

October 2025



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Family investment companies

Are they really a long-term gamble?



Transfer of assets abroad

Proving that tax avoidance was not the purpose of the transaction



Reform of APR and BPR

Upcoming reliefs necessitate careful estate and trust planning



Main residence relief

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HELEN WHITEMAN JANE ASHTON



Welcome Active engagement

One theme that resonates with all our members is the pace of change in tax legislation and the need for practical, workable guidance for those advising clients on the front line. Since Legislation Day (L-Day) on 21 July, both the CIOT and ATT have been actively reviewing and responding to a significant volume of draft legislation issued by HMRC and HM Treasury.

These touch on a wide range of core issues affecting tax professionals, including the mandatory registering of tax advisers with HMRC, cracking down on the promoters of tax avoidance schemes, addressing tax agents who help facilitate client non-compliance, and the digital transformation of the tax system. We aim to ensure that any new legislation is clearly drafted, proportionate and practical to implement, both for advisers and for taxpayers. You can find the full responses and commentary on all the draft legislation responded to on the websites of CIOT (tinyurl.com/yc7feev8) and ATT (tinyurl.com/svp4khba).

This increase in draft legislation is a clear signal of the government's intent to modernise the UK tax system and reinforce public trust in its integrity. However, while we support many of the underlying aims, we have consistently highlighted the need for adequate safeguards, clear guidance and realistic implementation timelines. Member feedback plays a crucial role in shaping our submissions, and we'd like to thank everyone who took the time to contribute to the draft legislation over the summer.

As we move into the autumn, the Chancellor has set the budget date for 26 November and there have been some notable changes in ministerial positions at the Treasury. At the beginning of this

month, James Murray was appointed Chief Secretary to the Treasury, succeeding Darren Jones, who has taken up another Cabinet role. Meanwhile, Dan Tomlinson, a newly elected MP and former economist at the Resolution Foundation, has become Exchequer Secretary to the Treasury. As both ministers settle into their new roles, we await further signals on fiscal policy direction, tax reform priorities and the broader economic strategy. We look forward to constructive dialogue with them over the coming months.

The CIOT has redesigned the CTA Joint Programmes to align with the proposed CTA qualification updates and the ICAS and ICAEW qualification changes. The evolved study routes better support the learning and development in taxation and mark a significant evolution in our professional training to align with the latest in tax and accountancy education, including the development of skills for employers. More information is available at tinyurl.com/3ukjxcdn.

We're excited to announce the ATT Fellows' event on 8 October, featuring a webinar with networking opportunities and expert-led breakout sessions. Steven Pinhey will deliver a keynote on tax agent registration and HMRC compliance, followed by discussions on tax technology, inheritance tax reforms and employment expenses. Invitations and registration details will be shared soon. Members with ten years of ATT membership can apply for Fellowship, which offers exclusive webinars, newsletters and opportunities for direct technical engagement.

In December, ATT and AAT will present the Sharpen Your Tax Skills webinar series, led by Barry Jefferd and the ATT technical team, providing practical updates on recent tax changes. Registration details will follow in upcoming newsletters.

Closing on the topic of learning and development, the CIOT is finalising a new, standalone Pillar Two Award which will be launched later this year, developed in response to the post-BEPS environment and a spin-off from our popular ADIT international tax programme.

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Digital filing A new approach to standards

Bill Dodwell

HMRC has transformed tax filing from paper to digital over 25 years, with 89% of returns using third-party software. A Tax Law Review Committee paper urges unified software standards, closer HMRC-developer collaboration, taxpayer protection from software errors and support for micro-businesses. Stronger oversight, accessible cloud data and guidance for inexperienced taxpayers are key to sustaining digital compliance.

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Emma Chamberlain

Significant reforms to UK inheritance tax rules were introduced by the Finance Act 2025, primarily affecting long-term UK residents, replacing domicile with residence as the key connecting factor. These changes introduce a long-term resident test, establish a ten-year residence rule with a transitional tail period, and simplify the treatment of foreign domiciles, trusts and pensions. Transitional provisions provide relief for those leaving before April 2025.

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Valerij Ilchenko

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Charlotte Alderman and Emma Cheeseman

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Dan Witt and Jim Robertson

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JOHN BARNETT VICE PRESIDENT



Our technical work

“ At its highest level, technical work involves scrutinising tax law and working for a better tax system for all.

It's a real pleasure to introduce myself as the CIOT's new Vice President and to talk about the Institute's technical work. My own CIOT journey started 30 years' ago when a colleague at Burges Salmon mentioned some tax exams it would be helpful for me to do. 'They're called ATIL,' he said. 'I've got no idea what it stands for, but they're a really good qualification.' And that was that. A couple of years later, I was invited to join the Bristol Branch committee.

Most of those reading *Tax Adviser* will have their own CIOT journey, and it might be interesting to compare yours.

I guess that for most of us exams (thankfully now with a more sensible acronym) are our first CIOT experience. Many of us may then get involved with our local branch and take advantage of the great programme of CPD and networking.

But fewer of us may know about the Institute's technical work. What does this involve? In my case, it involved joining the Capital Taxes Sub-Committee in 2006. I went on to chair that committee and, through that, became involved in the Technical Policy and Oversight Committee (TPOC). In 2019, I took over chairing TPOC from Glyn Fullelove.

At its highest level, technical work involves scrutinising tax law and working for a better tax system for all. The day to day work is largely done by technical officers within the technical team and the Low Incomes Tax Reform Group (LITRG) team, led by Victoria Todd and overseen by Director of Public Policy, Ellen Milner. TPOC oversees 19 other committees and working groups dealing with almost all aspects of UK tax. These committees bring together leading specialists, enabling CIOT to speak as an authoritative voice on the UK tax system and how it could be made better. TPOC works closely with George Crozier's External Relations team, and with Jane Mellor's Professional Standards team where relevant.

Day to day, the work might involve responding to consultations, meetings with HMRC or Treasury, dealing with media requests, writing explainers, making proactive submissions or co-ordinating responses with other professional bodies. The work ranges from very detailed points of legal drafting through to TikTok videos explaining tax issues for the general public. The LITRG website is a particularly helpful resource.

With the volume of new (and often poorly thought-out) tax law each year, our technical work sometimes feels like plugging only a few holes in a dam that is springing many more leaks. But we can point to a number of successes. To give two personal examples, we were instrumental in drafting the statutory residence test in 2013; and, more recently, when developing the temporary repatriation facility for non-doms the government relied heavily on our submissions. Politicians scrutinising the latest Finance Bill referred to CIOT's evidence more than 40 times, including nine times on the non-dom reforms alone. Currently, we are working hard to improve the draft legislation on registration of tax advisers.

There are three ways in which you can help.

First, if you come across an unusual technical point – perhaps some badly drafted legislation or a tax outcome you wouldn't expect – do send this to the relevant Technical Officer. You can find their details at www.tax.org.uk/our_tcs. Sadly, we don't have the resources to respond directly to members' queries. But hard evidence of real cases, even if anonymised, really helps our discussions with HMRC – and we can point to several examples where we have been able to get guidance from HMRC when an individual tax adviser could not.

Second, if you have particular specialist expertise do consider applying to join the relevant committee. The application forms can be found for each committee at www.tax.org.uk/our_tcs, along with details of which committees are currently accepting new members. It is a particularly rewarding role but do expect to be put to work and not merely to be a consumer of others' expertise!

And, third, do amplify our online technical content by liking, commenting or reposting it. (Reposting with your own comments particularly helps us with LinkedIn's algorithm.) In an online world, we are keen that CIOT should be seen as the authoritative voice. The more that our 20,000 members republish our online output, the more likely that will be.

As I write this, we are preparing for the Autumn Residential Conference at Cambridge. Hopefully, I may see a number of you there.

John Barnett
Vice President
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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



BARRY JEFFERD

DEPUTY PRESIDENT



Luck is not needed!

“Students do not see what happens between sitting the exams and results day.

I always regard October as a very crucial month for the busy tax practitioner. I am a partner at George Hay, a seven-partner firm in Cambridgeshire, Bedfordshire and Hertfordshire. Now that the holiday season is over, the September to January period kicks in as our busiest time of the year.

With both team members and clients returning from their summer holidays, September can feel like a catch-up month, when we are all too often just focusing on deadlines. If we make as much progress as we can in October, though, chasing and completing tax returns, we can all put ourselves in a much better position as we move ever closer to the January deadline – even though it is still three months away.

October is also a very busy month for our students. Hopefully, their applications to sit their examinations at the beginning of November have all been submitted – and those students requiring individual access arrangements and additional time should also have made the application to our Education Team. They should all now be focused on studying and preparing for these challenging examinations and homing in the areas that need their particular attention.

I have a reputation in my firm for never wishing a student ‘luck’ as they depart on study leave. Why do you need luck? If you have studied diligently and followed the guidelines, you are well on the way to a pass. My team in the office had great fun in 2014 when it was my turn to sit my ICAEW probate exams – my first exams in 27 years. Nobody wished me luck, and I departed from the office to the cry of: ‘We hope you get what you deserve!’ Fortunately, I managed to pass.

I have always been interested in tax education. As I wrote last month, for many years I was an education committee member for the CIOT. On joining the ATT Council, I volunteered for the Exam

Steering Group, which I now have the privilege in chairing. Having seen our examination process from the inside, I am even more convinced that luck is not needed.

Our Examination Team works tirelessly to deliver a robust set of exams, led by our wonderful Chief Examiner Helen Stainton, supported by our Exam Manager Jude Maidment and her excellent colleagues. There can be glitches, which are inevitable in online examinations, but these arise outside the control of the ATT. At the last session there was a last-minute problem with one exam outside of our control, but the majority of problems are because the student has not read and followed guidance.

Do make sure that you are familiar with the exam regulations as to what is and what isn’t allowed. Do follow the instructions about fetching papers, providing ID and such like. Regrettably, we have in the past had to report students to the Taxation Disciplinary Board for cheating, which can have serious consequences for a student’s career.

The part of the process that students do not see is what happens between sitting the exams and results day. There have been comments that this gap is too long. This is something that we are looking at but it is primarily due to our quality control process.

As you would expect, the examinations are carefully marked. We receive feedback from the tutorial bodies on their view of the exam in case there are any areas we need to look at in the marking. Samples of each paper are then re-marked by an experienced moderator to make sure that the initial marking is consistent. These results are reviewed so that they maintain the expected trends for that paper. Finally, any exam scripts which are just short of a pass are re-marked, just to make sure.

Throughout the process we also look at any special consideration circumstances where candidates have had issues during the examination. It is only then that the final marks are issued, and students are notified of their results.

If your mark was 49% and therefore a fail, then 49% was the correct mark. No, the examiner couldn’t give you an extra 1%, otherwise they would have. Was there anything you could have done in your studies that could have gained you an extra 1%? I remember Sir Chris Hoy saying that if he had missed a training session and then lost a race by one hundredth of a second, he would be devastated. Don’t leave it to chance.

So, until next month, keep submitting those tax returns and for students, hopefully the exams go well and you get the results you deserve.

Barry Jefferd
ATT Deputy President
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Watch our latest YouTube videos



The ATT has launched a new series of short, accessible YouTube videos designed to explain key tax topics clearly and simply. While the content may be familiar to members, these videos are ideal for sharing with clients or others who would benefit from clear, easy-to-understand explanations on areas including:

- Side hustles
- Trading Allowance
- Making Tax Digital
- Simple Assessments
- Paying Higher Rate Tax
- Marriage Allowance
- Understanding how tax applies to the State Pension.

There's also a fun series exploring quirky historic taxes, aimed at younger audiences. View the full series at: <https://bit.ly/4moTzUp>



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Conference Pricing:

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We are pleased to once again bring you our popular Sharpen Your Tax Skills series in conjunction with the AAT. These online sessions have an interactive, practical focus combining essential technical updates with case studies.

Sessions will include:

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- Sole trader update - Emma Rawson, Director of Public Policy; Autumn Murphy and David Wright, ATT Technical Team
- Employee benefits - back to basics - Chris Campbell and Helen Thornley, ATT Technical Team
- Penalties and getting help from HMRC - Steven Pinhey and Helen Thornley, ATT Technical Team

Choose one of the following dates to tune in:

- Wednesday 3 December
- Tuesday 9 December

For further information visit:

<https://bit.ly/468KfPG>

Digital filing

A new approach to standards

While HMRC has made major strides in digital tax filing, a unified framework of software standards is essential.

by Bill Dodwell



Key Points

What is the issue?

HMRC has transformed tax filing from paper to digital over 25 years, with nearly all tax returns now submitted digitally, primarily using third-party software. While Self Assessment still sees around 304,000 paper returns, HMRC is planning to digitise more processes, including inheritance tax returns from 2027.

What does it mean to me?

A discussion paper by the Tax Law Review Committee highlights four recommendations: HMRC should set unified standards; work more closely with developers and tax agents; clarify when taxpayers are protected from penalties due to software errors; and support inexperienced taxpayers.

What can I take away?

The paper also calls for HMRC to monitor software compliance, ensure data accessibility in cloud-based systems, and expand support for micro-businesses. Software is now integral to tax compliance, and a consistent standards framework is essential for future development.

This is a story of success – although one where investment is needed today to develop the future. HMRC regularly sets out its ambition to be a truly digital tax authority – and there's a lot of detail on its plans in the recently released Transformation Roadmap (covered in September 2025) (see tinyurl.com/5aa2e3e8). However, there's one area which is already almost entirely digital.

Up to the millennium, tax returns were on paper, sent by post, courier or even dropped off at an Inland Revenue office by tax agents desperate to hand in

a return before the filing deadline. All that has changed over the last 25 years. Today, almost all tax returns across almost all taxes are submitted digitally, and 89% of returns are made with third party software.

Time for a new approach to standards?

HMRC has set standards for software products through contractual terms and, more recently, by setting product standards. However, there hasn't been a common unified approach.

The Tax Law Review Committee of the Institute for Fiscal Studies asked three colleagues and me to look at the whole question of standards for tax software: how HMRC and software developers could improve their management of the whole area; how software could reduce or prevent errors; and what happens where incorrect or late returns are filed, wholly or partly due to technology failures.

The resulting discussion paper isn't about Making Tax Digital for Income Tax, although the imminent adoption of new software systems by some 2.7 million individuals is a good catalyst for a wider look at this area.

Shrinking numbers of paper returns

The biggest outlier in today's digital environment, supported by commercial software, is Self Assessment, where there are about 304,000 paper returns (see tinyurl.com/mrs8z33k). The majority of individuals and some agents use the HMRC portal. However, some taxpayers file paper returns, either because HMRC hasn't added the necessary functionality to the online portal, or because they are digitally excluded.

There is a plan to digitise inheritance tax returns from 2027, replacing about 300,000 paper returns. HMRC hasn't released connections to enable third party software to file the 60-day UK Property return, so taxpayers must use HMRC's online reporting. HMRC provides a Gift Aid portal for charities to upload spreadsheets, although larger ones use software to manage their claims, and very small charities may still submit paper-based claims.

Some 11,000 employers use Basic PAYE Tools, which is the only software actually supplied by HMRC. Until 2026 (when it will be withdrawn as Companies House changes its filing requirements), about 300,000 micro companies use the online CATO service to file company accounts and corporation tax returns.

Digital filing

The initial approach to filing returns digitally involved HMRC opening up an internet address to receive the stream of tagged and formatted data representing the return. HMRC required that software providers submitted test cases to demonstrate that their software worked effectively. A digital hash system (called the IRMark) was established to confirm that what the filer transmitted was exactly what was received by HMRC.

Data is sent in xml – a formatting standard that identifies individual data fields and the entry in that field. This basic system remains in use today for Self Assessment and corporation tax, as well as other returns.

However, HMRC took a major step forward in 2015 when it released its Application Programming Interface (API) strategy. APIs allow data to be

exchanged between two parties, which means that HMRC can use APIs both to receive and send data in a more secure way.

APIs are the modern way to exchange data and are used very widely. Since that first announcement, HMRC has released approximately 106 APIs for online filing of tax information. Software developers have leapt at the opportunity put in front of them to develop software, initially for tax agents and larger companies, but now for individuals.

HMRC's APIs now integrate with over 2,500 products, approximately 1,100 of which are commercial products, listed on the GOV.UK pages as 'HMRC recognised'. It is understood that there are now over 4 billion API data transfers annually.

The discussion paper includes recommendations in four areas:

- HMRC setting and monitoring stronger, unified standards for all software products and their developers;
- HMRC supporting and working more closely with software developers and tax agents, for the benefit of HMRC, taxpayers and their agents;
- HMRC setting out when a taxpayer would be accepted as taking reasonable care (and therefore not face penalties) where reporting errors occur wholly or partly due to software; and
- ideas to support taxpayers to get their tax filings right, especially for those less experienced.

Software standards

The government has announced that tax agents in business (those dealing with HMRC on behalf of a taxpayer) must register with HMRC in 2026. Our discussion paper does not recommend that software developers should be part of this, as they are not tax agents (although some firms do act both as developers and as tax agents, in which case only the agent part of their business should be registered).

Instead, the authors recommend that HMRC should maintain and publish a list of recognised software developers and set overarching standards for their tax software, together with specific product-based requirements. Compliance with those standards should be monitored by HMRC and action taken where there is evidence of failure to comply.

One of the most important areas for standards is data. This has increasing importance in the newish world of cloud-based software – which means that a taxpayer's data is not under their direct control. Access to data is essential, as without easy access a taxpayer might struggle to move to different software. The failure of a developer could mean that access could be lost, which would be costly both for the taxpayer and for HMRC.

Working with developers

HMRC supports software developers through a dedicated team: the Software Developers Support Team (SDS Team), part of the wider External Software Integration (ESI) team, which also includes Digital Relationship Management. HMRC does not test software (although at one time PAYE software was tested). HMRC does provide test cases and test data for some areas, although there is no 'sandbox' where a developer could test a new product or feature. Our report recommends adding to the team to support the additional activities of managing all the developers and standards.

The recently released Transformation Roadmap discusses the benefits of working together with developers (and tax professionals). Developers told us that they would welcome this and would be keen to help HMRC find solutions to new problems. One example where this could have helped was the 2024-25 change in capital gains tax rate. There would also be benefits in providing better routes for raising and managing problems, where it can be difficult for developers who are not tax agents to have discussions on specific taxpayer cases.

HMRC could also take some practical steps on making sure there is capacity to receive returns at key deadlines, and advertising when systems are down for maintenance – perhaps through software links which could be picked up by developers.

Help for less experienced taxpayers

One of the challenges of Making Tax Digital for Income Tax is that individuals who do not have any training in bookkeeping or accounting will start to use software for the first time. Accounting is a skill, which requires training, and is not simply managed by good software design. It is inevitable that inexperienced users will make errors. HMRC should give consideration to how best to understand the competence of individuals who maintain their own accounting records in software, as lower competence may give rise to inaccuracy and higher tax risks.

We also recommended that software developers consider how best to help less experienced individuals, including asking them to rate their own skills and adding prompts and other help appropriately. Bookkeepers told us about several categories of error which could have been prevented if software had better prompts, including double-counting purchases through downloading the data from a connected bank account and at the same time entering the invoices.

Business transactions and tax can be complicated, which suggests that HMRC should consider consulting on a range of

easements to make it easier for micro-businesses to account for their transactions, reflecting the way in which digital accounting systems will receive data. For example, VAT receipts are not always provided as a matter of course and obtaining these adds to the administrative burden. HMRC should consider accepting a wider range of invoices for VAT purposes, such as itemised till receipts from retailers (with a monetary cap to minimise risks).

HMRC could also consider allowing the recording of net payments from known (and specified) platforms, where deductions simply reflect platform commission and are below a certain level. This would make it easier to record sales net of platform charges, potentially by taking the data from a business bank account.

What if it goes wrong?

HMRC has produced some helpful guidance on when reasonable excuse could apply to late filing and late payment. Computer or software failure is an example, including of course failure of HMRC's own portals. However, nothing is said about possible errors where software is wholly or partly at fault. HMRC's Compliance Handbook makes it clear that 'reasonable care' must be assessed individually. However, HMRC says nothing about when a taxpayer would be accepted as taking reasonable care where reporting errors occur wholly or partly due to software.

We recommended that HMRC should add commentary to the Compliance Handbook to help individuals. This should be kept under review to reflect technology developments, including AI.

In conclusion

Software is now a fundamental part of the tax compliance system. Building a new approach to standards will support its continued development.

'Setting standards for tax software: Recommendations for HMRC and software developers to support taxpayers' is a discussion paper produced for the Tax Law Review Committee by Bill Dodwell, Sally Campbell, Elizabeth Connolly and Patricia Mock. The paper is at: ifs.org.uk/tax-law-review-committee

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Inheritance tax and foreign doms

A welcome simplification?

We consider the fundamental shift from domicile to residence as the key inheritance tax test, and the mechanics of the long-term residency rules.

by Emma Chamberlain

The 2024 Budget announced several major changes for inheritance tax, marking a radical reform of this tax akin to the 2006 changes for trusts. Although the seven-year potentially exempt transfers rule and normal expenditure out of income exemption remain intact, Finance Act 2025 made fundamental changes to the taxation of both non-doms living in the UK long term and those who have been non-UK resident for many years. These changes extended to income tax and capital gains tax (outside the scope of this article), as well as inheritance tax, and came into effect from 6 April 2025.

This article focuses on the inheritance tax position after April 2025. Practitioners will still have to deal with estates where the death took place before April 2025 or excluded property trusts where the settlor died before April 2025. Trustees will therefore need to remain familiar with the old rules, especially the complex rules on resettlements in Inheritance Tax Act 1984

ss 82/82A which were repealed with effect from April 2025 where the settlor is still alive but are still relevant to earlier settlements.

Inheritance tax position from 6 April 2025

The new inheritance tax regime applies to all chargeable events from 6 April 2025 except that trusts where settlors died before April 2025 are generally governed by the old regime (see tinyurl.com/yc6tvrth).

Overview

The difficulty that the government faced when considering inheritance tax is that if, as proposed in March 2024, domicile is no longer a connecting factor for any tax purpose, then a residence test alone is insufficient. After all, it would be odd to tax someone on their worldwide estate if they died when they had only just become UK resident for the first time. It would be equally odd not to tax them at all if they died just after leaving the UK having lived here all their lives.

OTHER CHANGES IN THE 2024 BUDGET

The 2024 Budget announced a change to agricultural property relief and business property relief, such that after the first £1 million (renewable every seven years) only 50% relief will be available on chargeable transfers of businesses and farms. These changes come into effect from April 2026. (See the article by Aidan Roberson on page 26.)

The final change, perhaps affecting a much greater number of taxpayers, is the proposal to bring pensions into scope to inheritance tax for deaths after April 2027. The draft legislation was published in July and is controversial, requiring the personal representatives to pay the inheritance tax on pension funds from the free estate before seeking reimbursement through the courts from the pension beneficiary. The CIOT has made vigorous representations against the way this proposal is being implemented and these changes will be the subject of a separate article when we have greater finality.

Key Points

What is the issue?

Significant reforms to UK inheritance tax rules were introduced by the Finance Act 2025, primarily affecting long-term UK residents, replacing domicile with residence as the key connecting factor.

What does it mean to me?

These changes introduce a long-term resident test, establish a ten-year residence rule with a transitional tail period, and simplify the treatment of foreign domiciles and trusts.

What can I take away?

Transitional provisions provide relief for those leaving on or before April 2025, and special rules apply to younger individuals.

Some sort of transitional period was therefore required. In the end, the government settled on a ten-year period of inheritance tax exemption for people newly arrived in the UK, and a tail of between three to ten years depending on how long they had stayed in the UK before they left.

Despite some criticism that this is a cliff edge forcing people to leave in their ninth year of UK residence, in the author's view these proposals represent a reasonable compromise. Moreover, a residence test is much more certain than a domicile test, particularly for those who had left the UK with a UK domicile of origin many years ago but had not finally settled anywhere else. In these circumstances, if the person had not established a domicile of choice in a particular country, their UK domicile of origin continued even if they never intended to return here.

Another welcome simplification is the abolition of the concept of a formerly domiciled resident. This applied to some born here with a UK domicile of origin, who later acquired a foreign domicile of choice and then resumed residence in the UK.



THE FOREIGN DOMICILIARY: TRANSITIONAL PROVISION

Amit is non-domiciled and was UK resident for 11 years, becoming non-resident for the whole of 2025–26. As he never became deemed domiciled before 6 April 2025, under the transitional provision in Sch 13 para 46 he does not come into scope for inheritance tax on his non-UK assets from 6 April 2025. If Amit returned to the UK, the new rules would apply to him. He would be subject to the ten out of 20 years residence test, which includes the years of residence in the UK up to 2025. If Amit had been UK resident for, say, 40 years in 2023–24, he would be deemed domiciled under the pre-April 2025 rules.

Assume that he became non-resident for the whole of 2024–25 and does not return to the UK. From April 2025, Amit will be a long-term resident, but the transitional provision will apply. Therefore, he will be a long-term resident but only until the start of his fourth tax year of non-residence. Amit will remain in scope for inheritance tax on non-UK assets as a long-term resident until 6 April 2027.

If Amit was deemed domiciled under pre-April 2025 law and then became non-UK resident from 6 April 2025, then he would be a long-term resident for three tax years after leaving. He would cease to be a long-term UK resident on 6 April 2028, provided that he did not return within ten years of leaving.

This gives some scope for tax planning even for those who have only left the UK temporarily. For example, Amit could settle trusts once he ceased to be a long-term resident in the period of non-residence even if he returned within ten years. This would avoid an entry charge even though the trusts would come within the inheritance tax net subsequently. (Watch out for capital gains tax, though, as the temporary non-residence rule would apply if Amit returned within six tax years of leaving).

Long-term residence status

The meaning of long-term residence status is defined in Inheritance Act 1984 s 6A (as inserted by Finance Act 2025 s 44(1)(3)).

An individual is deemed to be a long-term resident in a tax year and therefore subject to inheritance tax on worldwide assets if they were tax resident in the UK for at least ten of the previous 20 tax years.

Therefore, from 6 April 2025 any foreign property (and UK open-ended investment companies and authorised unit trusts) owned outright by an individual is free of inheritance tax, provided the person (wherever domiciled) has:

- not been UK resident for any ten consecutive tax years during the 19 tax years before the tax year of the chargeable event (whether death or gift); or
- not been UK resident for at least ‘the required number’ of consecutive tax years ending with the tax year **before** the current tax year. The ‘required number’ is discussed further below.

UK residence is determined according to the statutory residence test in Finance Act 2013 Sch 45 (or under common law prior to 2013). It will never be necessary to consider years before 2004–05. Treaty non-residence does not count towards years of non-residence for the purposes of this test.

Someone who fails to satisfy the above residence criteria is a long-term resident, even if they have subsequently left the UK. Their common law domicile or deemed domicile status is irrelevant.

Therefore, a UK domiciliary who has left the UK after spending 20 years or more in the UK and is then non-UK resident for ten consecutive tax years will only then cease to be a long-term resident. They will therefore not be subject to inheritance tax on non-UK assets at the start of the 11th tax year, even if they intend to return to the UK or in fact do so. After ten consecutive years of non-residence, only the year of return and future years of residence count towards UK residence for the purposes of the inheritance tax test. The ten years of non-residence provide a complete break.

Overall, this means that a person will be a long-term resident in 2025–26 if they have been UK tax resident in ten or more of the tax years between 2005–06 and 2024–25 unless they have been non-UK resident for ten consecutive years since 2015–16 or are within the transitional provisions below.

A person who lived in the UK for, say, 20 years before leaving and was then non-resident but not for ten consecutive years, will need to be non-resident for 11 years out of the last 20 to cease to be a long-term resident.

THE RETURNING NON-RESIDENT UK DOMICILED PERSON

The new rules also provide some opportunities for UK doms.

Assume that Ruth has been non-resident for ten consecutive tax years and has always been UK domiciled. She returns in 2024-25 and decides to make a gift to her son. This is a potentially exempt transfer and she will need to survive for seven years.

However, on 6 April 2025 Ruth is not a long-term resident and domicile is irrelevant. If she makes a gift of foreign assets to her son, this is not a potentially exempt transfer but a gift of excluded property and she does not need to survive seven years.

Ruth could also settle assets on trust without an entry charge. She will be eligible for the four-year capital gains tax and income tax exemption.

Assets

UK assets and Sch A1 property (enveloped residential property) remain in scope of inheritance tax on the same basis as before April 2025, regardless of residence.

Also, the same exemption for Free of Tax to Residents Abroad (FOTRA) gilts applies as before April 2025; i.e. it is based solely on an individual's non-residence in any particular year when an inheritance tax charge arises. Such gilts can be free of inheritance tax on the death of the non-resident individual even if they are still a long-term resident. Gilts can be a useful insurance policy against early death for the person who has just left.

The 'required number' of years

To determine the 'required number' of non-resident years, take the 20 tax years ending with the last tax year for which the individual was UK resident. Find the number of those tax years for which the individual was UK resident. Broadly, the time an individual remains in scope after leaving the UK is shortened when they have been resident in the UK for between ten and 19 years. The intention is to avoid a hard cliff edge for those who may want to stay, say, 13 or 14 years in the UK but do not want to have a ten-year inheritance tax tail after they leave (see Inheritance Tax Act 1984 s 6A(3)).

- Those who are resident for between ten and 13 years will remain a long-term resident for three tax years.
- This will then increase by one tax year for each additional year of UK residence. If a person was resident for 15 out of 20 tax years on leaving, they would remain a long-term resident for five years after leaving. If they were resident for 17 out of 20 tax years on leaving, they would remain in scope for seven tax years.
- Once they have been UK resident for 20 tax years, it will require ten tax years of consecutive non-residence or 11 years of non-consecutive tax years out of the previous 20 to lose their

status of long-term resident. This is referred to (colloquially) as the 'ten-year inheritance tax tail'.

Inheritance tax tail

There have been objections to the length of the inheritance tax tail, and it is certainly longer than the pre-2025 position for foreign doms.

Under the previous rules, an individual could effectively lose their deemed domicile after only three tax years of non-residence, even if they had been UK resident for many years, provided they did not return within six years of leaving (see Inheritance Tax Act 1984 s 267). However, the inheritance tax tail could be very much longer than ten years if the individual had a UK domicile of origin and was unable to prove that they had settled in a particular place.

The new legislation clarifies their position from April 2025 by setting a bright line test.

Some non-doms argue that they should not be subject to a ten-year tail under the new rules if they are poor when they leave and only make their fortune after they leave. This seems a poor point. The UK has no exit tax and so does not tax on the basis of what people own before or after they leave.

For an individual who is 20 years old or younger immediately before the tax year of charge, the test from April 2025 is whether they have been UK resident for at least 50% of the tax years since their birth (see Inheritance Tax Act 1984 s 6B). If they were under the age of one immediately before the relevant tax year, they are not a long-term UK resident.

Lifetime gifts of excluded property by an individual who is not a long-term resident at the time of the gift remain outside the scope of inheritance tax, even if the individual dies within seven years and is then a long-term resident.

Transitional inheritance tax relief

Transitional inheritance tax relief for leavers is defined under Finance Act 2025 Sch 13 para 46. There is a transitional rule for non-domiciled or deemed domiciled individuals who are non-resident in or before the tax year 2025-26. Those individuals who are not domiciled in the UK under common law on 30 October 2024 (whether or not deemed domiciled) can effectively lose their inheritance tax tail after only three years of non-residence, provided they are not resident in 2025-26 and do not return to the UK.

If they return to the UK within ten years of leaving, the new rules will apply. In effect, then they can take advantage of the position under the old law stated above.

Although this transitional provision will not apply to individuals who are UK domiciled under common law on 30 October 2024, it does apply to formerly domiciled residents. If the individual was not a formerly domiciled resident and not deemed domiciled under s 267 (because they had been here less than 15 years by April 2025 or had lost their deemed domicile by then), they are not within the scope of inheritance tax at all provided they are non-resident in 2025-26.

This transitional provision gave a clear incentive for non-doms to leave by April 2025. For example, a non-dom who had been here for 40 years and leaves on 6 April 2026 will have an inheritance tax tail for 10 years after leaving. If that same non-dom is non-UK resident as at 6 April 2025, they will only be within scope of inheritance tax on foreign assets until 6 April 2028, provided they do not become UK resident within 10 years of leaving.

For younger non-doms, inheritance tax may not be a practical concern; however, for the older non-dom having a shorter inheritance tax tail may well be crucial.

In upcoming issues, Emma will cover the targeted areas of spouses, deemed domicile and treaties, and the complex world of trusts and settlements.

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The much enlarged 5th edition of *Chamberlain and Whitehouse Trust Taxation and Private Client Tax Planning* was published in April 2024 and an update will be published next year. She is joint chair of the Private Client (International) Committee of the Chartered Institute of Taxation.





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Mind your motives

Transfer of assets abroad

A recent First-tier Tribunal decision highlights the challenges of demonstrating the motive defence for transfer of assets abroad purposes.

by Valeriy Ilchenko

The transfer of assets abroad (ToAA) code is a cornerstone of the UK's anti-avoidance regime, designed to prevent individuals from avoiding UK income tax by transferring assets to persons abroad – such as non-resident companies and trusts – so that income falls outside the UK tax net. The code is set out in the Income Tax Act 2007 and operates through two principal limbs:

- **The transferor's charge:** This applies to individuals who have transferred assets abroad and either:
 - i) retain the power to enjoy the income arising from that transfer or any associated operation (Income Tax Act 2007 s 720); or
 - ii) have received, or are entitled to receive, a capital sum connected with the transfer or any associated operation (s 727).
- **The non-transferor's charge:** This applies to individuals who are not transferors but receive benefits as a result of a transfer of assets abroad or any associated operation (s 731).

While the ToAA code is intentionally broad, it is tempered by the so-called 'motive defence' exemptions. These exemptions are intended to ensure that only arrangements with a tax avoidance purpose, or those lacking genuine commercial substance, are caught by the rules. If the motive defence applies, it protects the taxpayer from income tax under both the transferor's and non-transferor's charges.

The motive defence: statutory framework

For transactions effected after 4 December 2005, Income Tax Act 2007 s 737 provides an exemption from the ToAA code if the individual satisfies an HMRC officer that either Condition A or B is met:

- **'Condition A'** is that it would not be reasonable to draw the conclusion, from

Key Points

What is the issue?

The transfer of assets abroad code aims to prevent tax avoidance by taxing income derived from assets transferred abroad. The code includes a motive defence that exempts taxpayers from charges if they prove that tax avoidance was not a purpose of the transactions, but recent cases highlight the difficulty of meeting this evidential burden.

What does it mean to me?

The First-tier Tribunal in *A Moran v HMRC* demonstrated the difficulty of establishing the motive defence, especially with decades-old transactions, limited evidence and the involvement of third parties, resulting in the defence being rejected due to indications of tax motivation.

What can I take away?

Taxpayers should holistically review their offshore structures, document evidence meticulously, prepare detailed disclosures and defence files and engage proactively with HMRC to manage enquiries effectively.

all the circumstances of the case, that the purpose of avoiding liability to taxation was the purpose, or one of the purposes, for which the relevant transactions or any of them were effected.

- **'Condition B'** is that:
 - a) all the relevant transactions were genuine commercial transactions (see s 738); and
 - b) it would not be reasonable to draw the conclusion, from all the circumstances of the case, that any one or more of those transactions was more than incidentally designed for the purpose of avoiding liability to taxation.'



CALL FOR EVIDENCE: OFFSHORE ANTI-AVOIDANCE RULES

The ToAA rules are a component of the broader and complex offshore anti-avoidance legislation. Acknowledging the intricacy of the current regime and the need for simplification, the government has launched a call for evidence entitled 'Personal tax: offshore anti-avoidance legislation'. This initiative encompasses the ToAA, as well as the settlements and capital gains tax anti-avoidance provisions.

On 21 July 2025, the UK government published its summary of responses to this call for evidence. It is encouraging to note the government's commitment to improving the operation of the rules in this area, including the subjective nature of the motive defence test and the lack of clarity around what must be disclosed to HMRC to obtain certainty. The government has indicated that it will consider how best to engage with relevant experts as it develops further reforms in this area.

It has also been clarified that any changes to the legislation are not expected to take effect before the 2027/28 tax year at the earliest, which represents a delay from the original target date of 2026/27 announced previously.

It is necessary to determine the purposes for which the relevant transactions were undertaken, taking into account not only the actions of the individual but also those of others who designed, advised on or otherwise effected the transaction. The individual's assertions, by themselves, are insufficient; instead, all the surrounding circumstances must be considered, requiring an objective assessment of the relevant evidence. Conditions relating to exemptions for transactions effected before 5 December 2005 can be found at s 739.

Evidential burden

The burden of proof lies squarely with the taxpayer, who must demonstrate that Condition A or Condition B of the motive defence are met. The motive defence exemption applies automatically if the relevant conditions are met. According to HMRC guidance (International Manual INTM602660), taxpayers who wish to rely on an exemption must provide a full explanation of all relevant transactions, including the applicable amounts, as well as specific reasons why they believe the exemption applies. This information should be included when completing their Self Assessment tax return to satisfy an HMRC officer.

While there is the normal right of appeal to the tribunal, in the first instance the taxpayer must be prepared to provide evidence that will satisfy an inspector. In effect, the taxpayer must prove a negative: that tax avoidance was not one of their purposes. HMRC guidance (International Manual INTM602600) notes that the evidence required will depend on the individual circumstances, and it is for taxpayers to determine what evidence is appropriate to support their case.

The Moran case: a practical illustration of the challenges

The recent First-tier Tribunal (FTT) judgment in *A Moran v HMRC* [2025] UKFTT 540 (TC) (see tinyurl.com/2uvz9htr) starkly illustrates the practical challenges that taxpayers face in discharging this burden for ToAA motive defence purposes.

The taxpayer (Mrs Moran) lived in a UK home held via an offshore structure set up by her husband many years ago without realising that the use of the property was taxable on her under the ToAA rules. Given that the structure was set up by her husband without her involvement, she could not proactively demonstrate that the conditions of the ToAA motive defence were met.

The facts of the case, though complex, can be summarised as:

- Mr Vincent Moran purchased a residential property, Highlands, in 1987 as the family home. He left the UK in 1994 and never returned to reside in the UK.
- Mr Moran incorporated two Jersey companies, Namib Limited ('Namib') in July 1994, and Watcher Limited ('Watcher') in February 1995. Beneficial ownership of the Namib shares was transferred to Watcher in March 1995.
- He established a Jersey discretionary trust, the Blest Trust, in February 1995, and settled shares in Watcher into said trust on the same date.
- The freehold of Highlands was transferred to Namib in December 1995.
- In October 2001, the Castletown Trust was established, and Watcher transferred its beneficial ownership in Namib to this trust.
- Namib had no income-producing assets and received loans from Watcher to finance property maintenance.





- Mr Moran died in August 2002 in a boating accident. Mrs Moran lived in the Highlands property rent-free during these years.

HMRC assessed Mrs Moran on the basis that her rent-free occupation constituted a benefit taxable under the non-transferor's charge of the ToAA regime. Mrs Moran appealed against HMRC's assessment, arguing:

1. The ToAA rules did not apply as the technical pre-conditions for an Income Tax Act 2007 s 731 charge were not met (i.e. the loans from Watcher were not associated operations).
2. Even if the pre-conditions were met, the motive defence (Condition A) under s 737 and/or s 739 applied.
3. The ToAA charge was contrary to EU law (the freedom of movement of capital).

All these arguments were ultimately dismissed by the FTT. Although the FTT provided useful commentary on each argument, this article focuses solely on the domestic motive defence exemptions. The following aspects of the FTT's approach are particularly noteworthy:

Burden of proof: The FTT confirmed that the burden of proof rests with the taxpayer. The judge acknowledged the difficulty of this task, given the passage of nearly 30 years since the relevant transactions, the deaths of key individuals, the retirement of participants and the scarcity of documentary evidence.

Evidence: Compelling evidence is required to discharge the burden. In the *Moran* case, the evidence was limited: the FTT considered both positive evidence (from surviving documents and witnesses) and negative evidence (ruling out alternative theories). The judge placed significant weight on a 2002 attendance note from professional advisers, which referred to 'asset protection from the UK Inland Revenue', indicating a UK tax motivation for the offshore structure.

Witness statements and assertions:

The argument that the transfers were motivated by asset protection from creditors was not supported by convincing evidence. Specifically, there was no indication from the documentary evidence that Mr Moran was in financial jeopardy or that creditors threatened his assets. The FTT also noted that witness statements were influenced by a desire to mitigate Mrs Moran's UK tax liabilities and so gave such statements little weight.

Relevance of tax advice: The FTT judge enquired whether tax advice was taken by Mr Moran when setting up the structure to understand whether there was a tax motivation. However, it was not possible to locate any such advice despite extensive enquiries.

Decision-making approach: The FTT judge approached the matter from the perspective of a hypothetical HMRC officer. After considering all the evidence presented, the judge was not satisfied that the motive defence had been

established. The judge concluded that the structuring was motivated by UK tax considerations, specifically a desire to reduce exposure to inheritance tax and to minimise the taxation of UK-resident beneficiaries in relation to accommodation benefits.

The FTT's approach demonstrates that the intentions of the relevant parties, as well as the surrounding circumstances, will be carefully examined. Even limited references to tax protection can be fatal to the motive defence.

The challenges

Given the insufficient evidence available in this specific case, the FTT's decision is not surprising. However, it highlights fundamental challenges with discharging the burden of proof in ToAA cases: the relevant transactions may have occurred decades earlier, the taxpayer may have had no involvement at all, and very limited information or documentation may be available to discharge the burden of proof.

In theory, the motive defence should be available if the taxpayer can show that it would not be reasonable to conclude that tax avoidance was a purpose (particularly for post-4 December 2005 transactions, where the wording makes clear that there is an element of objective examination). In practice, however, HMRC rarely accepts such hypothetical arguments unless there is documentary evidence supporting the specific non-UK tax reasons for transactions.

Taxpayers often seek advice from a range of advisors, and some of this advice may be protected by legal privilege, which is a fundamental human right. HMRC's Litigation Strategy acknowledges that no adverse inference should be drawn from a taxpayer's decision to maintain privilege over legal advice received; however, in the context of the ToAA rules, this can present a dilemma. While no negative inference should be made, a taxpayer may find themselves unable to provide the positive evidence required to satisfy HMRC, as doing so could necessitate waiving privilege.

HMRC's guidance (International Manual INTM602680) states that if an individual chooses to withhold particulars that may contain material evidence about transactions (such as legally privileged advice), this may lead the HMRC officer to conclude that the conditions for exemption are not met. This will place taxpayers in a challenging position as they balance the protection of privileged communications with the need to provide sufficient evidence to support their case.

Even when some evidence is available and submitted to HMRC, questions often

arise regarding its sufficiency. HMRC's requests for information are frequently very broad, and responding to such extensive requests can be an onerous exercise for taxpayers. The inherent scepticism in HMRC's approach, combined with the absence of clear guidance on what is strictly required to satisfy an inspector, means that ToAA enquiries are often prolonged and can be particularly frustrating for taxpayers as they attempt to substantiate their position.

Where does this leave taxpayers?

Pending the outcome of the government's announced consultation process, taxpayers will need to continue operating under the current rules for at least the next two tax years (2025-26 and 2026-27). With the abolition of the remittance basis of taxation, a significantly broader group of individuals will be brought within the scope of the existing ToAA regime. Individuals who currently qualify for the new Foreign Income and Gains regime (please refer to the January issue of *Tax Adviser*) should carefully consider how it interacts with the ToAA, particularly from a disclosure perspective.

Taxpayers who wish to rely on the motive defence should examine their structures holistically and consider appropriate disclosure to HMRC, including the following steps.

1. Review of facts and evidence

Reviewing the purposes of relevant transactions: This involves assessing the underlying motivations for the establishment and ongoing operation of offshore structures.

Evaluating evidence: All available evidence should be critically examined, with particular emphasis placed on contemporaneous documents, including professional advice, meeting notes and emails. As previously noted, special consideration must be given to materials that may be subject to legal privilege.

Quantifying relevant income and considering anti-avoidance provisions:

It is necessary to quantify the relevant income protected by the defence and to analyse the potential interaction with wider anti-avoidance provisions, including the settlements rules and the capital gains tax anti-avoidance provisions (Taxation of Chargeable Gains Act 1992 ss 3, 86 and 87).

2. Document results of review

Documenting the results of the review:

The form of such documentation will depend on the circumstances of each particular case. It is important for such materials to document relevant facts holistically, set out technical ToAA preconditions and only then consider the availability of the ToAA defences in sufficient detail.

Drafting disclosure on the tax return:

When drafting the disclosure, it is important to bear in mind that the quality of the disclosure is an important factor considered by HMRC when deciding whether to open an enquiry into the position (International Manual INTM602600).

Preparing a 'defence file': Given the complexity of the motive defence exemption, it is prudent to assume that HMRC will open an enquiry into the position following submission of the tax return claiming the motive defence. Preparation of the defence file allows taxpayers to explain the position comprehensively at an early stage of an enquiry.

3. Engagement with HMRC

Dealing with an enquiry: Should HMRC open an enquiry, it is important to review HMRC's information requests and understand their specific areas of concern. This will help the enquiry process to be more focused and streamlined. Clear articulation of

the factual position and all available defences are crucial to resolving enquiries on this matter in an effective manner.

Engaging with HMRC: In complex cases, it may be beneficial to engage proactively with HMRC to address any concerns and agree on a practical course of action.

Conclusion

The *Moran* case highlights the considerable evidential burden that taxpayers face when seeking to rely on the motive defence under the current ToAA rules. In light of this, taxpayers are strongly encouraged to review both their historical and planned transactions. Best practice continues to be meticulous record keeping, comprehensive evidence gathering and the maintenance of a robust defence file.

There is hope that the government's ongoing consultation will result in improvements to the operation of the ToAA rules and broader anti-avoidance measures, thereby simplifying compliance for taxpayers and administration for HMRC. However, given the complexity of the task, no changes are anticipated before 6 April 2027. In the meantime, taxpayers should continue to follow the best practices outlined above until any reforms are implemented.

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Family investment companies

The bet you didn't mean to place

Family investment companies are a long-term gamble – especially when not carefully planned or reviewed over time.

by Charlotte Alderman and Emma Cheeseman



Family investment companies (FICs) are frequently touted by tax advisers as the silver bullet to a client's estate planning problems. Given the £325,000 limit on how much can be placed into trust without an upfront inheritance tax charge, FICs on the face of it provide a useful way to pass value to younger generations whilst retaining control over the assets. There are countless articles around proclaiming the benefits of FICs, but do advisers need to be cautious before suggesting a FIC to a client?

In this article, we consider both the 'accidental' FIC and the 'advised' FIC. The former is a long-running company where shares have slowly been passed down the generations by way of gift, the creation of new share classes or a mixture of the two. The latter is a new company formed with the intention that it should be a FIC – a bet you meant to place versus one you didn't know you'd made.

Joanna, the accidental gambler

Throughout this article, we will use the example of Joanna, 85 with failing health, who falls into the accidental FIC category.

Joanna formed a company in 1992 to use as a vehicle to purchase 15 flats rented to statutory tenants in North West London. Her initial subscription for 100% of the share capital was £450,000. The indexed base cost of those 15 flats is £1 million, and their market value is £16 million.

In 2010, Joanna gifted 10% of the shares in the company to each of her three adult children, and the relevant capital gains tax was paid at the time. She therefore retains a 70% shareholding, which has a discounted value of £7.5 million and a base cost of £315,000.

During her recent divorce settlement, Joanna gave up other matrimonial assets to avoid diluting her holding in the company. As such, her estate now consists of her main residence, valued at £2 million, with an outstanding mortgage of £1.5 million, and her shares in the company. She has no liquid assets, living off a small pension.

As a result of these circumstances:

- Joanna's estate will have insufficient cash to pay the inheritance tax on her death;
- Joanna herself has insufficient liquid assets to pay any capital gains tax due on lifetime gifts; and
- realising cash within the company by selling properties will result in tax at almost 25% of the proceeds, given the minimal base cost.

The reader might be thinking that this is a result of poor tax planning on Joanna's part. After all, she does fall into the accidental FIC category. However, it is contended in this article that even the best advised FIC on day one can encounter similar issues later down the line.

Key Points

What is the issue?

Family investment companies are often promoted as a tax-efficient estate planning tool, allowing families to pass wealth to future generations while retaining control. However, FICs – whether deliberately structured or formed accidentally over time – can create significant long-term challenges.

What does it mean to me?

While FICs may offer tax advantages during the growth phase, the benefits often diminish upon liquidation due to double taxation. The article highlights multi-generational complications, family governance issues, regulatory burdens and the limited asset protection FICs offer compared to trusts.

What can I take away?

Advisers must carefully assess whether a FIC truly meets a family's needs, considering simplicity, liquidity and long-term planning. Sometimes, traditional methods like outright gifts or trusts may be more effective and less risky.

Tax in brief

Readers of *Tax Adviser* will be well versed in the taxation of companies compared to the taxation of individuals, and we do not seek to regurgitate what has already been said many times before. Similarly, there are anti-avoidance provisions which must be borne in mind if you are advising a

client to set up a FIC. For those that need a reminder of the general tax position of FICs, we would point you in the direction of the article by Sofia Thomas and Sharon Dosanjh in the September 2021 *Tax Adviser* article 'Protecting the family fortune' (see tinyurl.com/36vmv9hx).

Know the odds: tax rates and arbitrage

To analyse whether a 'typical' FIC is worthwhile, we modelled two investment portfolios – one financial and one property (see pages 21 and 22). We compared the outcomes under personal ownership and through a FIC using broad assumptions and current tax rates.

These illustrations highlight the underlying wager that long-term tax efficiency will outweigh complexity, governance and future risks.

Our modelling highlights that even modest changes in input assumptions, such as the balance between income and capital returns, can materially affect the long-term outcomes. The scenarios are illustrative and based on simplified, realistic assumptions that aim to isolate the impact of the FIC itself. For example, if a financial portfolio generates little or no dividend income, the FIC cannot benefit from the dividend exemption and so the investment income is taxed before being reinvested (as opposed to the entire dividend being available for reinvestment).

These examples are not intended to predict actual outcomes. They compare the same asset base held personally versus through a FIC, using consistent investment returns and sale patterns over a period of 30 years.

Illustrative portfolio growth graphs

The graphs on pages xx and xx illustrate how the portfolio values evolve over 30 years for both scenarios (corporate and personal ownership).

The corporate portfolios show higher compound growth:

- **Financial portfolio:** largely due to the lower corporation tax rate and dividend exemption.
- **Property portfolio:** largely due to the lower corporation tax rate and the ability to deduct mortgage interest.

However, once the portfolios are liquidated, the personal ownership structure in both portfolios result in slightly more post-tax proceeds.

The differences are modest, and the outcomes are sensitive to the assumptions used for the illustrative calculations.

Modelling conclusion

In both cases, the portfolio owned by the FIC may grow larger over the time

period under certain assumptions, but once the portfolios are liquidated and distributed to shareholders, the portfolio owned personally is likely to deliver a similar or better outcome. The double layer of tax on liquidation is likely to outweigh any tax arbitrage, even when the benefit of the tax arbitrage has been compounded over a long time.

This assessment applies equally to both advised and accidental FICs; however, for accidental FICs, like Joanna's, there may be no modelling at all, just a situation that evolves slowly over time and is difficult to unwind.

The following factors influence the illustrative modelled outcomes:

- percentage of assets sold each year and reinvestments;
- investment returns and future tax rates;
- portfolio composition, i.e. equity vs fixed income;
- use of leverage (especially in property companies); and
- exit plans and timeline.

In both examples, we have compared ownership personally with ownership through a corporate vehicle of the same underlying assets, with the same investment growth and over the same time period, to try to isolate the impact of the wrapper itself.

Even with professional modelling tools, these projections remain sensitive to multiple assumptions and should be treated as indicative. The decision to use a FIC is ultimately a long-term bet on tax policy, investment returns and not just a calculation on tax savings using a fixed set of assumptions. The next sections discuss whether it is worth placing that bet.

Stick or twist: is a FIC right now and forever?

There are many articles outlining the benefits of FICs, especially advised FICs with long-term planning in mind. However, our modelling illustrates examples where this is not the case and for many families, especially those with accidental FICs, those benefits may never materialise.

When considering estate planning, tax is rarely the only driver. Another is to leave simplicity for future generations. When a FIC is considered as a long-term planning vehicle, many clients conclude that the FIC is passing complexity down a generation, which in itself is unattractive. Some do implement an advised FIC, and others find themselves in a similar position to Joanna with an accidental FIC.

So, what are those complexities?

1. Multi-generational complexities

A FIC on the surface of it can seem like an attractive way to pass value from, say, parents to adult children. Parents gift shares with income and capital rights to their children, retaining the voting rights in a separate share class. There will be some value in the voting rights (a matter for another article!) but the majority of the value will have passed to the adult children. Provided the parents survive seven years, they will not be subject to inheritance tax on their death.

This is efficient inheritance tax planning for the parents, but what about the children? When they come to do their estate planning, the shares will be sitting at a potentially significant gain, much like Joanna with shares worth £9.5 million with a base cost of £315,000. To pass that value down to their own children, therefore, they would be faced with the following options:

1. Hold the shares until death and suffer inheritance tax at 40%.
2. Liquidate the company, pay corporation tax on gains at company level, and pay capital gains tax on the growth in value of the shareholding at 24%. Gift the net cash proceeds and survive seven years, otherwise face inheritance tax in addition to the corporation tax and capital gains tax.
3. Gift the shares and face a dry tax charge on the growth in value of the shareholding at 24%, assuming they hold other assets to pay the tax. Again, survive seven years, otherwise face inheritance tax in addition to the capital gains tax.

Faced with the above scenario, many second generation FIC shareholders will choose liquidation. The FIC, therefore, does not serve its purpose as a multi-generational planning vehicle. This is the reason for modelling liquidation after 30 years.

2. Family relationships

Families are inherently complicated, particularly as the familial relationships become more distant. Siblings might get along, but will cousins? Share ownership can raise expectations about entitlement and disagreements can arise about access to funds and the dividend policy. The emotional implications of ownership without any control can be significant.

3. Regulatory complexities

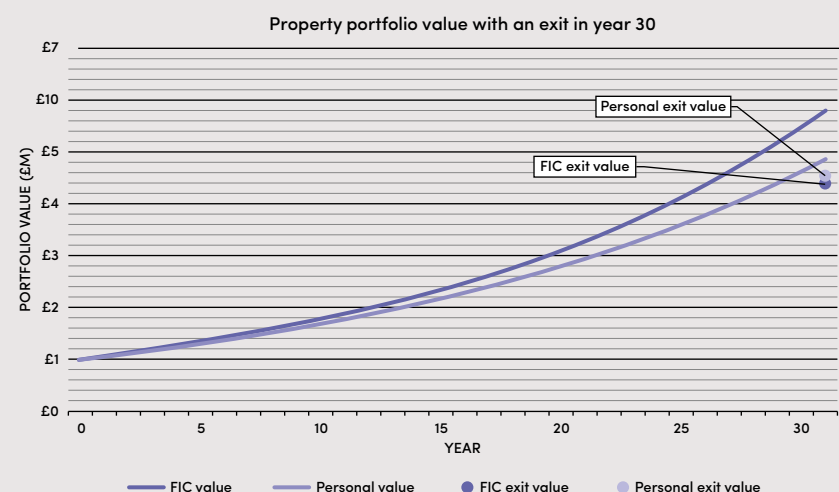
A FIC requires management, accounting and regular review. In practice, FICs require a level of professionalism that can be disproportionate to the amount invested or the client's affairs. Even FICs with small portfolios must comply with the Companies Act 2006 by maintaining

FINANCIAL PORTFOLIO

Assumptions:

- Additional rate taxpayer
- £1 million invested in Year 1 (today)
- The portfolio is split: 50% into fixed-income investments earning 3% annual interest; and 50% into equities providing a 3% dividend yield plus 4% capital growth.
- At the end of each year the investor sells 10% of the holdings.
- Net sale proceeds are reinvested to keep the portfolio balanced.
- All assets are sold at the end of 30 years. In the corporate scenario, proceeds are distributed via liquidation.

Illustrative portfolio growth graph



Illustrative outcome

Scenario	Final cash (after 30 years)
Personal: after portfolio liquidation	~ £4.6m
Corporate: after portfolio and company liquidation	~ £4.4m

statutory records, filing accounts, upholding directors' duties and ideally having a shareholders' agreement to govern decision-making and ownership.

4. Asset protection

Finally, FICs are often described as a useful tool for asset protection or for handing wealth down to generations whilst accumulating wealth at the corporation tax rate. The founder can retain control by remaining a director and owning shares that come with the decision-making power.

However, the level of asset protection available is not the same as a trust and so, if asset protection is the main driver, it's likely that a trust will be more suitable.

In most scenarios, it is our view that there are other options which are likely to be more appropriate as they involve less complexity and don't require the individual to place a bet on the future tax landscape. For example, a simple gift or a bare trust.



FICs can create significant long-term challenges for future generations.

Death and the FIC

What about clients, like Joanna, who are FIC shareholders with significant latent gains and are, sadly, unlikely to survive the seven years if they make a lifetime gift? There is no desire to sell the company to a third party, and the children cannot afford to purchase the shares.

In these cases, there is no silver bullet. Joanna will likely die holding the shares, and her executors will need to find a way to fund the inheritance tax. Payment of tax by instalments may soften the blow, but it does not reduce the overall tax payable, and with HMRC interest rates currently at 8.25%, many clients would prefer to accelerate the payment.

Inheritance tax will be payable on Joanna's death of £3.07 million, calculated as follows:

	£m
House	2.000
Less mortgage	(1.500)
Shares	7.500
Total	8.000
Less: Nil rate band	0.325
Taxable estate	7.675
Tax at 40%	3.070

£500,000 could be paid from the equity in Joanna's house, but the estate will need to realise cash of £2.57 million from the company to fund the inheritance tax if the instalment option is not taken.

Option 1: Liquidation

Although the base cost of the shares will have uplifted to probate value on Joanna's death, the underlying company assets will not have. Corporation tax at 25% will therefore be payable on the £15 million capital gain at company level.

	£m
Proceeds from flats	16.000
Less: corporation tax	(3.750)
Net proceeds	12.250
70% share on liquidation (ignoring liquidators and other costs)	8.575
Less: inheritance tax paid	(2.570)
Less: capital gains tax on disposal of shares	(0.258)
Residuary estate value	5.747

In addition, as this is a liquidation, the three children will pay capital gains tax on their own 10% holdings in the company.

Option 2: Dividend

Instead of liquidating the company, the company could make a dividend distribution. This would be taxed at 8.75% on the estate, although this can be taxed at up to 39.35% in the hands of the eventual beneficiary of the estate. Therefore, the estate would need to receive a dividend of £2.816 million to pay the basic rate tax at 8.75% and have net cash to pay the £2.57 million inheritance tax.

As this would be a dividend, it would need to be paid to all entitled shareholders (depending on how the share capital of the FIC has been structured). In a worst-case scenario, where there is only one share class

with dividend rights, a dividend of £4.023 million would need to be declared across all shareholders, which would require the sale of five flats:

	£m
Proceeds from flats	5.333
Less: corporation tax	(1.250)
Net proceeds	4.083
Dividend declared	(4.023)
Cash remaining in company	0.060
Properties remain in company (net of latent corporation tax)	8.167
Value of company	8.227

The value of the residuary estate would be calculated as follows:

	£m
70% shareholding (undiscounted)	5.759
Cash received from dividend	2.816
Less: inheritance tax paid	(2.570)
Less: income tax on dividend	(0.246)
Cash remaining in estate	(0.000)
Residuary estate value	5.759

Additionally, the beneficiaries of the estate may be subject to further tax on the estate income of up to £861,200 (being 39.35% less the 8.75% paid by the estate), although there may be the opportunity for will planning to mitigate this. If the 10% shareholders are additional rate taxpayers, they would also each be subject to income tax of £158,310 on their dividends.

Option 3: Share buyback

Instead of paying a dividend to all entitled shareholders, the company could enter into an agreement to repurchase its shares up to the value required by the estate to pay the inheritance tax. As the FIC is an investment company, capital treatment would not be available on the buyback, and instead the estate would be subject to income tax at the basic dividend rate. Again, the beneficiaries of the estate may be subject to further income tax at the higher or additional rate.

Buybacks are inherently more complex than simple dividend distributions or liquidations, and the figures below are simplified for many of the nuances which would arise in practice, for illustration only.

This would require the sale of four flats:

	£m
Proceeds from flats	4.267
Less: corporation tax	(1.000)
Net proceeds	3.267
25% buy back paid	(3.063)
Cash remaining in company	0.204
Properties remain in company (net of latent corporation tax)	8.983
Value of company	9.187

The value of the residuary estate would be calculated as follows:

	£m
45/75 shareholding	5.512
Cash received from buyback	3.063
Less: inheritance tax paid	(2.570)

Less: income tax on buyback	(0.268)
Cash remaining in estate	0.225
Residuary estate value	5.737

As can be seen above, the route to paying the inheritance tax is not simple, particularly in cases where the FIC is invested in illiquid assets.

HMRC scrutiny and legislative risk

Even where the structure has been properly implemented, it is important to consider the ongoing risk of tax policy change or a change in the interpretation of current tax rules. These risks may not undermine every structure, but they increase the stakes. The decision to use a FIC or property company is not only a bet on future rates, but on the sustainability of the structure under scrutiny. A FIC set

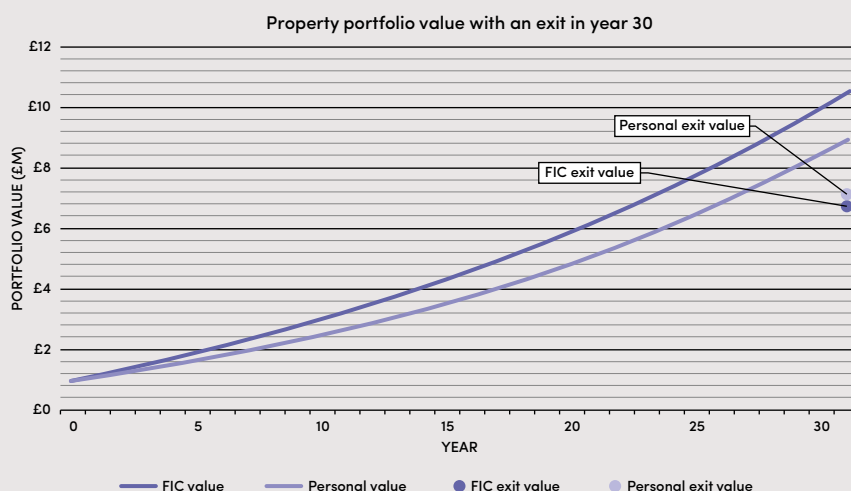
PROPERTY PORTFOLIO

£1 million equity in a property company

Assumptions:

- Additional rate taxpayer
- £1 million invested in Year 1 (today)
- The capital is used as a 25% deposit to purchase properties worth £4 million, financed by a £3 million interest-only mortgage (75% LTV).
- The properties yield rent equal to 5% of their value each year.
- Property prices grow at 3% per year.
- Mortgage interest rate is 4%.
- Rental profits are retained in the company and accumulate as cash.
- All assets are sold at the end of 30 years. In the corporate scenario, proceeds are distributed via liquidation.

Illustrative portfolio growth graph



Illustrative outcome

Scenario	Final cash (after 30 years)
Personal: after portfolio liquidation	~ £7.1m
Corporate: after portfolio and company liquidation	~ £6.8m

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up today on the basis on current tax rates may look much less favourable in five or ten years.

Conclusion: betting wisely

For advisers, a FIC is something to discuss, an alternative to a trust and a way to provide some options to a client. However, FICs are not a one size fits all solution. While there are cases where a FIC can be an appropriate structure, advisers must remain cautious of overselling the long-term benefits without fully considering liquidity constraints, family governance and the potential for tax policy change.

Setting one up is akin to placing a series of bets: on future tax rates; on the performance of investments; on the ability of directors to manage the company; on the stability of legislation; and on the family to continue to have aligned goals.

Joanna's case illustrates how an accidental FIC can trap wealth and create liquidity problems. Even for advised FICs,

where structures are designed carefully, future tax charges, governance breakdowns or poor investment performance can quickly turn a calculated bet into a failure.

Financial planning, regular review and a clear exit strategy are important to establish what bet you are making.

Before setting up a FIC, ask:

- Do you need a company?
- Are you prepared for the long game?
- How will you fund the future inheritance tax bill?
- How will you manage the company?

Like any gamble, of course, a FIC might pay off, but only if you are sure that you understand the odds and are willing to live with the consequences. The best bet for many families is still the simplest: make outright gifts when you can afford to, use trusts where appropriate, and remember that doing nothing may sometimes be the wisest move.

Before recommending a FIC, advisers must be confident that it solves more problems than it creates, not just today but for generations to come.

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Leasehold enfranchisement

Fractional interests?

Leasehold enfranchisement, where tenants collectively acquire the freehold through a management company, may result in complex and controversial tax implications.

by Leigh Sayliss

Leasehold enfranchisement, where tenants collectively buy the freehold of their flats, has complex tax implications under current HMRC interpretations.

When tenants acquire the freehold via a management company, it was assumed that each tenant exclusively owns the reversion of their flat and can extend their lease with no tax consequences. However, HMRC contends that each tenant holds a fractional beneficial interest in the reversions of all the flats. HMRC's approach has led to multiple tax assessments and appears contrary to the original intention of leasehold enfranchisement, which aimed to grant tenants exclusive rights to their flat's freehold reversion.

In 2017, I wrote an article for *Tax Adviser* on 'Tax traps for tenant owned flat management companies'. The article focused on problems that can arise if tenants (inadvertently) buy the freehold of their block of flats, such that the management company owns the freehold in its own right. I had considered that if the management company owned the freehold as nominee for the participating tenants, there should not be a problem as, under Taxation of Chargeable Gains Act 1992 s 60, each participating tenant would be treated as:

- owning all rights and interests in the reversion to their own flat (effectively a 'flying freehold' over their flat); and
- having no interest in the reversion to the flats of any of the other participating tenants (as each participating tenant would have exclusive rights to the flying freehold over their own flat).

If there were any non-participating tenants, the participating tenants would jointly own the reversion of their flats as a shared investment in the usual way. Common parts of the property would also be owned jointly but are likely to have only nominal value. Therefore, any participating tenant could extend their lease with no tax consequences for themselves or any other tenant (as granting a lease extension to oneself would be a non-event for the purposes of capital gains). If a tenant sold their flat and the associated freehold interest, the only capital gains charge that would arise would be in relation to their flat (unless they could claim principal private residence relief), plus any reversionary interest in the flats of non-participating tenants.

A question of division

However, in response to a draft of my 2017 article, HMRC put forward the view that,

in such a situation, rather than each participating tenant having the exclusive interest in relation to the reversion of their own flat (and no interest in the reversion of the flat of any other participating tenant), each participating tenant holds a fractional beneficial interest in the reversion of every flat, including the flats of the other participating tenants.

I am sure that this comes as a surprise to many tenants (and their advisers) and I have set out below some of the perverse consequences of this view.

To keep matters simple here, I will assume that the relevant capital gain calculation on lease extension is based on the receipt by the freeholder of the relevant lease premium as a capital sum (treated as a disposal under Taxation of Chargeable Gains Act 1992 s 22). I will also assume that the reversion of the freehold of each flat can be treated as a separate asset to the reversion of any of the other flats.

The methodology used by at least one HMRC officer in calculating capital gains on lease extensions involves part-disposal calculations that give further perverse results – but that can wait for another article.

How this works in practice

Take the example of a block of ten identical flats. In 1995, all the tenants participate in buying the freehold under the Leasehold Reform, Housing and Urban Development Act 1993, using a management company (ManCo). All of the documentation makes it clear that ManCo holds the freehold on bare trust for the tenants.

Assume that the market value of a 999-year lease extension of each of the

flats, at a peppercorn rent, would be £2,000. (Throughout this article I have tried to use realistic approximations of value based on average London prices and online lease extension premium calculations.)

With ten flats, the value of the freehold would, therefore, be £20,000 and the value of each tenant's investment in the freehold is £2,000, apportioned at £200 per flat per tenant.

The following events then take place:

1. In 1995, immediately after the purchase, Alex extends the lease of Flat 1.
2. In 2025, Sam extends the lease of Flat 2.
3. In 2025, Jo sells Flat 10.

Let us now look at how HMRC views each of these events in turn.

Event 1: Alex extends the lease of Flat 1

Immediately after the purchase, Alex, the tenant of Flat 1, extends the lease to a 999-year peppercorn lease. Because no premium is paid, the transaction is not at arm's length and so the arrangement is taxed as on a market value basis.

HMRC regards this arrangement as Alex (as tenant) entering into lease extensions with each of the ten tenants – effectively 10% each – and each tenant needs to consider their personal tax position.

At this stage, there is no capital gains tax charge – for Alex this is because a transaction 'from Alex to Alex' is a non-event for capital gains purposes, while for the other tenants it is because there is no actual gain.

The analysis

When the lease is extended, each tenant (other than Alex):

- starts with a base cost of £200 in respect of the reversion of Flat 1's freehold; and
- is deemed to have received a capital sum of £200 (10% of the £2,000 lease extension premium that Alex would have been required to pay to extend the lease on market value terms).

Therefore, the other tenants do not realise any gain.

Event 2: Sam extends the lease of Flat 2

In 2025, Sam, the owner of Flat 2, extends the lease on the same basis as was done by Alex for Flat 1.

This is where the first shock comes to the tenants. By 2025, the value of the reversion of Flat 2 has increased not only because of the general increase in

property prices but also because the remaining term of the lease is now 30 years shorter than when the freehold was bought.

For Sam, the extension of the lease of Flat 2 will be a 'Sam to Sam' transaction and a non-event for capital gains purposes (as was the case for Alex with Flat 1). However, each of the other tenants will realise a capital gain on which they will be taxed.

Even if the tenants use their own flats as their home, they cannot claim principal private residence relief because the gain is in relation to an interest in Sam's flat (in which they do not live).

The analysis

By 2025, the market value cost of a lease extension would be £60,000.

Under HMRC's analysis of ownership, each tenant (other than Sam):

- starts with a base cost of £200 in respect of the reversion of Flat 2 (as noted above);
- is deemed to have received a capital sum of £6,000 (10% of the market value £60,000 lease extension premium).

Therefore, all of the tenants (other than Sam) will have realised a capital gain of £5,800.

Event 3: Jo sells Flat 10

In 2025, shortly after Sam has extended the lease of Flat 2, Jo sells Flat 10, which has been Jo's only home since 1995. The sale also includes any interest that Jo has in the freehold.

In HMRC's view, Jo is selling two separate types of asset:

- the (short) lease of Flat 10; and
- Jo's interest in the reversions of the eight flats for which the leases have not been extended.

As Jo is disposing of multiple assets, it will be necessary to apportion the sales proceeds between those assets.

Whilst Jo's lease of Flat 10, and interest in the reversion of Flat 10, are interests in Jo's principal private residence (and hence not subject to capital gains tax), Jo will be taxable on the gain from disposal of the freehold interest in Flats 3 to 9 (principal private residence relief will not be available, as Jo had not lived in those flats).

The analysis

When Jo sells Flat 10, in addition to selling the lease of Flat 10, Jo is also selling an interest in 10% of the value of the reversions of Flats 3 to 9, valued at: $7 \times £6,000 = £42,000$ (the reversions of Flats 1 and 2 have no value as the leases have already been extended).

Therefore, Jo is receiving £42,000 of the sales proceeds of Flat 10 as payment for the disposal of the reversionary interest in Flats 3 to 9. After deducting £1,400 (the base cost at £200 for each of the seven flats), Jo will have a chargeable gain of £40,600.

What does this mean?

In case anyone thinks that the above analysis is purely academic, I will note here that I am aware of several enquiries in which HMRC have actually raised assessments on lease extensions on the above basis.

I fully accept that, where some of the tenants do not participate in a leasehold enfranchisement, the participating tenants hold the reversion in respect of their flats as an investment. Therefore, where a non-participating tenant extends their lease, it is completely proper that the participating tenants are taxed on their share of the extension premium.

However, I would be interested to know how many people, other than HMRC, consider that it was the intention of freehold enfranchisement under the Leasehold Reform, Housing and Urban Development Act 1993 that, when tenants acquired the freehold of their property, they would each then:

- be taxed every time that another participating tenant extended their lease; and
- be taxed on selling a flat that has been their principal private residence, based on the value of the reversions of leases that have not been extended.

The solution is simple. There is no practical reason why the freehold of each flat cannot be treated as a 'flying freehold' with each participating tenant holding the rights in respect of the freehold of their flat – and this must surely more closely reflect the intention of leasehold enfranchisement.

I mentioned above that HMRC has methodology for calculating capital gains on a lease extension that produces perverse results – I will cover that in a future article.

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Reform of APR and BPR

A new era for trust planning?

The upcoming reforms to agricultural and business property reliefs, effective from 6 April 2026, necessitate careful estate and trust planning.

by Aidan Roberson and Eugenia Campbell

Key Points

What is the issue?

There are upcoming reforms to agricultural property relief and business property relief, which have long safeguarded family farms and businesses from inheritance tax pressures. From 6 April 2026, the default rate of relief will reduce from 100% to 50%, although a new 100% relief allowance of £1 million per individual (indexed over time) will apply to qualifying transfers.

What does it mean to me?

The new allowance refreshes every seven years, similar to the nil rate band, but is not transferable between spouses, highlighting the need to revisit wills and discretionary trust structures. For trusts, the rules are more complex but there may be planning opportunities, particularly prior to 6 April 2026.

What can I take away?

Careful planning is required during the transitional window before April 2026, including coordinated lifetime gifts, trust settlements and will reviews. Overall, the reforms mark a significant tightening of inheritance tax reliefs, demanding bespoke advice for taxpayers.

The history of inheritance tax can be traced back well over a century, and for much of that time death duties posed challenges for the continuity of family farms and businesses. Although concessions were introduced for agricultural property in 1925 and business property in 1954, it was not until the 1990s – when 100% reliefs were introduced for certain qualifying property – that farm and business owners could plan for succession without undue concern about inheritance tax liabilities.

Now, though, these concerns have returned thanks to the reduction in these rates due to take effect next year. From 6 April 2026, the default rate for agricultural property relief (APR) and business property relief (BPR) will reduce to 50%, albeit a new combined 100% relief allowance of £1 million will apply to qualifying transfers.

The reforms were announced in the Budget of 30 October 2024 with the draft legislation published on 21 July 2025, following an initial consultation.

This article explores this draft legislation, focusing on the operation

of the '100% relief allowance' for individuals and relevant property trusts.

Please note that all references are to the draft Finance Bill Measures Sch 1 and the APR and BPR Explanatory Note.

Summary of the key changes

The APR and BPR changes commence on 6 April 2026, with some anti-forestalling provisions effective from 30 October 2024. Broadly the key changes are:

- The default rate of relief for BPR and APR will be 50%.
- A new 100% relief allowance will apply to individuals and trusts. This will be capped at £1 million but subject to indexed rises.
- Gifts of qualifying property from 30 October 2024 may be affected if the donor dies within seven years.
- The individual 100% relief allowance refreshes every seven years, similar to the nil rate band, but is not transferable between spouses.

The 100% relief allowance will apply broadly to the same types of qualifying business and agricultural property as the current 100% rate does. However, 100% relief will no longer apply to unquoted shares and securities traded on a recognised stock exchange, including the Alternative Investment Market (AIM); for brevity

this article will refer to this category as AIM shares.

The changes could incentivise lifetime gifting to individuals (potentially exempt transfers) and into trust (chargeable lifetime transfers) before April 2026 with the potential for uncapped 100% BPR and APR. But there are complexities in calculating reliefs, as both types of transfers are revisited if the donor dies within seven years.

The new 100% relief allowance: individuals

The availability of the 100% relief allowance depends both on the timing of the transfer and the donor's date of death.

- For transfers made before 30 October 2024, the 100% rates remain unlimited if the donor dies within seven years.
- For transfers made between 30 October 2024 and 5 April 2026, 100% relief is unlimited if the donor dies before 6 April 2026.
- For transfers made from 30 October 2024 where the donor dies after 5 April 2026 and within seven years of the transfers, the relief will be recalculated using the 50% rates and the 100% relief allowance.

The allowance operates on a rolling seven year basis, similar to the nil rate band. Each individual has their own £1 million 100% relief allowance. When making a transfer on or after 6 April 2026, the individual must look back seven years from that date for other transfers which were relieved by BPR or APR. The amount of the allowance available is £1 million less the amount of BPR or APR previously claimed.

Importantly, as the allowance is not transferable between spouses and civil partners it will be important to review wills and discretionary will trusts to ensure the 100% allowance is not wasted.

Qualifying conditions and unlisted AIM shares

The 100% relief allowance will apply to broadly the same agricultural and business property as the 100% rate does currently (referred to as 'qualifying property' in this article). The exception to this is AIM shares, which will be relieved at 50% without the benefit of the 100% relief allowance.

The 100% trust relief allowance

Relevant property trusts do not automatically get a 100% trust relief allowance. Instead, a trust only acquires a 100% trust relief allowance if qualifying property is settled onto it on or after 30 October 2024. The amount of the

allowance is equal to the value of the BPR and/or APR claimed by the settlor in settling the trust, capped at £1 million across all trusts settled by the same settlor.

The 100% trust relief allowance is applied to exit charges and ten-year anniversaries for relevant property trusts, refreshing after the first quarter following each ten-year anniversary.

There are transitional rules for 'qualifying pre-commencement trusts', covered later.

Example 1: Settlements from 6 April 2026

Mrs Smith settles £3 million of qualifying shares onto Trust A on 1 November 2026. She can claim BPR at 100% on the first £1 million, with the balance relieved at 50% resulting in an inheritance tax entry charge. Trust A will get its own 100% allowance equivalent to the BPR claimed at 100% on settling the shares, i.e. £1 million.

Mrs Smith waits seven years for her 100% allowance to refresh and settles £600,000 of qualifying shares onto Trust B on 1 December 2033. This will use up £600,000 of her refreshed 100% relief allowance, so she will have no inheritance entry charge. This leaves £400,000 of 100% allowance for future use, ignoring any increases in the £1 million limit due to indexation.

However, Trust B will not get any 100% allowance, as this is calculated as £1 million less the allowance previously transferred by Mrs Smith into Trust A.

Example 2: Settlements between 30 October 2024 and 5 April 2026

Instead of waiting until 1 November 2026, Mrs Smith settles the £3 million of qualifying shares on 1 April 2026. BPR at 100% is available on the full £3 million, and Trust A receives the maximum £1 million 100% trust relief allowance.

Mrs Smith's personal 100% relief allowance is not used up by settling the trust, so long as she lives for more than seven years after settling Trust A. She therefore does not need to wait seven years before settling Trust B. However, although settling Trust A does not affect Mrs Smith's personal 100% relief allowance, it is taken into account for determining the 100% trust relief allowance for Trust B.

As Trust A used up the full £1 million, Trust B gets no 100% trust relief allowance.

Valuing the 100% trust relief allowance

A trust's 100% trust relief allowance can only be increased by settling further

qualifying property into it, assuming that the overall £1 million trust cap per settlor has not been reached.

Often, the 100% trust relief allowance will initially be equal to the qualifying property held by the trustees. However, if the qualifying property increases in value, there may be a liability to inheritance tax for future exit and ten-year charges.

The 100% trust relief allowance is based on the loss to the donor's estate, not the market value of the assets held by the trust. This might introduce planning opportunities where minority discounts apply when valuing shareholdings, particularly if split across multiple trusts.

It had been proposed that existing rules for valuing related property be extended so that property qualifying for BPR settled by the same settlor across multiple trusts could be connected for valuation purposes, even if the trusts were not settled on the same day. This provision was not included in the draft legislation, although the accompanying consultation suggests that it might yet be added before the legislation is finalised.

Example 3: Minority discounts

The minority discount can result in shares held by the trust having a lower value than the value removed from the settlor's estate. The discounts for valuing different size shareholdings in this example are for illustration purposes only.

Mr Thomas owns 100% of E Ltd, a wholly trading company with no excepted assets valued at £1 million. On 1 January 2027, he settles 49% of the shares onto Trust F. The fall in value in his estate and the 100% allowance acquired by the trust is calculated as follows:

- A 100% shareholding is valued at £1 million.
- A 51% shareholding is valued at: $51\% \times £1 \text{ million} \times 80\%$ (assuming a 20% minority discount) = £408,000.
- Therefore, the reduction in value of Mr Thomas's estate is £1 million less £408,000 = £592,000.

Assuming that Mr Thomas has £1 million of his 100% relief allowance available, this is reduced by £592,000 to £408,000. Trust F acquires a 100% trust relief allowance of £592,000.

However, if a minority discount of, say, 40% applied to Trust F's shareholding of 49%, then this could be valued at: $49\% \times £1 \text{ million} \times 60\% = £294,000$.

This means that the trust has a 100% BPR allowance of almost £200,000 more than the value of assets qualifying for

BPR initially settled in it. This could be advantageous, if the value of the shares is likely to appreciate.

Taking the example further, on 1 January 2028 Mr Thomas settles 41% of his remaining 51% shareholding into a second trust, Trust G. The loss to donor (and therefore the 100% BPR allowance of the second trust, assuming no change in the value of the company) is:

- A 51% shareholding is valued at: $51\% \times £1 \text{ million} \times 80\%$ (assuming a 20% minority discount) = £408,000.
- A 10% shareholding is valued at: $10\% \times £1 \text{ million} \times 40\%$ (assuming a 60% minority discount) = £40,000.
- Therefore, the reduction in value of Mr Thomas's estate is £408,000 less £40,000 = £368,000.

Trust G's shareholding is 41%, valued at: $41\% \times £1 \text{ million} \times 60\%$ (assuming a 40% minority discount) = £246,000, but its 100% allowance is £368,000 (more than £100,000 above the value of the asset settled in it).

Mr Thomas is left with a shareholding of 10% worth £40,000 and a remaining personal 100% relief allowance of £40,000.

If Mr Thomas had instead settled one trust with 90% of his shareholding in E Ltd, that trust would hold shares valued at £900,000 with a 100% BPR allowance of £960,000. Splitting the shareholding over two trusts could lower the share valuation from £900,000 to £540,000 (£294,000 + £246,000) but with the same 100% BPR allowance over the two trusts of £960,000 (£592,000 + £368,000).

However, if an extension of the related property rules is included in the final legislation, the shareholdings in E Ltd of Trust F and Trust G would be amalgamated, giving a total value of £900,000 (90% shareholding with no minority discount).

Temporary relaxation of ownership and occupation conditions

The delay between commencement of aspects of the rules and the release of

draft legislation means that many would have taken actions which would no longer be beneficial.

However, there is a relaxation of the two-year ownership period for BPR (and also the occupation condition for APR) to wind-up the trusts settled with qualifying property between 30 October 2024 and 6 April 2026. Qualifying assets appointed out to beneficiaries before 6 April 2026 will not trigger inheritance tax charges (subject to limitations such as for excepted assets), while retaining the 100% trust relief allowance. For example, planning undertaken after 30 October 2024 may now have less favourable consequences and a potentially exempt transfer might be more beneficial.

Care must be taken to consider other tax consequences of terminating a trust.

Trusts settled prior to 30 October 2024 (qualifying pre-commencement settlements)

A trust settled before 30 October 2024 may acquire a 100% relief allowance if it held property which qualified for 100% BPR or APR (as defined under the new rules) immediately before 30 October 2024; a 'qualifying pre-commencement settlement'.

A settlor can have many qualifying pre-commencement settlements, each with its own £1 million 100% trust relief allowance. Additionally, qualifying pre-commencement trusts will continue to have unlimited 100% relief up until the first ten-year anniversary after 5 April 2026 on qualifying assets. However, if a trust was originally settled with qualifying property but no longer held this just before 30 October 2024, it will have no 100% trust relief allowance.

Interestingly, a qualifying interest in possession trust could be a qualifying, pre-commencement settlement. For

example, if it was created by the will of a deceased settlor prior to 30 October 2024, the £1 million allowance could apply on the death of the life tenant.

Traps for the unwary

The strict chronological rules of the 100% trust relief allowance introduce some inflexibility and potential pitfalls. There is a window of opportunity to settle trusts before 6 April 2026 with uncapped 100% relief on entry.

However, ongoing monitoring is required for interaction between trusts created by the same settlor (both lifetime and testamentary trusts) and to ensure that transfers between spouses on death do not result in relief being wasted. It is important that taxpayers take advice specific to their circumstances and plan carefully when using trusts. The key considerations include:

- reviewing wills to avoid loss of the 100% allowance on death;
- coordinating lifetime gifts and trust settlements to optimise relief;
- reviewing the position for trusts settled with AIM shares; and
- monitoring developments from the ongoing consultation, which may refine the legislation before enactment.

Conclusion

The proposed reforms to APR and BPR represent a significant shift in inheritance tax planning. While the introduction of a 100% relief allowance offers some protection for qualifying property, the reduced default rate and new limitations require careful navigation.

Tax advisers should act now to help clients make the most of the transitional period and prepare for the new regime with bespoke succession strategies.



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Home Sweet Homes

The impact of non-occupancy

We look at a case where main residence relief was given despite the appellant not actually living in the properties concerned.

by Keith Gordon

This is (I believe) my 250th case report for *Tax Adviser* and I will treat myself by writing about a case in which I was actually instructed (alongside chambers colleague, Siobhan Duncan). The only other time that I wrote about one of my own cases in *Tax Adviser* was almost exactly 10 years ago in the November 2015 issue.

One advantage of writing about one's own case is the greater awareness of some of the issues than can always be derived from the judgment itself; a disadvantage, of course, is the risk of a lack of objectivity. I hope that readers will forgive the latter.

At a high level, the case concerns the availability of main residence relief. As readers will be aware, the relief generally requires not only

occupation of a dwelling house (or part of a dwelling house), but that occupation also has to have sufficient quality so as to make the property the taxpayer's 'residence'.

For example, the case law is littered with cases where taxpayers buy a property and, before actually moving in, some unexpected situation arises and the taxpayers end up selling. When the property market is buoyant (or if improvements have been carried out) what might have been expected to be an exempt asset suddenly becomes one where capital gains tax might fall due. A typical scenario is where a couple buy a property together only for the relationship to founder before they move in. In such cases, tax might not be the first thing on the taxpayers' minds, but a hefty tax bill could nevertheless become a further consequence of the breakdown of the relationship.

Even moving into the property might not be sufficient to avoid a capital gain. The leading case here is the Court of Appeal's decision in *Goodwin v Curtis (HM Inspector of Taxes)* [1998] STC 475. In that case, an individual moved into a house when it was already on the market. It was held that the occupation of the property was as a stopgap measure, a view that was reinforced by the fact that the house was clearly too big for occupation by a single man (and the fact that it was already in the process of being sold).

Notwithstanding these ominous signs, the taxpayer in the present case – *Campbell v HMRC* [2025] UKFTT 867 (TC) – did not claim to have lived in three out of the four properties under review and, when he occupied the fourth of them, it was already on the market to be sold.

The facts of the case

Between 2010 and 2016, Mr Campbell purchased four different houses relatively close to his parents' home. Each was substantially renovated and sold at a profit.



Key Points

What is the issue?

Mr Campbell purchased and sold four properties between 2010 and 2016. Despite not physically residing in the properties, Mr Campbell argued that they qualified for relief due to an extension of the rules deeming a property to be occupied as a main residence while the taxpayer resides elsewhere in job-related accommodation.

What does it mean to me?

The court rejected HMRC's claim that Mr Campbell was engaged in property trading and accepted that his residence with his parents was necessitated by his employment as a full-time carer for his father.

What can I take away?

Mr Campbell's claim was supported by evidence including detailed medical documentation and property photographs showcasing personal touches. Maintaining extensive documentary evidence, such as photographs and records, is important, especially where tax risks or property matters are involved.

HMRC started to investigate the case and concluded that Mr Campbell was carrying on a trade of property development and, in the alternative, they charged him to capital gains tax on the gains arising. Furthermore, HMRC imposed penalties on the basis that Mr Campbell had deliberately failed to notify HMRC of his chargeability to tax.

Mr Campbell appealed against HMRC's decisions and the appeal went to the First-tier Tribunal, which gave its first decision in the case in early 2022. The tribunal accepted that Mr Campbell was not trading. However, it rejected his argument (expanded upon below) that the properties qualified for main residence relief. The First-tier Tribunal also upheld HMRC's contentions that Mr Campbell had deliberately failed to disclose his chargeability to tax.

It was at this point that I (and shortly afterwards, Ms Duncan) became involved. We took the case to the Upper Tribunal and argued that the First-tier Tribunal had wrongly considered Mr Campbell's main residence argument.

The essence of Mr Campbell's case was that his father had become ill with a progressive illness in 2007. By early 2010, his father's condition had deteriorated to such an extent that he required full-time care but he was unwilling to be looked after by strangers. As a result, the appellant gave up his career as a mechanical engineer and became his father's paid carer. The role required Mr Campbell to be available around the clock, even though the paid hours were initially only 24 hours per week (later increased to 35); the contract also required Mr Campbell to reside at his parents' home.

In the meantime, Mr Campbell sought a home of his own, as somewhere that he could escape to when his duties to his father were less pressing. Mr Campbell argued that he could rely on an extension to the main residence rules which deems a property to be occupied as a main residence at any time when the taxpayer is living elsewhere in accommodation which is job-related, provided that it is intended that the taxpayer will in the future occupy the property as a main residence.

It will immediately be seen that, unlike the normal rules concerning main residence, this extension does not require the taxpayer ever to have occupied the property as a main residence; the intention is sufficient (for as long as it lasts).

What made Mr Campbell's case somewhat more difficult (both factually and from the perspective of presentation) was that he was making this claim in respect of four distinct properties over a

six-year period. However, in each case, there were reasons why the properties unexpectedly ceased to be attractive to Mr Campbell, leading him to sell them and, subsequently, acquire a replacement.

The Upper Tribunal agreed that the First-tier Tribunal had misapplied the statutory test and furthermore that it had also wrongly adopted HMRC's categorisation of Mr Campbell's conduct as deliberate. The Upper Tribunal also rejected HMRC's second attempt to treat Mr Campbell as a property trader.

The Upper Tribunal then remitted the case to a differently constituted composition of the First-tier Tribunal.

The First-tier Tribunal's decision

The case came before Tribunal Judge Tony Beare and Dr Phebe Mann.

They had to consider whether, in respect of each of the four properties, the following three statutory tests were met:

1. Mr Campbell's residence with his parents was necessary for the proper performance of the duties of the employment (as defined in Taxation of Chargeable Gains Act 1992 s 222(8)(a) and (8A)(b));
2. The accommodation at his parents' home was provided for him by reason of his employment (s 222(8)(a) and (8A)(a)).
3. The appellant intended in due course to occupy his own properties as his only or main residence (s 222(8)(b)).

The tribunal heard evidence from both Mr Campbell and his mother. It decided that the nature of Mr Campbell's work made residence with his parents necessary for the proper performance of the duties of the employment, even though Mr Campbell was able (and encouraged by his mother) to spend downtime in his own properties.

The tribunal also considered the fact that Mr Campbell had been living with his parents on and off in the period before he took on employment as his father's carer. However, the tribunal noted what Mr Campbell's mother had said at the hearing: '...had the appellant not been required to live in her home in order to care for her husband, she would have wanted him to have his own home and he would have moved out'.

HMRC had sought to rely on the fact that, when he was 17, Mr Campbell had been in intensive care following a serious car crash, and his parents kept a vigil for him at the hospital during his recovery. HMRC tried to argue that that level of love meant that Mr Campbell (when in his thirties) could always be guaranteed a home with his parents and, therefore, it was the family ties that provided the basis for Mr Campbell being provided





accommodation at the family home. Mrs Campbell's oral evidence to the contrary helped to defeat that argument.

For these reasons, the tribunal accepted Mr Campbell's arguments that his parents' home represented job-related accommodation (as defined in s 222(8A)).

However, that still required Mr Campbell to show that he intended to occupy each of the properties acquired as his only or main residence (as required by s 222(8)).

In each case, he was able to prove that, from the time of acquisition, that was indeed his intention. In each case, there came a point in time at which that intention ceased (generally the time when he put the respective property on the market). However, the calculation of the exemption (in s 223(1)) provides for a grace period at the end of the period of ownership in which the main residence exemption is given, even if the property is not at that time the taxpayer's only or main residence (or, as in this case, even if the property has ceased to qualify as a deemed main residence).

That grace period is currently nine months in most cases. However, in the tax years under review in Mr Campbell's case, it was originally 36 months and, for the later properties, 18 months. In three of the four cases, the change of intention took place within the relevant grace period, meaning that the capital gain was wholly exempt. In the fourth case, the property took a long time to sell, meaning that there was a taxable gain arising. However, that gain was covered by the annual exempt amount, meaning that no capital gains tax was payable.

That conclusion meant that the penalties also disappeared. (For completeness, it should be noted that, at the remitted hearing, HMRC accepted that any failure to notify chargeability was not in fact deliberate.)

Mr Campbell's appeal was therefore allowed in full.

Commentary

This case was a perfect example of the principle: 'I wouldn't start from here.' Although we argued the case on the basis that Mr Campbell had not occupied the four properties as a residence, it was at least arguable on the facts that he had. He was in them nearly every day, whenever his caring responsibilities allowed him a break, and there was plenty of evidence to substantiate that view.



The importance of having considerable documentary evidence should never be underestimated.

However, the advisers previously engaged by Mr Campbell early in the investigation took the view that s 222(8) was the way forward. In my view, that was a risky strategy (even though it ultimately succeeded). I would have preferred to have been able to run the case on two alternative bases – indeed, much of the evidence that proved Mr Campbell's intentions to occupy the houses as his main residence could have supported the argument that he was actually living there all along. However, by the time that I was instructed, that opportunity had long gone.

Mr Campbell's case was assisted by the fact that he had taken lots of photographs of the properties. They showed that his cats had taken up residence in each. They also showed that Mr Campbell had decorated the properties to his own idiosyncratic taste (or, in the case of the first property, to his then girlfriend's taste). This undermined the suggestion that the properties were being done up for a quick sale at a profit.

Furthermore, three of the properties were bungalows which, as Mr Campbell explained, was to facilitate visits by his father. Mr Campbell also chose kitchen tiles to match his father's favourite football team so as to make him feel more at home whenever he did visit. In addition, in one set of photographs, Mr Campbell can be seen in the properties, being visited by his parents, with 'Welcome to your new home' cards in the background.

There was also detailed medical evidence explaining the nature of his father's illness and his care requirements. Letters from a doctor and a nurse made clear that, from a medical perspective, Mr Campbell's duties required him to live at the same address as his father.

Another helpful fact was that in 2017 Mr Campbell purchased a fifth property, also to be occupied by him as his main residence. In many ways, that fifth property was no different from the previous four. However, there was not the supervening event which made continued ownership/occupation no longer attractive. Although the tribunal recognised that this could have been simply as a result of Mr Campbell exercising caution, given that HMRC's investigation started in 2017, it accepted that Mr Campbell had been seeking an appropriate property to occupy in due course as his only or main residence since he bought the first of the properties but that, in the case of each of them, supervening circumstances arose which meant that he decided to dispose of the relevant property.

What to do next

Although there is tremendous benefit in hearing a taxpayer's oral evidence, the importance of having considerable documentary evidence to support one's case should never be underestimated. Mr Campbell was fortunate that he was able to access such evidence.

Accordingly, in any situation where there is a potential tax risk, particularly if it concerns one's home, compiling photographic records can be a useful precaution.

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Authorised Corporate Service Provider

Compliance requirements

Tax advisers must comply with specific record-keeping and verification processes to enhance corporate transparency and reduce fraud risks.

by Karen Eckstein

The Authorised Corporate Service Provider (ACSP) regime is now in force. The Economic Crime and Corporate Transparency Act 2023 introduced new registration requirements for third-party businesses and individuals filing information at Companies House and for verifying the identity of directors and people with significant control.

This process is intended to improve the integrity of the Companies Register, aiming to reduce fraud, the use of false identities and 'shell' companies. The ID verification process is intended to enhance trust in those behind companies (including owners, controllers and directors).

Once the filing requirements become mandatory in Spring/Summer 2026, any CIOT or ATT member who will be filing documentation on behalf of their clients (including accounts) at Companies House will need to be registered as an ACSP in order to be able to do so.

However, third parties are able to register their business as an ACSP now, and firms are able to verify the identity of clients on a voluntary basis.

But what does this mean in practice? What are the rules? How do advisers comply with ID verification for ACSP? What does this mean for advisers in terms of risk and what processes do they need to consider implementing in practice?

The introduction of ACSP

There has been some confusion over the timelines relating to identity verification and filings. The timeline opposite sets out the schedule for the introduction of ACSP.

However, this timetable relates to mandatory ID verification for newly appointed directors and new PSCs. Because many existing directors and PSCs already hold those roles, there is a

12-month transition period for them starting from 18 November 2025:

- Existing directors must verify their identity by the time that their first confirmation statement due after 18 November 2025 is filed.
- If existing PSCs are also directors of the same company, their deadline generally aligns with the confirmation statement date.
- If they are PSCs but **not** directors, their deadline is related to their birth month (the first day of the month of birth) after 18 November 2025, and they must complete verification within a 14-day window.

Some key rules

If tax advisers are acting as ACSP, there are some relevant rules that they must be aware of.

ID verification of clients: The role of the ACSP will not only be to file the documentation on behalf of their clients. They must also undertake the ID verification of their clients (or ensure that their clients have done this themselves). The ACSP will not be able to file documentation for their clients if ID verification has not been undertaken.

Record keeping requirements: There is one important change to record keeping requirements. Under usual anti-money laundering (AML) regulations, AML records are kept for **five** years after the client relationship ends. However, for ACSP purposes, the records of client verification must be kept for **seven** years from the request for ID verification. There will need to be a change to the document retention policies and procedures to ensure that practitioners satisfy both obligations.



Key Points

What is the issue?

The Authorised Corporate Service Provider (ACSP) regime requires third-party agents such as tax advisers who file documents at Companies House to register as ACSPs and verify client identities. This regime aims to enhance transparency and compliance in corporate filings.

What does it mean for me?

CIOT and ATT members filing on behalf of clients must register as ACSPs to continue submitting documentation to Companies House. ACSPs must verify client identities before filing and cannot file without completed verification.

What can I take away?

ACSPs must keep their own registration details current, including AML supervisor changes, senior contact updates, and address changes. Failure to update within 14 days can lead to fines, suspension or cessation of ACSP status, preventing clients' filings and causing reputational harm.

Updating requirements: There is a positive duty for the ACSP to comply with updating requirements for their own details, with significant consequences if they fail to do so (see below). The ACSP must always be registered with at least one AML supervisory body; and must inform Companies House if the information submitted about the ACSP changes, within 14 days of the change. If requested, the ACSP must also provide information about their filings with Companies House, ID checks, and proof that they are complying with their legal responsibilities.

How does the agent comply with ID verification

There are three ways in which ID verification for ACSP can be carried out under the new regime. There are pros and cons of each, which advisers should consider before deciding which is the most appropriate option for their business.

Ask the client to verify their own identity

Clients can verify their own identity using the GOV.UK One Login service. This service is free and can be completed using a smart phone or by entering ID details online and completing the process in person at a participating Post Office branch.

This may be an attractive option at first sight. However, clients may not expect or want to undertake the process themselves, expecting their adviser to carry out the process for them. Many clients will also not understand that the process of ID verification is different from the AML process, which must be undertaken by advisers.

If the tax adviser refuses to undertake ID verification (whilst still wanting to undertake AML), tensions may creep into the relationship which will need careful handling, particularly if other advisers are prepared to undertake ID verification for clients.

Identity Document Validation Technology

Identity Document Validation Technology (IDVT) is technology that allows advisers to verify a client's identity remotely using biometric documents (such as passports, driving licences or biometric residence permits) together with facial recognition or liveness checks. The cost is relatively modest, possibly less than £10 per verification, and it should be possible to disburse that cost back to clients.

The IDVT verification should also comply with AML verification requirements and so would not amount to a duplication of cost and process – though as these are different processes, the results need to be stored differently. The adviser will be responsible for the outcome of the IDVT search, so it is important to ensure that it is properly performed and the IDVT provider is credible.

ID verification training

The final option is to send one or more staff members on approved document verification training courses, so that they can verify client documents such as passports and driving licences. It is important to note that merely seeing the documents if you haven't been on the course will not amount to compliance with the regulations.

TIMELINES FOR THE INTRODUCTION OF ACSP

25 February 2025	The Regulations came into force, enabling registration as an ACSP.
18 March 2025	The ACSP registration portal launched under Companies House, allowing third-party providers (e.g. tax advisers, accountants and lawyers) to begin applying to register as an ACSP.
8 April 2025	The voluntary ID verification period for individuals (directors and people with significant control (PSCs)) with Companies House began. Individuals can verify their identity either directly through Companies House (via GOV.UK One Login) or through an ACSP.
18 November 2025	Mandatory ID verification begins for newly appointed directors : This applies to those appointed from 18 November 2025 onwards. They must verify their identity before their appointment is registered (i.e. as part of incorporation or when being appointed to an existing company).
18 November 2025	Mandatory ID verification begins for new PSCs : This applies to those newly registered as PSCs from that date, generally with a short deadline (14 days) after their PSC registration.
Spring/Summer 2026	There will be a mandatory ACSP requirement for third-party filings. Only those registered can file on another's behalf.

The cost of the course can be significant and the risk of making errors in the verification are likely to be greater than if using IDVT.

Risks with ID verification

If the ACSP chooses to adopt the manual method of ID verification – training staff to check client documents themselves – there are important risks and practical issues to consider, and the risk of error is likely to be higher. Primarily, if the person who verifies the documents isn't properly trained, the verification process will not be valid.

The adviser must be able to prove that verification is carried out in line with Companies House requirements. Guidance suggests the while the client doesn't always need to be seen in person, the original documents may need to be physically checked, and scanned copies may not suffice.

If the verifier fails to spot a counterfeit passport or other fraudulent ID, the adviser has technically not complied – even if they acted in good faith. In such a case, regulators are likely to scrutinise what steps the adviser took, and whether they were adequate in the circumstances.

If a client later turns out to have a false identity, the adviser must show a clear audit trail of all verification steps taken. Without such records, it will be difficult to defend the firm's position. Strong internal processes – including training, checklists, escalation procedures and record-keeping – are essential to mitigate this risk.

By contrast, using IDVT provides an automated, standardised process that is easier to evidence and defend. It also creates a digital audit trail of checks performed, such as chip validation, biometric match and fraud detection). Finally, IDVT can support remote verification without requiring clients to present themselves in person. However, deciding which process to use and how to manage that internally will be a decision for each firm, based on their risk and client profile.

Keeping agent information up to date

One issue which advisers registering as ACSPs need to be acutely aware of – and for which they must put in place robust, well-documented processes – relates to an aspect that is rarely discussed: keeping the agent's own information up to date.

- To register as an ACSP, a firm must:
- already be supervised under the UK Money Laundering Regulations (AML supervision);
 - have a senior member of the firm make the application, using a monitored email address and providing the firm's address;
 - ensure that the applicant verifies their own identity (usually via the GOV.UK One Login system); and
 - add other members of the firm as users if needed (these users do **not** need to verify their identity individually).

Problems, though, can emerge when there are changes within the firm: the firm changes its AML supervisory body; the senior member who originally made the application retires or resigns; or the firm moves offices or changes its registered details. In many practices, these updates are overlooked. However, under the ACSP regime, failing to act quickly creates serious legal and operational risks.

The official Companies House guidance is clear:

'The agent will be committing an offence if they do not comply with legal requirements. This means the sole

trader, or all company directors (or equivalent), could receive a fine or face criminal prosecution.'

Companies House may suspend or cease (revoke) the authorised agent's status. This means that:

- The agent cannot file on behalf of clients or verify identities, and the agent's online account will be closed, and all users will lose access. This could delay transactions, funding or sales. Clients could suffer financial loss and may pursue claims against the adviser.
- Companies House will publish the agent's name, status and date of suspension/cessation, creating reputational damage.
- If necessary, Companies House will contact clients whose identities were verified by the adviser and require re-verification.

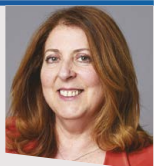
Even inadvertent administrative failures (such as missing an email after a partner retires) could cause significant client dissatisfaction and attrition.

In conclusion

Maintaining accurate and up-to-date ACSP information is a business-critical compliance obligation. Firms must treat ACSP updates as seriously as AML obligations – because the consequences of non-compliance can include criminal liability, reputational damage and direct financial harm to both the adviser and their clients.

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Levelling up Sustainable development

The UN Sustainable Development Goals promote tax policies to support economic growth in developing countries.



by Dan Witt and
Jim Robertson

Almost exactly ten years ago, on 25 September 2015, the 193 countries of the UN General Assembly adopted the 2030 Agenda for Sustainable Development which created the 17 world Sustainable Development Goals. Since then, most reputable organisations have shown some form of support or commitment to delivery of the goals.

The goals are all related. Tax policies can encourage investment, which leads to employment, which leads to taxation, which in turn leads to development. In virtually all circumstances, economic growth is a prerequisite for revenue growth.

The importance of growth

What is the purpose of taxation? The answer is clear: to provide adequate revenues that fund the necessary functions of government. In the words of an opinion in a famous decision of the US Supreme Court, 'taxes are what we pay for civilized society' (*Compania General de Tabacos de Filipinas* 275 US 87 (1927)). Taxes provide a continuing source of revenue. Governments use these revenues to promote economic development and social progress.

However, this seemingly simple question on the purpose of taxation quickly raises other equally important questions. First, how do governments

determine the levels of taxation that will best meet their needs? Second, how should policymakers determine which tax policy is best?

The answer to these questions should determine both the scope and contours of tax policy and the design of the tax system. The purpose of tax policy should be to encourage investment and thus drive economic growth using a simple formula: **Investment** leads to **employment**, which leads to **taxation**, which leads to **development**.

Increases in tax revenues, and hence a government's ability to fund essential functions, depend on profitable businesses employing workers – and on investors, domestic or foreign, placing funds into those businesses or starting new businesses. In virtually all circumstances, more growth means more revenue.

Too often, discussions on tax policy miss this most important element. It is too simple to adjust the level of tax rates in response to economic conditions (or worse, to favour certain types of economic activity over others). Instead, a focus on growth should shift policymakers' priorities to a more fundamental question: how to design a tax system to promote the economic growth that *itself* drives higher revenues.

China is perhaps the world's most prominent example of rapid economic

growth leading to the eradication of poverty. Other nations seek to follow this path, but they need assistance in doing so – and encouragement to stay the course even in difficult times with demanding fiscal pressures.

Through its Belt and Road Initiative (BRI) – a massive global infrastructure and economic development strategy launched by President Xi Jinping in 2013 – China has sought to develop closer ties with developing countries around the world so that other nations may embark on the same path of development and economic growth. Over 140 countries have signed up to BRI related projects.

A focus on growth works. African countries highlight the trend. According to the World Bank's Global Economic Prospects Report of June 2025, Sub-Saharan Africa's real GDP growth is now projected to accelerate from 2.9% in 2023 to 4.3% in 2027.

Consider Kenya, which according to the Report is projected to have a GDP growth rate of 4.5% in 2025 and which is building that growth on the foundation of a very diverse economy not reliant on one

dominant sector. Ethiopia, which had an economy smaller than Kenya in 2020, is also on a growth push and is expected to overtake Nigeria in 2026. Many African countries already enjoy fast growth: countries including Benin, Ethiopia, Guinea, Niger, Rwanda, Uganda and Zambia are all forecast to have growth rates above 6% in 2026.

A tax system designed to promote growth

For many countries, tax incentives have long been pivotal in attracting investment. Yet as reforms progress, policymakers must consider how to design incentives that encourage productive investment while avoiding distortions, ensuring that they contribute positively to sustainable development as part of an overall strategy for growth.

To assist this process, governments should understand how tax policy influences investors' decisions, particularly as companies face a maze of tax regulations in a rapidly shifting environment.

Governments must also prioritise practical considerations. Companies must understand the impact of tax policies, ensure compliance and consider implications across diverse jurisdictions. Businesses generally favour broad-based and easily administered taxes. Simplifying invoicing and tax collection fosters efficiency and promotes investment. In contrast, unpredictability in a tax regime can deter investment, underscoring the importance of clarity and stability in tax frameworks to maintain investor confidence and stimulate economic growth.

It is important to stress that tax policy is not merely a question of determining tax rates. Excessively high tax rates discourage both domestic and foreign investment; excessively low rates mean that governments miss opportunities for revenue that can promote development. Setting rates appropriately is essential (and often challenging) but will depend on domestic circumstances. The more significant question is how a tax system is designed and the goals it seeks. Poor or corrupt tax administration, for instance, discourages foreign investment as surely as high rates do.

As a series of general principles, tax systems that promote economic growth are systems that are:

- **fair** to all taxpayers;
- **predictable** in their effects to drive investment and ensure that both domestic and foreign taxpayers understand their obligations;

SUSTAINABLE DEVELOPMENT GOALS



ITIC AND ADIT

Since it was established in 1993, initially to support investment in countries of the former Soviet Union, the International Tax and Investment Center (ITIC) has been running workshops in developing countries that are experiencing a significant increase in foreign direct investment, such as Tanzania, Mozambique and Uzbekistan. These events are aimed at educating local legislators and administrators in the ways of working of the industry that is making the investment. The workshop topics usually include an explanation of the industry's value chain, tax treaties, transfer pricing, subcontractor taxes and VAT considerations.

ADIT is the international tax qualification of the CIOT. It is highly respected by both tax practitioners and tax administrations in Africa and elsewhere, with around 800 new students registering each year. In terms of student numbers, the top three countries for ADIT in Sub-Saharan Africa are Uganda, Zimbabwe and Kenya.

ITIC and ADIT are both non-profit educational organisations and collaborate on a joint exhibition stand at the annual Congress of the International Fiscal Association. At the next one, in Lisbon, ADIT will be unveiling a new, standalone award for the global minimum tax, which is Pillar Two of the OECD's Base Erosion and Profit Shifting (BEPS) two-part solution (see tinyurl.com/38nxcncj).

To register for more information about the Pillar Two award as it develops, please contact Rory Clarke at rclarke@adit.org.

- **understandable** to promote very high levels of compliance; and
- **simple** for revenue administrations to administer, to reduce opportunities for corruption and support fairness and predictability in the overall system.

Of course, there are important steps that countries should take even while focusing on growth: improve transparency in tax systems; seek digital and artificial intelligence efficiencies; make tax administration fairer and more predictable as regards both direct and indirect tax; and bring more businesses into the formal economy where they will pay tax. African countries, including South Africa, Mozambique and Zambia, have made important reforms in these areas.

It is also important to ensure that tax administrations in developing countries have the necessary knowledge and skills to implement the tax policies, which require what the UN calls 'capacity

building'. An example of this is China's Belt and Road Initiative Tax Administration Cooperation Mechanism.

Capacity building: China

The Belt and Road Initiative Tax Administration Cooperation Mechanism (BRITACOM) is the non-profit official mechanism for tax administration cooperation amongst the 150 or so jurisdictions that subscribe to China's Belt and Road Initiative. These represent about 75% of the world's population and more than half of global GDP.

As its website (www.britacom.org) states: 'The vision of the BRITACOM is to facilitate trade and investment, foster economic growth of the Belt and Road Initiative jurisdictions and contribute to the fulfilment of inclusive and sustainable development as set out in the United Nations' 2030 Agenda for Sustainable Development.'

The BRITACOM aims to contribute to building a growth-friendly tax environment through cooperation and

WORLD ECONOMIC OUTLOOK UPDATE JANUARY 2025 GROWTH PROJECTIONS

(REAL GDP GROWTH, PERCENT CHANGE)



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sharing of best practices in following rule of law, raising tax certainty, expediting tax dispute resolution, improving taxpayer service and enhancing tax capacity building. It promotes reforms involving tax regimes in a range of industries, including extractive industries, agriculture and many others.

This work is geared to develop systems that are fair and predictable, while also promoting sustainable economic growth based on increased foreign and domestic investment.

In addition, BRITACOM has promoted the concept that these systemic issues require attention at the highest levels of national policymaking.

In conclusion

There is simply no way to achieve the UN Sustainable Development Goals without real, sustained economic growth that lifts people out of poverty, increases gender equality, builds national education and health systems, provides funding for addressing climate change,

and underpins strong domestic fiscal systems.

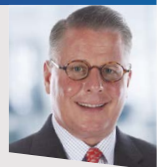
Collaboration and partnerships between the public and the private sector can aid governments in developing tax policy that promotes growth. This type of collaboration is supported by the UN under Sustainable Development Goal 17: Partnerships for the Goals. We should all follow its efforts and successes with interest.

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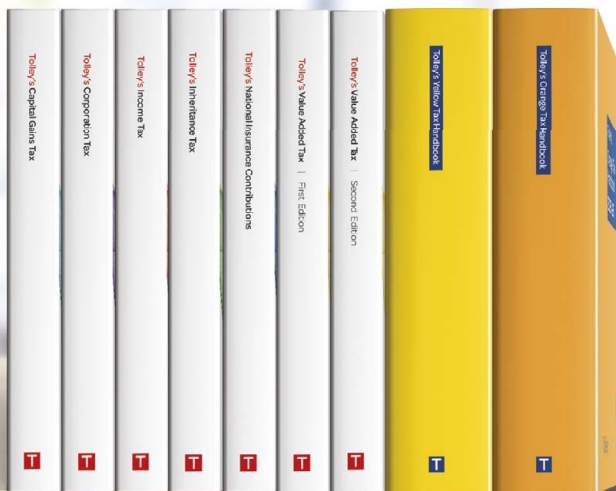
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Technical newsdesk

WELCOME

Emma Rawson

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October Technical newsdesk

It is a pleasure to be writing my first ever introduction to Technical Newsdesk, an honour I will be sharing with my colleagues at the CIOT on a regular basis going forwards.

As Director of Public Policy at the ATT, I oversee the work carried out by our technical team. I am always impressed at the wide range of issues the technical officers across ATT, CIOT and LITRG manage to cover. Their breadth of knowledge and expertise is reflected in this month's Technical Newsdesk, which covers issues ranging from employee ownership trusts to the winter fuel allowance and Scottish aggregates taxation. Truly something for everybody.

A key focus of many readers will be preparations for Making Tax Digital for Income Tax (MTD), which is being introduced in just six months' time. Given the impact that MTD is likely to have on our members (and their clients), the ATT has made it a strategic priority. I am proud of the range of free resources we are providing for members, all of which are available from our dedicated hub (tinyurl.com/4ub628ma).

We also hold monthly peer-discussion groups, where members can share their tips and practical advice. On 2 October, we will be holding an 'MTD – your technical questions answered' webinar, where we get into the deep technical detail of the requirements. If you miss this do not worry – a recording will be available on the website soon.

I would encourage those affected by MTD to read the pieces in this month's Technical Newsdesk on HMRC agent outreach and professional indemnity insurance. We know that the latter, in particular, has caused some concern for

members, and our Head of Professional Standards Jane Mellor has provided some helpful practical pointers. I would also encourage readers to look at the latest MTD-related PCRT guidance and engagement letter schedules, which are linked from Jane's article.

Although MTD may be a key focus for many, it is certainly not the only story in the tax world. This year has felt like something of a whirlwind, with ever increasing demands for the ATT, CIOT and LITRG to share their expertise.

Over the last couple of months, our technical teams have been very busy compiling comments on the wide range of draft legislation published at 'L Day' in July. Thank you to all those ATT and CIOT volunteers who contributed their time and expertise.

This draft legislation includes some headline grabbing measures such as changes to inheritance tax, as well as changes to agent registration and tackling promoters of tax avoidance that have a potentially very wide reach. We will feature our responses in next month's Technical Newsdesk, but in the meantime you can find them on the ATT (tinyurl.com/3tedc67f) and CIOT (tinyurl.com/mt5u84x4) websites.

Whilst the technical teams will no doubt breathe a sigh of relief once the last of these responses is submitted, it appears they will only have a brief respite (if that). We now know the Autumn Budget will take place on 26 November. This will bring new announcements and consultations, not to mention the inevitable speculation in the run-up period.

It certainly looks like the remaining months of 2025 will continue to be as eventful as it has been so far.

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Contact

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GENERAL FEATURE

Making Tax Digital for Income Tax and professional indemnity insurance

Considerations in relation to professional indemnity insurance should be made, as members prepare for Making Tax Digital quarterly reporting from April 2026.

As members prepare for the introduction of Making Tax Digital (MTD), it is important to be thinking widely about practice requirements. Members should ensure that risks are adequately covered by professional indemnity insurance (PII) and protect themselves with appropriate engagement letters and internal policies and procedures.

Guidance on the Professional Conduct in Relation to Taxation (PCRT) requirements in relation to MTD continues to be kept under review and the latest version of the topical guidance is available on the PCRT pages of the CIOT website (tinyurl.com/3xk7xc9u) and the ATT website (tinyurl.com/msxnbx72).

Insurers are only likely to take an interest in MTD once it has been in operation for a time and insurance claims start to be received. The CIOT and ATT are liaising with the other PCRT author bodies and insurance contacts and will update guidance for members as matters evolve.

In the meantime, members can consider some steps to protect themselves and minimise the risk of claims:

Review engagement terms: Make sure you review your engagement terms and have up to date agreements with clients. MTD schedules are provided jointly by the CIOT, ATT, ACCA, AAT and STEP, and are available on the CIOT website (tinyurl.com/2k5xw88n) and the ATT website (tinyurl.com/c37kdczu). These are being kept under review so check the webpage to ensure you are always using the most up to date versions.

Engagement letter schedules must be tailored to your own practice and the services provided. We are aware that some advisers will be dealing with bookkeeping, filing quarterly returns and doing the final submission, whilst others will provide more limited services.

Ensure the contractual terms make it really clear what the client responsibilities are and what you have agreed to do as their tax adviser. This includes thinking about software responsibilities, how you and the client will access data and what will happen if they move advisers part way through the year.

Technical requirements: Ensure that you keep up to date with the technical requirements of MTD and have appropriate procedures in place. You can find more information about the MTD rules and requirements on the ATT website (tinyurl.com/msc76793).

PCRT and Professional Rules and Practice Guidelines set out the fundamental principles which members must adhere to and include further guidance on how to meet the requirements. It is worth planning ahead now to make sure you have the resources in place to meet client requirements to the standards and deadlines required.

Cyber security issues: Think through cyber security issues and how you would deal with MTD and manage client requirements if your system became inoperable. The CIOT and ATT are working on further cyber security guidance and we recommend that members watch a recent webinar provided by the Cyber Resilience Centre for London, which provides a number of hints and tips about threats and how to respond (tinyurl.com/23p644xf).

You may also want to consider cyber liability insurance, which can help practices to get back up and running as swiftly as possible following an attack and cover other liabilities. The PII brokers who provide insurance compliant with CIOT and ATT PII requirements are also able to assist with cyber policies. Their contact details are available on the CIOT website (tinyurl.com/fchc6539) and ATT website (tinyurl.com/mv5dcauf).

If members have any queries regarding the points raised in this article, they should email standards@ciot.org.uk or standards@att.org.uk and the Professional Standards team will be happy to assist further.

Jane Mellor

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GENERAL FEATURE PERSONAL TAX OMB

HMRC launch Making Tax Digital agent outreach initiative

HMRC have launched a Making Tax Digital agent outreach initiative, where agents can register their interest for a Making Tax Digital readiness discussion with HMRC.

As part of their plan to support tax agents with getting their practice ready for Making Tax Digital (MTD), HMRC have

launched a new initiative where agents can register their interest for further readiness discussions with HMRC.

Agents can register their interest by completing a new form on GOV.UK (tinyurl.com/264wf5xv). When completing the form, agents will be asked to give permission to be contacted by HMRC by email, indicate how many of their clients are currently in testing and how many will be in MTD, and confirm that they are interested in a conversation with HMRC about MTD readiness and testing.

To access the form, agents should sign in with the government gateway ID and password linked to their Agent Services Account (ASA). If agents who wish to complete the form do not yet have an ASA, they can still complete the expression of interest form by signing in with their government gateway ID and password associated with their existing HMRC online services for agents' accounts. If using this method, agents must manually provide contact details.

After a form is submitted, HMRC will review responses and triage contact based on the information provided. Depending on the level of interest and volume of impacted clients/testing sign-ups, a range of engagement activities may be offered to agents who complete the form. This could include further information via email, virtual peer group sessions via Microsoft Teams and direct one to one support discussion (where appropriate). All forms of engagement will be virtual but will aim to capture the spirit of a face-to-face event.

Other support with MTD, including FAQs, readiness guides, webinars and peer-to-peer discussion sessions can be accessed from the ATT's MTD for Income Tax hub (www.att.org.uk/making-tax-digital-income-tax)

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OMB

Employee ownership trusts: trustee residence

HMRC has clarified the application of the law relating to trustee migration where the trustees of an employee ownership trust cease being UK resident.

Substantial changes to the taxation of employee ownership trusts (EOTs) were included in Finance Act 2025, amending the qualifying requirements for tax relief for EOTs for disposals made on or after 30 October 2024. The capital gains tax relief

provides that, if the qualifying criteria are met, disposals of ordinary shares in a company by a person other than a company to a qualifying EOT will be deemed to be for a consideration which gives rise to no gain/no loss. However, if a disqualifying event occurs in the four tax years following the tax year in which the disposal occurs, no relief is available on the disposal and any claim already made is revoked. The result of a disqualifying event is that the original vendors of the shares to the EOT are treated as not being entitled to any capital gains tax relief under Taxation of Chargeable Gains Act (TCGA) 1992 s 236H in respect of their disposal.

Interaction of s 236O and s 80

The CIOT queried with HMRC the effect of a disqualifying event where the trustees of an EOT become non-resident in the four-year period following the disposal into the trust. Where TCGA 1992 s 236O(2)(za), inserted by FA 2025, applies we queried the effect this would have on TCGA 1992 s 80 – as, if s 80 applies, then the trustees would also be treated as disposing of all the shares held by the trust at the time of the migration, and then immediately reacquiring them at market value.

In response HMRC have stated that the rules at s 80 relating to trustee migration are longstanding and predate EOTs, and that it has always been the case that where the trustees of an EOT cease being UK resident then they would be treated as having disposed of and reacquired the assets at market value (in the case of an EOT, the shares in the company). HMRC said that the FA 2025 changes to the EOT rules have not changed this position.

Thus, if such an event were to occur within the four tax years following disposal resulting in relief under s 236H being withdrawn, then the disposal by the vendors to the trustees would be recalculated at market value, meaning that the gain by the trustees on the deemed disposal under s 80(2) would be on any uplift in market value during their period of ownership.

In their response to us, HMRC added that s 236P(3A) (inserted by FA 2025) refers to s 80 because this section explicitly deals with events which trigger deemed disposal/reacquisition by the trustees. In contrast, s 236O deals with consequences on the vendors.

Grace period following the death of a trustee

We also noted the six-month grace period for a temporary breach of the residency or the trustee independence requirements due to the death of a trustee and queried whether this would apply if s 80 applies in the event of a disqualifying event under new s 236O(2)(za).

HMRC responded that the broad effect of s 81 is that where the trustees cease to be UK resident because of a death of a trustee, there is no charge on the deemed disposal/reacquisition of settled property under s 80(1), provided that the UK residency position is 'restored' within six months. HMRC said that new s 236O(2A) provides for a similar outcome with respect to the vendor of the EOT-owned company (that is, to preserve their claim for s 236H relief), provided that the UK residency position of the EOT trustees is likewise 'restored' within six months.

Matthew Brown matthewbrown@ciot.org.uk

EMPLOYMENT TAXES

Overseas workday relief interaction with off-payroll working rules

HMRC has confirmed that overseas workday relief continues to be available to those subject to the off-payroll working rules.

In response to a question raised about whether overseas workday relief continues to be available to those subject to the off-payroll working rules, HMRC have clarified that overseas workdays relief has been retained as part of the April 2025 reforms and is still based on employment income which relates to overseas duties.

As of 6 April 2025, overseas workday relief is available to qualifying new residents for their first four years of tax residence regardless of whether these earnings are brought to the UK or whether they are paid into an overseas account.

Furthermore, overseas workday relief continues to be available to those who are subject to the off-payroll working rules, despite the referenced sections of Income Tax (Earnings and Pensions) Act (ITEPA) 2003 relating to territorial scope being repealed and not replaced.

HMRC added that it may be relevant to note that, in their view, ITEPA 2003 Part 2 (Employment Income: charge to tax) Ch 8 and Ch 10 set out that deemed employment payments received in cases where the off-payroll working rules apply are treated as earnings. The extent to which earnings are chargeable to UK income tax is determined by ITEPA 2003 Part 2 Ch 4 and Ch 5, with Ch 5 setting out the provisions relating to overseas workdays relief (which is referred to as foreign employment relief in legislation).

HMRC's position is included in the minutes of the July 2025 meeting of a joint

subgroup of HMRC's Wealthy External Forum and Capital Taxes Liaison Group that looks at the changes to the taxation of non-UK domiciled individuals. These can be read at: tinyurl.com/56sd7xah.

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INDIRECT TAX OMB LARGE CORPORATE

Stay informed: explore recent customs news updates

To help you stay ahead of changes such as the implementation of new processes, case law developments and procedural updates, the CIOT and ATT regularly publish news items, key updates and practical resources on their websites. Recently, we have highlighted changes to customs processes and liability for import VAT and import duties.

The CIOT's and ATT's latest news items include key updates on customs processes for shipping goods that require safety and security declarations from Great Britain to Northern Ireland and a summary of the *Roseline Logistics Ltd* case, which focuses on joint and several liability to import VAT and import duties.

Import Control System 2 now live

HMRC's Joint Customs Consultative Committee has recently provided a key update on the replacement of the Import Control System Northern Ireland (ICSNI) with Import Control System 2 (ICS2) for submitting entry summary declarations on goods moved from Great Britain to Northern Ireland.

Businesses were expected to migrate by 1 September 2025, but due to readiness issues, HMRC are allowing continued use of ICSNI until the end of December 2025. This grace period is intended to support businesses and intermediaries still preparing for the change. The key points relating to this are:

- If you are already using ICS2, continue as normal.
- If you are not ready, you can continue using ICSNI until the latest date on which you must start using ICS2 – this will be no later than the end of December 2025.
- Trader Support Service users should continue to use ICSNI or ICS2 if you are already doing so. Trader Support Service users will be registered for ICS2 automatically.
- If you do not use the Trader Support

Service, you will need to register via the EU Shared Trader Interface.

More information on ICS2 and how to register can be found in HMRC guidance: Register to use the Import Control System 2 (tinyurl.com/y573ynec).

To read the full update on the CIOT website, see: Customs procedures: shipping goods that require safety and security declarations from Great Britain to Northern Ireland (tinyurl.com/yar86hb).

Roseline Logistics Ltd: A reminder on joint and several liability

The recent case of *Roseline Logistics Ltd v HMRC* [2025] UKFTT 427 (FC) serves as a timely reminder of the risks faced by those involved in satisfying customs obligations – especially around joint and several liability for import VAT and customs duty.

In short, Roseline Logistics Ltd was held liable for £1.1 million in unpaid import VAT after it made declarations claiming postponed VAT accounting for an importer that was not entitled to claim it, as the importer was not VAT-registered. The case emphasises the importance of:

- verifying a client's eligibility before submitting customs declarations;
- ensuring proper appointment as a direct agent; and
- understanding that acting as a direct agent does not automatically protect you from joint and several liability if there is a breach of customs obligations.

The case underlines the importance of robust due diligence and record-keeping procedures. It is also an important reminder that importers and exporters can also be held jointly and severally liable. The appointment of a customs agent does not discharge a business from its compliance responsibilities. HMRC will expect importers and exporters to be able to justify the information appearing on their customs declarations.

To read the ATT's summary of the *Roseline Logistics Ltd* case, see: 'Customs Agents: Why the Roseline case is a cautionary tale you can't ignore' (tinyurl.com/m4x6xwcr).

Other news

Explore our latest news and insights. Other recent CIOT news items relating to customs include:

- Customs: Import/export between Great Britain and Northern Ireland – User research for the Trader Support Service (tinyurl.com/4utns4xs)
- UK Customs: New Parcel Arrangements under the Windsor Framework (tinyurl.com/t4x2jae4)
- Moving parcels from GB into NI – customs webinar (tinyurl.com/k77mkvpx)

The CIOT is a member of the Joint Customs Consultative Committee (tinyurl.com/2vpfxd3a), which is HMRC's import and export forum to discuss customs procedures and documentation relating to the entry and clearance of goods with stakeholders. If you would like to raise a topic in this forum, please contact technical@ciot.org.uk.

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GENERAL FEATURE PERSONAL TAX

2025/26 winter fuel payments and pension age winter heating payments: the £35,000 income limit

Winter fuel payments (in England, Wales and Northern Ireland) and pension age winter heating payments (in Scotland) have been reinstated this year for all eligible people born before 22 September 1959. But the payment will be clawed back via the tax system if the recipient has income exceeding £35,000 for the 2025/26 tax year. Alternatively, the individual can choose to opt out of receiving their payment if they would prefer not to suffer the claw back later down the line.

Please note, for the purposes of this article and ease of reference we use the term winter fuel payment to refer to both the winter fuel payments scheme in England, Wales and Northern Ireland and the pension age winter heating payments scheme in Scotland.

How the £35,000 income limit is calculated

The £35,000 is a cliff-edge threshold: those with income of £35,000 get to keep their entire winter fuel payment; those with income of £35,001 have the entire amount clawed back.

The threshold is based on the income for the whole tax year. So, for this year's winter fuel payments, the relevant tax year is 2025/26.

HMRC have confirmed that the income limit will be in line with the definition of 'total income' as set out at Step 1 of Income Tax Act 2007 s 23. This is not the same as 'adjusted net income', as those familiar with the high-income child benefit charge might have expected.

How the opt-out (and opt-in) process works

By the time this article goes to print, the opt-out deadline for the scheme in

England, Wales and Northern Ireland will have passed. To opt-out online, the Department for Work and Pensions (DWP) originally gave the deadline as being 'before 15 September 2025'. However, this caused some confusion with some media outlets reporting the deadline to be 14 September (which was technically the correct reading) and others reporting the deadline as being 15 September. In response to this, the DWP decided to extend the deadline to 'on or before 15 September' to ensure no one was misled.

For the Scottish scheme, payments are administered by Social Security Scotland rather than the DWP. The opt-out deadline is 10 October 2025.

For both schemes, it is possible to opt back in by 31 March 2026 and receive the 2025/26 winter fuel payment. This is perhaps helpful to people who see a change in their expected income for the 2025/26 tax year and latterly realise their income is likely to fall below the £35,000 threshold.

There will also be some people who are eligible for a winter fuel payment but will not receive it automatically. This will only apply in limited cases where they are not in the DWP/Social Security Scotland system. An example of this would include where the individual has chosen to defer claiming their state pension. Such people will need to contact the DWP/Social Security Scotland to claim their winter fuel payment – and the deadline to do this is the same for those opting back in, 31 March 2026.

How HMRC will claw back payments via the tax system

If an eligible person receives their winter fuel payment and has income exceeding £35,000 in the 2025/26 tax year, they will have their payment recouped via the tax system.

If the person is already within self-assessment, then this claw back will be dealt with as part of the annual tax return process. Effectively, this year's winter fuel payment will be added to their self-assessment tax bill for 2025/26.

If the person is not within self-assessment, then the payment will be collected via the PAYE system as an adjustment to their tax code. For the 2025/26 winter fuel payment, this adjustment will be within their 2026/27 tax code. We await final details of the ongoing process but understand that HMRC's intention is to eventually collect winter fuel payments 'in year'. This will mean that some people will face a tax year where they are suffering two winter fuel payment adjustments in a single year's code – one for the preceding year's winter fuel payment, and one for the current year

GENERAL FEATURE

Scottish aggregates tax: proposed approaches to cross-border taxation

CIOT have responded to a Scottish government consultation on the proposed approaches to cross-border taxation for Scottish aggregates tax.

On 23 June 2025, the Scottish government published a consultation on how to approach cross-border taxation for Scottish aggregates tax (SAT), to enable the Scottish government to gain feedback to inform cross-border policy development in advance of the planned introduction of SAT on 1 April 2026.

This consultation only examined the tax policy and tax administration for aggregate which is imported to Scotland from the rest of the UK, not aggregate which is exported. The consultation quotes the available evidence from the 2019 Aggregate Minerals Survey for Scotland, which suggests that small amounts of aggregate are imported to Scotland – around 80,000 tonnes, which at the 2025-26 UK aggregates levy rate of £2.08 per tonne would result in tax revenues of £166,400. In comparison, the 2019 survey provides that the total sales of primary aggregates produced in Scotland in 2019 was 20.78 million tonnes.

With the estimated tax revenues of £166,400 in mind, the CIOT response focuses on the proportionality of the proposed options. It recommends that a robust cost/benefit analysis is undertaken to ensure that revenues collected from cross-border aggregate imports outweigh the costs to implement (to the taxpayer, Revenue Scotland and HMRC). The consultation looks at direct imports of aggregate and indirect or 'over-the-

counter' sales of aggregate to Scotland.

A direct supply of aggregate involves the supply of aggregate from a quarry in the rest of the UK directly to a Scottish based customer. Whilst mostly supportive of a declaration-based system, the CIOT highlighted some tax administration and compliance concerns around the proposed inclusion of a 'tick-box' on the supplier's sales ticket to identify that the aggregate is being sold to a Scottish based customer.

Over-the-counter transactions are those that involve a 'middleman', that is supply chains that involve multiple parties over numerous locations. For example, this may include low volume sales of decorative stones via 'middlemen' such as, but not limited to, garden centres, builder merchants and supermarkets. There are limitations in the data currently available, but it is thought that over-the-counters transactions are a small fraction of the 80,000 tonnes imported to Scotland.

With this in mind, the CIOT supported the use of an exemption for SAT for over-the-counter sales (if UK aggregates levy has already been paid) as a sensible, proportionate option given the complexities of these transactions, the multiple parties involved, the difficulty in tracking aggregate through the supply chain and the level of revenue to be raised. We highlighted that the choice to consider any other option, such as a declaration option, would need to be justified by a cost/benefit analysis.

Within our submission, we reiterated our request to the Scottish government and HMRC for there to be a degree of alignment in terms of the returns and processes for cross-border transactions. We are not saying that the Scottish government should not choose to diverge, the choice and ability to do so being part of the nature of a devolved tax system. But alignment of the tax administration would aid understanding, particularly for operators who are already used to the UK aggregates levy, and provide simplicity to an already inherently complicated process for operators who will have to navigate the administration processes for both SAT and UK aggregates levy.

The CIOT, alongside the Institute of Chartered Accountants of Scotland, have been engaging with the Scottish government to encourage the Scottish government and HMRC to work closely together to ensure that approaches taken by each side do work alongside each other, and also engage with taxpayers within the sector to fully understand the sector complexities. We understand that such engagement is taking place currently, and we look forward to receiving a progress update from the Scottish government and HMRC in due course.

The full CIOT submission can be found here: www.tax.org.uk/ref1543

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payment. Of course, because most people receive their winter fuel payment in November or December, reclaiming the winter fuel payment as an in-year tax code adjustment does have the awkward effect that it is partly being clawed-back before it is even received!

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GENERAL FEATURE

Scottish Parliament pre-Budget scrutiny 2026-27: responding to long-term fiscal pressure

CIOT have responded to the Finance and Public Administration Committee's call for views as part of their pre-Budget 2026-27

scrutiny, highlighting important areas of tax policy that should be considered.

Pre-Budget scrutiny normally takes place in the months leading up to the Scottish Budget and aims to influence how the Budget is prepared, improve transparency, increase public awareness, consider the Scottish government's response to wider fiscal and policy challenges and lead to better results and outcomes (when compared to Scottish government targets and goals).

The areas of focus for 2026-27 scrutiny included, but were not limited to:

- steps the Scottish government is taking in response to fiscal pressures arising from population trends highlighted in the Scottish Fiscal Commission's latest Fiscal Sustainability Report;
- the Scottish government's approach to increasing productivity and economic activity;

- steps the Scottish government is taking to support growth sectors in Scotland with a view to increasing economic performance and tax revenues; and
- key financial documents published by the Scottish government during this year's pre-Budget scrutiny period, including its Medium-Term Financial Strategy and Fiscal Sustainability Delivery Plan.

Although the scrutiny was largely focused on Scotland's economic performance and longer-term financial planning, the CIOT thought it important to highlight key areas of tax, and the perception of tax in Scotland, which we think the Finance and Public Administration Committee should consider as part of its pre-Budget scrutiny.

Pillar Two of the Medium-Term Financial Strategy sets out the Scottish government's objective to 'grow Scotland's

economy [and] expand and broaden the tax base to fund public services'. Whilst we acknowledged that the evaluation of whether to do business or work in Scotland is not solely driven by tax, or the perception of tax, they do remain key factors. We highlighted that we continue to receive anecdotal feedback from our members around the challenges of income tax divergence, which could be making it harder for businesses to attract and retain staff. Scottish businesses will have also felt the impact of the recent UK-wide increases to employer's national insurance and increases to national minimum and living wages. The position is complex with the tipping point unclear. This is why a long-term strategic picture of the direction of tax policy may help, combined with robust evaluation of evidence to inform future decision making on divergence.

We welcomed the Scottish government's commitment within the Tax Strategy to consider the changes to Scottish income tax in 2023-25 and 2024-25 but encouraged the Scottish government to go further. After nearly a decade of income tax divergence, we would have hoped for more targeted and timely information on Scottish taxpayers to inform pre-Budget scrutiny, particularly where there is, or will be, a decision which creates divergence.

Within our submission, we also discussed the importance of undertaking cost/benefit analysis as part of any assessment of the effectiveness of tax policy, before and after implementation. This cost/benefit analysis should weigh the revenues raised with the financial and administrative costs incurred by the taxpayer, Revenue Scotland and HMRC. We highlight the example of the complicated cross-border

taxation policy for Scottish aggregates tax, which is discussed in the article below.

Finally, we highlighted our continuing concern around the lack of an appropriate legislative vehicle for making tax policy changes in an effective and efficient manner. We are of the view that tax law in Scotland should be set out in primary legislation with secondary legislation reserved for operational and administrative matters in respect of tax law. We highlight this in our submission examples, showing why an annual Finance Bill or similar legislative process is important for coherent, timely delivery and maintenance of tax legislation to help deliver plans to address fiscal and wider policy challenges in a transparent manner.

The full CIOT submission can be found here: www.tax.org.uk/ref1546

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GENEAL FEATURE PROPERTY TAX

Building Safety Levy (Scotland) Bill: ATT response

The ATT has responded to the Scottish Parliament's Finance and Public Administration Committee's call for views on legislation to set up the Scottish Building Safety Levy.

The Building Safety Levy (Scotland) Bill was introduced to the Scottish Parliament

in June 2025, setting out how the Scottish Building Safety Levy (SBSL) on new residential property in Scotland will operate, ahead of its proposed implementation from 1 April 2027. Whilst the Bill gives an outline, the Scottish Ministers have been granted powers to set details such as the SBSL rates and the levy-free allowance (a set annual number of residential units which will not be subject to the SBSL).

The ATT response considered the buildings which are specifically included and excluded from the SBSL and made comparisons with the Building Safety Levy (BSL) being introduced in England from 1 October 2026. It drew attention to the fact that accommodation for victims of domestic abuse and temporary accommodation for homeless people is not specifically excluded from the draft SBSL Bill but is excluded from the BSL in England.

Our response also considered the potential impact that a new levy may have on demand for new residential property in Scotland, as well as the possibility that it could incentivise some developers to carry out works to pre-existing buildings instead.

We drew attention to areas of uncertainty, including the treatment of connected persons and whether the power given to the Scottish Ministers to make regulations for partnerships and unincorporated bodies in clause 29 of the Bill would prevent avoidance using unincorporated businesses, limited liability partnerships and companies as a means of securing additional levy-free allowances.

The full ATT response can be found here: www.att.org.uk/ref488

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CIOT

Date sent

Pre-Budget Scrutiny 2026-27: Responding to Long-Term Fiscal Pressures
www.tax.org.uk/ref1546

01/08/2025

Scottish Aggregates Tax: proposed approaches to cross-border taxation
www.tax.org.uk/ref1543

04/08/2025

Proposals for non-domestic rates differential multipliers
www.tax.org.uk/ref1526

11/08/2025

LITRG

Parental leave and pay review: call for evidence
www.litr.org.uk/11089

14/08/2025

Council tax disregards for apprentices and carers
www.litr.org.uk/11093

03/09/2025

ATT

Draft legislation: Building Safety Levy (Scotland) Bill
www.att.org.uk/ref488

15/08/2025

Draft legislation: Reforming Inheritance Tax: unused pension funds and death benefits
www.att.org.uk/ref489

03/09/2025

Draft legislation: Enhancing HMRC's powers to tackle tax advisers who facilitate non-compliance
www.att.org.uk/ref490

09/09/2025

Exchequer Secretary

Consult before making big changes, CIOT urges new minister

The Institute has written to the new tax minister stressing the need to consult thoroughly before committing to significant tax reforms.



Dan Tomlinson

In a letter to the new Exchequer Secretary to the Treasury, Dan Tomlinson, congratulating him on his appointment, CIOT President Nichola Ross Martin expresses concern about 'an absence of a strategic approach by the government to tax policy-making, and a sense that policy-making is generally being carried out Budget to Budget for fiscal reasons without broad consultation or much focus on the overall design of the system'.

The Institute President gives the example of the proposed changes to

inheritance tax as an area where the government might have been able to achieve their aims in a less contentious way if they had consulted at an earlier stage.

Looking ahead to the Budget, Nichola notes the speculation around changes to property taxes in particular: 'We strongly encourage you to take a strategic, holistic approach, looking at the interaction of different taxes – and non-tax policies – and the market, as well as consulting with stakeholders before policies are set in stone. Wide and early stage consultation is, in our view, key to successful implementation and public acceptance. Unveiling a series of reforms on Budget day which have not been consulted on will make both bad policy and public backlash more likely.'

The CIOT letter warns about the design of proposals to raise standards in the tax advice market. 'While the policy objectives are sound, the speed with which the proposals have moved to draft legislation, with little opportunity for early consultation, have left [their] scope problematically wide and poorly targeted.'

Other issues highlighted in the letter include HMRC customer service challenges and issues relating to Making Tax Digital that remain unresolved.

 **Read the full letter at:**
tinyurl.com/ciot-new-xst

Exchequer Secretary

LITRG calls for carrots, not sticks on digital shift

CIOT's Low Incomes Tax Reform Group (LITRG) is encouraging the new tax minister to focus his efforts on building good quality digital services, encouraging people to use them and supporting them to do so, rather than adopting measures that push users towards digital self-service, such as the 2023 closure of the self assessment helpline and SMS deflection tactics. It calls this 'prioritising the "carrot" over the "stick"'.

In a letter to the new minister, Head of LITRG Victoria Todd warns that reducing support for taxpayers via phone and post, before digital services are at the standard required to provide the support needed and are accessible by all, risks damaging trust in the tax system and harming compliance.

In the letter, LITRG also say that more work needs to be done to measure the quality of interactions between taxpayers and HMRC, including whether taxpayers get the right answers, and to ensure that the HMRC Charter is embedded across the organisation and that HMRC are held to account against it.

LITRG also expresses concern that, as yet, it is unclear what HMRC's customer support model will be for unrepresented taxpayers under Making Tax Digital for Income Tax. A soft landing on penalties would help people get used to the new system, suggests Victoria.

 **Read the full letter at:**
tinyurl.com/litrgr-new-xst

Exchequer Secretary

Improved HMRC performance will boost tax system

ATT has told the new Exchequer Secretary the tax system must be administered effectively.

In a letter to the new tax minister, ATT raises a number of areas that it is encouraging him to target, including HMRC customer service and performance. The Association has previously spoken out about the impact that poor service levels have on taxpayers and their advisers, and says advances in technology should not be used to mask complexity.

In his letter, ATT President Graham Batty offers the new minister his congratulations and acknowledges that he will have a full in-tray. However, he continues, 'whilst media and political debate is, understandably, focused on potential changes to rates and reliefs at the Budget, it is essential to ensure that the tax system is also administered effectively.'

'We are keen to work with you to support HMRC's management of its workload. Our members would be keen to do more online with HMRC, but there are significant gaps in HMRC's digital services and even where services do exist, agents do not always have access to the full range of digital services available to taxpayers.'

Graham says he is concerned that, beyond some short-term timings, HMRC's Transformation Roadmap has no clear delivery timescale. 'There is also a risk that HMRC could use digital services to mask complexity.'

The letter also calls for clarity over long term aims for regulation of the tax profession, and the outcome of the Treasury consultation on anti-money laundering regulations.

 **Read the full letter at:**
tinyurl.com/att-new-xst

Making Tax Digital

New figures show scale of MTD challenge

ATT and LITRG highlight how many taxpayers will be in MTD from next April.



Jonathan Stride

Statistics released by HMRC in August reveal that 864,000 sole traders and landlords are expected to be in the first wave of taxpayers being brought into the Making Tax Digital (MTD) for Income Tax regime from April next year. This will rise to almost 3 million as lower income individuals are included by April 2028. However, there is no indication of when, or if, self-employed individuals and landlords with income before expenses less than

£20,000 – a further 4 million – will be brought into the MTD regime.

Jon Stride, chair of ATT's Technical Steering Group, said HMRC must identify and resolve any issues from the earlier cohorts before rolling MTD out to those with income less than £20,000. 'The additional costs and admin of quarterly reporting are disproportionate for this group, given the lower levels of taxable profit,' he observed. However, deferring this for too long would risk stranding this group on older HMRC platforms and with a less favourable penalty regime.

CIOT's Low Incomes Tax Reform Group (LITRG) noted that HMRC's figures suggest around 216,000 unrepresented landlords and self-employed businesses will be legally required to sign up for MTD next April. It is concerned that some unrepresented taxpayers are not aware of what MTD is, and what they need to do to comply.

Victoria Todd, Head of LITRG, said: 'We are urging taxpayers with self-employment and/or rental income to prepare and submit their tax returns for the year ended 5 April 2025 as soon as possible, so they are clear as to whether they will be legally required to participate in MTD from April 2026.'

The ATT warns that taxpayers who miss the guidance on these changes could be caught out, especially those who are not represented by an agent and fill out their own returns.

Jon Stride, chair of ATT's Technical Steering Group, said: 'It seems inevitable that some taxpayers affected by the rate change will not realise the change of rates when using HMRC's online filing service and will fail to include the capital gains tax adjustment figure when filing their returns.'

'This could result in HMRC questioning the tax return, and may lead to additional tax being payable, along with late payment interest and a penalty of up to 30% of any underpaid capital gains tax.'

In the news

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

'Points accumulate until a threshold is reached, at which point a £200 penalty will be issued. Once the threshold has been reached, any further late submissions will result in an immediate £200 penalty. This position can only be reset once certain conditions are met.'

ATT in the Daily Express on new penalty rules for MTD, 8 August

'Taxpayers have to be able to trust that the private information they provide to HMRC will not be leaked, supplied to criminals or used for any purpose other than that for which it was provided, and in accordance with the law. That is why HMRC treats unauthorised access to records and data so seriously, and it is good to see that where breaches happen, HMRC will act.'

CIOT's Ellen Milner in the Telegraph and The Sun on HMRC staff being dismissed for data breaches, 16 August

'Helen Thornley, the technical officer for the ATT, the leading body for UK tax compliance services, said moves to change certain taxes [in the Budget] could lead to "unintended consequences", while Ellen Milner, the CIOT's director of public policy said "interference with the overall system through the creation of new levies and adjustments on rules had made taxes more difficult to understand".'

City A.M., 19 August

'Some taxpayers affected by the rate change on 30 October 2024 will not realise the change of rates when using HMRC's online filing service and will fail to include the CGT adjustment figure when filing their returns. This could result in HMRC questioning the tax return, and may lead to additional tax being payable, along with late payment interest and a penalty of up to 30% of any underpaid CGT.'

ATT's David Wright, Financial Times (and elsewhere), 29 August, on a software issue affecting CGT submissions

'Legally and ultimately, it's the taxpayer – so in this case the purchaser's – responsibility to make sure they are getting the right advice. I think this case really does highlight the importance of seeking advice from a tax specialist.'

ATT's Emma Rawson on BBC Radio 4's Today programme on Angela Rayner's tax situation, 5 September (Emma was also interviewed on 5 Live on this issue)

Capital gains tax

CGT changes likely to lead to errors

Taxpayers will 'inevitably' make mistakes in their tax returns as a result of the government's decision to change the main rate of capital gains tax at the last Budget, says ATT.

The announcement came after HMRC's online filing service for tax returns had been finalised. As a result, calculations generated as part of completing the capital gains tax section of a tax return will be inaccurate for affected disposals that occurred on or after 30 October 2024.

Taxpayers will need to make a manual adjustment to their tax return to ensure that the correct amount of capital gains tax is calculated on such disposals.



Spotlight

Spotlight on HMRC's Charter Stakeholder Group

HMRC's Charter Stakeholder Group is a key advisory body established to provide external insight, challenge and support regarding how HMRC lives up to the commitments set out in the HMRC Charter (see tinyurl.com/2ec22wcb). The Charter outlines the standards of behaviour and service that individuals and businesses can expect when interacting with HMRC, including values such as respect, professionalism, fairness and responsiveness.

The Charter Stakeholder Group plays a crucial role in ensuring that HMRC remains accountable to the public and continues to improve its services and interactions with taxpayers.

Purpose of the group

The primary purpose of the Charter Stakeholder Group is to advise HMRC on how well it is meeting the expectations and values set out in the Charter. It acts as a bridge between HMRC and the individuals, businesses and tax professionals who use its services, offering a direct channel for constructive feedback and challenge.

Established in response to the government's emphasis on improving

transparency and service standards in public bodies, the group aims to make the customer experience central to HMRC's operations.

Key functions of the group

- 1. Monitoring HMRC's performance against the Charter:** The group regularly reviews HMRC's performance in light of the Charter's commitments. It provides feedback on customer experience, operational delivery and service quality. The group may comment on issues such as how HMRC treats customers, whether guidance is clear and accessible, and how effectively HMRC resolves disputes or errors.
- 2. Providing stakeholder insight and challenge:** Made up of a diverse range of representatives from professional bodies and voluntary sector organisations, the group brings a wide range of perspectives. It challenges HMRC to consider how its policies and practices affect real users, particularly those who are vulnerable or may face barriers in dealing with the tax system.
- 3. Advising on improvements and priorities:** The group offers

recommendations on areas where HMRC could improve how it delivers services or communicates with taxpayers. It may help to shape priorities for customer service improvements, digital transformation or better accessibility.

- 4. Contributing to the Charter's Annual Report:** Each year, HMRC publishes a report on how it has performed against the Charter. The group contributes an independent section to this report which is now included in HMRC's Annual Report and Accounts, offering a candid assessment of HMRC's progress, successes and areas for development. This provides a degree of transparency and accountability to Parliament and the wider public.
- 5. Fostering engagement and trust:** By involving external voices in assessing performance, the group helps to build public trust in HMRC. It reassures taxpayers that HMRC is open to scrutiny and committed to listening to those it serves.

The HMRC Charter Stakeholder Group plays a vital role in holding HMRC to account on how it treats taxpayers and delivers its services. Through its independent insight, it aims to make the Charter more than just a set of principles, and instead a living document that shapes how HMRC engages with the public. By doing so, the group supports the objectives of continuous improvement, better customer outcomes and greater confidence in the UK's tax system.

Exams

The countdown is on...

It is around a month to go until the CTA and ATT exam season begins. I remember from my days of studying that it can be a very stressful time.

If you are completing exam-style questions but find that you are running out of time, or that you have missed a number of points in the mark scheme, it can feel as though there is still a mountain to climb before you edge towards the magic 50%.

I wanted to share my top three strategies to help you in the final sprint towards exam day. There is still time to make a difference!

1. Mindset

Perhaps you have failed a previous paper or found this one particularly challenging. This can make it difficult to find the motivation to complete practice questions under timed conditions. Do not be too hard on yourself over what has happened in the

past. Focus instead on learning from your experiences and putting together a plan so that you can do your best in your upcoming paper.

You will be more successful if you view making mistakes as a learning opportunity, rather than as confirmation of any previous 'failure'.

2. Have a plan

As you will by now have a sense of which topics you find more challenging, ensure that you focus more on them during your revision sessions (rather than working through topics in 'textbook' order). Be sure to balance study sessions with topics you are more comfortable with. Mixing up topics in this way can help to strengthen your later recall of the material.

Make sure you continue to block out time for study sessions in your diary and treat them like client meetings. If you miss

the odd one, do not beat yourself up but look at ways you can catch up.

The key is to be consistent with your studies and to persevere.

3. Downtime

Your plan should also include time for you to do activities you enjoy. For example, if you play a weekly game of football with friends, keep it going. If singing in a choir gives you a dopamine hit, then keep it up.

Doing activities you enjoy reduces stress, boosts your mood and improves focus. Taking some time out for yourself can therefore help you study more effectively. Balance is key, even in these last few weeks.

In the 24 hours before the exam, make sure you also take time to relax as much as possible (I know, easy to say). Take a brief look over your notes if it helps to calm any anxiety you have but the focus should be on eating, resting and sleeping well. Treat yourself. Bring on the October exams. You have got this!

Nikki Richmond FCA CTA

Making Tax Digital

Want more technical detail on MTD? ATT's online resources can help



The ATT technical team have noticed a shift in member focus when it comes to MTD. Based on questions submitted to our technical team, members appear to be moving on from the general concepts to now thinking about MTD on a practical level. 'What will MTD mean for this client?' 'How will I make the process work for that client?'

To support members in understanding MTD at this more detailed level, the ATT has published a list of frequently asked questions (see tinyurl.com/2kxkdeap). These aim to cover more complex issues, such as:

- What happens if an amendment to a tax return tips a client over (or under) the MTD qualifying income threshold?
- If a client's sole trade or property income source ceases between

2024-25 and expected mandating in April 2026, do they still need to register for MTD?

- Do my client's original digital records have to be updated if I correct a mistake in them using my agent software?

The Technical FAQs complement our mainstream MTD FAQs, which are aimed at helping taxpayers to understand the basics of MTD (see tinyurl.com/ncasjrxn). Both resources are updated regularly based on our ongoing work with HMRC and questions submitted to the technical team.

Discussion groups and more

The ATT's monthly MTD peer-discussion groups have proven very popular (see tinyurl.com/urnvu8d5). These one-hour

Zoom sessions enable attendees to share tips and practical advice on getting ready for April 2026 and talk about experiences with clients and software. They've also been invaluable to the technical team in helping us to understand members' concerns, which we regularly share with HMRC, and as a source of content for adding to the FAQ resources. Our initial six-month trial has been extended, so do consider signing up for future sessions.

The technical team also recently held an online Technical Q&A session, taking questions from the audience on some of the more complex areas of MTD. We'll be updating our FAQ pages with issues raised on the day which may be of wider interest.

Finally, bringing things back to basics, we've created two YouTube videos aimed at the public, which cover the fundamentals of MTD for landlords (see tinyurl.com/56rzk8m8r) and self-employed individuals (see tinyurl.com/eczbmyjm), addressing who it affects, when it applies from, and what's involved. You might find these helpful to share with affected clients as a summary of what MTD will involve.

Disciplinary reports

Ms Shelley Baker CONSENT ORDER

At hearings on 17-18 March and 11 July 2025, the Disciplinary Tribunal of the Taxation Disciplinary Board considered a number of charges against Ms Shelley Baker of London, a member of the CIOT.

Background

1. Ms Baker was at all material times one of three shareholders and directors of Root 2 Tax Ltd (Root2) and Root2 Tax (Dispute Resolution) Ltd (RootDR).
2. In 2011, Root2 developed, marketed and implemented a tax avoidance scheme known as 'Alchemy' (the Alchemy Scheme).
3. In *Root2Tax Ltd v HMRC* [2019] UKFTT 744, the First-tier Tribunal held that the Alchemy Scheme was ineffective, in that payments made under it were liable to tax and national insurance contributions as employment income.
4. On 3 May 2020, the professional indemnity insurance of Root2 and RootDR expired without further cover being in place. Nevertheless, both firms continued to trade.

The tribunal found the following charges proved against Ms Baker:

1. In contravention of Regs. 2.6.1, 2.6.2, 5.1.1, 5.6.2, 5.6.3 and 5.6.4 of PRPG 2011 and clauses 2.4, 2.5 and 7.5 of PCRT 2011, Ms Baker of Root2 did not adequately advise clients.
2. In contravention of Regs. 2.1, 2.2.1, 2.3.1, 2.6.2, 6.1.1, 6.1.2 and 6.1.3 of PRPG 2011 and clauses 2.1, 2.2, 2.3 and 2.4 of PCRT 2011, Ms Baker:
 - a) allowed her independence, integrity and objectivity to be compromised, and further put herself in a position of potential conflict of interest; and
 - b) failed to properly disclose the nature and extent of her (and/or Root2's) potential conflict of interest, lack of independence and compromised objectivity, such being information relevant to clients.
3. Contrary to clause 2.15 PCRT 2011, Ms Baker failed to manage the disagreement with HMRC as to the notifiability of the Alchemy Scheme in an open, constructive and professional manner.
4. In contravention of Regs. 2.6.2, 2.6.3

and 2.7.1 of PRPG 2018 and Regs. 2.1 and 2.2 of CPIIR, Ms Baker failed to ensure that Root2, and RootDR, had a valid policy of professional indemnity cover in her capacity as director of each of those companies.

5. Ms Baker brought the profession into disrepute, contrary to Regs. 1.7, 2.6.2 of PRPG 2011 (and, from November 2018, Regs. 1.7 and 2.6.3 of PRPG 2018) and clauses 2.1 and 2.13 of PCRT 2011.

The tribunal ordered that Ms Baker be fined £26,000, be suspended from membership of CIOT for two years, and pay costs of £31,748.

Mr Godfrey Ellis

At a meeting on 15 August 2025, the Interim Orders Panel of the Taxation Disciplinary Board ordered that Mr Godfrey Ellis of Co. Armagh, Northern Ireland, a member of the ATT, be suspended from membership of the ATT until such time as the Disciplinary Tribunal determines whether any charges arising from the complaints against him have been proved or until an Interim Orders Panel or Disciplinary Tribunal orders otherwise.



The full decisions and reasons of the Tribunal can be found on the TDB's website www.tax-board.org.uk.

Exams

Latest ADIT successes include firsts in Bermuda and the Maldives

More than 500 international tax professionals are celebrating passing their exams towards the CIOT's Advanced Diploma in International Taxation (ADIT), including firsts in Bermuda and the Maldives.

The online exams in June saw 531 students successfully passing at least one exam, with 152 students attaining ADIT in full by passing their third module. A further 10 students around the world have demonstrated their academic research prowess during the last six months by completing ADIT through the extended essay route.

Of the new ADIT holders, 13 were awarded a distinction grade for excellence in their exams.

CIOT President Nicola Ross Martin said: 'I am delighted to celebrate the success of our most recent ADIT graduates. The latest exam results are a credit to their intellect, determination and ongoing commitment to their professional development in international tax. ADIT continues to be a globally commended qualification to achieve, and a privilege for us to award.'

'I would like to extend my congratulations to the recipients of our seven medals and prizes, kindly sponsored by leaders of the tax industry, which we are honoured to be able to offer for each ADIT examination period.'

'I encourage all of our new ADIT graduates to maintain your relationship with the CIOT by joining our International Tax Affiliate programme. As an Affiliate, you connect with a global community of fellow tax practitioners, gain access to exclusive learning resources and development opportunities, whilst also underscoring your professional profile in the tax landscape.'

The ADIT qualification is now held by 2,374 tax practitioners, more than 450 of whom have chosen to subscribe with the CIOT as International Tax Affiliates since achieving the qualification.

These candidates will receive awards for their achievements in June's exams:

- Scott Booth of Bury is awarded the Heather Self Medal for the best overall performance in Module 1 Principles of International Taxation.
- Joshua Kirk of East Molesey, who is employed by Deloitte in London, is awarded the Raymond Kelly Medal for the best overall performance in Module 2.09 United Kingdom option.
- Siri Kamireddy of Hyderabad, India, who sat Module 2.08 Singapore option, is awarded the Worshipful Company of Tax Advisers Prize for the highest mark in Module 2 (All other options).
- Xanthippi Kladou of Luxembourg, who is employed by KPMG, is awarded the Tom O'Shea Prize for the best overall performance in Module 3.01 EU Direct Tax option.
- Elena Zampakidou of Nicosia, Cyprus is awarded the IVA Prize for the best overall performance in Module 3.02 EU VAT option.
- Anne Hardman of Cheadle, who is employed by KPMG in Manchester, is awarded the Croner-i Prize for the best overall performance in Module 3.03 Transfer Pricing option.
- Ameer Hamza of Islamabad, Pakistan, who is employed by Huawei Technologies, is awarded the Wood Mackenzie Prize for the best overall performance in Module 3.04 Energy Resources option.

Appointment

New appointment: Senga Prior

The Association is pleased to announce the appointment of Senga Prior as Technical Officer.

Senga will probably be known to many of you as ATT's immediate past President, but you may not be aware of her role change and her career to date.

Senga has 25 years' experience of working in tax. She started her accountancy career working in various accountancy departments. This gave her a broad knowledge of PAYE, VAT and corporation tax, as well as accounts preparation. She also spent a period working for a farming secretarial business. Surprisingly, this started her interest in all things digital, as she not only became involved in the preparation of farming accounts but, as the firm held the Scottish franchise for a farming accounting

software package, she was also involved in software and hardware support. In addition, her interest in farming businesses has stayed with her throughout her career.

After this period in the accounting world, Senga decided to specialise in private client tax and joined a small four partner firm in Perth. This gave her the opportunity to build on her experience and, after passing her ATT exams with distinction, she rose to the position of tax manager in charge of private client advisory work (although she still did some corporation tax work reviewing more complex returns). During this time, she started to volunteer with ATT's Technical



Steering Group and HMRC's Working Together Initiative.

In 2017, Senga moved to Johnston Carmichael becoming a Tax Senior Manager, assisting the Head of Private Client Tax in managing the team using technology to standardise processes over

Exams

Reasonable adjustments and access arrangements

ATT students can apply for reasonable adjustments and access arrangements in their ATT tax exams. The normal time frame to apply is six weeks prior to exam week. Students can also apply for special consideration within two weeks of sitting an exam if they feel their performance was affected by serious personal circumstances or technical issues during the exam. Information can be found at tinyurl.com/33cb89na

CTA students can apply for alternative arrangements in their CTA tax exam to help them with personal circumstances or additional needs. The deadline to apply is six weeks before the first CTA tax exam, and information can be found at www.tax.org.uk/extratime. CTA students can also apply for special consideration if they feel their performance was affected by serious personal circumstances or technical issues during the exam. Students must apply within two weeks of sitting an exam. Information can be found at tinyurl.com/nsvneppw

the 11 offices and making the change to paperless systems. She also became an expert on farming taxation and other areas of private client work.

Senga will build on her previous volunteer role to expand ATT's involvement with Scottish taxes and will use her practical experience in private client work to benefit our members. She will also be taking a lead on Tax Technology for ATT and will be running a session on this subject at their Fellows' Webinar on 8 October.

During September, Senga will be on secondment to HMRC's MTD Team, providing hands on advice and support to enable the rollout. Senga will use her experience of working in both small and mid-tier firms to support HMRC in a number of ways – from sharing her practical knowledge and advice, to giving hands on support to agents. She will also help HMRC to ensure that they are providing the type of information both agents and taxpayers need to enable them to make the best preparations for this major change.



A MEMBER'S VIEW



Chloe Radcliffe-Scott

Employment Tax Manager at Balfour Beatty

This month's ATT member spotlight is on Chloe Radcliffe-Scott, Employment Tax Manager at Balfour Beatty, and Chair of the ATT and CIOT Leeds Branch.

How did you find out about tax?

I started to study Economics at university, mainly because it was the common choice after Sixth Form, though it never truly felt right for me. I enjoyed macroeconomics, especially tax, and considered a career in tax policy with the Institute for Fiscal Studies. I was unhappy at university, so I explored apprenticeships and left university to work in-house in tax for a FTSE 250 company, which ended up shaping my entire career.

Why is the ATT qualification important?

ATT delivers a solid foundation in tax principles and has been demonstrably effective in all my in-house roles – I often think about the pro formas I learnt when asked to calculate a liability or write a journal on short notice! Advisory is important, but it's only possible if you first understand the compliance elements. I personally feel ATT is the optimal route to gain this understanding.

Why did you pursue a career in tax?

I have always been a hard-worker and aspirational, so I was seeking a solid alternative before dropping out of university. When I was reviewing apprenticeships, I looked for roles where I could use a variety of my skillset. I considered both HR and public affairs, but these didn't suit me as much as tax did. I have always enjoyed asking 'why' questions (much to my parents' annoyance!) and you must be comfortable doing this to be successful in tax.

How would you describe yourself in three words?

Tenacious, thoughtful, equitable.

Who has influenced you in your career so far?

I have been fortunate to have a couple of very supportive line managers who have given me the practical feedback to evolve

into a strong tax professional, whilst ensuring I keep true to my personality. I strongly believe in breaking down the traditional barriers to a professional career and creating a welcoming, inclusive workplace – no matter what walk of life you are from. I have taken my positive and negative experiences as learning points to support my mentees on the ATT Mentor Match programme.

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

Be prepared – this qualification reaps the rewards of effective, focused study and opens many doors, not just to be a tax adviser. Don't just see it as a stepping stone to a Level 7 qualification.

What are your predictions for the future of tax?

The technology revolution is already here. Our jobs will transform to become tech roles as tax specialists, rather than purist tax advisers. It's unlikely robots will replace us, but someone who knows how to operate a tax process using technology will.

What advice would you give to your future self?

Don't shrink to fit in. Continue to lift as you climb.

Tell me something about yourself that others may not know.

I love heavy metal music (I'm a big Bring Me the Horizon fan) and I play the drums in my spare time.

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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Director

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Private Client Advisory Role – 3 day week Kenilworth or Stratford £excellent

This is a great opportunity for an experienced private client specialist with strong IHT, CGT and trust skills. Our client is a successful independent firm. They seek a part-time hire and can offer flexible and hybrid working. In this role you will advise clients on private client tax matters such as trust structures, IHT planning and CGT advice. It is likely that you will be CTA or STEP qualified, with proven technical expertise in this area. There is the opportunity to get involved in business development including thought leadership and articles for the firm on topical private client issues. Would consider a UK based remote hire with regular travel to Warwickshire. **Call Georgiana Ref: 3620**

In-house Corporate Tax and TP Bradford £excellent + benefits

Our client is the in-house international tax team of a major global business. In this role, your responsibilities will primarily include Corporate Tax and Transfer Pricing compliance for companies within the EMEA region and tax advisory projects. You will be joining an experienced tax team who can help you develop. On offer is a competitive salary plus pension plan and bonus opportunities. This role has clear potential for progression. Based in Bradford, the office has free parking and hybrid working is available. **Call Georgiana Ref: 3618**

Employee Ownership Trusts & Share Plans 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 from 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. You will guide clients through the process of transitioning to employee ownership models, ensuring compliance with relevant laws and regulations. **Call Georgiana Ref: 3605**

In-house Tax Manager Leeds £excellent

Great in-house tax role based in Leeds. 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, acting as tax business partner on ad hoc tax matters and projects. A classic in-house opportunity in a rapidly growing group which has become a household name. Would suit a qualified tax professional with experience of large group corporate tax. This role can be worked on a flexible or hybrid basis. 4 day week considered for a more experienced candidate. **Call Georgiana Ref: 3598**

Tax Advisory Manager or AD Leeds £55,000 to £80,000 + benefits

Top 20 firm seeks a qualified corporate tax professional with strong advisory tax skills. You will advise a mix of Plcs and OMBs on everything from transactions to expanding overseas. You will also manage and develop a team of more junior staff. This is a growing tax team where there is both scope for development and the chance to work part-time or flexibly. Experience of PE backed clients would be advantageous. Would suit someone who enjoys being market facing, networking and having plenty of client contact. **Call Georgiana Ref: 3619**

Manager or Senior Manager Bridlington, Yorkshire £excellent

Our client is a long standing independent practice with a great client base, which is based in East and North Yorkshire. This firm seeks a key hire for their tax team, someone who can help lead and develop the practice. The ideal candidate will have a mixed tax background and will enjoy building long term relationships with clients. It's an opportunity to work on high quality work and live in a lovely part of the country with competitive house prices and access to the sea and North Yorkshire countryside. Relocators are welcomed. **Call Georgiana Ref: 3616**

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**

Taxation Recruitment Part-time Resourcer £competitive

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AD or Director – Milton Keynes, Northampton or Leicester £excellent

A great opportunity for an experienced, qualified corporate or mixed tax professional with wide-ranging OMB advisory skills. In this role, you will be the 'right hand' of a senior partner and will help manage a team. There is scope for progression in the role to partnership in future. Excellent quality work dealing with everything from due diligence on transactions to corporate structuring and advice to owner managers on things like employee ownership trusts, IHT planning etc. This is a rapidly growing Top 20 firm with an excellent client base of dynamic OMBs. **Call Georgiana Ref: 3583**

Trust & Private Client Keighley, West Yorkshire £excellent

Our client is an independent firm based in Keighley in West Yorkshire. They seek a trust and estates, IHT and personal tax specialist to join their growing team. This role can be hybrid worked. They have a good quality client base and interesting work dealing with trust and admin for trusts, IHT and CGT work and broader personal tax cases. Would consider a part-time hire, anything from 3 days upwards. Would consider an experienced senior looking for a step up to manager. CTA or STEP qualifications an advantage. **Call Georgiana Ref: 3611**

In-house Tax Manager Leeds 2.5 day week

Our client is a growing property group. They seek their first in-house tax hire. Reporting to the CFO, your role will include: management of tax deadlines and compliance, including both company, employees and shareholders; submitting some, but not all, VAT returns; liaising with HMRC over any issues and ad hoc queries; liaising with tax advisors to resolve queries and ensure submissions are made on time; and ad-hoc project work. This role would suit someone with proven in-house experience. You will need an understanding of tax reporting. **Call Georgiana Ref: 3585**

VAT Role Milton, Keynes, Northampton, Leicester or Southampton

Top 20 firm seeks an experienced tax professional to join their growing team. This role can be based in Leicester, Milton Keynes, Northampton or Southampton, or remote with some travel to Northampton. Working directly with the existing VAT and advisory service teams, this is predominantly an advisory role for a company who are exploring bold new ways of working in a new era of accounting. You can mould this role to who you want to be including doing BD. An excellent career development opportunity with progression if desired. **Call Georgiana Ref: 3617**



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This role requires a highly motivated and collaborative team player with excellent technical skills and a strong client focussed approach. The ideal candidate will be very personable and have a commitment to providing an excellent level of client service, demonstrating a strong positive, proactive attitude. Candidates will also be expected to contribute to business development opportunities and in house training to generate cross service line referrals.

The successful candidate will be ATT or CTA Qualified or be qualified by experience. Support may be available to follow the Society of Trust and Estate Practitioners syllabus to achieve TEP status or other appropriate professional qualifications. It is expected they will have at least 5 years' practical tax advisory experience and an understanding of the procedures relating to tax compliance. Applications from Solicitors with tax experience will also be considered. This is a full-time position however consideration will also be given to part time and flexible working.

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REF: 03654

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REF: C3717

TAX DIRECTOR

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Our client is a leading regional firm with an established network of offices. As part of strong performance and continued growth it is now looking to expand its tax department and bring in a qualified Tax Director with either a private client or mixed tax background. Ambitious Senior Managers looking to make a step up into a Director role will also be considered.

REF: 03670

CONTENTIOUS TAX LAWYER

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Our clients Tax Disputes & Investigations team is known for handling high-profile, complex matters involving HMRC, customs authorities, and cross-border enforcement agencies. As the team continues to grow, it is seeking a talented and driven contentious tax lawyer, ideally at Associate/Senior Associate level, with a particular focus on matters involving Tax and Customs related disputes with HMRC, together with Border Force disputes.

REF: 03712

EMPLOYMENT TAX MANAGER

MANCHESTER

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Our global client's first-class Employment Solutions team supports employers with UK employment tax, reward, and compliance. It is seeking an experienced Employment Tax Manager to work with clients across the public and private sectors. You will advise on employment tax, CIS, NMW, payroll compliance, and employment status, whilst managing complex projects and mentoring junior staff.

REF: C3716

GROUP TAX MANAGER

NORTH LANCs

To £85,000 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

IN HOUSE TAX ACCOUNTANT

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REF: R3710

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REF: A3718



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SCAN ME