

October Technical newsdesk

Welcomes

21 September 2022

Welcome to this month's Technical Newsdesk. The eagle-eyed among you may have noticed that I am not Richard Wild! As Richard takes a very well-deserved holiday, I have been asked to write this month's introduction.

I am head of the CIOT's Low Incomes Tax Reform Group (LITRG). Our aim is to give a voice to low-income, unrepresented taxpayers in the tax system. We do this by providing free information about the tax system through our website www.litrg.org.uk and by making representations on behalf of our constituents. Regular readers of Technical Newsdesk will often see details of LITRG's published submissions, alongside those of CIOT and ATT.

LITRG submissions focus on the perspective of the low-income, unrepresented taxpayer. Often, we look at both the tax and benefit systems which can create some tricky interactions.

A timely example of this is one of the proposals that has been mooted during the leadership election, which is to increase marriage allowance to the level of the personal allowance. Currently, the marriage allowance is £1,260. It broadly enables someone who is not liable to income tax at a rate higher than the basic rate (or higher than the intermediate rate if a Scottish taxpayer) to receive £1,260 of their (usually non-taxpaying) spouse or civil partner's personal allowance, to provide them with a tax credit of £252.

If the transferable amount was increased to the level of the (current) personal allowance of £12,570 that would potentially mean a tax credit of £2,514, which is a significant increase for those who qualify. However, if the couple is claiming universal credit, then a reduction in the income tax bill of one partner by £2,514 means an increase in the level of their net earned income for universal credit purposes. As income increases, universal credit tapers at the rate of 55%. That means the couple would gain £2,514 from the increased marriage allowance but lose £1,382.70 from their universal credit award.

Another frequent activity in the LITRG team is publishing articles and press releases on the LITRG website. One recent press release (www.litrg.org.uk/ref2665) warned workers of the tax and benefits hit from fuel top-up money, published as we became aware that some employers were trying to help employees by starting to pay or reimburse employee business mileage at more than the HMRC-approved amount. As we explain, due to the tax and benefit interactions, employees may not see the full benefit of those additional payments. See the article by Meredith McCammond on page 8, which considers how employers can actually support their staff through the cost of living crisis.

These are just two examples of the many interaction issues we think about on a daily basis. We know that many CIOT and ATT members use the LITRG website. I would encourage anyone who comes across LITRG-related issues – either in practice or from family and friends – to contact us via email litrg@ciot.org.uk. We welcome feedback about the website but also information about any issues that you may see that we should be responding to.

Not unsurprisingly, I have taken the opportunity to highlight some of LITRG's work. As always, regular updates on the wider work of the technical teams in CIOT and ATT are in the 'latest news from CIOT/ATT' emails,

circulated on Tuesday afternoons. Richard will be back in his usual spot next month!

Victoria Todd, Head of LITRG