

Welcome from the editor, April 2017

Welcomes

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The fear factor

One of my continuing concerns about Making Tax Digital is the anxiety that some clients have every time they interact with HMRC. Add quarterly reporting into the mix and you could be adding four times as much anxiety. Considered logically, having a better handle of your tax affairs should result in less stress but why then is it those with the most exemplary records and compliance history have developed such a fear of getting things wrong. Why is it that I hear repeatedly 'It's such a weight of my shoulders passing this to you'?

I am sure those developing Making Tax Digital have focused on the 'taxpayer journey' but what about the psychological aspects of this? The truth is that this is an area that needs more research, but the academic work in this area to date makes interesting reading. [Diana Onu and Andy Lymer consider what psychologists say about tax compliance](#). Psychologists have a lot to contribute to our understanding of taxpayer compliance behaviour – helping us to understand why people pay, as well as don't pay, their taxes. Understanding what motivates tax compliance is key to the generation of an effective tax system.

Pressing reset

It is commonplace in the private equity industry and privately held companies for the equity of an underperforming business to be 'reset' as part of a wider plan to incentivise incoming or existing management. With an equity reset there are a number of tax issues to consider including taxable value shifts. [Thomas Klouda and Ashley Prior consider the implementation of an equity reset](#).

Seeking closure

Enquiry closure notices for income tax, capital gains tax and corporation tax is soon to disappear from statute to be replaced by 'Partial Closure Notices' (PCNs) and 'Final Closure Notices'. Taxpayers may benefit by obtaining earlier certainty on easily resolved enquiry matters through PCNs, although collection of tax and penalty assessments will be similarly accelerated. [Helen Adams considers the draft Finance Bill's proposed changes to enquiry closure notices.](#)

Entity identity

A business cannot normally claim input tax on costs that relate to activities that are exempt from VAT. However, if the tax amounts come within certain limits, it might still be claimable by using the partial exemption de minimis rules. [Neil Warren considers the partial exemption de minimis rules](#) and how these might produce a VAT windfall for some buy-to-let landlords of residential property.

Back to basics: Trusts

Trusts can sometime seem daunting with different vocabulary and their own tax rules. [CIOT prize winner, Emma Florentin-Lee sets the scene on trusts generally](#) and an overview of the tax implications of different types of trust.