November: Technical newsdesk

Welcomes

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If you are quick off the mark reading *Tax Adviser*, you will currently be pondering the tax measures within the Chancellor's Medium-Term Fiscal Plan announced on 17 and 31 October. The dust did not have time to settle on the 23 September Growth Plan before we had a new Chancellor and the reversal of much of the original plan. While not being a 'traditional' fiscal event, there were some surprise tax announcements in the Growth Plan and our thoughts on the key aspects of the Chancellor's statement are summarised below.

As professional bodies, perhaps the greatest shock was the decision to abolish the Office of Tax Simplification, and set a mandate to HM Treasury and HMRC to focus on simplifying the tax code.

'Do not leave tax simplification up to HMRC and the Treasury,' said the ATT (www.att.org.uk/tax_simplification), with the CIOT considering that: 'If you are serious about simplification, abolishing the one body with responsibility for it is a very strange first step' (www.tax.org.uk/ots_abolition_disappointing).

Another surprise abolition is the 2017 and 2021 off-payroll rules which are repealed from April 2023. CIOT stated: 'It does not solve the problem of IR35 but places the burden of compliance back on small independent contractors and freelancers' (www.tax.org.uk/ir35_scrapping_reforms). The ATT warned that the measure 'risks widespread non-compliance and the loss of tax revenues' (www.att.org.uk/old_ir35_rules) and LITRG warned that the changes 'could result in more agency workers finding themselves working through single person limited companies' (www.litrg.org.uk/ref2684).

While the decision to abolish the UK additional rate of income tax has since been reversed, CIOT noted that the proposed changes to UK income tax could lead to further points of divergence between the Scottish and UK income tax regimes (www.tax.org.uk/income_tax_changes).

While we tend not to comment on rates and allowances, we queried whether the increases to the SDLT thresholds would benefit sellers more than buyers (www.tax.org.uk/sdlt_changes). Historical research demonstrated that similar measures led to increases in house prices.

Both CIOT and ATT welcomed the setting of a new permanent level for the AIA. 'The overwhelming feedback that we receive is that stability and certainty is more important to businesses than any particular rate of relief,' said the CIOT (www.tax.org.uk/new_level_aia), with the ATT also noting the 'significant change in direction' on capital investment incentives (www.att.org.uk/capital_allowances_changes).

The reversal of the national insurance increase, and the repeal of the health and social care levy, was trailed a day early. The ATT called for a 'broader review, not more tinkering', pointing to the government's response to the employment status review (www.att.org.uk/NI_needs_review). LITRG stressed the need to consider the benefits impacts of the tax and NIC changes (www.litrg.org.uk/ref2683). While the announcement reverses what would have been further differentials between different income types, the CIOT stated that: 'It remains the case that employer NICs will continue to be an incentive for businesses to contract with people as self-employed rather than employing them (www.tax.org.uk/ni_reversal).

Let's hope we are less spooked by the Chancellor’s Medium-Term Fiscal Plan, even though it took place on Halloween.