

CIOT Vice President's page: The struggles of business

Welcomes



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Nichola Ross Martin, CIOT Vice President

It's a great pleasure to be the new Vice President of the CIOT this coming year, while continuing to serve on its council of trustees. We trustees, like the CIOT itself, are a diverse and friendly bunch. If you are interested in serving on Council or indeed in getting involved in any CIOT committee, I commend the idea of getting involved with your Institute at any level.

I started my career in accountancy and audit, and gradually moved into tax by starting to answer the tax queries that appeared in the back of a well-known tax magazine. Next, I volunteered to sort out our tax partner's loose leafed tax manuals and add in the updates, reading as I went. After a few years, I left accountancy practice and went full-time into tax. How far technology has come since the days of

the paper update! The only bit of technology that I note has hardly changed is the spreadsheet. What would anyone do without one?

My background in general practice was dealing with mainly owner managed businesses. After I moved full time into tax, like many tax advisers, over the years I have drifted into other areas, including share schemes, stamp duty land tax and Making Tax Digital for VAT, although always advising SMEs and their owners rather than large corporates.

It's a very tough time economically for many SME company owners. The cost of living crisis and pensions auto-enrolment have pushed up employment costs. The changes in the corporation tax rate, coupled with the creation of an extremely low small profits limit, has increased the costs of corporation tax. It means that doing business is a struggle. Since 2015, thanks largely to the availability of cheap software, it has been quite possible for directors of small trading companies to learn to do their own company tax and to file their own accounts and tax returns. From 1 April 2023, we returned to having two rates of corporation tax and we go back to the old rules for control, associated companies and augmented profits. If you started a company on or after 1 April 2015, which was when corporation tax was set at a single 19% rate, you will have no idea what is about to hit you!

Looking through my inbox, nearly every OMB owner that comes my way is a director who is running at least two if not three companies, and many people are running small groups separating out ownership of business premises from their trading activities. Although the associated company rules allow you to exclude companies that don't have any substantial commercial interdependence, I have a feeling that in a couple of years the tribunals will see a surge in cases where companies have failed to count up all their associates. The other trend in recent years has been the rise in family investment companies (FICs). A FIC may be dismayed to find that it is accidentally a close investment holding company, another elephant trap for the unwary.

As the cost of living crisis squeezes budgets, clients are keener than ever to maximise tax savings wherever possible, which takes me on to 'rogue agents'. An agent in this context is not necessarily a tax professional, although it's often difficult for the public to discern that. The more dubious agents are normally characterised by a 'no win, no fee' offer and pop up to 'help' wherever you have the combination of an overtly complex set of rules and a claim for relief of one sort or another. The

CIOT's Low Income Tax Reform Group (LITRG) has, as you are probably aware, been successful in lobbying government to reduce the public's exposure to rogue tax refund companies.

We have new legislation for research and development (R&D) claims which now require companies to take a lot more care over their R&D claims and to conduct something like due diligence on their R&D agents. HMRC has a sizeable task in tackling some of the more fanciful R&D claims that I hear are being made. Such is the nature of the new compliance rules that if you are advising a company that is using an R&D agent going forward, it will certainly require your assistance in ticking the boxes required by the new legislation. Draft secondary legislation detailing these requirements is due as I write this and will be out by the time you read this. I look forward to a CIOT webinar on this topic – it's going to be a hot one.

These are the sort of issues I thrive on, and I look forward to 'chewing the fat' with as many of you as possible, on these topics and more, in the coming months as I serve my time in the presidential team.