Finance Bill: supporting scrutiny

Briefings

23 June 2023

CIOT and ATT evidence on topics ranging from pension top-ups to abolition of the Office of Tax Simplification (OTS) was cited during debate on this year's Finance Bill.

The Bill, which cleared its House of Commons stages on 20 June, contains a number of measures advocated by the two bodies, including clause 41, which extends the no gain/no loss tax treatment for transfers between separating spouses, and clause 29 and schedule 2, which provide greater simplicity in respect of estates. But it also contains measures that the bodies are unhappy about, most notably the scrapping of the OTS.

CIOT, ATT and LITRG together provided 11 briefings and representations to the MPs considering the bill, to support the scrutiny process and highlight possible flaws and areas of uncertainty. During debate on the Bill the three bodies were mentioned a collective total of 45 times, with our evidence cited on eight different aspects of the Bill as well as in the debate on the Programme Motion, where SNP spokesperson Kirsty Blackman once again made a call for tax experts to be invited to give oral as well as written evidence to the committee.

Clause 25 of the Bill introduces pension top-up payments for low earners in net pay pension schemes. Shadow Financial Secretary James Murray commended the efforts of LITRG and others in campaigning for this measure. He also put forward a number of amendments suggested by LITRG aimed at improving the legislation.

In reply, Economic Secretary Andrew Griffith was able to provide reassurance that HMRC would provide people with details of how their payment was calculated, as LITRG had asked. LITRG got less satisfaction on a bid to permit challenges to HMRC's determinations, though the minister told Murray that those who feel a payment is incorrect will be able to contact HMRC who will be able to 'correct the situation' if necessary.

Another measure in the Bill which can be attributed in part to work by LITRG is clause 332, which prevents taxpayers from reassigning their right to an income tax repayment to a third party repayment agent. Murray said that while LITRG broadly welcomed the clause, the group had highlighted that issues remain around the nomination process – the alternative way of enabling an agent to receive a payment.

While supportive of the relaxation in clause 41, CIOT pointed out to officials when the Bill was published that the clause was flawed as the period during which separating spouses and civil partners would be able to transfer assets between themselves on a no gain/no loss basis would end, illogically and possibly catching people out, a day before the end of the tax year. The government passed an amendment to remedy this.

ATT and CIOT both made committee stage submissions opposing the abolition of the OTS. These were drawn on heavily by Labour and SNP spokespeople. James Murray (Lab) observed that CIOT had pointed out that almost every Finance Act of the last decade has included measures that owe their genesis to the OTS. Douglas Chapman (SNP) highlighted the ATT's belief 'that there are many benefits to maintaining independent advice to the government on tax simplification' and called on the minister to 'at least give the OTS a stay of execution until further evaluation is carried out'. The minister gave no ground.

Other clauses on which CIOT evidence was cited during committee stage included R&D relief, the multinational top-up tax, estates in administration and trusts and share exchanges involving non-UK incorporated close companies.

A fuller review of this year's Finance Bill can be read on the CIOT website at: tinyurl.com/bddznvcy