Anne Gadhia among those in attendance.

Shadow Financial Secretary Gareth Davies MP, Exchequer Secretary James Murray MP, CIOT President Nichola Ross Martin and parliamentary sponsor Lord Mackinlay of Richborough

Lord Mackinlay of Richborough

Nichola Ross Martin, HMRC Chief Executive JP Marks and CIOT Chief Executive Helen Whiteman

Lord Sikka, CIOT Head of External Relations George Crozier and Lord Davies of Brixton

Commentary

Stubbornly high tax gap shows challenge of hitting targets

'Tax Gap' figures published in June showed the gap at a record high in cash terms but falling slightly as a share of the tax that should be collected. The most visible trends are a continuing fall in the VAT gap and a continuing upward trend in the small business tax gap.

In a CIOT commentary, Ellen Milner noted that there were, for a second year in a row, 'huge revisions in these numbers', suggesting that more attention should be paid to trends than to individual year changes. That the tax gap has been fairly steady as a percentage of the theoretical tax liability since about 2015 shows 'the stubbornness of the tax gap and how optimistic the government's target of a £7.5 billion reduction by 2029-30 is,' she suggested.

ATT's Senga Prior observed that while the government 'has committed to raising funds by tackling tax avoidance and evasion, HMRC's estimated figures appear to show that it is predominantly small businesses failing to take reasonable care and making errors with their submissions that actually account for the largest proportion of the tax gap.' While there is no 'quick fix' to this problem, a starting point would be 'improving HMRC customer services and providing access to agents to the full range of digital services available to their clients in conjunction with simplification of the tax system,' she commented.

Ellen Milner said that CIOT would welcome HMRC sharing more granular data on the tax gap to help identify where the problems lie and how best to tackle it. She added that while the government has made tackling the tax gap a priority and will be judged on their success in doing so, we are unlikely to see the results of their efforts for at least another two or three years, due to the time lag on turning investment into results.

Address

CTA Address 2025: Tackling tax crime

Collaboration, data and a focus on enablers are key, says Simon York.

CTA Address panel: Nichola Ross Martin (chair), Simon York, Michelle Sloane, Mike Lewis

This year's CTA Address was given by Simon York, former Director of HMRC's Fraud Investigation Service, who argued that greater collaboration across government and the private sector, more effective use of data and intelligence and a more aggressive focus on the enablers of tax evasion would maintain fairness and trust in the UK's tax system.

York said tax crime was increasingly international in its focus, with advances in technology making it easier for criminals to strike and more challenging for taxpayers and the authorities to hold their guard. 'More direct and timely' international cooperation between tax administrations and law enforcement was a key element of the response, he argued.

Responding to the address were Michelle Sloane, Partner at the international law firm RPC, and Mike Lewis, the Director of the investigative think tank TaxWatch.

Sloane said York's remarks were a good reminder of the steps the UK has already taken to tackle tax fraud and where it needs to go next. She said the UK tax gap remained 'really significant' and agreed with the need for a more strategic approach.

She believed HMRC could do more with the tools it has at its disposal, including with the Corporate Criminal Offence (no prosecutions since its introduction) and Code of Practice 9, HMRC's highest level of non-criminal investigation, which she said had been rarely used. HMRC's new whistleblower regime, an initiative that will mirror schemes already in place in North America, could be a 'game-changer' if properly resourced. And small businesses, which account for 60% of the tax gap, should be the subject of tougher enforcement action.

Lewis lamented the UK's 'historically low' levels of criminal prosecutions and convictions, and backed the need for better information sharing. And, while he agreed with Sloane on the need to target small business evasion, he wanted to see continued action against the very wealthiest, believing that 'in terms of fairness, we have to chase both.'

In the question and answer session that followed, York told the audience that the tax profession had been 'a huge force for good' in the fight against tax evasion, urging advisers to be mindful of the 'wider ecosystem' in which they operate. He said it was 'probably impossible' to prevent innocent taxpayers from being caught unintentionally by the process, but that harm could be minimised by proper risk assessments. He said bad actors needed to know that their actions would have consequences. And that reforms to Companies House would '100%, yes' help in the fight against tax crime.

Lewis described Companies House as a 'complete mess' and a threat to security. Sloane said she wanted to see HMRC send a strong message of deterrence, with high-profile media campaigns targeted on issues or sectors of concern. Unless there was a clear deterrent, small businesses, in particular, would keep getting away with bad actions, she said.

Watch the address and discussion at: tinyurl.com/CTA-2025

In the news

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

'HMRC will phase out physical letters as part of a plan to cut postal output by 75% by 2028/29... Lindsay Scott from the CIOT warned: "Plans to phase out post must be handled with care, with robust safeguards to protect those who are digitally excluded or lack digital confidence".'

The Times, 14 June

'The new rules have caused a great deal of confusion, but they simply mean that HMRC is receiving more information from online platforms than they were before. If you are following existing rules and declaring your income as required, then you don't need to worry, or do anything differently.'

Victoria Todd of LITRG, in the Telegraph on the tax rules for selling items online, 20 June

'Investment club members who are in self-assessment should include their share of their income and gains on their self-assessment return. For those who do not otherwise need to be in self-assessment, they will need to tell HMRC about their income from the club by phoning or writing.'

Helen Thornley of ATT, in the Telegraph, 1 July

'LITRG would like to see HMRC speed up its roll-out, so that all taxpayers can benefit from the new penalty regime.'

Antonia Stokes of LITRG, in The Sun (among others), 8 July

'The CIOT explains National Insurance is a tax on earnings 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).'

The Daily Record on calls to scrap NI on overtime pay for some emergency services workers, 15 July

'It's almost five years since HMRC last consulted on MTD for CT, and we've had very little movement or noise since then. We knew that the project had been kicked very far into the long grass, so at least today's announcement provides some certainty.'

ATT's Emma Rawson, Birmingham Live, 29 July

ATT Incoming President's speech

AI must be transparent, ethical and secure, says new ATT President

The new President of the ATT, Graham Batty, spoke at the Association's AGM on 10 July about the impact of AI on the tax profession and the ATT's support for mandatory registration of tax professionals with a recognised professional body.

It is an enormous privilege to have been chosen to serve as President of the ATT for a second time. Thank you for your confidence and I promise to hand your Association on in 12 months' time in the same, or better, condition as it is today.

Not just exams

The ATT now has over 10,000 members and some 7,000 registered students. Our offering centres on the examinations you need to get those coveted letters ATT after your name, but we do far more than that:

- Working with Tolley Exam Training, we offer four short online Foundation qualifications – an introduction to personal tax, business tax, VAT compliance and transfer pricing.
- We offer non-UK diplomas in VAT compliance, corporation tax, transfer pricing and international taxation, principally in the GCC states.
- Our award-winning technical team produces our ever expanding series of 'How to Guides', one for tax agents and one for the public; responses to consultations; technical articles; newsletters; resources for schools...

One of the things I am most proud of is the work that the ATT does with schools. We regularly visit schools and careers fairs to talk about a career in tax and the Level 4 apprenticeship in taxation. This has allowed many school leavers to obtain the ATT qualification and valuable practical professional experience without the burden of student debt. For employers, the tax apprenticeship qualifies for funding of up to £15,000 and new employees can quickly be dealing with chargeable client work.

We cannot, however, afford to sit on our laurels as there are several challenges and opportunities facing us.

Making Tax Digital

At the 2017 AGM, I welcomed HMRC's decision to pause the roll out of MTD to allow for further development and testing of what, at the time, appeared to be a rushed system. I am pleased to say that HMRC have become increasingly more open and engaged since 2017. There is a real sense that they are getting out there, speaking to agents and listening to their concerns. Their focus is now shifting towards the practical challenges of getting ready for April 2026 – something which is also driving our offering to members.

However, there remain areas of confusion even at this late stage, including how the year-end 'digital tax return' will work in practice, and how and when the digitally excluded will be able to apply for exemption. Alongside this, HMRC have a real challenge when it comes to raising awareness amongst the unrepresented, who remain largely ignorant of the change.

Senga Prior handed over the ATT presidency to Graham Batty at the Association's AGM on 10 July

Standards and regulation

The second area is regulation of the tax profession and raising standards in the tax advice market. The March 2024

ATT Outgoing President's speech

Gone in a flash

Outgoing President Senga Prior reported back to the AGM on ATT activity over the past 12 months.

This year has passed by in a flash. It feels like just yesterday that I was making my inaugural speech as the 28th president of our Association. Today, I'm reflecting on another busy year for both ATT and the world of tax more widely.

Achievements

Perhaps the biggest achievement for the Association during my time in office is the huge milestone we reached at the end of last year – our 10,000th member. Ten thousand people is enough to fill McDiarmid Park, home of St Johnstone Football Club in my hometown of Perth. The world of tax is arguably more thrilling than some of the football on show at that stadium this season!

It is always wonderful to meet our members and volunteers, although an evening with the London Branch aboard a barge on the Thames was eventful, as the water got rather choppy towards the end of the night! I also spent time with our friends at CIOT, holding joint receptions in London and Cardiff, a brilliant Tax Technology Conference in Birmingham, and culminating in a wonderful evening on the Royal Yacht in Edinburgh.

Our wonderful technical team continue to do sterling work, and we were delighted to add two new technical officers earlier this year – Autumn Murphy and Chris Campbell. One of our longstanding technical officers, Emma Rawson, also made the step up this year to become our very first director of public policy – congratulations Emma.

Three main challenges

In my speech last year, I talked about three challenges in the year ahead. The first of these was Making Tax Digital. Despite ongoing tweaks, the focus now is to get taxpayers and agents ready for the changes, and we have been working alongside HMRC to get the message out, including social media posts, press releases and working with the media. The hope is that this coordinated approach will make the transition as easy as possible for everyone.

The second challenge was HMRC service levels. We welcome the

consultation looked at two steps. Firstly, that HMRC would require all agents who interact with HMRC on behalf of a client to register with HMRC's Tax Adviser Registration Service. This will be put into legislation in Finance Bill 2025.

Secondly, they will then progress to oversight through mandatory registration with either a recognised professional body, a hybrid HMRC-industry version or a government regulator. ATT believe that of these the first would be the best way forward. A hybrid version would be unworkable, and an independent regulatory body would prove excessively bureaucratic and expensive.

Mandatory registration with HMRC's Tax Adviser Registration Service clearly allows HMRC to refuse to deal with agents whose work, in their view, includes unacceptable features such as high error rates and delays. However, this only addresses compliance issues and does not really provide any additional consumer protection. This will have to wait for the second phase.

While we are in favour of mandatory registration, this raises the question of what to do about agents already in practice who are not a member of a professional body. They may, of course, register as a student and sit the exams, but this is not always practical. A test of competence and background checks to show good character could work but only as a short-term interim measure. Simply allowing them to apply for membership based on experience would be a step too far.

We await the further consultation promised on stage two with interest.

Artificial intelligence

The final challenge I should like to focus on is the impact of artificial intelligence, and particularly generative AI, on the tax profession. Without doubt this offers opportunities for increased efficiency in how we work. However, a recent global study by KPMG and the University of Melbourne indicated that only just over 50% of the UK public perceive AI systems as trustworthy and only 33% believe that current regulations make AI safe to use.

Accepting that AI is here to stay, what should we, as tax professionals, be doing? Maintaining professional scepticism is paramount. Where work is delegated, including to AI, you remain responsible for it, which means having systems in place to review and verify AI output. I am sure you have all heard of the tax appeal hearing where all the cases cited by the appellant had been generated by AI and did not exist.

Given the need to review and verify AI generated output, how do we ensure that staff have the knowledge to do this competently? It is simple with a letter, but what about technical issues if staff are not gaining experience by carrying out research themselves? How the ATT exams equip new members to do this is something we will be addressing.

Finally, AI needs to be used in a transparent, ethical and secure way. Transparent, in that clients know when AI tools are being used; ethical, in that you do not pass off AI generated work as your own; and secure, in that strong cyber security procedures are in place.

Concluding remarks

To finish, I should like to repeat the three challenges I set at the end of my speech as incoming President back in 2017, which are still just as relevant today. For members, let us know about the issues and problems you face in day-to-day practice so that we can identify common themes and work with HMRC to deal with these; for employers, let us know what you want from our qualifications so that we can make them more relevant; and for taxpayers, if you have a tax problem talk to an ATT member.

This speech has been abridged for space reasons. The full speech can be viewed at: tinyurl.com/ATTAGM25 (20m48s)

collaboration that we have had with HMRC through the year and their willingness to listen. We must be realistic – there's still a way to go – but response times are starting to improve, and the new agent query resolution service is a welcome start to this.

Finally, last year I discussed the regulation of agents. The change in government has slowed the progress of this but we continue to respond to consultations and liaise with relevant bodies. Most recently we made a submission on the effectiveness of penalties for rogue agents, and the potential issues with granting HMRC access to information from tax advisers based on a 'reasonable suspicion' that the adviser has facilitated an inaccuracy in a taxpayer's document or return. This subject is not going away.

Areas of focus

I'd also like to reflect on my areas of focus during my presidential year. The first of these is tax education in the world of AI. As well as our exam syllabus, we are also providing more CPD opportunities for members. This year has seen more free webinars than ever. We continue our Fellows interactive webinars and we are now offering four free member webinars annually.

My second area of focus was Scottish taxes. I have attended various roundtable events with ScotGov and Revenue Scotland and was delighted to host representatives from both at our Scottish Reception in May. The expansion of our technical team means that ATT will be in a position to liaise more with devolved administrations in both Scotland and Wales.

Finally, empowering women was a priority for me this year. I was delighted to attend Scottish Women in Tax events and it was reassuring to see so many passionate about the world of tax and willing to share their knowledge and expertise, as well as enjoying networking opportunities.

Conclusion

To conclude, it has been my honour to serve as your President over the last year. Working in tax means that we must be willing to adapt to ever changing legislation and technology. However, our members can rest assured that the ATT will always be on hand to assist with these changes and to represent our members' views. I remain extremely proud of the continued hard work, enthusiasm and success of the Association, its staff, officers and all its volunteers and members.

I now offer all my support to your incoming president, Graham Batty, as I hand over the reins. Thank you.

This speech has been abridged for space reasons. The full speech can be viewed at: tinyurl.com/ATTAGM25 (11m15s)

Event

ATT Admission Ceremony: 26 June 2025

On Thursday 26 June, the Association was delighted to welcome 82 new ATT members and 12 prize winners from the May and November 2024 examination sittings to the Admission Ceremony at the Law Society's Hall in Chancery Lane, London.

Senga Prior, then President, hosted the ceremony. Past Presidents Frank Collingwood, Richard Geldard, Simon Groom, Trevor Johnson, John Kimmer and Erica Stary attended the afternoon event to present medals and congratulate the prize winners.

The Association holds an admission ceremony each year for new members and their families. The next will take place on 25 June 2026 for members who have been admitted during 2025.

New members at the Admission Ceremony

New members at the Admission Ceremony

The then President, Senga Prior, with the prize-winners from the May and November 2024 sittings of the Association of Taxation Technicians (ATT) examination.
From left to right. Front row: Sophie Glaister (Stary Medal), Yik Yu Valerie Leung (Gravestock Medal), Georgina Durie (President's Medal), Scott Shepherd (Association, Collingwood Medals and the Tolley Prize), Erica Stary (Past President), Mia Tucker (Association, Collingwood Medals and the Tolley Prize), Senga Prior (then President), Jake Fisher (Stary Medal), John Kimmer (Past President), Zak Rogers (Jennings Medal) and Alexander Griplas (Johnson Medal). Back row: Frank Collingwood (Past President), Adam Wyatt (Kimmer Medal), Corey Jones (Kimmer Medal), Trevor Johnson (Past President), Joshua Lowe (President's Medal), Simon Groom (Past President), Richard Geldard (Past President) and Joseph Fletcher (Jean Jesty Prize).

Event

East Midlands' inheritance tax event brings professional bodies to life!

As part of a new initiative between the accountancy bodies ICAEW and CIPFA, the CIOT/ATT East Midlands Branch spearheaded a free joint lunch and networking event on 26 June with the regional ICAEW and CIPFA at the very stylish Grade II listed Winstanley House in Leicester's Braunstone Park.

The event was led by CIOT Private Client Technical Officer John Stockdale, who gave a very thought-provoking summary of the forthcoming changes to inheritance tax following the October 2024 Budget. That provided the background for informal discussion and debate amongst the delegates and representatives from CIOT, ATT, ICAEW and CIPFA over lunch.

CIOT President Nichola Ross Martin also attended the event to give her commentary and insights on the reforms.

Who would have believed a year ago that there would be so much lively debate on inheritance tax! Arguably, the nation's least favourite tax has certainly become one of the nation's most talked about taxes. And it was abundantly clear from the 'buzz' in the room that the conversation over the inheritance tax reforms isn't going to 'die down' any time soon.

Some quite passionate and thought-provoking comments were raised, which John Stockdale took away so they can be fed back to HMRC as part of the CIOT's response on the reforms and how the new legislation is to actually work in real-life circumstances.

Estate administrations are set to become more of a 'grave undertaking', adding to the existing complexities, compliance, risks and costs associated with the administering of deceased estates. And that goes for executors and their legal and tax advisers too.

That is why the East Midlands Branch are keen on leading the conversation and the debate across the region on such a very topical and real issue that is set to have a significant impact on both families and businesses. The design of the forthcoming inheritance tax changes will make estate administrations even more painful for executors and families.

Huge thanks go to John, Nichola and Andrea from Head Office, together with Helen and Ellie from the ICAEW, Colin from CIPFA and also Dan Ellerton (our Treasurer) for all their support and hard work in helping to ensure that the event was such a great success!

Stephen Foulkes
East Midlands Branch Secretary

Exams
CIOT and ATT exam results

On 16 July 2025, the CIOT and the ATT announced the results from its examinations taken at the May 2025 exam session.

871 CTA candidates sat exams with a further 452 candidates who sat one or more papers on the ACA CTA Joint Programme (with ICAEW) and 55 candidates sat a paper on the CA CTA Joint Programme (with ICAS). 830 ATT candidates sat exams in May 2025 and 1,220 Tax Pathway candidates sat a combination of ATT and CTA papers.

The Institute President, Nichola Ross Martin, commenting on the results said: 'I would like to offer my warmest congratulations to those candidates who have passed all of the necessary exams for CIOT membership, as well as those who have made progress towards becoming a Chartered Tax Adviser after passing one or more papers at the May 2025 examination session. They should be really proud of their hard work, dedication and effort. The exams set a high standard and successful candidates can be proud of their achievements.

'322 candidates have now successfully completed all of the CTA examinations and we very much look forward to welcoming them as members of the Institute in the near future. Included in this figure are 73 candidates who were on the ACA CTA Joint Programme, 14 candidates who were on the CA CTA Joint Programme and 107 candidates who have now fully completed the ATT CTA Tax Pathway by passing the CTA element.

'I very much look forward to welcoming the new members into the Institute at the next Admissions Ceremony.'

The Association President, Graham Batty, commenting upon the results said: 'I am delighted to congratulate all the successful candidates from the May sitting of our exams. In total, 830 ATT candidates and 554 ATT CTA Tax Pathway candidates sat 1,785 papers and 1,305 passes were achieved. 94 distinctions were awarded to candidates for outstanding performance.

'Having taken professional exams myself, I have personal experience of the many hours of study and sacrifice of your social life required to sit these examinations. I commend all the candidates for putting in the long hours and effort necessary.

'The ATT's modular system means that candidates can study at their own pace, within the five-year registration period, whether they are working towards full membership or simply wishing to obtain one or more Certificates of Competency in their specialist area.

'I look forward to meeting the candidates who take up membership at our next Admission Ceremony.'

Information about the results, including pass lists, can be found on the CIOT website at www.tax.org.uk/may-2025-pass-list and the ATT website at www.att.org.uk/may-2025-examination-results.

Regulations
AML related member disciplinary action, including an update on the AML Supervision Renewal

It is a **legal requirement** for persons providing tax or accountancy services to be supervised for anti-money laundering (AML) and meet the requirements of the Money Laundering Regulations (see tinyurl.com/mtc4btbr). This applies equally for a full-time tax and accountancy services firm as for a member undertaking some minor part-time activity to support family or friends, regardless of the level of fee income.

Approximately 860 CIOT firms and 630 ATT firms are currently registered with CIOT or ATT for supervision and are required to renew their AML Supervision annually during the month of May.

No excuses: key AML renewal reminders

Thank you to the vast majority of members who complied with the requirement to renew by 31 May 2025. A small number did not, resulting in disciplinary action as summarised below.

We recommend that members diarise the AML renewal deadline, as non-receipt of the renewal email and related reminders is not a valid excuse for missing the 31 May renewal date each year. Members are also reminded of the importance of prompt AML registration and renewal; and of the need to ensure they meet the requirements of the Money Laundering Regulations.

We work closely with members to assist them into compliance where breaches of the requirements are identified but will consider disciplinary action for failure to comply. Other points to note include the following:

- Notification is required within 14 days of any changes to a business. Not responding to the renewal emails is **not** a notification of cessation.
- For any new business owners, officers and managers that join a firm during the year, we require a criminality check certificate which must be forwarded to us within 14 days of their appointment. **We often see firms forget to do this.**
- Care must be taken when completing the form to ensure it is accurate.

Disciplinary actions

Members late in completing their 2025/26 renewal either received a fixed fine of between £350 and £500 (dependant on their prior year compliance history) or were referred to the Taxation Disciplinary Board (TDB) for disciplinary action, or both. At the time of writing:

- 12 ATT and 22 CIOT members were fined;
- one ATT member was referred to TDB in respect of their late renewal; and
- two CIOT members were referred to TDB in respect of their late renewal and other non-compliance matters.

The disciplinary action detailed above, along with other actions we take throughout the year, are part of the 'effective, proportionate and dissuasive disciplinary measures' that CIOT and ATT undertake to enforce the Money Laundering Regulations requirements.

As a reminder, the TDB have updated their Indicative Sanctions guidance with increased fining powers for AML non-compliance. The increased disciplinary activity and outcomes applied by the TDB reflect the serious nature of AML breaches. Examples of recent AML enforcement cases are available on the TDB website (see tinyurl.com/mu4z34hr).

Chartered Institute of Taxation.

A redesigned learning journey

CTA Joint Programmes with ICAEW and ICAS

Exciting changes have been made to our CTA Joint Programmes. To align with the proposed new CTA qualification updates, the ICAS and ACA developments, we have evolved these study routes to better support the future learning and development in taxation.

Key changes to the ACA CTA Joint Programme with ICAEW, and the CA CTA Joint Programme 2026+ with ICAS include:

- Staged academic progression through the introduction of the Tax Knowledge and Skills paper
- Streamlined structure which ensures learners apply their tax knowledge in an integrated way
- Wider breadth and depth of tax knowledge plus skills including understanding the tax landscape, ethical practice and impact of technology on the profession.

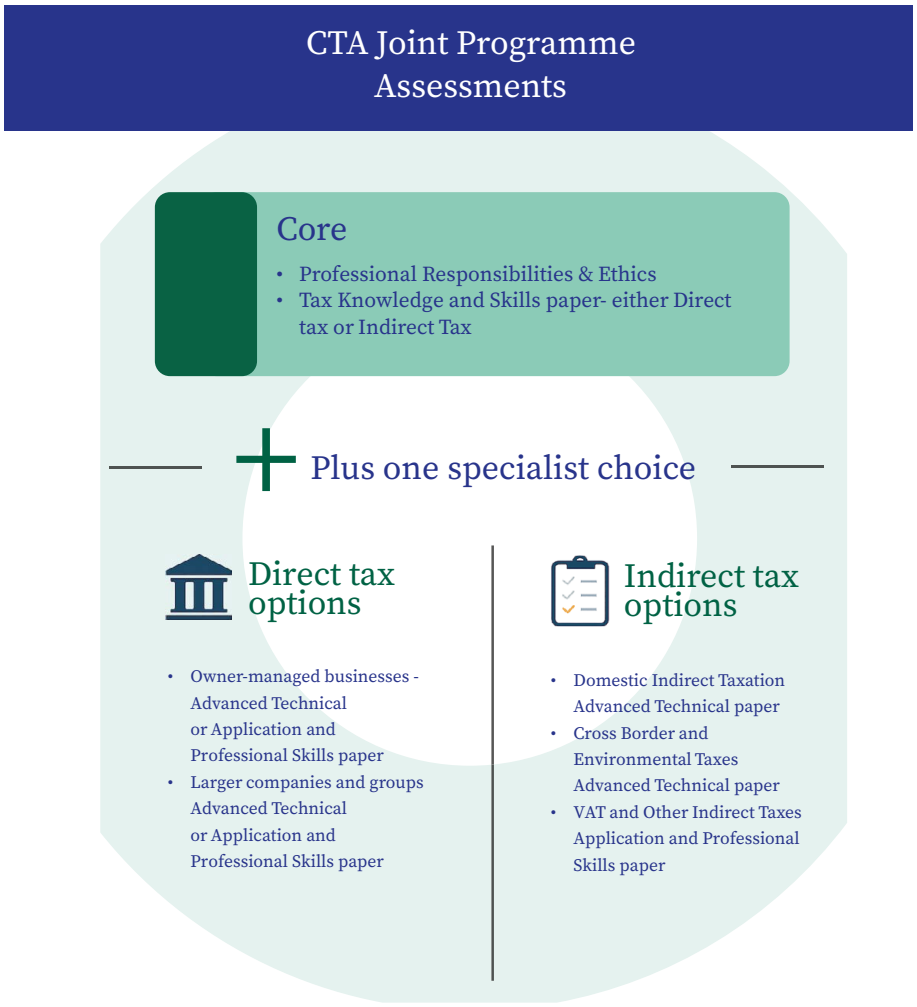
The CTA Joint Programmes development mark a significant evolution in our professional training, designed to align with the latest in tax and accountancy education, and continues to support the development of skills for employers.

Discover more about the redesigned CTA Joint Programmes:

www.tax.org.uk/joint-cta-programmes

Training

A redesigned learning journey for the CTA Joint Programmes with ICAEW and ICAS



The CIOT is pleased to announce the launch of two newly revised Joint Programmes:

- the ACA CTA Joint Programme with ICAEW; and
- the CA CTA Joint Programme 2026+ with ICAS.

These mark a significant evolution in professional training, designed to align with the latest developments in accountancy education and to better support students pursuing these dual qualifications in accountancy and taxation.

The updates respond to several key drivers:

- **Alignment with new accountancy and taxation qualification structures:** The ACA qualification is undergoing a transformation, with the Next Generation ACA structure launching for students registering from 1 July 2025. The revised ACA CTA Joint Programme has been tailored to fit this new framework, as well as aligning both the CA and ACA Joint Programmes with the proposals for changes to the CTA qualification due in September 2027.
- **Addressing student feedback:** Both programmes introduce a new Level 6 equivalent paper, delivered by the CIOT (Tax Knowledge and Skills) to ease the transition into CTA studies and reduce the challenge of jumping straight into Level 7 CTA content.
- **Enhancing breadth and skills:** The new Tax Knowledge and Skills paper prepares students for their advanced CTA paper enabling them to understand how their specialist area interacts with broader tax areas.

What CTA assessments are covered in the Joint Programmes?

The CTA elements of both Joint Programmes are identical. These are:

- Professional Responsibilities and Ethics;
- Tax Knowledge and Skills (a choice of Direct Tax or Indirect Tax); and
- one specialist tax paper.

The specialist paper options are:

- **Direct Tax:** OMBs, Larger Companies and Groups (Advanced Technical or Application and Professional Skills).
- **Indirect Tax:** Domestic Indirect Taxation (Advanced Technical), Cross Border and Environmental Taxes (Advanced Technical), VAT and Other Indirect Taxes (Application and Professional Skills).

Other Joint Programme highlights

ACA CTA Joint Programme

- This is available to students registering with ICAEW from 1 July 2025, with transitional provisions available for those registered up to 30 June 2025.
- First CTA papers under the revised programme (the Tax Knowledge and Skills) will be available from November 2026.
- Depending on how students phase their studies, the Joint Programme potentially enables qualification as both ICAEW CA and CTA in four years, subject to practical experience requirements.

CA CTA Joint Programme 2026+

- Launching for the academic year 2025/26 onwards, this provides flexibility for existing students to complete their studies under the previous programme, subject to transitional rules. The first CTA papers under the revised programme (Tax Knowledge and Skills) will become available from November 2026.
- Depending on how students phase their studies, the Joint Programme potentially enables qualification as both ICAS CA and CTA in four years, subject to practical experience requirements.

Registration

CIOT registration for both programmes will open in spring 2026. You will be able to register your interest for the new Joint Programmes on the CIOT's website. All students must register with CIOT at least four months before their first CTA exam.

If you are an employer of CTA students on either programme, or are a student wishing to embark on either programme, take a look at our dedicated website area for more information: www.tax.org.uk/joint-cta-programmes

Spotlight

The Virtual Communications Group

The Virtual Communications Group (VCG) brings together representatives from HMRC and professional bodies, including the ATT, the CIOT and the CIOT's Low Incomes Tax Reform Group (LITRG), to discuss HMRC's communications with agents. It is operated and chaired by HMRC, with relevant HMRC teams attending to present on each meeting's agenda items VCG meets online every month.

The meetings allow us to give upfront direction to HMRC as a 'critical friend' on how their planned communications are likely to be received by agents. How will messages land, is the tone and timing suitable, and what else might agents want to know? Communications can range from routine news pieces in Agent Update to announcements of recent guidance changes or of new HMRC policies, processes and systems.

The frequency of meetings allows agenda topics to be timely, and gives ATT, CIOT and other professional bodies a chance to influence HMRC's upcoming strategy and plans for communications. Advance notice allows us to provide feedback to help improve the content and delivery of those messages before they go out – as long as HMRC are willing to take our advice on board.

The meetings also allow us to help HMRC disseminate messages to the agent community. News from VCG is commonly shared via both the ATT and CIOT websites and in our weekly newsletters to help our members keep up to date with relevant information from HMRC.

Communication at VCG is a two-way process. Professional bodies can also use it to raise issues that our members have experienced with HMRC communications (or absence thereof!). Whilst the scope of the group does not extend to client-specific communications, we can raise concerns from members about wider HMRC communications to agents.

With frequent meetings and wide-ranging agenda items, VCG is attended by guest presenters from a whole spectrum of HMRC departments. This provides a good range of expert contacts who we can later reach out to for more technical queries based on issues raised by members.

If you have any concerns about HMRC communications with agents, please contact our technical teams via technical@ciot.org.uk or atttechnical@att.org.uk.

David Wright

A MEMBER'S VIEW

Chimezirim Tochukwu Echendu

Deal Advisory Tax Assistant Manager, KPMG LLP

This month's CIOT member spotlight is on Chimezirim Tochukwu Echendu, Deal Advisory Tax Assistant Manager at KPMG LLP.

How did you find out about a career in tax?

I got interested in tax after seeing some of my university alumni take up roles in the local and overseas offices of the 'Big Four' accounting firms as tax advisers upon completion of their undergraduate and postgraduate studies.

Why is the CIOT qualification important?

The UK tax laws are voluminous and complex and without a guide it is easy to 'get lost in the woods' when dealing with some parts of the legislation. The CIOT qualification provides this guide through a carefully curated curriculum and a brilliant and easy to understand study material tailored to accelerate understanding of the UK tax system. I think it is the best option available for anyone seeking a foundational understanding of the UK tax system.

Why did you pursue a career in tax?

I love challenges. Tax had a reputation of being the most difficult and challenging of my law degree electives, and so I decided to take up the challenge. I enjoyed it so much that I decided to pursue a career in tax.

Describe yourself in three words

Self-motivated, dependable and curious.

Who has influenced you in your career so far?

I have met amazing people in my years studying and working in tax, but my uncle, a chartered accountant, mentored me as I took my baby steps in the tax profession and influenced my building a career in it.

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

Don't be discouraged. You have been told it is demanding, and it is, but it is surmountable. Devise a study pattern and pace that suits your schedule and work through the study material and past questions. Procure your study material as early as you can if within your control. One of the tuition providers, as part of the study pack they make available, provide access to their website – it had a bank of lecture videos and audios that could be downloaded. Downloading and playing the lectures regularly was something I found helpful.

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

I believe that tax advisers will become even more specialised in the coming years with advisers focusing on very specific areas of tax. Industry wide, I see a few more private equity-backed acquisitions of tax and accounting firms.

What advice would you give to your future self?

Continue being selfless and humble, and always see the picture from the lens of other people. Honour and respect others, care about them genuinely and do not be self-centred.

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

I self-studied for my CTA qualification (direct route pathway) and passed my four papers in the two consecutive exam periods (November and then the following May) while working full time. This is not me advocating for this, as it makes a difficult qualification even more challenging!

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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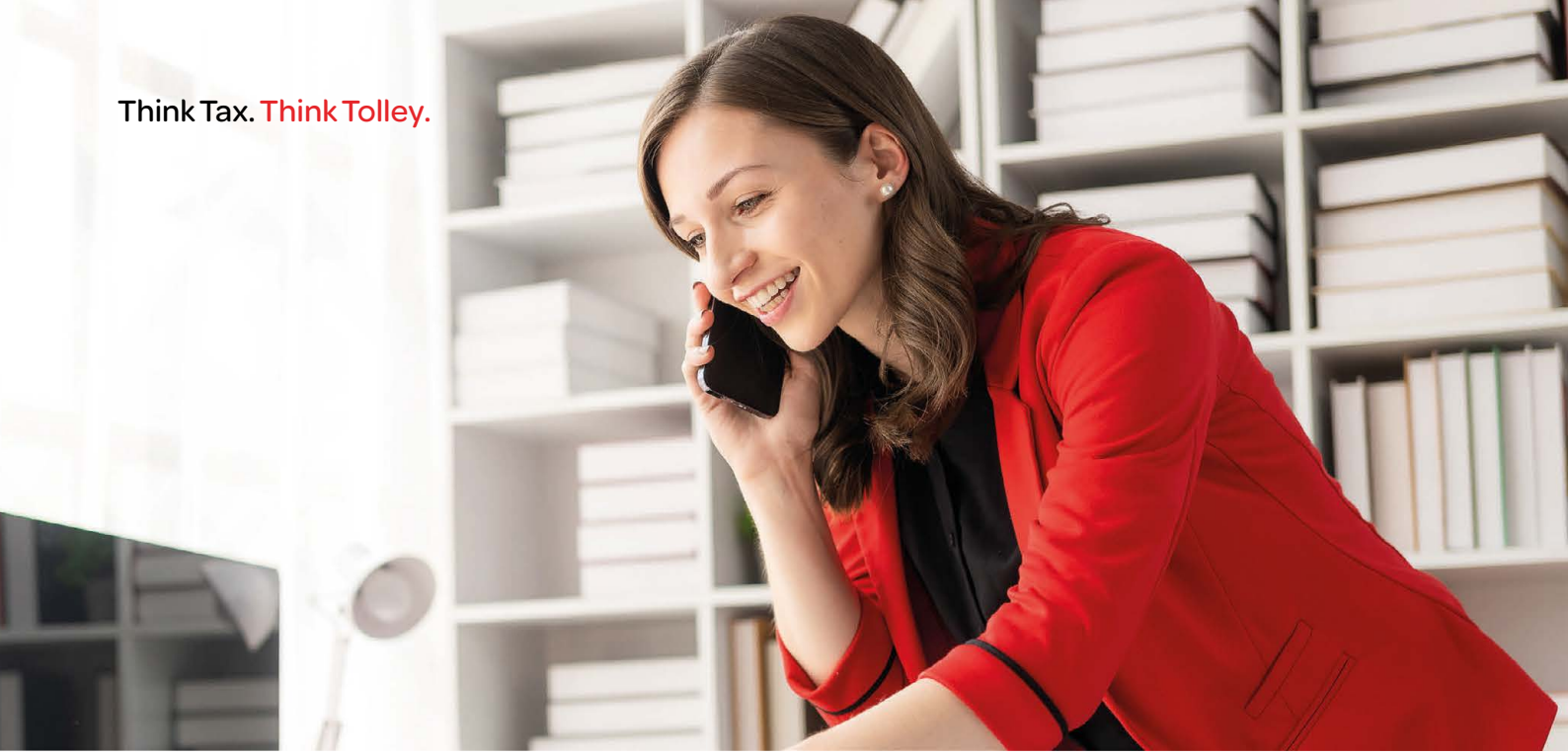

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Location: Bristol Office | **Qualifications:** ATT / CTA qualified, or equivalent experience

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 and developing your skills across a broad range of tax consultancy projects, including group reorganisation planning, business sales, Purchase of Own Shares transactions, R&D tax relief and handling a variety of tax clearances. You will also have the opportunity to get involved with share transactions and share option planning, including EMI share options.

You will have full support from the manager and partner team to help develop your skills and over time, will take on responsibility for the financial management of your clients including recovery rates, debt and WIP management.

You will also be responsible for ensuring the clients you work with will receive the best possible client experience and 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 corporate tax compliance and some of the planning areas mentioned opposite (support will be provided to develop your skills)
- A background in corporate or mixed tax with experience of some (or all) of the following:
  - Owner managed business tax planning
  - Corporate tax reviews
  - R&D
  - Share structuring
  - Share for share exchanges
  - Reorganisations
- Experience in either a supervisory or assistant manager role
- Excellent interpersonal and client management skills

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Constable VAT is a thriving VAT consultancy business established over 20 years ago, with clients ranging from Fortune 500 companies, large multinationals, OMBs, charities and other not for profits and our work covers wide and varied aspects of VAT. As a manager or senior manager we would expect a team member to be involved with most areas of VAT and there is opportunity to develop new knowledge and expertise as well as utilising the experience already gained.

The position is full time with hybrid working although part time and flexible working would be considered. We offer the opportunity to work hybrid, both from home and our office, with no plans to change this hybrid model in the future supporting a healthy work/life balance. Our Dedham office is on the Essex/Suffolk border, which offers a pleasant working environment with easy access from the A12 and ample free parking. This is an opportunity to work as part of a close knit and high-calibre team in a truly varied and interesting role.

This is a consultancy focussed role and most work is advisory in nature. Ideally, you will hold a VAT related qualification such as CTA, AIIT, HMRC's VAT Legal and Technical qualification or BTEC in VAT Assurance; however, candidates demonstrating that they have the relevant experience and aptitude are also encouraged to apply.

Constable VAT offers a professional but relaxed and happy working environment, with support from like-minded VAT professionals and the opportunity to work collaboratively on interesting projects. You will be supported in your role and the right candidate will have an opportunity to progress. Our most recent promotions to partner were from team members who were originally managers within the business. We actively seek to reward success with a twice-yearly performance related bonus cycle and salary review.

If you are interested in this role or would like to organise a call in confidence please contact **robert.thorpe@constablevat.com**

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A classic in-house opportunity in a rapidly growing group which has become a household name. As the Tax Manager, you will work closely with the Head of Tax to deliver a range of tax compliance services across all taxes for the UK group plus a small number of overseas subsidiaries. Would suit a qualified tax professional (CTA, ACA, ICAS or equivalent) with experience of large group corporate tax. VAT and employment tax knowledge an advantage but not a pre-requisite. This role can be worked on a flexible or hybrid basis. **Call Georgiana Ref: 3598**

In-house Corporate Tax
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Household name business in central Leeds seeks a Tax Manager or Senior Manager for key in-house role. Working to the Head of Tax, you will help manage the corporate tax compliance and reporting and you will deal with a wide range of advisory projects, for example transaction tax support, the R&D process, employment, HMRC enquiries, transfer pricing and financing support. This role would suit a corporate tax specialist (ACA, CTA or equivalent) with large group experience. Could be full time or a 4 day week role – hybrid working available. **Call Georgiana Ref: 3603**

Private Client Manager or Senior Manager – Bath
£excellent

Our client is an independent firm based in Bath. They seek an experienced private client tax specialist for a key role at Manager/ Senior Manager level. You will be focusing predominantly on the advisory, planning and complex tax compliance services the firm has to offer. In addition, the role will give the opportunity to enhance and develop the tax advisory offering with a focus on business development. Would suit a CTA qualified with strong experience of HNW Individuals and families. Office based or hybrid available, friendly team and great client base. **Call Georgiana Ref: 3601**

EOT's and Share Plans Director/Partner Law Firm, London
£excellent

An unusual opportunity for a share plan specialist with strong experience of employee ownership trusts to join a niche law firm. This is an opportunity for a senior manager or director in a large accountancy firm or a tax lawyer to get a role at partnership level. In this role, you will draft and review legal documents related to employee ownership transactions, including trust deeds, articles of association and shareholder agreements. You will manage and develop more junior staff. You will be involved in marketing, seminars and networking. **Call Georgiana Ref: 4000**

In-house International Tax
Knutsford
£excellent

Our client is the in-house tax team of a major international group. They seek a highly skilled and experienced International Tax Manager to oversee and manage cross-border tax risks, support entry into new tax jurisdictions, and ensure compliance with global transfer pricing regulations. This role will work closely with the Head of Tax to drive strategic tax initiatives and optimise the group's global tax position. The ideal candidate will have strong expertise in international taxation, transfer pricing, and cross border tax structuring. **Call Georgiana Ref: 3600**

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At TC Group – an innovative, rapidly growing Top 20 firm – doesn't just look at the numbers. They unlock opportunities and help SME business owners sleep easier at night.

The team's looking for a brilliant tax professional who combines technical expertise with the spark that makes work rewarding for colleagues and clients alike. Reporting directly to TC SEM's* Head of Tax and playing an active role in the running of the business, this role offers the chance to help lead tax advisory services for the region – a high-profile opportunity with clear potential for promotion and career development.

Why TC Group? They're a **Top 20 UK accountancy firm** with over **30 years' experience** — but they've never been the 'just do it the way it's always been done' type. They give their people the autonomy to shape their careers, with the support, training, and flexibility to make it happen.

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- Building trusted client relationships through regular contact, insightful reporting, and face-to-face visits.
- Identifying and pursuing opportunities to grow client accounts across tax and TC's full range of services.
- Leading tax projects and helping develop team members.
- Supporting Owner Managed Businesses (OMBs) throughout the full business lifecycle.
- Working alongside friendly, talented colleagues who love sharing knowledge and cake (often at the same time).

What you'll bring

- Proven tax advisory experience gained in an accountancy firm, ideally ACA, ICAS, ACCA or CTA qualified.
- Strong communication and relationship-building skills.
- A proactive, solutions-focused mindset and great organisational skills.
- A flexible, collaborative approach and willingness to travel to other regional offices when needed.

TC GROUP'S VALUES – *"They're not just words on a wall"* – but they do appear there:

DISTINCTIVE – TC know what they do exceptionally well. It's their unique combination of skills, values and culture that make them distinctive. They're positively different and stand out for good reason.

COURAGEOUS – TC believe in themselves and are confident in meeting challenges head on. They're not afraid to step into the unknown, but only do so, once they've weighed up all potential outcomes.

INCLUSIVE – They respect, value and view people as individuals. They achieve what they do through collaboration, encouraging participation and new ideas.

CARING – In an increasingly challenging world, TC genuinely care about the wellbeing of their team, their families, their clients and how they approach and achieve success together.

VALUABLE – TC understand what they do every day is worthwhile. They create tangible value for their clients and their colleagues.

PROGRESSIVE – As a business, TC's never been content to 'stand still', so they'll always seek out new, more innovative ways of working, which will add further value to both their team and clients.

Ready to join a team that's distinctive, progressive, and genuinely supportive? We can't wait to hear from you.

For further information, please contact our retained consultant Georgiana Head on 07957 842 402 or at georgiana@ghrtax.com (ref:3583).

*TC SEM (Southampton and East Midlands) is part of TC Group Holdings Limited, the parent company of TC Group.


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LOOKING TO RELOCATE TO THE NORTH?

To £200,000

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**

IN HOUSE TAX ACCOUNTANT

STOCKPORT To £60,000 dep on exp

This is a truly varied role that offers exposure to corporate tax, VAT, tax risk management, and exciting project work – all within a supportive and high-performing in house team. An ideal first move into industry for someone keen to work in a fast-paced environment, where you will widen your experience and develop your career quickly. **REF: R3710**

OMB TAX ASSISTANT MANAGER

MANCHESTER To £50,000

A unique opportunity for a Tax Senior or Assistant Manager to join a national firm in Manchester. Clients include UHNWIs with very complex portfolios that generate interesting and challenging tax work, including residency and non-dom issues, tax investigations, and WDF disclosures. You will currently work for a large firm and have a passion and aptitude for complex research-driven work. You will work with a high calibre team who are very supportive and dedicated to your long-term development. An impressive bonus scheme is on offer. **REF: C3460**

CORPORATE TAX COMPLIANCE SM

MANCHESTER To £80,000

Rare opportunity for to work in a specialist corporate tax compliance role outside one of the Big 4 accounting firms. You will play a key role in helping to lead the corporate tax compliance team including people management as well as reviewing tax computations and tax accounting in a dynamic and friendly environment. This role would suit either a manager looking for promotion or a senior manager looking to step away from the Big 4 but without compromising on the quality of work and client base. **REF: A3664**

GROUP TAX MANAGER

NORTH LANCS To £90,000 plus bonus

Rapidly growing global business recruiting an experienced tax professional to join as a key member of the finance team. You will be involved in advising the global business on a range of tax work, including UK & global tax compliance and reporting, overseeing VAT transactions and projects such as R&D and due diligence on M&A transactions. This opportunity can be offered on a full or part-time basis. **REF: R3708**

OMB TAX DIRECTORS / PARTNERS

NORTH WEST To £150,000

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**

CORPORATE TAX DIRECTOR

LEEDS £flexible dep on exp

Working for this national independent group you will be responsible for managing a diverse client portfolio, encompassing the delivery of both corporate tax compliance and advisory services. This is a challenging and interesting client facing role, which will include exposure to a range of UK clients. You should have practical corporate tax experience and a mixed compliance and advisory background. Would suit someone currently operating at Senior Manager level looking to step up into a Director role. **REF: 03709**

CORPORATE TAX MANAGER

CHESHIRE To £65,000

Our client values a people-focused approach with strong investment in talent. It is looking for a recently qualified Corporate Tax professional to support and grow its expanding corporate tax services. You'll handle a diverse portfolio providing both advisory and compliance services and will be joining a supportive, ambitious team committed to continuous learning and professional growth while maintaining a good work-life balance and enjoying your work! **REF: C3683**

longman tax recruitment

Tel: 0333 939 0190 Web: www.taxrecruit.co.uk

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