

Celebrating 20 years of the Low Incomes Tax Reform Group

General Features

Personal tax



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Gillian Wrigley takes us through its achievements, and what's next on the agenda

Key Points

What is the issue?

LITRG was created 20 years ago because John Andrews, past CIOT President, realised all was not well for the low-income unrepresented taxpayer trying to navigate the tax and related welfare benefits systems alone. Some of the issues may be different to those that John identified 20 years ago, but unfortunately many of the same issues remain.

What does it mean to me?

LITRG has achieved a lot in those years, including building relationships based on trust with officials at HMRC, DWP, HM Treasury and in parliament; and helping bring about change, including improved PAYE Notice of Coding and increased thresholds for rent-a-room relief.

What can I take away?

LITRG still has a lot to do. Gig workers remain a group that can be exploited by unscrupulous employers and agencies. The self-employed will receive continued support from LITRG as we ensure they are treated fairly. They will also face the first phase of MTD if they are VAT registered and we are watching those developments closely.

Issues for low income taxpayers

This year marks the 20th anniversary since the Low Incomes Tax Reform Group (LITRG) was set up by John Andrews (then President of the CIOT) as an initiative of the CIOT. LITRG was created because John realised all was not well for the low-income unrepresented taxpayer trying to navigate the tax and related welfare benefits systems alone. Some of the issues may be different to those that John identified 20 years ago, but unfortunately many of the same issues remain. Over that time LITRG has had only three chairs – John Andrews, Anthony Thomas and, currently, Anne Fairpo. All are past presidents of the Institute who chose to give generously of their time to assist lower paid and vulnerable taxpayers.

So what has LITRG achieved in the past 20 years and what issues are top of the priority list for action now?

Major achievements

Relationships based on trust

We are very proud of the relationships we have built with officials at HMRC, DWP, HM Treasury and in parliament, including the devolved administrations. These relationships are built on trust and respect. We are sometimes asked to comment on draft guidance and legislation before it is issued more generally, while in other cases we are asked to join discussions at a very early point before any definite policy has been decided. It is these very early interventions that, in our experience, are the most useful.

In addition, over the years we have welcomed a number of HMRC secondees to LITRG who have helped us with our work and provided valuable insight and contacts.

Our websites

We maintain four websites – www.litrg.org.uk, www.taxguideforstudents.org.uk, www.revenuebenefits.org.uk and www.disabilitytaxguide.org.uk. Parts of the LITRG website covering childcare, migrant tax issues and specific information for members of the Armed Forces, as well as Tax Guide for Students and Disability Tax Guide, were all originally set up using funding from HMRC's Grant-in-Aid funding. That funding has now ended, but HMRC continue to fund our Revenuebenefits website. Between them they had 4 million visitors in 2017 and numbers are still increasing. We estimate having 4.25 million visitors by the end of this year. Of course, it is not all about numbers – our websites are designed to provide information that can be readily understood by the lay person, but provide significantly more detail than GOV.UK, for example. Indeed, as an introduction to a topic they would be ideal reading material for CIOT and ATT students or members getting to grips with unfamiliar terminology or less familiar areas of tax.

The websites also host a 'contact us' section which provides us with useful anonymised evidence when we are asked to provide examples or asked to suggest areas that people are finding difficult to deal with. We also use the website queries to inform our consultation responses.

Changes to legislation and practice

Is this not the most important part, you may ask? Perhaps it is, but without having a good relationship with those who can make the changes happen, we would be very

unlikely to succeed. And if we did not provide our websites, we would not be able to publicise those changes, nor find it as easy to collect evidence supporting our requests for change.

These are just some of the changes that LITRG have helped bring about – you can read more about our successes on the [LITRG website](#).

- **Recognition that not everyone can engage digitally:** We assisted with a VAT case, TC02910: *L H Bishop Electric Company Limited and related appeals*, that established the principle that adequate and publicised alternative methods need to be made available for those unable to engage digitally, whether due to age, disability, location or otherwise. These are points that remain very pertinent in many interactions with HMRC including, of course, Making Tax Digital (MTD) and we welcome the fact that the MTD legislation includes provisions that stem from the VAT legislation as a direct result of the *Bishop* case.
- **Improved PAYE Notice of Coding:** After many years, HMRC agreed that a composite Notice of Coding, covering all employments and pensions in payment could be used! While the explanations on the form have room for improvement, this is clearly better than issuing multiple coding notices.
- **Increased threshold for rent a room relief:** We petitioned that an increased threshold might enable more accommodation to become available for rent -- and were pleased when the threshold was increased to £7,500 from April 2016.
- **Marriage allowance:** Claims are now allowed following the death of one of the spouses or civil partners. But we recognise that guidance on GOV.UK and publicity still require improvement.
- **Qualifying care relief:** We argued, along with other bodies, to have this relief extended to self-funded care. With the advent of Personal Independence Payments and the increasing numbers of people seeking shared lives care, in particular, this change was necessary to enable carers to deal with their own tax affairs in a fair manner, regardless of the source of the funds paying them.
- **Life insurance policy gains:** Following representations from the LITRG and CIOT, HMRC introduced a four-year time limit to claim for recalculation under the new rules instead of a much shorter window that was originally proposed in draft legislation.

What still needs to happen?

The digital world

Increasingly everyone is being encouraged to engage digitally and indeed we welcome the digital advances that HMRC have made in recent years. But there are still a lot of people who cannot transact digitally, for many different reasons. HMRC and other government departments need to ensure there is always a suitable non-digital channel and make sure it is well-publicised. It is also essential that appropriate systems are in place so that those who wish may be helped by friends and family.

GOV.UK remains the main channel for providing information to taxpayers, but a significant section of the population, arguably the most vulnerable, may be unable to access it. Of course, the government is not alone with this issue, we, too, face the challenge of ensuring our message reaches a wide audience.

Ensuring the self-employed are treated fairly

Last year we issued a report, [Self-employed claimants of universal credit: lifting the burdens](#), which illustrated some of the issues facing self-employed claimants of universal credit and calling for changes to make the system fairer. We remain concerned that self-employed claimants are treated more harshly than employed claimants, particularly with regard to the Minimum Income Floor, pension contributions and the necessity to maintain two different sets of records to satisfy the reporting requirements of both HMRC and the DWP. We were pleased that a [House of Commons report by the Work and Pensions committee](#) reiterated some of our concerns, but we await further developments as universal credit continues its halting rollout.

Of course, the self-employed will also face the first phase of MTD if they are VAT registered and we are watching those developments closely.

Gig workers

The issue of gig workers has been in the news a lot over the last few years. But they remain a group that can be exploited by unscrupulous employers, agencies and umbrella companies. Often too scared to complain in case their work is removed, we are often contacted by workers unaware of or unable to enforce their rights. While the gig economy clearly works for some people, and can enable people to work

flexibly, many gig workers are unsure as to their employment status, may not be receiving the National Minimum Wage and may have to pay expenses out of their income that normally might be expected to be paid by the engager. Such workers may also have uneven income patterns that lead to problems with state benefits, notably universal credit. We continue to campaign for more clarity for these workers.

Improving guidance

It seems to us that the content on GOV.UK has been simplified to the extent that it can be misleading. It can also be changed without notice, meaning it can be difficult for a taxpayer to rely on if they cannot negotiate the archiving system. We have highlighted various areas where the guidance is incorrect or misleading and will continue to do so until improvements are made.

Where the information on GOV.UK is incorrect or incomplete, it seems very unfair that a taxpayer might be criticised for getting it wrong and we have encouraged HMRC to think about their response where guidance falls short of the required standard.

Also, that website provides a good opportunity to educate the taxpaying public, but because the information on it is so curtailed, it can actually misinform.

The 'end of the tax return'

This was hailed some years ago. And while it is true that simple assessments have been introduced in some cases – broadly for those whose only taxable income is their state pension and it exceeds their personal allowance – there is clearly much more that could be done. We will continue to monitor the efficacy of simple assessments and make suggestions of further groups of people who might be removed from self-assessment by this means.

Abolition of Class 2 National Insurance

Our lobbying on behalf of the self-employed with very small profits, who would have to make Class 3 NIC contributions when Class 2 is abolished if they wish to save towards the state retirement pension, led to a one-year deferral in the change. We continue to have dialogue with HMRC and Treasury and hope that some compromise might be reached so that those self-employed people who wish to make voluntary

contributions may continue to do so on an affordable basis.

Devolved administrations

More powers are being devolved, allowing the new administrations to make changes, often with the intention of benefiting those on lower incomes. Regrettably, sometimes this can lead to increased complexity and a lack of understanding among taxpayers, particularly if they visit GOV.UK and see information that relates primarily to England. The interaction between a welfare benefit and any associated tax liability also needs to be considered.

Tax free childcare

We remain concerned that it is difficult for a parent to choose the best financial option for childcare, given interactions with other benefits, notably universal credit. The online calculator should be improved to cover a full range of circumstances with any circumstances not covered being made clear at the start so claimants are not misled. Enhanced guidance is needed to cover complex situations and interactions, and to explain the implications of a choice made now, should circumstances later change.

Is there still a role for LITRG going forward?

You will see we have a broad remit that constantly changes. As long as HMRC continue to focus their attention and resources on the majority, those on the lowest incomes will continue to struggle to deal with the system. The move to digital is unlikely to improve that situation and for some will make dealing with their affairs even more challenging therefore LITRG is very much still needed.

The new head of LITRG team, Victoria Todd, has just taken up the reins and will, no doubt, shape our future work but for now we'd like to thank Robin Williamson, Technical Director for more than 15 years, who has just stepped down to enjoy what we hope is a long, happy and healthy retirement. LITRG also relies on its volunteers who make up the main LITRG Committee along with paid staff members. We are pleased that both John Andrews (LITRG's founder) and our previous Chair Anthony Thomas are both still active members of the Committee and we are grateful for the time given by the whole Committee who bring many years of experience in the tax and welfare systems to LITRG's work.

We are always keen to hear from members on matters that will be of interest to LITRG and if you are interested in volunteering to help us with our work, you can contact us via our [website](#).