February 2025

TAXADVISER

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HMRC's customer service

A CIOT and ICAEW joint report examines HMRC's struggles to meet target levels and sets out ten key recommendations for improvement

Strategic tax challenges
The key issues we will face in 2025 and how to prepare for the year ahead

The taxation of non-doms
Negotiating the new four-year foreign income and gains regime

National heritage property
The significant tax reliefs available to taxpayers on both land and chattels

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ATT - NOVEMBER 2024

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CTA - NOVEMBER 2024

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HELEN WHITEMAN
JANE ASHTON

A busy year ahead!

Happy New Year! We hope that you all managed to have an enjoyable break over the festive period and that January was not too demanding for those of you involved in submitting tax returns.

Dealing with last minute tax returns in January is always challenging and often takes priority over other areas of work. But the Self Assessment tax return filing date was not the only deadline in January. The recent Budget announced a number of important consultations, for many of which the responses needed to be submitted by 22 January.

The ATT and CIOT technical officers have been busy obtaining and collating the views of our members in order to inform our comments in those responses. We would like to thank those of you who gave up your time during that busy period to respond to our requests. It is important that our responses fully reflect the views and comments of our members, so your involvement is instrumental. A list of the full responses can be found on the ATT website at www.att.org.uk/technical/submissions and the CIOT website at www.tax.org.uk/submissions/1.

On Thursday 13 February, ATT technical officer David Wright will be presenting the second in a series of free webinars for ATT members, this time looking at 'The end of furnished holiday lets: what do you and your clients need to know?' Most readers will know that the beneficial tax treatment of furnished holiday lets is being abolished from April 2025. David will look at the impact of the changes, consider the areas where there is still uncertainty and provide practical advice on how members can prepare their clients. You can find out more and register for the event at tinyurl.com/bdf78m3f.

Looking further ahead, on Wednesday 2 April the ATT is holding the first of its bi-annual virtual Fellows Webinars. These free events provide a unique opportunity for all Fellows to enjoy the company of their peers and participate in discussion sessions led by our technical officers. Keep an eye out for your weekly newsletter for details of the presentation and discussion session topics.

Other dates to note in April are Wednesday 23 and Thursday 24 April when the CIOT will be hosting its popular Spring Virtual Conference 2025. The conference provides topical lectures presented by leading tax speakers, flexible access to all the conference materials and recordings, and an opportunity to increase your CPD. This year topics will include presentations on: R&D tax relief: the new normal; employee ownership trusts: what are they good for?; capital allowances: 'super' useful tips and reminders; OMB exit planning in 2025/26 and beyond; and much more. You can find the full programme and registration details on the CIOT website at: www.tax.org.uk/svc2025.

In April, we will see a new Permanent Secretary and Chief Executive at HMRC with the appointment of John-Paul ('JP') Marks. We welcome his appointment and look forward to working with him as he develops his strategy for progressing the government's priorities for HMRC to reduce the tax gap, modernise and reform the tax system and improve customer service. We would also like to thank the current Permanent Secretary Sir Jim Harra for his engagement with the tax profession during his time in charge, and we wish him all the very best for the future.

Talking of new appointments, some of you may have missed the ATT announcement that Emma Rawson has become the ATT's first Director of Public Policy. We congratulate Emma and wish her all the very best in the role!

Finally, the award season has come early this year, with former ATT Council and current committee and steering group members Katharine Lindley and Ralph Pettengell both being nominated at the Professional Adviser Awards 2025 in the category for Outstanding Contribution to the Advice Industry. It's great to see our members being recognised for the hard work they do and we wish them both well.

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CONTENTS

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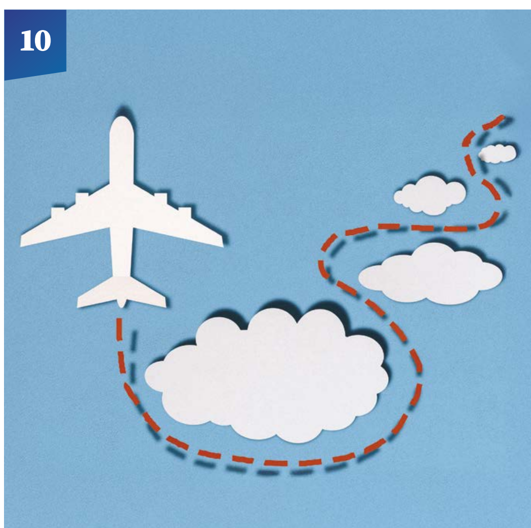


p8
The Administrative Burdens Advisory Board Improving our tax system
Bill Dodwell
The Administrative Burdens Advisory Board seeks to support HMRC in the delivery of improvements in the customer experience of the SME business population. We examine its remit.
OMB MANAGEMENT OF TAXES

p10
Reform to the taxation of non-doms The new FIG regime
Valeriy Ilchenko
The UK government is set to implement a fundamental reform to the taxation of non-UK domiciled individuals starting on 6 April 2025. The reform will replace the remittance basis with a new four-year foreign income and gains regime and transition to a residence-based system for inheritance tax. In the first of two articles, we consider the issues relating to income tax and capital gains tax reform.
PERSONAL TAX INTERNATIONAL TAX

p14
VAT challenges and important deadlines After the horse has bolted...
Neil Warren
In this Q&A article, we consider practical situations when a business might have missed important VAT deadlines. It is necessary to check both the legislation and HMRC's published guidance to see if a belated solution is possible. In some cases, it will be too late to rescue the situation. If your clients are working fewer hours or downsizing their activities, it might be possible to deregister from VAT quicker than you realise.
INDIRECT TAX

p17
Navigating strategic tax challenges A guide for tax leaders
James Egert
We take a look at the key issues that we will have to address in 2025, and how we can all best prepare for the year ahead. For 2025, the UK plans minimal changes to income tax, National Insurance, and VAT, with several consultations on tax reforms. In the US, Trump's return to the White House signals potential tariff increases to prioritize US manufacturing and address trade imbalances. Establishing governance structures and consistent tax strategies remains crucial, and the Corporate Tax Roadmap includes HMRC's modernisation efforts, emphasising co-operative compliance.
LARGE CORPORATE OMB INTERNATIONAL TAX MANAGEMENT OF TAXES

p21
Employee ownership trusts Key benefits, conditions and challenges

Conor Brindey

An employee ownership trust is a type of employee benefit trust that acquires a controlling interest in a company on behalf of its employees. Tax reliefs encourage this transition, offering 100% capital gains tax relief on share disposals to employee ownership trusts and allowing tax-free bonuses for employees. We consider the benefits, conditions and challenges of employee ownership trusts, as well as the changes introduced in the Autumn Budget 2024.

LARGE CORPORATE EMPLOYMENT TAX

p25
National heritage property Savings for the nation

Will Leonard

Heritage property reliefs are often overshadowed by agricultural and business property reliefs. However, with upcoming changes limiting these reliefs to 50% for values over £1 million, heritage property reliefs may become more significant. With a number of reliefs available to the owners of heritage property – both land and chattels – we consider how taxpayers could benefit from the options available.

PROPERTY TAX INHERITANCE TAX

p28
Rupert Grint and the failed tax scheme A matter of interpretation

Keith Gordon

Rupert Grint, an actor, sold his future earnings to a company, Clay 10, for £8.5 million, treating £4.5 million of it as capital and claiming entrepreneurs' relief. We examine a case which considers the 'sales of occupation income' rules, and highlights the limited scope of legislation that applies only to taxpayers engaged in a profession or vocation.

PERSONAL TAX

p32
Tackling HMRC's customer service challenge CIOT and ICAEW joint report

Lindsay Scott and Ed Saltmarsh

In recent years, HMRC has struggled to meet its target levels of customer service. The CIOT and ICAEW believe that there is an opportunity to work collaboratively with HMRC and ministers to improve and strengthen HMRC customer service. In December, CIOT and ICAEW launched their joint report addressing HMRC's customer service challenge, setting out ten key recommendations for improvement.

MANAGEMENT OF TAXES LARGE CORPORATE OMB

Regulars

Welcomes

1 A busy year ahead!
Helen Whiteman and Jane Ashton
4 CIOT President
A year for progress
Charlotte Barbour
6 ATT Deputy President
A welcome sigh of relief
Graham Batty

Technical
From the Technical team

37 CIOT technical team successes
37 Committee of the whole House debate
38 Employee ownership trusts
38 Non-domicile/remittance basis changes
39 National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024
39 Annual accounting and VAT exempt income
39 Wales: Visitor levy and business rates on private schools
40 Scottish Budget 2025-26 and Scotland's Tax Strategy
41 Labour market – a flurry of activity

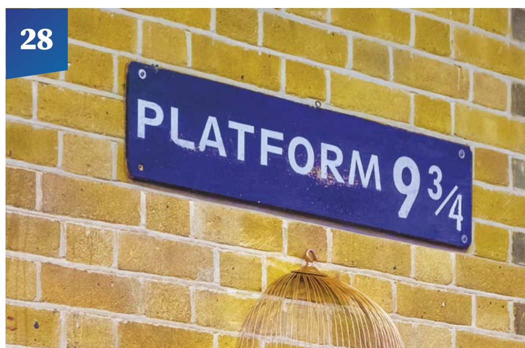
Briefings
From 30 Monck Street

44 Tax policy contribution in Wales
45 HMRC could save 1.7 million hours of 'progress chasing' calls
45 Institute challenges unfair interest rules
45 In the news
46 Spotlight on the One to Many Compliance Advisory Board
46 Outstanding 2024 Annual Returns
47 New ATT Director of Public Policy
47 New ATT and CIOT Fellows
48 The Future of Tax Professionals Committee
49 CIOT and ATT exam results
50 Housing market debate
50 CIOT AI webinar series
51 A member's view: Jordan Kelly

Recruitment

52 Recruitment

25



28

ONLINE PICKS OF THE MONTH

Business rates reform
New government plans in the Autumn 2024 Budget
tinyurl.com/2vjvv87k

Rethinking succession planning
Tax, pensions and wider issues for individuals and business owners
tinyurl.com/yvwknacb

Coping with HMRC enquiries
Some practical guidance
tinyurl.com/3c8chwpy

CHARLOTTE BARBOUR
PRESIDENT

A year for progress

> The use of artificial intelligence in tax has been high on the priority list in 2024 and this continues into 2025.

A good New Year to all – and as I look forward to 2025, I would like to share some forthcoming highlights in the CIOT member events calendar.

HMRC has an anniversary this year as it is 20 years since it came into existence, having previously been two very different departments – the Inland Revenue and Customs & Excise. Much has changed with steps to unify culture and tax administration, self-assessing of taxes, and a more digital world – and no doubt there will be further significant changes over the next 20 years. The CIOT and ICAEW are hosting a conference, '20 years of HMRC: Reflections and looking ahead' on 11 March with a combination of keynote speakers and panel sessions. Do attend if you can.

Other dates to book include 23 and 24 April for the online Spring Conference, which is offering a range of technical updates on corporate compliance and advisory work (23 April) and advising personal clients (24 April). You can book for both mornings or a single morning.

This year's Cambridge Conference is on 19 to 21 September and aims to be a 'one stop shop' for anyone in practice. I very much enjoyed last year's conference and recommend it for the opportunity to network with fellow practitioners, take time away from your client work and consider your practice in the round, as well as benefiting from the best of speakers. I'll be attending again this year.

The use of artificial intelligence in tax has been high on the priority list in 2024 and this continues into 2025; technology increasingly sits at the heart of our work practices and in HMRC. As well as the refreshed Diploma in Tax Technology, there is a recently launched introductory eight-hour self-study AI course. Both are designed to give members understanding and confidence in the use of tax technology, and an awareness of risk management in tax AI. The Institute is also hosting a one-day Tax Technology Conference in Birmingham on 4 June.

Don't forget to use and support the branch network and do get in touch if you think more, or different, offerings should be in place.

I am very conscious that last year the CIOT technical team and office bearers continued to receive feedback from members about HMRC's services. Member anecdotes presented a picture of long waits, poor quality and inconsistent advice, and a basic inability (especially for agents) to do things online driving them back to having to use the helplines. A key discussion in-house, and with counterparts in ICAEW, looked at what exactly gives rise to the problems and what might be done to address them.

With this in mind, a number of firms agreed to log all their interactions with HMRC over a six-week period. I'd like to thank the 31 firms that participated in this data-gathering exercise – completing a log for every phone call or webchat about the purpose of their contact, the length of time involved and the outcome.

There is a fuller discussion of 'Tackling HMRC's customer service challenge', issued in December 2024, (on page 32) but for me the most telling finding is the amount of contact generated due to the need to chase progress. Over a third of all calls are to ask, for instance, when a letter will be replied to or where the repayment is. I'm most grateful to HMRC for joining a panel to discuss both the report findings and the 10 recommendations put forward. HMRC is well aware that progress chasing is an issue and that addressing this, and more generally customer service, is a ministerial priority for the Exchequer Secretary to the Treasury. It will also remain a priority in the CIOT so please continue to provide feedback on HMRC service – whether it is 'good', 'getting better' or otherwise throughout 2025.

CIOT members are served by a fantastic team of staff and they will continue to help shape and influence the future of tax administration in the interests of taxpayers and the wider public. This is greatly enriched when their work is informed by members' experience and knowledge. Do keep in touch and I'll look forward to meeting with you at CIOT events this coming year.

Charlotte Barbour
President
president@ciot.org.uk

Early bird price £250+VAT

available until 4 April 2025

Tax Technology Conference 2025

Wednesday 4 June 2025, The ICC, Birmingham

Join CIOT and ATT for this educational one-day event to explore the latest advancements and best practices in AI and technology in taxation.

The one day conference will take place at the ICC Birmingham on Wednesday 4 June 2025 and is designed for those who are new to AI and tax technology, as well as those already implementing these advancements.

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GRAHAM BATTY
DEPUTY PRESIDENT

A welcome sigh of relief

> One group who do not put things off until the last minute is the ATT's amazing (and award winning) technical team.

The January panic to get all of our clients' income tax returns filed on time is over for another year. If only we could convince clients to send their information through earlier! It does always seem to be the usual suspects who are late year after year...

Before I retired, most of my clients were companies and charities so, apart from a couple of large religious charitable trusts, the only income tax return I have dealt with in recent years is my own. That is a relatively painless digital experience. Some of the information is already prepopulated (and correct), so that is a big tick for the digital approach. But I am ashamed to say that although I had all the information ready in the summer, it was once again a job I left until the week between Christmas and New Year!

One group who do not put things off until the last minute is the ATT's amazing (and award winning) technical team of Emma, Helen, Steven and David. In addition to commenting on consultations and draft legislation, producing technical articles and being regular contributors to programmes such as Radio 4's Money Box, they have also produced a series of handy How to Guides which are available on the ATT website. In particular, their tax agent's guide on how to get ready for Making Tax Digital for Income Tax self-assessment (MTD ITSA) is worth a read. In October's Budget, the government confirmed its commitment to MTD ITSA, which will apply to some taxpayers from April 2026. That means there is just over 12 months to prepare and, just as importantly, to educate your clients.

Also coming in April 2026 is mandatory registration of tax practitioners who interact with HMRC on behalf of clients. HMRC will apply checks to all tax practitioners who register.

HMRC will soon be publishing a technical consultation on the necessary legislation to be introduced in Budget 2025. I would urge you all to look out for this and feed your comments back to the technical team. The government has said that it wants to ensure that taxpayers can confidently choose a tax practitioner who will help them meet their tax obligations and stop those in the market who give bad advice. I am sure we all support this but it needs to be introduced in the right way if it is to work properly, so your comments are vital.

Have you seen – or better still signed up for – ATT Mentor Match, the new ATT member and student mentoring programme? This online platform is open only to ATT members and students and is designed to support personal and professional growth through meaningful connections. Whether you are looking to develop new skills, gain insights or expand your network, this programme pairs experienced mentors with individuals seeking guidance and development. Full details can be found on the ATT website.

Mentor Match is just one of the many benefits of ATT membership. In addition to this august publication, your annual free copy of Whillans's Tax Tables is about to be sent to you. You also get an annotated copy of the Finance Act, a copy of Tolley's Annual Tax Guide, an option to request tax rate cards, a weekly technical newsletter, our 'Employer Focus' Newsletter and, of course, ATT's coveted mouse mat.

One other benefit of membership which I think is particularly useful is licensed access to barristers practising in England, Wales and Northern Ireland and to advocates practising in Scotland. This means that members may give instructions direct to barristers or advocates without using the services of a solicitor. I have always found conferring with tax counsel a fascinating and worthwhile exercise when faced with a particularly complex or unusual situation. Writing instructions to counsel setting out the issues and your analysis of the situation is a brilliant way of flushing out the pros and cons, formulating the key questions and getting your thoughts in order.

Finally, the results of the November 2024 ATT examinations were published on 22 January. Huge congratulations to all of you who passed these challenging exams. I would encourage those of you who are now exam qualified to join as full members and proudly add ATT after your name. I look forward to meeting some of you at one of our admission ceremonies!

Until next month.

Graham Batty
ATT Deputy President
page@att.org.uk

The end of Furnished Holiday Lets – what you and your clients need to know

Thursday 13 February | 12:00 - 13:00

The beneficial tax treatment of Furnished Holiday Lettings (FHLs) is being abolished from April 2025. In this webinar, we'll look at the impact of the changes, and what clients can do to get ready. Topics covered include:

- A recap of the FHL regime, and why it matters for tax
- What's changing from April 2025
- What's **not** changing
- Areas of uncertainty
- Priorities when advising clients

If you have any questions for our speaker, David Wright, ATT Technical Officer, or queries about the webinar please contact **events@att.org.uk**

Open to ATT members only, reserve your free place at:
www.att.org.uk/fhl-webinar

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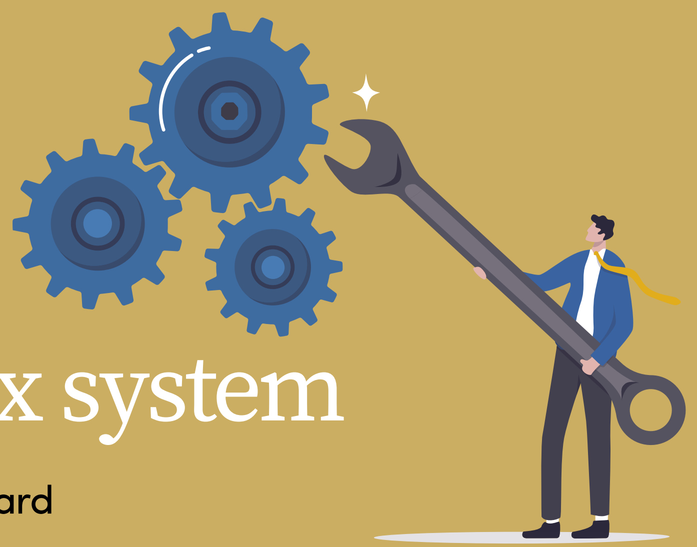

ABAB Improving our tax system

The Administrative Burdens Advisory Board seeks to deliver improvements in HMRC customer experience for SMEs.

© Getty images

Chancellor Gordon Brown's 2006 Budget had a significant focus on reducing the cost to business of regulation. It set targets for HMRC to reduce the cost of tax compliance by at least 10% over five years and to reduce the cost of tax audits by 15% over that period (see tinyurl.com/5n6favnv, paras 3.43-3.50). It also announced the establishment by HMRC of the Administrative Burdens Advisory Board (ABAB). It was chaired from the start by Dame Teresa Graham (who was also deputy chair of the Better Regulation Commission). Two other original members remain: Roger Southam and Karen Thomson.

The terms of reference specified that: 'The purpose of the Board is to support HMRC in the delivery of improvements in the customer experience of the SME business population, with the primary goal of "making a noticeable difference" in terms of making it easier, quicker and cheaper for SMEs to deal with the tax system.'

The first ABAB meeting in May 2006 discussed the Administrative Burdens Assessment produced by KPMG for the newly established HMRC. The assessment counted 2,692 individual compliance obligations on business. It was thought that 85 of these caused 85% of the burden on business – much of which related to 12 key forms and returns. Each of the obligations was given a cost in the new Standard Cost Model, in turn used to support costings in Regulatory Impact Assessments and TIINs (tax impact and information notes). Much of the initial discussion at ABAB was about simplifying the main income tax return and making tax audits more efficient through focus on risk assessments.

Where are we now?

Nineteen years later, there is still a need for ABAB. Some of the topics have changed (Making Tax Digital for Income Tax has taken the place of simplifying the tax return) but small businesses still report their struggles with the complexities of the tax system.

ABAB conducts a small business survey every year. It received over 10,000 responses in 2024 (see tinyurl.com/msxr4nuv). A third of respondents had sales below the VAT threshold, although 18% had sales over £1 million. 70% had fewer than six employees or none at all. Interestingly, 27% used HMRC's online accounts – the personal tax account and the business tax account. No doubt HMRC will be hoping that this proportion will increase over time and that many will also use the HMRC app, which provides almost identical services. The app is particularly good at holding an individual's national insurance number and is especially easy for paying tax through open banking.

84% of survey respondents were businesses, with 16% being tax agents. One third of businesses reported that their experience of HMRC services had got worse, with two thirds staying the same. Agents almost unanimously reported that their experience had got worse.

Roughly 40% relied on their agents for keeping up to date, with another 40% using HMRC's online guidance. 42% found online guidance helpful or very helpful, with 42% finding it average and the remainder finding it unhelpful.

The survey highlighted continued concerns about HMRC's customer service and a continued lack of awareness and involvement with Making Tax Digital for Income Tax, due to arrive in 2026.

Looking forwards

ABAB's 2024 Annual Report reaffirms its commitment to the goal of a simpler and easier tax system for small businesses (see tinyurl.com/5dte4tej). 'A simpler and easier tax system will not just save businesses administrative time and money; it will likewise save HMRC time and money as there will be fewer mistakes and difficulties to resolve. And it will help the tax revenues flow more smoothly into the Treasury's coffers!'

During 2024, ABAB met with HMRC officials every quarter, with additional meetings for its customer working group. ABAB also meets with the tax minister and has a scheduled meeting for 2025. Topics especially covered during 2024 included Making Tax Digital and Payrolling Benefits (where ABAB is supportive in principle but advised that more notice needs to be given to businesses, payroll agencies and software providers of the adoption of mandatory payrolling). ABAB also advised that HMRC should find agreed methods of reporting all benefits – not leaving out beneficial loans and accommodation. ABAB expressed concern about the planned reporting of employee hours, pointing out that hours data was not kept in payroll systems unless individuals are hourly paid.

The first meeting in 2006 noted that 'the timescale for change around HMRC's legacy systems could be time consuming and this improvement (taking into account design, testing and legacy systems) was unlikely to be released before 2008.' Today, HMRC continues to live with legacy systems, which continue to make it harder to deliver improvements, although it is working through a significant programme of adopting modern, enterprise-level systems. Its Digital Roadmap planned for the spring should give a broader indication of investments and changes coming.

ABAB continues to welcome comments from those in business and their advisers. Please email your thoughts on improving our tax system as it applies to small business to: advisoryboard.adminburden@hmrc.gov.uk

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Profile: Bill is the former Tax Director of the Office of Tax Simplification and Editor in Chief of Tax Adviser magazine. He is a past president of the CIOT and was formerly head of tax policy at Deloitte. He joined the Administrative Burdens Advisory Board in 2019. Bill won the Lifetime Achievement Award at the Tolley's Taxation Awards in 2024 and writes in a personal capacity.

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Reform to the taxation of non-doms

The new FIG regime

The UK government is set to implement a fundamental reform to the taxation of non-UK domiciled individuals starting on 6 April 2025. In the first of two articles, we consider the issues relating to income tax and capital gains tax reform.

by Valeriy Ilchenko

The non-dom regime will undergo a fundamental reform starting on 6 April 2025. This reform will replace the remittance basis with a new four year foreign income and gains (FIG) regime and transition to a residence-based system for inheritance tax. These changes are relevant to both UK-domiciled and non-UK-domiciled individuals, but the impact will be more significant for non-UK-domiciled individuals who currently benefit from the remittance basis, protected trust and excluded property reliefs.

The new regime aims to simplify the tax system by removing domicile as a relevant connecting factor for tax purposes (although, as will be noted in the second article, domicile will continue to have some relevance for tax purposes going forward). However, the new regime will generally be more stringent for long-term UK residents who are non-UK domiciled, as they may fall within the scope of worldwide taxation from 6 April 2025 (unless they qualify for the new, more restrictive reliefs).

On the other hand, there is some positive news for UK domiciled individuals who have been (or will be) non-UK resident for 10 years, as these individuals may be entitled to comprehensive tax reliefs concerning their non-UK income, gains and assets.

Individuals affected by these changes have only a few months left to prepare before the new regime takes effect on 6 April 2025. A wide range of actions (which will often take into account non-tax as well as tax considerations) may need to be taken to prepare for the new regime and to take advantage of transitional rules that could mitigate the impact of these changes for certain individuals. Affected individuals need to act promptly to ensure that the necessary review and restructuring steps are implemented within this limited timeframe.

Key features of the reform

The government announced a fundamental reform to the taxation of non-UK domiciled individuals at the Budget on 30 October 2024, including:

- **Relevance of domicile for tax purposes:** The concept of domicile will cease to be a relevant connecting factor for income tax, capital gains tax and inheritance tax purposes.
- **Introduction of the FIG regime:** The current remittance basis of taxation will be replaced by a new four-year exemption applicable to foreign income and gains from 6 April 2025.
- **Residence-based system for inheritance tax:** A new residence-based system will be introduced for inheritance tax purposes from 6 April 2025.
- **New inheritance tax regime for trust assets:** The inheritance tax treatment of trust assets will be dependent on the long term residence status of the settlor at relevant chargeable events rather than at the time of settlement.
- **Transitional rules:** Various transitional rules will be introduced to soften the impact of the changes on the affected individuals.

Several features of the aforementioned reform have been discussed in earlier editions of *Tax Adviser.* This article will examine some of the novel developments resulting from the Budget announcements and the publication of a detailed Technical Note titled 'Reforming the taxation of non-UK domiciled individuals', along with more than 100 pages of draft legislation.

Income tax and capital gains tax

Here, we consider the issues relating to income tax and capital gains reform. We will examine the changes to a residence-based system for inheritance tax purposes in the March issue of *Tax Adviser.*

The FIG regime

From 6 April 2025, the remittance basis regime, which has been a feature of the UK tax system for over 200 years, will end and the new FIG regime will be introduced. This regime will be available to individuals during their first four years of UK tax residence after a period of 10 consecutive years of non-residence. Beyond this initial period, all UK residents will be taxable on their worldwide income and gains.

For the purposes of the FIG regime, residence will be determined using the statutory residence test. Years of residence before 6 April 2025 will also be taken into account. Therefore, individuals who have already relocated to the UK and became UK tax resident under the statutory residence test from the 2021/22 tax year

Key Points

What is the issue?
The reform will replace the remittance basis with a new four-year foreign income and gains (FIG) regime and transition to a residence-based system for inheritance tax. The changes will significantly impact non-UK domiciled individuals who currently benefit from the remittance basis, protected trust and excluded property reliefs.

What does it mean for me?
This will eliminate domicile as a relevant factor for income tax, capital gains tax and inheritance tax purposes. The FIG regime offers a four-year exemption for foreign income and gains for individuals who have been non-resident for 10 years. A Temporary Repatriation Facility will allow non-UK domiciled individuals to bring funds to the UK at a special tax rate.

What can I take away?
Affected individuals should prepare for the changes by reviewing their assets, offshore structures and mobility options. They should consider taking advantage of current rules, the Temporary Repatriation Facility and other transitional measures.

will not be eligible for the FIG regime. Unlike the remittance basis, the FIG regime will be available to UK-domiciled individuals, provided they have been (or will be) non-resident for at least 10 years before becoming UK tax resident.

Under the FIG regime, foreign income and gains are fully exempt from UK taxation, offering more generous relief compared to the remittance basis, which only provides temporary exemption until a remittance occurs. However, the FIG regime's duration is significantly shorter, lasting only four years compared to the 15 years available under the remittance basis. For individuals planning long-term relocation to the UK (e.g. for children's education) the FIG regime offers only temporary relief, necessitating a transition to worldwide taxation after four years.

The categories of income and gains that qualify for the FIG regime are broadly similar to those under the remittance basis, with some notable exceptions. For example, profits from a foreign partnership will qualify only if the trade is conducted *wholly* outside the UK. Additionally, the draft legislation specifically excludes certain income categories, such as performance income, from the FIG regime.

A significant aspect of the FIG regime is the requirement for a claim and quantification of relevant amounts on a self-assessment return. Failure to comply will generally result in the taxation of relevant income and gains on an arising basis, imposing an unexpected compliance burden on individuals who wish to benefit from the FIG regime. Claimants of the FIG regime will also forfeit their entitlement to foreign losses and personal allowances for the tax year in which they make a claim.

Foreign income and gains received by non-UK domiciled individuals before 6 April 2025, which benefited from the remittance basis of taxation, will continue to be taxed under the previous remittance rules (but see the comments on the Temporary Repatriation Facility below).

Trust income and gains

From 6 April 2025, trust protections for income and gains within settlor-interest trusts will no longer apply. Consequently, settlors will be assessed on all income and gains within a trust structure unless they qualify for the four-year FIG regime.

Foreign income and gains that arose in protected trusts before 6 April 2025 will be taxable on UK tax resident settlors and beneficiaries who do not benefit from the FIG regime, to the extent that such income or gains are matched against worldwide trust distributions or benefits.

Offshore anti-avoidance rules

The government will implement several changes to the offshore anti-avoidance code from 6 April 2025, in conjunction with the removal of trust protections. These changes include modifying the benefits charge, eliminating the concept of tainting, and amending the onward gift and close family member rules. Additionally, a transferor assessable on the income of a person abroad will have the right to recover the income tax paid from that person without it being considered a taxable benefit.

A broader review of anti-avoidance rules aimed at simplifying the legislation is also announced, with any changes expected to take effect from 6 April 2026.

Overseas Workday Relief

Overseas Workday Relief will be retained and available to individuals eligible for the FIG regime during their first four years of UK residence. Income qualifying for Overseas Workday Relief will be exempt from taxation, regardless of whether the relevant funds are brought to the UK. However, Overseas Workday Relief will be capped at the lower of 30% of the employee's worldwide employment income or £300,000 per qualifying tax year.

Temporary Repatriation Facility

One of the most attractive features of the reform is the introduction of a Temporary Repatriation Facility. This relief encourages non-UK domiciled individuals to bring their funds to the UK for personal and business purposes.

Under the Temporary Repatriation Facility, individuals who have previously claimed the remittance basis can make an election to designate their foreign

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income or gains that arose prior to 6 April 2025 to be taxed at a special rate. The rate will be 12% for elections made from 6 April 2025 to 5 April 2027 and 15% for elections made from 6 April 2027 to 5 April 2028. Designations for Temporary Repatriation Facility purposes can be made in respect of both cash and non-liquid assets.

Once an election has been made, the relevant funds can be brought to the UK without any further tax charges. There is no requirement for the designated funds to be brought to the UK during the three years of the Temporary Repatriation Facility.

Beneficiaries of trust structures who have previously claimed the remittance basis can also make a designation in respect of pre-6 April 2025 'stockpiled' income or gains matched to capital payments or benefits received during the Temporary Repatriation Facility period (from 6 April 2025 to 5 April 2028).

An election to make a designation under the Temporary Repatriation Facility is on an amount net of any foreign tax, meaning it will not be possible to obtain credit in the UK for the foreign tax suffered on the amount designated under the Temporary Repatriation Facility.

Capital gains tax rebasing

For capital gains tax purposes, remittance basis users will be entitled to benefit from the rebasing of their personally held foreign assets. This opportunity is limited in scope as it only provides rebasing to the market value of certain relevant assets as at 5 April 2017 and is subject to a number of conditions. Rebasing can be elected by individuals who have not been domiciled or deemed domiciled in the UK at any time before the tax year 2025/26 and who made a remittance basis claim for at least one tax year during the period from 6 April 2017 to 5 April 2025.

Key actions to consider prior to 6 April 2025

Taxpayers have only a few months left to prepare for the non-dom changes coming into effect from 6 April 2025. Below is a non-exhaustive list of matters to consider ahead of the changes. As ever, tax is only one aspect of relevant planning actions, and any options should be considered against the specific commercial, family and personal circumstances of taxpayers.

1. Taking advantage of the current rules
Individuals eligible for the current non-dom reliefs (i.e. the remittance basis and excluded property status of non-UK property) should consider the timing of transactions to benefit from the current regime. This could include receiving a dividend (which could be designated under the Temporary Repatriation Facility or kept offshore for non-UK spending), selling assets, unwinding offshore structures or making lifetime gifts of non-UK assets.

2. Reviewing personally held assets
Individuals who will fall within the scope of worldwide taxation from 6 April 2025 may wish to review their investment strategies. Investing in assets subject to a more favourable tax regime (e.g. subject to capital gains tax instead of income tax) or providing a deferral of tax until a realisation event (e.g. certain types of offshore funds and bonds) could be beneficial. Reviewing bank account arrangements to ensure they remain effective post-6 April 2025 is also advisable.

3. Reviewing offshore structures
Non-UK income and gains within non-UK structures could be attributed to UK resident individuals who settled or provided funding to the relevant structures. However, no attribution should be made if income or gains arise at the company level and it can be demonstrated that UK tax avoidance was not one of the purposes of the relevant transactions. A detailed review of the availability of the motive defence exemption and corresponding evidence should be performed to confirm the position. Some taxpayers may prefer a UK resident company to avoid dealing with the application of the offshore anti-avoidance rules.

4. The Temporary Repatriation Facility and other transitional measures
Individuals with unremitted income and gains which arose prior to 6 April 2025 may wish to consider a designation under the Temporary Repatriation Facility. This will provide a significant tax saving given the differential between the special tax rates available under the Temporary Repatriation Facility (12%/15%) and normal rates (up to 45%) and lead to a simplification of offshore affairs. Some taxpayers may need to take steps to create liquidity (e.g. receive a dividend or trust distribution) during the current year to be able to apply the Temporary Repatriation Facility. Therefore, a careful review and planning of future liquidity needs is required to maximise the benefits of the Temporary Repatriation Facility.

5. Mobility considerations
Individuals currently residing in the UK may wish to reassess their mobility options in light of the non-dom reform, although this may not always be practical for lifestyle and business reasons. Those aiming to cease their UK residency from 6 April 2025 should seek professional advice to ensure they comply with the statutory residency test by limiting their days and connections to the UK. While the statutory residency test is generally objective, it includes several subjective elements and definitions, such as the concept of a home or the broad definition of work duties. Consequently, great care is required to review individual circumstances and intentions, as well as the future implementation of any advice provided. Additionally, individuals who are settlors of non-UK trusts should be aware that an inheritance tax exit charge may apply after they cease being 'long term resident' for inheritance tax purposes (which will be examined further in the second article), necessitating a review of existing trust arrangements.

6. Compliance considerations
As previously mentioned, there will be an increased focus on compliance obligations for those who qualify for the FIG regime, as they need to quantify the relevant FIG amounts on their returns. Similarly, those who do not qualify for the FIG regime will fall within the scope of worldwide taxation and will need to report relevant income and gains on their returns. Understanding and complying with these obligations will be a key concern for many taxpayers. From this perspective, it is advisable to think through what will need to be reported to fulfil compliance obligations and how and when this should be done (fuller or proactive engagement with HMRC may be helpful, particularly where affairs are complex). It is also advisable to consider steps that simplify tax affairs, such as liquidating structures that are no longer fit for purpose. Compliance obligations in other jurisdictions should also be considered to the extent they are currently relevant or will become relevant in the future.

The upcoming changes to the taxation of non-UK domiciled individuals represent a significant shift in the UK tax landscape. Affected individuals should take proactive steps to understand the implications of these reforms and seek detailed advice to navigate the new regime effectively.

In the March issue of Tax Adviser, Valeriy Ilchenko will examine the changes to a residence-based system for inheritance tax purposes.

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VAT challenges
After the horse has bolted…

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In this Q&A article, we consider practical situations when a business might have missed important VAT deadlines. In some cases, it will be too late to rescue the situation.

by Neil Warren

I enjoy quoting the famous line of the late comedian Eric Morecambe when he was making a mess of playing the opening bars of Grieg's piano concerto. 'You're playing the wrong notes,' said musical maestro André Previn, to which Eric replied: 'I'm playing all the right notes – but not necessarily in the right order!'

In the world of the nation's favourite tax, doing things in the right order is often vital to avoid an unnecessary tax bill. Wasting time sorting out a belated problem and unnecessarily overpaying tax are a bad combination of issues. I refer to them as 'after the horse has bolted' problems.

A perfect result is often impossible and a damage limitation outcome will be the best outcome, as we frantically try to steer the VAT pony back to its stable. I'll share some examples in this article.

I charge VAT on my property rental income but have never sent an option to tax form to HMRC. Is this a problem?
This is a common query: a business is charging VAT on rental income for a commercial property it owns – and also claiming input tax on related expenses – but has never notified HMRC of its decision to opt to tax the building. In some cases, it can be many years before the oversight is identified, perhaps because the property is being sold and the buyer has asked for proof of the notification to HMRC.

There are two stages to making a valid option to tax election on a property:

- **Decision:** The business has recognised the benefits of opting to tax the property, usually to enable input tax to be recovered on either buying the building or subsequent repair and improvement costs.
- **Notifying HMRC:** This is usually done by completing form VAT1614A and emailing it to optiontotaxnationalunit@hmrc.gov.uk. An election must be notified to HMRC within 30 days of the decision being made.

The good news is that HMRC will usually accept a belated notification if the business can prove that the *decision* to opt was made at the correct time – in other words, VAT has been charged on rental income since that date, excluding any residential parts of the building where the election is overridden.

A belated notification corrects an administrative oversight, which is different to a retrospective notification where the taxpayer is trying to backpedal and achieve an input tax windfall.

We completed the 2023/24 Self Assessment tax return for a client in January 2025 and her turnover for the year to 5 April 2024 was less than the annual VAT registration sales threshold of £90,000. Can we retrospectively deregister from this date and get a refund from HMRC?
A trading business is a member of the 'VAT club' until the date it completes form VAT7 to notify deregistration to HMRC; it must be based on a current or future date and not retrospective. However, there are important planning points to consider:

Key Points

What is the issue?
If a business has missed an important deadline, it is necessary to check both the legislation and HMRC's published guidance to see if a belated solution is possible. For example, bad debt relief can still be claimed up to four years and six months after the later of the invoice or due payment date.

What does it mean to me?
Check that option to tax elections have been correctly notified to HMRC on any properties where the 'decision' to opt was taken and VAT is being charged on income earned from that building. As long as the decision was taken, it is usually possible to submit a belated notification to HMRC based on the original decision date.

What can I take away?
If your clients are working fewer hours or downsizing their activities, it might be possible to deregister from VAT quicker than you realise because the deregistration sales threshold of £88,000 is based on expected turnover in the next 12 months, rather than sales made in the previous year.

- The annual taxable sales threshold for deregistration is £88,000 rather than £90,000. (The latter figure is the registration threshold.) Both limits were increased by £5,000 on 1 April 2024, the first increase since 2017.
- For deregistration, the relevant test is to consider expected sales in the *next* 12 months. Historic sales are irrelevant.
- Before applying to deregister, a business must consider the potential output tax liability on stock and assets still owned on the deregistration date where input tax was claimed on the purchase of the goods. It might be worth waiting until the market value of all stock and assets is less than the £5,000 de minimis limit because of depreciation, so there will be no output tax liability on the final return. (See HMRC Notice 700/11 s 7.)

COMPUTER CLIVE: ACCOUNTING FOR VAT ON PAST SALES

Clive trades as a computer consultant and should have registered for VAT on 1 July 2024 but did not apply to HMRC until 1 January 2025. For the six month period to 31 December 2024, his total standard rated sales were £60,000 and his customers can all claim input tax.

- On his first VAT return that includes the late period, Clive will treat these sales as being inclusive of 20% VAT; i.e. the output tax to declare in Box 1 will be £60,000 x 1/6 = £10,000.
- When his VAT number is issued by HMRC, he can issue VAT only invoices for these historic sales with a current invoice date. The charge will be for 20% VAT; i.e. £12,000.
- For the return that includes the invoice date, Clive will declare £2,000 in Box 1; i.e. £12,000 less £10,000 already declared.
- If he uses the cash accounting scheme, the date the customers pay the £12,000 VAT will be relevant, rather than the date of the VAT only invoice.

My business was late registering for VAT. Can I go back and charge 20% to my customers for the late period by issuing VAT only invoices, so I am not out of pocket when I submit my first return to HMRC? There has also been a delay getting my VAT number, so can I charge VAT in the meantime on the current invoices?
This question is in two parts:

VAT on current invoices: HMRC's guidance about issuing invoices and charging VAT while a business is waiting for its VAT number is clear. There is no problem charging 20% VAT – assuming supplies are standard rated – as long as the VAT amount is not itemised separately on the invoice. In other words, the amount charged must be shown as '£120 including VAT' and not '£100 plus £20 VAT'. The invoice should be noted along the lines of: 'We have applied to register for VAT. Tax invoices will be issued when HMRC has issued a registration number.'

VAT on past invoices: The answer to this question depends on the contract agreed between the supplier and customer. Does it give scope for the supplier to charge VAT on retrospective sales? If so, VAT can be charged when the registration number has been issued by HMRC; otherwise, the supplier will have to absorb the VAT by reducing its profits. If the contract is silent about VAT, the best strategy is to encourage customers to accept a belated VAT charge, which should not be a problem if they can fully claim input tax on their expenses.

Accounting for VAT on sales for the late period can cause confusion. See ***Computer Clive: accounting for VAT on past sales***.

We wrote off many sales invoices in our ledgers several years ago but forgot to claim bad debt relief. Is it too late to claim VAT now?
The basic rules for a valid bad debt relief claim are as follows:

- An invoice must be at least six months overdue for payment, so the earliest claim for an invoice dated 31 January on 28 day payment terms would be the VAT return that includes 28 August of

LEGISLATION: TIME LIMIT FOR A BAD DEBT RELIEF CLAIM

Value Added Tax Regulations 1995, Reg 165A(1)
'A claim shall be made within the period of 4 years and 6 months following the later of:

a. the date on which the consideration (or part) which has been written off as a bad debt becomes due and payable to or to the order of the person who made the relevant supply; and
b. the date of the supply.'

the same year. If there is no payment date shown on the invoice, the invoice date is relevant.

- The invoice must be written off in the business accounts, with a charge made to a 'bad debt' expense account.
- Output tax must have been declared on an earlier VAT return; i.e. the business is not using the cash accounting scheme where bad debt relief is automatic.

A UK business must now claim VAT paid in an EU country by making what is commonly known as a 13th Directive claim.

But what about old debts where relief has never been claimed? See ***Legislation: time limit for a bad debt relief claim***.

For example, if a sales invoice was issued on 28 February 2020 on 30 day payment terms, the latest claim for bad debt relief will be the VAT return that includes 30 September 2024. This is based on the due payment date of 30 March 2020 plus four years and six months.

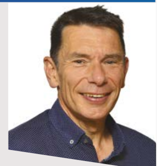
My company is registered for UK VAT and we paid French VAT (known as TVA) on a business trip to Paris. The trip was 12 months ago in February 2024. Are we too late to submit a refund claim to the French tax authorities?

As a non-EU country, a UK business must now claim VAT paid in an EU country by making what is commonly known as a 13th Directive claim.

The first challenge is to check the deductibility rules for the country in question before submitting a claim. For example, some member states block claims on hotel bills, vehicle hire and road fuel expenses, just as UK legislation blocks claims for business entertaining in most cases.

Each EU country can choose its own submission deadlines and a quick check for France confirms that TVA incurred in a calendar year must be claimed by the following 30 June. The VAT paid in February 2024 must be claimed by 30 June 2025.

Note: Since 2021, 13th Directive claims in France must be submitted in an electronic rather than paper format. It is also necessary for the claimant to appoint a fiscal representative to act on its behalf with the French tax authorities.



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Navigating strategic tax challenges
A guide for tax leaders

We take a look at the key issues that we will have to address in 2025, and how we can all best prepare for the year ahead.

by James Egert

What happened in 2024

This time last year, I wrote in *Tax Adviser* that 2024 would be a challenging year for tax and finance directors with one of the key themes being uncertainty. While there were some positives in 2024, such as an easing of inflation and a reduction in interest rates, the main game changer for anyone who works in tax in the UK was the general election.

However, clarity about what this would bring took time. Between Labour winning the election in July and the Budget in October, there was uncertainty. Speculation about tax changes intensified, with suggestions ranging from adjustments to inheritance tax rates to a wealth tax on property.

When the Budget finally arrived, there were some obvious headlines. Businesses were most recognisably impacted by the changes in National Insurance. The newspapers focused on unhappy farmers and school fees, while investors were encouraged to make the most of the capital gains tax rates while they could. For large businesses, however, apart from a couple of attention-grabbing points, the reality for many was that the changes were less dramatic than many had feared.

So, as we hit 2025, is it true to say that uncertainty has moved to a greater confidence over future tax stability, or are we looking at more of the same?

Corporate Tax Roadmap 2024

To coincide with the Budget, the government released its Corporate Tax Roadmap 2024. Although it wasn't front-page news, this Roadmap should be on our radar as tax professionals as it outlines the government's plans for corporation tax, highlighting several areas for potential change.

Overall, it is the Chancellor's attempt to offer an element of stability and confidence in terms of the direction of future tax decisions, with the intention of making the UK an attractive place in which to invest and do business.

Key features of the Corporate Tax Roadmap include:

- capping the rate of corporation tax at 25% for the remainder of this parliament;
- retaining the small profits rate and marginal relief at current rates and thresholds;
- for capital allowances, full expensing will be maintained along with the £1 million annual investment allowance;
- for R&D, the current rates for the merged R&D expenditure credit scheme and enhanced support for R&D intensive SMEs will be kept;
- the patent box regime will be maintained as will the UK's competitive regimes for intangible fixed assets (IFAs);
- maintaining support for a territorial UK corporation tax regime underpinned by the substantial shareholding exemption, dividend exemption and a flexible approach to foreign branches.

All of this may be welcome for tax directors.

International issues

Internationally however, and especially for big business, 2024 was the year of preparing for and responding to Pillar Two. As a reminder, the OECD's Pillar Two framework aims to ensure that multinational enterprises with global revenues above €750 million pay a minimum tax rate on income within each jurisdiction in which they operate. The framework imposes a Top-Up Tax on profits arising in jurisdictions where the effective tax rate is below 15%.

Many businesses have already invested heavily in Pillar Two, recognising the significant compliance burden as the calculations are complex and many of the data points required may

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not currently be tracked. This may require updates to systems and processes, as well as revisiting global tax operating models.

The other big news item on an international basis that will impact all tax directors and keep them guessing is the re-election of Donald Trump as US President.

So, as we enter 2025, we find ourselves in a similar position to the start of 2024, but arguably with even greater uncertainty. This is particularly true for businesses with international operations, as new trade and tariff rules come into play. These changes could lead to higher costs and increased complexity for tax directors.

What we do and don't know about 2025

Let's start with the UK Autumn Budget and repeat what we know. For 2025, apart from the headline points above, other tax and pension changes appear minimal. The Chancellor confirmed that income tax bands, National Insurance rates (for individuals) and VAT will remain unchanged. The personal allowance will stay frozen until 2028.

However, several consultations are planned which are of interest:

- reforms to transfer pricing, permanent establishment rules and diverted profits tax, including the potential removal of UK-UK transfer pricing;
- widening the use of advance clearances for R&D reliefs to increase take-up;
- tax treatment of predevelopment costs in relation to capital allowances; and
- new rules governing tax certainty for major projects (with the purpose of providing investors with greater assurance about the tax impact when they invest in major projects).

So, watch out for these.

In the US, Donald Trump's return to the White House will be a significant moment for global trade and will be a reminder to all of the importance of tariffs in US domestic and foreign policy in the coming years. All tax directors with any business with the US need to start to understand and prepare for trade dynamics that could lead to increased costs, supply chain disruptions, greater administrative burdens, more tax complexity and uncertainty about traditional trade relations.

What are Trump's tariff-ic ideas?

Tariffs, also known as customs duties, are an indirect tax on imported goods. The duty assessed on an import depends on its tariff classification or commodity code, usually a 10 digit number under the Harmonized System. The US sets its own duty rates for all tariff codes.

The Harmonized Tariff Schedule of the United States lists over 17,000 tariff code descriptions, each with its own duty rate, with most duties assessed 'ad valorem' – as a percentage of the declared value.

Correctly classifying imported goods determines the correct 'landed cost' and is crucial for business decision-making. This is a highly technical, specialised analysis and getting it wrong can have significant economic consequences, especially because tariffs are 'above the line' cash costs, have strict deadlines for claiming duty refunds, and could increase to levels not seen since the late 1800s if President Trump's tariff proposals come to pass.

Throughout his election campaign, President Trump emphasised his commitment to revamping US trade policies to prioritise US manufacturing and reduce trade deficits. Central to this strategy is the imposition of new tariffs, seen as a tool to negotiate concessions from US trading partners, to address perceived trade imbalances and protect domestic industries by incentivising the return of manufacturing jobs to the US.

Following his first tenure as President and the previous tariff proposals discussed during his campaign, it is expected that some, but maybe not all, of his tariff proposals will eventually be introduced. Some of his tariff proposals must gain the support of Congress to progress and also avoid challenges from the WTO. However, bipartisan congressional support for any new tariffs on Chinese goods seems almost guaranteed, making it very likely these proposed additional Chinese tariffs will come into effect.

So, what are the likely tariffs? In practical terms, President Trump pledged to introduce the 25% additional tariff rates for Canada and Mexico, plus an extra 10% on the current Chinese tariff rates of 7.5% and 25%. This is being written before his inauguration on 20 January 2025 so already things may have happened or may have changed. Such is the nature of uncertainty!

All this will likely have a significant impact, but for those with operations in the US, there are other storm clouds on the horizon!

Potential 'Taxpocalypse': a whirlwind of tax regulatory change

Staying in the US, many tax provisions from the 2017 Tax Cuts and Jobs Act will automatically expire at the end of 2025, leading to potential tax increases for nearly all American taxpayers, including businesses with US interests, unless President Trump can pass his proposed extensions and new tax cuts.

The Tax Cuts and Jobs Act reduced individual income tax rates and made several changes to the tax code, including cutting the corporate income tax rate and creating a new system for taxing the overseas income of US companies. While some business tax changes have already taken effect, the pass-through deduction will expire after 2025. The 21% corporate income tax rate remains, but the new international tax system will see increases after 2025.

Although both parties in Congress are interested in extending individual tax cuts for different groups and addressing the expiration of the pass-through deduction, they are also considering changes to the corporate rate and the international tax system. The only real advice at this time is to prepare for the end of the Tax Cuts and Jobs Act but there are various potential outcomes of future tax reforms as different scenarios and coalitions develop during the year. Again, ambiguity remains.

Getting ready for 2025

When I spoke to Miranda Chamberlain, Head of Tax at Mace, about the year ahead, she mentioned that she saw 2025 as bringing in 'Winds of Change'. Given the potential developments on an international level, this prediction may very well hold true.

What remains certain is that tax continues to be a strategic issue, especially in times of uncertainty. As Miranda continued: 'The impact of sustainability is a recent but fixed Board agenda item, as it is now a top priority for stakeholders and investors to assess the longevity and resilience of a business. Tax has a key role to play in that narrative. The "race to the bottom" for effective tax rates is over and a tax director of the future must be able to robustly demonstrate a responsible tax agenda providing certainty in a climate of uncertainty.'

Boards are seeking assurance over the effectiveness of all their global operations, and tax is a key part of that. This has become even more demanding in these times of economic challenge and political turmoil, with the additional pressures on all countries to maximise tax revenues. For all their stakeholders, tax directors need to demonstrate transparency and, wherever possible, provide a culture of 'no surprises' when it comes to tax risk.

It is evident that governments worldwide are continually tightening tax laws and tax governance. The impact, especially in the UK, is an increasing focus on the tax behaviours of businesses and the need to produce evidence of effective tax governance and tax risk management. This risk-based approach is a growing trend.

In simple terms, good governance and robust tax risk management is no longer a nice-to-have. The tax director needs practical ways to gain control and assurance over tax risk within the business's operations and demonstrate control over their tax profile and external reputation.

A consistent approach to tax across the business is imperative. Where there is uncertainty in the wider environment, it is vital to minimise inconsistencies, additional risks and error within the business's internal tax operations.

Tax directors need to establish the right mechanisms, governance structures, controls, escalation and reporting lines – essentially a 'tax control framework' – to identify tax issues before they become a surprise. Most view this as a journey towards leading practice, which is why many tax directors have developed their own tax roadmap to gain greater certainty over their tax operations so they can manage change.

Many develop their tax control framework using building blocks that include:

- an established tax strategy that is applied comprehensively, typically through a formal tax policy or similar document that sets out expected standards of conduct in managing tax within the business;
- documented governance supporting tax, including assigned accountabilities and responsibilities for tax management;
- tax procedures that support the tax strategy and policy, embedded in everyday operations;
- an effective tax risk management framework; and
- regular testing and assurance.

It is important to remember that every business and tax function is unique, with different facts, circumstances and priorities. This drives different expectations and demands on the tax director. The most useful question to ask at the start of 2025 is where you are in terms of how you benchmark your tax operations against your peers and – more importantly – against where you want to be. Using a tax maturity assessment model or similar helps businesses to understand each component of their tax control framework and where they rank, from 'best in class' to 'ad hoc unmanaged' (and possibly non-compliant).

Other areas of impact in 2025

HMRC's drive to greater certainty

As part of the Corporate Tax Roadmap, the government provided details on HMRC's modernisation ambitions. This includes HMRC's continued commitment to co-operative compliance and the customer compliance manager model as the most efficient route to manage the tax compliance of the UK's largest and most complex businesses.

For tax directors, this continued theme from last year is no surprise. As a reminder of what we highlighted last year, the most significant issue identified from BDO's 2023 Global Tax Survey (collating the views of more than 630 senior decision makers across 48 countries) was 'increased tax authority funding and scrutiny' with 70% of all respondents saying it was a key challenge.

Building strong relationships with tax authorities is essential. Today, it's not just about meeting compliance and legal duties. Tax authorities increasingly expect tax functions to show that they operate effectively and optimise tax delivery through the smart use of people, processes and technology. They want proof of an effective Tax Control Framework.

In the UK, tax authorities have developed ways to collaborate with businesses to prioritise this, and judging from the government's Corporate Tax Roadmap, this will continue to be the case, even for smaller businesses with the relatively recent introduction of the of the temporary Customer Compliance Manager model. If this does result in providing greater taxpayer certainty, then this should be welcomed.

Caught in the act: new fraud regulation

The Corporate Criminal Offence of failing to prevent facilitation of tax evasion has been around since the introduction of the Criminal Finances Act 2017. However, the focus on tax fraud prevention has magnified since the introduction of Failure to Prevent Fraud legislation (FTPF) within the Economic Crime and Corporate Transparency Act (ECCTA) 2023 and specific FTPF guidance that was released at the end of 2024.

The new FTPF offence makes organisations potentially liable where any fraud offence is committed by employees and associated persons intending to benefit either the organisation or any person to whom the organisation provides services. It will take effect from 1 September 2025, giving organisations a short while to develop and implement fraud prevention procedures.

From a tax perspective, we expect this offence to enhance and reinforce Corporate Criminal Offence (CCO) measures within businesses, prompting them to refresh or implement their CCO response. While the offences are distinct and require separate responses, there is interaction between them. Notably, cheating the public revenue (including tax evasion) can fall under both the new legislation and CCO, but defences under one do not apply to the other. Prosecutors will decide whether to charge organisations for failure to prevent facilitation of tax evasion, failure to prevent fraud, or both.

BDO, in partnership with Censuswide, released the 2024 BDO LLP Fraud Survey of 500 directors and business owners from entities with 200 or more employees. As part of this survey, when asking businesses about preparations for the forthcoming FTPF legislation, respondents said that anti-fraud expenditure had increased, with 63% of businesses recording higher spending. Fraud risk awareness among employees has increased to 43% since the introduction of ECCTA. A lot of this has an obvious overlap with CCO and prevention of tax fraud where HMRC has increased its focus over the past few years. Although I have been saying this each year for a while, my prediction for 2025 is that we will see the first prosecution under CCO.

With a backdrop of increased CCO activity at HMRC and the threat of prosecutions, the FTPF guidance is a timely reminder of the importance in 2025 of monitoring and reviewing CCO risk – including through refreshing risk assessments, refreshing training and testing key controls. From conversations with our economic crime specialists and our clients, we are hearing that businesses are seeking to refresh their CCO (and bribery) monitoring framework and then building on it to meet the requirements of the new legislation. This should be on your to-do list in 2025.

Conclusion

Despite the Chancellor's Corporate Tax Roadmap seeking to provide an element of stability in 2025, the wider global tax environment means uncertainty is hard to shake off in 2025, and for the tax director, nothing can be taken for granted. Basing tax decisions on future expectations is risky, as external regulatory changes or economic shocks could radically change the situation. Managing tax risk and having flexibility in your own tax roadmap is critical. Be ready to adjust your plans as circumstances change. 2025 will likely favour those who can be adaptable.

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Employee ownership trusts
Key benefits and conditions

We consider the benefits, conditions and challenges of employee ownership trusts, as well as the changes introduced in the Autumn Budget 2024.

by Conor Brindley

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Given the various capital gains tax rate rises announced in the Autumn Budget and the limited scope of business asset disposal relief, it seems likely that the use of employee ownership trusts will continue to increase. Now therefore seems like a good time to look at the main benefits and conditions regarding the use of employee ownership trusts, some of the key challenges in using them and what the recent Budget changes to the rules mean.

What is an employee ownership trust?

An employee ownership trust is a specific type of employee benefit trust, which is used to acquire a controlling interest in a company which it holds on behalf of all the employees. In some ways, the acquisition by an employee ownership trust of a controlling interest in a company can be seen as akin to an employee buyout. It also provides a solution for a company seeking to transition ownership (typically in the context of succession planning) while maintaining continuity, culture and motivating its workforce.

In order to encourage companies to transition to employee ownership (using an employee ownership trust), favourable tax reliefs were introduced in 2014.

These reliefs allow individuals who dispose of shares in a trading company (or the parent company of a trading group) to the trustee(s) of an employee ownership trust to benefit from 100% capital gains tax relief on the disposal. They also allow employees of the employee ownership trust-owned company to receive an income tax-free bonus of up to £3,600 per year. However, as with all tax reliefs, there are a number of complex conditions that need to be satisfied in order to obtain them.

Transitioning to an employee ownership trust model

In terms of a company transitioning to an employee ownership trust model, the key steps involved are:

1. Establish a qualifying employee ownership trust.
2. The shareholders sell their shares to the employee ownership trust trustee(s) under a share purchase

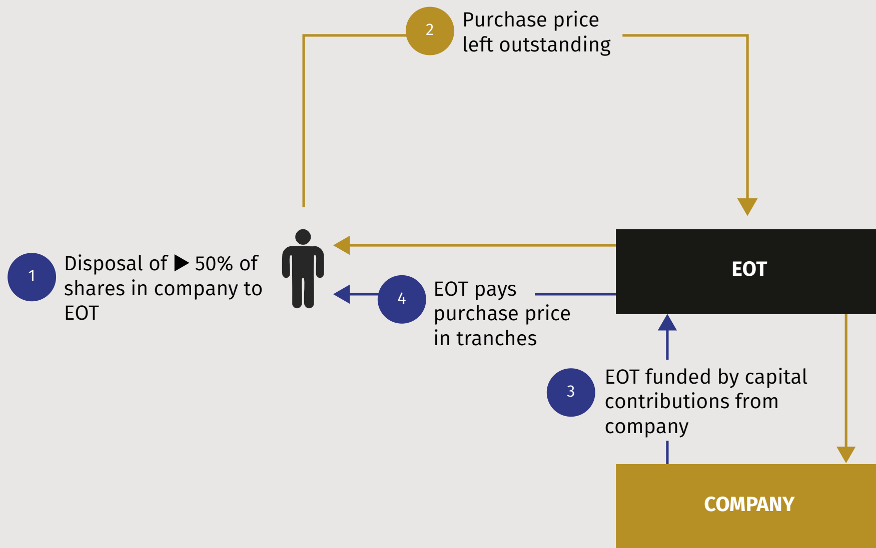
Key Points

What is the issue?
An employee ownership trust is a type of employee benefit trust that acquires a controlling interest in a company on behalf of its employees. Tax reliefs introduced in 2014 encourage this transition, offering 100% capital gains tax relief on share disposals to employee ownership trusts and allowing tax-free bonuses for employees.

What does it mean for me?
The Autumn Budget 2024 introduced changes to the rules, including restrictions on former owners controlling the employee ownership trust, residency requirements for trustees, ensuring shares are not overvalued, and clarifying tax treatment of contributions to acquisition costs. Directors can now be excluded from tax-free bonus payments without breaching equality requirements.

What can I take away?
Despite the advantages, employee ownership trusts present challenges such as high upfront costs, complex valuation processes and funding difficulties. They are more viable for companies with stable income streams and financial stability.

TRANSITIONING TO AN EMPLOYEE OWNERSHIP TRUST MODEL



agreement. In practice, the trustee is often a private company limited by guarantee with employees of the company on its board. As newly established employee ownership trusts will not typically have any funds of their own to pay upfront for the shares, it is common for all or part of the consideration due to the selling owners to remain outstanding at the point of sale, typically for a period of up to seven years.

3. The company continues to generate trading profits each year and uses the profits to make contributions to the employee ownership trust, which it uses to repay the outstanding purchase price plus interest that it owes to the selling shareholders.

See the diagram ***Transitioning to an employee ownership model***.

Autumn Budget 2024 changes

Several changes were announced in the Budget to the employee ownership trust rules; however, following HMRC's consultation in 2023 regarding the taxation of employee ownership trusts none were entirely unexpected.

Trustee appointments

One of the conditions for the reliefs to be available is that the employee ownership trust must hold more than 50% of the ordinary share capital in the company. As such, following a company owner transferring their company to employee ownership through an employee ownership trust, the trustee(s) will

The employee ownership trust must hold more than 50% of the ordinary share capital in the company.

exercise control of the company on behalf of the employees through their controlling shareholding.

However, prior to the Budget, there were no conditions regarding trustee appointments, allowing a former owner to retain control of the company after the transfer through majority control of the employee ownership trust trustee board.

The government was not convinced that such an arrangement would deliver any meaningful change for the employees of the company. As such, the Budget introduced new provisions (with effect from 30 October 2024) that prevent former owners (alone or with connected persons) from controlling the employee ownership trust.

In brief, it requires more than half of the trustees of the employee ownership trust to be persons who are not the former owners or persons connected to them. A breach of these conditions after disposal would be a disqualifying event and lead to an immediate capital gains tax charge to the trustee(s) (or to the former owner, if within the first year following disposal). The restriction does not, however, prevent former owners and connected persons from acting as trustees of the employee ownership trust, provided that they do not constitute a majority of the trustees.

Trustee residency status

The Budget also introduced conditions regarding the residency status of employee ownership trust trustee(s). Previously, there were no conditions regarding residency, meaning that the employee ownership trust could be established as a non-UK tax resident trust (by appointing non-UK resident trustees), resulting in no liability to pay capital gains tax on any subsequent disposal of the company shares, or on a deemed disposal where a disqualifying event occurs.

The conditions introduced by the Budget broadly require that the trustee(s) of an employee ownership trust be UK resident as a single body of persons (as defined in the Taxation of Chargeable Gains Act (TCGA) 1992 s 69. This, in turn, requires that either the trustees of the employee ownership trust all be UK residents or that the trustees be a mix of UK resident and non-UK resident, provided that the former owner was UK resident or domiciled at the date the shares were disposed of to the employee ownership trust.

A breach of this condition at any time after the disposal (that is, a UK-resident employee ownership trust becoming non-UK resident) would result in a capital gains tax 'exit charge' under existing provisions in TCGA 1992 s 80.

Market value for shares

Following the Budget, the employee ownership trust trustee(s) are now required to take all reasonable steps to ensure that they do not pay more than the market value for the shares. In practice, this is likely to mean that a valuation will need to be carried out prior to the sale of the company to the employee ownership trust. Also, if interest is charged on the deferred consideration, it must not be higher than a reasonable commercial rate.

Contributions to the acquisition cost

As mentioned above, it is typical for the company (once controlled by the employee ownership trust) to make contributions to the employee ownership trust to allow it to repay the outstanding purchase price. However, there has always been a concern that such contributions could be liable to income tax in the hands of the trustee(s) under the Corporation Tax Act (CTA) 2010 s 1000.

In a welcome move, the Budget (with effect from 30 October 2024) has made it clear that such contributions are not treated as distributions for the

purposes of CTA 2010 ss 1000 or 1020, provided they are used to pay the trustee's acquisition costs.

Annual bonus

One of the conditions that needs to be satisfied for an employee-owned company to be able to pay up to £3,600 annually as an income tax-free bonus to its employees is that the bonus must be paid to all 'eligible employees' on the 'same terms' – the so-called equality requirement in Income Tax (Earnings and Pensions) Act 2003 s 312B.

In practice, in some circumstances, this requirement could be difficult to satisfy. For example, companies with non-executive directors could struggle to satisfy the requirement, because the requirement requires non-executive directors (as employees) to receive a qualifying bonus notwithstanding that they are not typically entitled to bonuses.

Following the Budget, from 30 October 2024 directors can be excluded from a bonus payment without breaching the equality requirement.

Outstanding issues

While the above changes are all positive news for employees, they do not address (and in some cases actually increase) some of the typical difficulties associated with employee ownership trusts.

While employee ownership trusts offer numerous advantages, there are several challenges and difficulties businesses may face when implementing them. Key amongst them are the relatively high upfront costs, the valuation process and funding the acquisition.

Transferring a company to an employee ownership trust will invariably result in costs being incurred. These would typically be for legal and financial advice and valuation services, but could also include the cost of restructuring the company's shareholding. The valuation process itself could be complex, especially in relation to privately owned companies that do not have readily available market data, making it more difficult to arrive at an agreeable figure. Any disputes about the valuation will invariably lead to delays and additional costs.

While some third-party lenders may be willing to lend funds to the company or the employee ownership trust to fund the acquisition cost, in practice accessing such finance is likely to be difficult or impossible given the security a third-party lender is likely to require, especially when any existing borrowing and security charges are considered.

Given the funding difficulties, the employee ownership trust model will continue to be more viable for companies that can self-finance the acquisition cost – in other words, companies with stable and predictable income streams and a solid financial foundation.

In spite of their advantages and the Budget changes, it is clear that employee ownership trusts do not provide a 'one size fits all' solution for companies and their succession plans but for the 'right' companies can be a very attractive solution.

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National heritage property

Savings for the nation

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With a number of reliefs available to the owners of heritage property – both land and chattels – we consider how taxpayers could benefit from the options available.

by Will Leonard

Key Points

What is the issue?
Heritage property reliefs are often overshadowed by agricultural and business property reliefs. However, with upcoming changes limiting these reliefs to 50% for values over £1 million, heritage property reliefs may become more significant.

What does it mean for me?
National heritage property is defined under the Inheritance Tax Act 1984 and includes items of national, scientific, historic or artistic interest, as well as land and buildings of outstanding interest. HMRC, with advisory bodies, determines if an item meets these criteria.

What can I take away?
Various reliefs are available for heritage property owners, including conditional exemption, acceptance in lieu, Heritage Maintenance Funds and the Cultural Gifts Scheme.

Heritage property reliefs can sometimes be regarded as the poor relation of agricultural property relief and business property relief. The standard advice was to claim business property relief, with the conditional exemption as a fallback if that failed.

However, with the upcoming changes to agricultural property relief and business property relief restricting relief to 50% for values over £1 million, now may be the time for heritage property reliefs to rise.

There are a number of reliefs available to the owners of heritage property:

1. **Conditional exemption:** The conditional exemption provides a deferral of inheritance tax (and may have been used to defer estate duty or capital transfer tax in the past).
2. **An acceptance in lieu:** This is used to pay inheritance tax and offers a credit (the 'douceur') with respect to capital taxes (inheritance tax, estate duty, capital transfer tax and capital gains tax) that would otherwise be due on the disposal.
3. **Heritage Maintenance Fund:** This enables the owners of heritage property to shelter non-heritage funds from inheritance tax on the basis that they are being used to maintain the heritage property.
4. **Cultural Gifts Scheme:** This scheme provides income tax and capital gains tax relief on the gift of property to the nation.

Each relief is described in more detail below, but first we must establish what heritage property is.

National heritage property

National heritage property is defined under Inheritance Tax Act 1984 s 31(1) as being:

a) a chattel which is pre-eminent for its national, scientific, historic or artistic interest;
   (aa) collections within (a) which as a whole appear to be pre-eminent;
b) land of outstanding scenic, historic or scientific interest;
c) a building which should be preserved due to its outstanding historic or architectural interest;
d) land essential for the character/amenity of a building in (c); and
e) any object historically associated with a building in (c).

HMRC, in consultation with relevant advisory bodies, such as Arts Council

CONDITIONAL EXEMPTION: ACCESS CONDITIONS

On the death of his Aunt Mabel, James inherited a plot of land that was valued at £10,000.

Mabel's personal representatives apply to HMRC for conditional exemption. HMRC consults with Natural England, and it is agreed that the land is of outstanding scientific interest due to the rare species living there. Accordingly, conditional exemption is granted on the understanding that James will maintain the land in its current state. James must open the land to the public for one month each year, together with permitting visits by private appointment.

No inheritance tax is therefore payable on the land's value of £10,000 on Mabel's death.

THE IMPACT OF A SALE OR BREACH

James markets the site and it becomes a popular tourist attraction (walkways are constructed so that visitors do not disturb the rare species). Over 25 years later, it has become highly profitable. He is offered £200,000 for the site and decides to sell.

Inheritance tax therefore becomes payable on the site's current value. There is also a capital gains tax charge based on the gain. James is a higher rate taxpayer.

Capital gains tax

Sale proceeds:	200,000
Less: book cost (probate value):	(10,000)
Gain:	190,000
Less: annual exemption	(3,000)
	187,000
On which, capital gains tax at 24%	44,880

Inheritance tax

Current value (sale proceeds):	200,000
Less: capital gains tax:	(44,880)
	155,120
Inheritance tax at 40%	62,048

James receives sale proceeds of £200,000. Following deductions of £44,880 capital gains tax and £62,048 inheritance tax, James receives a net amount of £93,072.

England and Natural England, will determine whether something meets the pre-eminent or outstanding tests. When considering chattels under (a) or (aa), HMRC will take into account any significant connection with a particular place.

Conditional exemption

Conditional exemption is available on chargeable transfers during lifetime and on death. Note that a potentially exempt transfer is not a chargeable transfer unless the donor dies within seven years. Conditional exemption must be claimed. If the claim is successful, no inheritance tax is payable.

The conditions are:

- If the item is a chattel, it remains in the UK, unless HMRC approves it leaving the UK temporarily; e.g. for an exhibition abroad.
- The owner must take all reasonable steps to preserve the item.
- The item must be made accessible to the public, and this must be publicised.

It is possible for a conditionally exempted item to be transferred to a new owner, and for that transfer again to be conditionally exempt, providing the new owner takes on the conditions.

Access

From 31 July 1998, public access cannot be by appointment only, so the item must be viewable at advertised times by anyone who visits. The owner can charge a 'reasonable' fee for access. There are also provisions in Finance Act 1998 to enable pre-1998 undertakings to be varied to include public access without prior appointment.

The precise access conditions are agreed with HMRC, but typically will be at least one month a year, as well as offering viewings by appointment. The conditions will vary depending on the nature of the item, with particularly fragile items being permitted reduced opening times. See ***Conditional exemption: access conditions***.

Breach

If an item is sold, or the undertakings are breached, inheritance tax becomes payable based on the current value of the item. Capital gains tax will also be payable if the asset is being disposed of at a gain as normal. Under the Taxation of Capital Gains Act (TCGA) 1992 s 258(8), any capital gains tax is deducted from the current value before calculating the inheritance tax charge. See ***The impact of a sale or breach***.

If there have been multiple transfers that have been conditionally exempted, only one will become chargeable. HMRC may choose any transfer within the last 30 years before the breach: if there has been both a chargeable lifetime transfer and a transfer on death, it will obviously choose the latter in order to collect tax at 40%, rather than 20%.

If there have been no transfers within the last 30 years, HMRC will tax the most recent transfer.

If there have been no transfers within the last 30 years, and the most recent transfer was a transfer on death, the taxpayer might therefore choose to make a chargeable lifetime transfer (likely to a trust set up for that purpose) to create a transfer within the last 30 years on which inheritance tax would have been payable at 20%. On breach, HMRC will be obliged to charge inheritance tax at 20% rather than 40%.

Similarly, if the most recent conditionally exempt transfer was a transfer on death almost 30 years ago, it may be prudent to make a conditionally exempt chargeable lifetime transfer, and then wait until the death transfer falls off the 30 year clock before breaching. Note that to get the money out of the trust, there would be an inheritance tax exit charge.

Acceptance in lieu

An individual may offer a heritage item in lieu of inheritance tax (or estate duty or capital transfer tax, if they have items previously conditionally exempted under these regimes and are now breaching the conditions).

The individual is offered a credit against tax payable on other items, based on:

- the net value they would have received for the heritage item if they had simply sold it and paid the tax; plus
- a 'douceur' which is calculated as 25% of the tax that would have been payable if the item is a chattel, or 10% of the tax due if the item is land.

The person offering the item in lieu must also be the person liable for the

THE IMPACT OF ACCEPTANCE IN LIEU

James's aunt passes away and names James as her executor. Rather than sell the land, James instead offers it in lieu in part satisfaction of the inheritance tax due on his aunt's death, as he owns the land and is liable for the inheritance tax. HMRC accepts his offer.

The tax credit James will get is as follows:

Sale proceeds		200,000
Less: capital gains tax	(44,880)	
Less: inheritance tax	(62,048)	
		(106,928)
Add: douceur (10% of tax due)		10,693
Special price		103,765

Note that if the inheritance tax liability on James's aunt's death is lower than £103,765, James will not receive a refund.

PRIVATE TREATY SALE TO SCHEDULE 3 BODY

James is offered £105,000 by the Swindon Museum, which is an offshoot of Swindon Borough Council. Accordingly, it is treated as a Schedule 3 body. Although this is lower than the £200,000 offered above, after deducting the capital gains tax and inheritance tax due, James would only be left with £93,072 if he sold to the third party. Therefore, he is better off selling to the Swindon Museum for £105,000.

inheritance tax. Any acceptance in lieu credit in excess of the inheritance tax due is wasted.

See ***The impact of acceptance in lieu***.

Private treaty sale to Schedule 3 body

If a conditionally exempt asset is sold to a body listed in Inheritance Tax Act 1984 Sch 3 (broadly these are various national galleries, and any government or local body), the conditional exemption charge does not ripen; nor is there any capital gains tax due as a result of TCGA 1992 s 258(2)(a).

HMRC guidance is that the price offered by the Schedule 3 body should broadly be in line with the special price calculated if the property was offered in lieu, although there is room for negotiation.

If the owner of a previously conditionally exempt asset is looking to sell, it may be more cost-effective for them to sell to a Schedule 3 body for a lower price than offered by another third party, as the tax relief may more than compensate for the difference. See **Private treaty sale to Schedule 3 body**.

Heritage Maintenance Funds

Heritage Maintenance Funds are trusts used to maintain property that is eligible for conditional exemption. (Note that the property does not have to actually be conditionally exempted; it must merely qualify as such.)

Heritage Maintenance Funds are exempt from inheritance tax, unless capital is subsequently paid out other than for the maintenance of heritage property. There are therefore no relevant property charges (no inheritance tax entry charges, 10 year charges or exit charges if capital is used to maintain the property). Also, the assets are not in anyone's estate for inheritance tax purposes.

There are various conditions that must be satisfied for a trust to qualify as a Heritage Maintenance Fund:

1. Any assets added must be appropriate (i.e. income-producing) and not excessive for the purpose. There must be a minimum of £10,000 settled.
2. Income must be used to maintain the heritage property or paid to an approved body.
3. At least one trustee must be a professional trustee/trust corporation.
4. The fund must be used to benefit the heritage property for at least six years.

If a Heritage Maintenance Fund is **not** settlor-interested (if the settlor is dead the trust cannot be settlor-interested), any income paid out is taxable as grant income in the hands of the recipient; i.e. the owner of the heritage property in question. There is therefore a double tax charge, as the Heritage Maintenance Fund will have paid tax already on its income.

The standard approach if a Heritage Maintenance Fund ends up being non-settlor interested is to terminate it and pay all the capital to the current owner of the heritage property, who then resettles it on a new Heritage Maintenance Fund within 30 days. This creates a new settlor-interested Heritage Maintenance Fund – and if this happens within 30 days, there is no inheritance tax charge. Any residual income in the Heritage Maintenance Fund is taxable – this can be paid out on repairs to the heritage property. Although this will be treated as grant income, it may be that there are enough expenses within the trading business to offset these.

Heritage Maintenance Funds have not proved terribly popular, but two common uses are:

1. To test whether certain property will qualify for conditional exemption: HMRC will only approve the creation of the Heritage Maintenance Fund if it considers the property will qualify. There will be costs associated with creating a Heritage Maintenance Fund, so the taxpayer will need to weigh these up against the desire to know if something qualifies.
2. To exempt certain outlying properties of a landed estate: For example, this could apply to farm cottages that might not themselves qualify for conditional exemption, although the main estate does. With the changes to agricultural property relief and business property relief, their use may therefore increase.

Cultural Gifts Scheme

This scheme is available to individuals and companies, but not personal representatives (i.e. deceased estates) or trustees. If an individual donates a pre-eminent object or objects to the nation, they receive tax relief of 30% of the value of the object(s). This relief can be set against the individual's income tax and capital gains tax liability for the year in which the donation is made, and/or any or all of the following four tax years. The amount of relief to be claimed for each year must be specified at the time of the donation and cannot be subsequently varied.

Relief will be deducted against the individual's income tax liability first, followed by their capital gains tax liability. The relief will only reduce their tax liability to nil and cannot create a refund (although the taxpayer may be able to claim a refund with respect to tax paid at source).

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Rupert Grint and the failed tax scheme

A matter of interpretation

We examine a case which considers the 'sales of occupation income' rules, and highlights the limited scope of legislation that applies only to taxpayers engaged in a profession or vocation.

by Keith Gordon

Key Points

What is the issue?
Rupert Grint, an actor, sold his future earnings to a company, Clay 10, for £8.5 million, treating £4.5 million of it as capital and claiming entrepreneurs' relief. HMRC challenged this, arguing that the transaction should be treated as income under s 778 of the Income Tax Act 2007. Grint appealed, arguing that the transaction was not for tax avoidance purposes, a key condition for the application of Chapter 4 rules.

What does it mean for me?
The First-tier Tribunal found that tax avoidance was a main object of the transaction, thus engaging Chapter 4 rules. However, the judge agreed with Grint that the value of the transaction was derived from his activities, aligning with s 779 rather than s 778. Despite this, the judge concluded that HMRC was not precluded from relying on s 779 due to the closure notice's context.

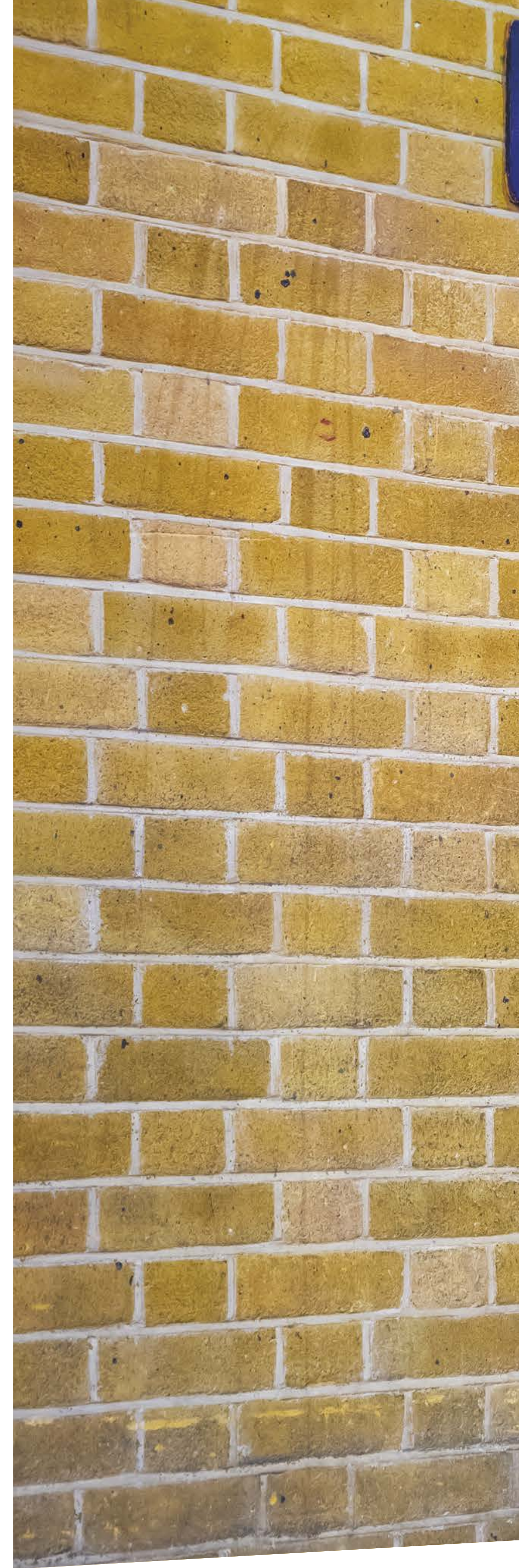
What can I take away?
The case illustrates the importance of demonstrating non-tax purposes in transactions proposed by tax advisers. It serves as a reminder of how anti-avoidance legislation is applied, particularly concerning the 'main purpose' test.

Much of the Income Tax Act 2007, Parliament might be proud to say, is perfectly normal, thank you very much. Its provisions are regularly referred to and are generally well-known, at least by the taxpayers affected by them (and their advisers). However, I would put Chapter 4 of Part 13 into a different category.

The provisions have sometimes been referred to as 'The Beatles clause', as they were introduced in response to tax planning arrangements that were widely thought to have been implemented by a popular beat combo of the same name that was active in the 1960s. The essence of the provisions is to ensure that income is not converted into capital and therefore subject to lower rates of tax.

Although one might expect Parliament to object to any taxpayer artificially converting income to capital for tax purposes, Chapter 4 has a more limited scope. In particular, it is one of the few remaining areas of the tax code which distinguishes between taxpayers who carry on a trade and those who carry on a profession or vocation; per s 774, it is only the latter category of taxpayer who is caught by the rules.

Furthermore, even without special rules, the courts have repeatedly concluded that a professional author



(say) who receives a capital sum for the sale of copyright will generally be subject to income tax on the proceeds, notwithstanding the one-off nature of the disposal (see, for example, *Wain's Executors v Cameron (HM Inspector of Taxes)* [1995] STC 555). That has only added to the mystique surrounding the Chapter 4 rules.

In practice, the rules have been assumed to be limited to those in the creative arts and have operated as a 'keep off the grass' warning to discourage such taxpayers from entering into more complex arrangements. To be fair, the warning has been largely effective, meaning a dearth of cases in which the provisions have been cited.

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Indeed, the first time I ever saw them cited by HMRC was about a decade ago and that was a rather desperate (and ultimately unsuccessful) attempt by HMRC to convert what was a genuine capital transaction into one that attracted income tax. However, that experience told me that HMRC had not forgotten about the rules and was perhaps planning to use the rules to challenge arrangements in other cases. And, as the case law has shown, there has since been a smattering of case law in which the Chapter 4 rules make at least a cameo appearance.

The latest such case is *Rupert Grint v HMRC* [2024] UKFTT 956 (TC).

The facts of the case

Mr Grint is an actor who starred in a series of high-profile films that were produced between 2001 and 2011. The nature of those engagements meant that Mr Grint was likely to receive future income arising from his earlier services, as well as the opportunity to earn further income from spin-off activities.

In October 2011, a company ('Clay 10') was incorporated. Shortly afterwards, Mr Grint sold to Clay 10 his rights to those future earnings for a sum of approximately £8.5 million. That sum was not paid to Mr Grint but was instead left as a debt owed to him by Clay 10.

Of the £8.5 million, £4 million was attributed to existing contractual rights accruing to Mr Grint and was treated as income; i.e. representing proceeds from Mr Grint's profession as an actor. The balance of £4.5 million related to the disposal of other intangible rights to Clay 10 and was treated as capital in nature. Not only did Mr Grint pay capital gains tax on this sum but he also claimed entrepreneurs' relief in his tax return for the 2011/12 tax year.

HMRC subsequently opened an enquiry into the 2011/12 tax return. When it issued a closure notice in 2019, it concluded that the £4.5 million should be treated as income under the Income Tax Act 2007 s 778.

Mr Grint subsequently appealed against the closure notice and soon afterwards notified the appeal to the tribunal. His principal argument was that Chapter 4 did not apply because the 2011 disposal was not effected for tax avoidance purposes (and therefore did not satisfy one of the fundamental conditions for the rules to apply as set out in s 773(2)(b)).

In the course of the appeal, HMRC also raised the argument that, if s 778 did not apply, then the transactions were caught instead by s 779. Sections 778 and 779 operate as alternatives. As their headings explain, s 778 applies 'where [a] capital amount other than derivative property or [a] right [is] obtained', whereas s 779 applies 'where derivative property or [a] right [is] obtained'. The references to derivative property or right pose the question as to whether the capital receipt by the taxpayer consists of property that derives substantially the whole of its value from the individual's activities. In other words, on the facts of this case, whether the value of Clay 10's debt to Mr Grint derived substantially from Mr Grint's activities (past or future).

The First-tier Tribunal's decision

The case came before Tribunal Judge Harriet Morgan.

The first issue that the judge had to consider was whether the arrangements were caught by the tax avoidance motive test in s 773(2)(b). The judge noted the distinction between cases where obtaining the tax saving was a *purpose* of the transaction in question and those where the tax saving was merely an *effect* of the transaction. The judge noted that the subjective intentions of the key parties (Mr Grint and his late father, who was advising his son who was relatively young at the time) were critical in determining the purpose of the arrangements. So far as the Grints' professional advisers are concerned, the judge concluded that they were relevant

only so far as they shed light on the intentions and purposes of Mr Grint and his late father.

The judge readily accepted that the arrangements (effectively, incorporating Mr Grint's professional activities) gave Mr Grint the commercial benefit of limited liability and that this was an object of entering into the arrangements. The judge also acknowledged the administrative convenience that the use of the company might have facilitated but she did not consider that to be any more than a subsidiary and minor object. However, the judge also considered that the tax saving was also a main object of the transaction. This conclusion appears to have been largely based on the fact that the principal drivers for the arrangements were the professional tax advisers working with the Grints and not the Grints' commercial lawyers. Thus, the first issue was decided in HMRC's favour.

As this meant that the Chapter 4 rules were engaged, the judge then had to consider the second issue which was which of the Chapter 4 rules operated here – whether it was s 778 or s 779. On this point, the judge agreed with Mr Grint. It was clear that the value of the £4.5 million consideration received by him was substantially derived from Mr Grint's activities. HMRC had argued that the £4.5 million was merely the fixed sum agreed for Mr Grint's disposal and therefore its value could not be derived from Mr Grint's activities. However, the judge concluded that such an interpretation would render s 779 virtually meaningless.

Having accepted Mr Grint's argument on this point, the judge then had to consider the third issue, which was whether the wording on HMRC's closure notice (which referred only to s 778 and did not invoke s 779) meant that HMRC had forgone the opportunity to challenge Mr Grint's arrangements.

The judge considered the various case law concerning the scope of appeals against closure notices, in particular, the Supreme Court's decision in *Tower MCashback LLP 1 v HMRC* [2011] STC 1143 (see also my article in the April 2010 issue of *Tax Adviser*). That case recognised that a closure notice circumscribes the issues that might be raised in any subsequent appeal – for example, a closure notice which adjusts the amount of bank interest received cannot then lead to a dispute about capital gains tax. However, it was also made clear by the Supreme Court that, where a particular amendment has been made, there is nothing to stop that amendment being justified by HMRC for reasons not articulated in the closure notice. Ultimately, the question boils down to the interpretation of the closure notice.

Looking at the context of Mr Grint's closure notice and the enquiry which preceded it, the judge concluded that the closure notice should be interpreted as saying that HMRC had concluded that the Chapter 4 rules applied, primarily on the basis that the arrangements fell within s 778. As a result, the judge concluded that HMRC was not precluded from relying on s 779 as an alternative basis for saying that Chapter 4 was engaged.

For these reasons, Mr Grint's appeal was dismissed.

Commentary

There are (possibly) apocryphal stories some decades ago of instructions being sent to tax counsel setting out details of a proposed tax-motivated transaction, with counsel being instructed to draft commercial reasons that might justify the proposed course of action.

The *Grint* case was definitely a long way from that – there were clearly commercial benefits of transferring the rights to Clay 10 and HMRC's arguments seeking to downplay them were rejected by the judge. However, the case shows that it is not sufficient to have a commercial driver behind the transaction; the legislation is engaged if tax avoidance was merely one of the main objects.

What undermined Mr Grint's case was the fact that the idea of the arrangements seems to have been derived from the Grints' tax advisers. It might, as a matter of fact, be the case that the tax advisers were solely motivated by the commercial advantages of the transfer to Clay 10 and were merely conscious that such a transfer was not disadvantageous so far as tax is concerned. However, the judge did not infer that to be the case and it seems that her conclusion was one she could fairly reach on the facts. Despite the amount of tax at stake, I do not think that an appeal is likely to proceed on this point.

I also think that the tribunal's decision on whether s 778 or 779 applies could not realistically be challenged.

Will the third issue, however, generate an appeal? After all, it is a discrete point which ought not take too long to argue. Indeed, the closure notice read: 'I have amended your tax return by treating the capital amount you received on the sale of your business as income arising under s 778 ITA 07.'

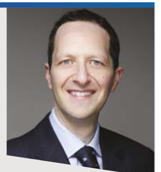
That appears to be sufficiently unambiguous to preclude any prospect of s 779 applying. However, the judge also referred to a covering letter which noted that the officer had taken the view that s 778 was the correct charging provision but kept alive the prospect of s 779 applying instead. The alternative approaches had also been articulated in the previous correspondence.

On balance, I think that the judge reached the right conclusion, although I can certainly see scope for the alternative view. A closure notice itself cannot contain two conflicting conclusions. Given that the officer had clearly (and at the same time) referred to the alternative analysis, the closure notice was interpreted as effecting an income tax charge under Chapter 4 with s 778 as merely the first of two possible routes to that conclusion. However, it might have been more helpful all around had the closure notice been more carefully worded.

What to do next

The case is a useful reminder as to how the tribunal is likely to apply anti-avoidance legislation which contains a 'main purpose' (or similar) test. Of course, just because an idea is proposed by a tax adviser, it does not necessarily mean that tax avoidance is the main purpose or one of the main purposes of any subsequent transaction. For example, it is not unreasonable for tax advisers to be expected to look at a client's wider commercial position. However, in such cases, it will be essential to do more than merely show non-tax purposes for the transaction: it will be necessary to show why, notwithstanding the fact that it was proposed by a tax adviser, there were no actual tax reasons for entering into it.

The case also highlights the importance of correctly construing a closure notice. Mr Grint was completely right to raise the argument that the closure notice was seemingly focused only on s 778 and thereby HMRC had shut out the possibility of s 779 being invoked. However, it is necessary to look at closure notices in their proper context and, in this case, the possibility of s 779 was kept alive in the documents that accompanied the closure notice.



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Key Points

What is the issue?
In recent years, HMRC has struggled to meet its target levels of customer service. The numerous pressures have been well documented: increasing complexity driving up demand; reducing basic customer services before digitalisation has been fully delivered; and repeated calls for HMRC to do more with less. HMRC has been pursuing a digital first strategy since at least 2012 to try and resolve HMRC customer service issues.

What does it mean for me?
HMRC customer service, effective HMRC systems and tax agents each play a vital role in helping taxpayers to get their tax right. Poor customer service and digital services that do not work properly are resulting in agents having to continually call HMRC to try and resolve their client's queries.

What can I take away?
The CIOT and ICAEW believe that there is an opportunity to work collaboratively with HMRC and ministers to improve and strengthen HMRC customer service. We welcome and value feedback from members to inform our work, including information on any pain points in digital services, gaps in digital services and suggestions for improvements to HMRC customer services.

Tackling HMRC's customer service challenge

CIOT and ICAEW joint report

In December, the CIOT and ICAEW launched their joint report addressing HMRC's customer service challenge, setting out ten key recommendations for improvement.

by Lindsay Scott and Ed Saltmarsh

In 2023-24, the UK tax system demonstrated a remarkable level of voluntary compliance, with over 95% of the £843.4 billion collected by HMRC being paid without intervention. HMRC customer service plays a crucial part in achieving this.

But in recent years, HMRC has struggled to meet its target levels of customer service. The number of taxpayers and the complexity of their tax affairs are increasing and HMRC is under significant pressure to do more with less.

The CIOT and ICAEW continue to receive feedback from our members, and hear reports of significant dissatisfaction with HMRC's performance. It is against this backdrop that we decided to gather an up-to-date and comprehensive dataset to capture a full range of members' customer service experiences and help to identify whether poor experiences were isolated, one-off incidents or whether they highlighted much more systemic problems.

The overarching aim was for this project to be constructive – to use our findings to inform recommendations that could make meaningful improvements to HMRC customer service that would have mutual benefit for HMRC, taxpayers and agents.

About our project

Our joint six week study from 9 September to 18 October involved 31 agent firms recording contact attempts across HMRC phonelines and webchats, followed by two workshops. This included sole practitioner firms through to Big Four firms.

Participants recorded information such as waiting times, duration of call, whether their query was resolved and their overall satisfaction with HMRC services. 634 contact attempts were recorded during the six week study, with 530 connected to an HMRC adviser. Only 79 interactions with webchat were recorded; however, what become clear was that this was not a reflection of low demand for webchat services, but because the likelihood of getting through to an adviser was low.

From 7 October 2024, there were several changes announced to the Agent Dedicated Line. Our data gathering period covered the first two weeks of these changes, but our results showed minimal improvements during this period. However, this two week period does not enable us to draw any conclusions regarding the effectiveness of the Agent Dedicated Line changes.

KEY FINDINGS

- 88% of calls connected
- 49% of webchats connected
- Average wait time: 19 minutes
- Agent Dedicated Line wait time: 27 minutes
- Only 33% of connected contact attempts fully resolved
- Average satisfaction for webchats: 1.4 out of 5 (or 28%)
- Average satisfaction for phonelines: 2.8 out of 5 (56%)
- Estimated annual HMRC staff cost for handling progress chasing: £36 million

Why were agents calling HMRC?

It quickly became clear that a significant volume of contact attempts were being driven by HMRC. Progress chasing accounted for over a third of all calls, with agents spending approximately 31 minutes per call (which includes 19 minutes waiting on hold) to only achieve full resolution from such calls 15% of the time. We estimate that eliminating progress-chasing calls could result in a potential annual cost saving to HMRC of over £36 million.

At least 11% of interactions with HMRC were attempts to correct HMRC errors or request amendments to returns. This percentage could in fact be higher if participants had noted their reason for calling as progress chasing when they were in fact following up on correcting an HMRC error. Our data also highlights that the lack of availability or functionality of digital services is a key driver of agents having to call HMRC. We discuss digital services in more detail below. A relatively small number of contact attempts were to discuss technical or complex queries.

OUR TOP TEN RECOMMENDATIONS

1. **Introduce an external tracking mechanism** to tackle progress chasing and reduce contact
2. **Review and improve internal tracking mechanisms** to tackle lost correspondence, inconsistencies and repetition, saving time
3. **Ensure there are appropriate routes to escalate complex cases** to help resolve problems more effectively without prolonged and repeated interaction with HMRC customer service
4. **Improve individual ownership of work** to improve resolution rates, building trust and reducing further contact
5. **Improve education and training of HMRC staff** to increase consistency and resolution rates, building trust and reducing 'answer shopping' by getting things right first time
6. **Invest in customer service staffing** to increase capacity and output, easing the burden on existing HMRC customer service staff and reducing backlogs and delays
7. **Maintain investment in legacy systems** to ensure that taxpayers and agents who have no choice but to use legacy systems receive a sufficient level of customer service and functionality
8. **Identify and plug gaps in digital services** to ensure HMRC's investment is targeted at meaningful changes to the digital services that taxpayers and agents want and need
9. **Increase the use of secure email for agent communication** to help meet agent demand for digital communications
10. **Co-create and continually improve digital services** by working collaboratively with taxpayers and agents to better inform design and testing, and make vital changes post-implementation to ensure digital systems work

Recommendations 1, 2 and 3

1. **Introduce an external tracking mechanism**
2. **Review and improve internal tracking mechanisms**
3. **Ensure there are appropriate routes to escalate complex cases**

To help reduce the volume of progress chasing and provide clarity to agents and taxpayers, HMRC should introduce an external tracking mechanism. This should enable taxpayers and agents to track that HMRC has received their correspondence; identify which HMRC team the correspondence has been allocated to; and check progress, including being able to view status updates. Tracking systems should be included in the design of any new digital service. In the short term, until it is possible to have visibility of progress chasing across all taxes and digital services, the introduction of a targeted mechanism for progress chasing, such as a dedicated monitored inbox or digital form, should be implemented.

The report calls for HMRC to review its internal tracking systems and processes, and to share information on these with professional bodies. This would help professional bodies, agents and taxpayers to better understand HMRC's current processes and possibly identify actions that could be taken to ensure that correspondence is delivered in a way that is more compatible with HMRC systems. It would also help to inform the design of any new external tracking system.

There will continue to be complex and problematic cases, and we recommend that HMRC introduces a service to help taxpayers and agents resolve them with a suitably experienced HMRC team. The current Agent Account Managers service may offer a blueprint of what this new service might look like.

Performance of phonelines and webchat

HMRC's published target is to answer 85% of calls to its phonelines. Our data indicates that across all phonelines agents were connected to an HMRC adviser in 88% of contact attempts. Whilst it is pleasing to see that HMRC is now exceeding the 85% connection target, and agents were typically getting through to HMRC on their first attempt, connection on its own does not result in good customer service. This can be seen in the overall scores given for both phonelines and webchat.

Participants were asked to rate HMRC services from 0 to 5, with a score of 0 being the lowest rating and a score of 5 being the highest. Across all phonelines, the average score given was 2.8 out of 5.

Several factors impacted agent satisfaction with HMRC phonelines, including time spent on hold, being cut off during the call with HMRC, and resolution rates (including whether the agent needed to contact HMRC again).

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While HMRC may currently be meeting its targets for connection rates, it has no published target for how quickly it should answer the phone. HMRC's performance data for September 2024 suggested that the average wait time across phonelines was around 14 minutes. Our exercise, which had significant overlap with HMRC's data period, revealed that agents spent on average 19 minutes on hold before being connected to an HMRC adviser, although many agents recorded call wait times of over 45 minutes. The time taken to reach an adviser on the Agent Dedicated Line averaged nearly 27 minutes.

Out of 555 attempts to phone HMRC, 45 (8%) were disconnected by HMRC before being answered and a further 23 calls (5% of connected calls) were cut off after being connected to an HMRC adviser. Participants reported being put on hold for extended periods or cut off during transfers between HMRC teams. When exploring this further through our workshops, participants provided examples of being cut off after querying the response provided by the HMRC adviser and where the HMRC adviser appeared to reach the end of their script and could offer no further support.

Resolution of queries was one of the most significant issues highlighted in our data. Across all connected calls, only 34% were recorded as being fully resolved, 24% were considered unresolved and 42% were partially resolved (i.e. the agent could progress the issue but not resolve it, or an agent calling about multiple issues had resolved one but not another).

Over the six week period, agents recorded just 79 attempts to contact HMRC via webchat – only 12% of the total contact attempts. However, this lower number of contact attempts was not necessarily an indicator of low demand. Participants told us they value the ability to save a transcript of a webchat conversation and to continue working whilst waiting to be connected. However, many have stopped trying to use webchat as they have come to expect that there will be no adviser available.

Of the 79 recorded attempts, fewer than half (39) of these webchat attempts were connected to an adviser. Of the 39 connected webchat attempts, only 8 (21%) were fully resolved and two-thirds of participants connected through webchat needed to contact HMRC again.

Recommendations 4, 5 and 6

4. **Improve individual ownership of work**
5. **Improve education and training of HMRC staff**
6. **Invest in customer service staffing**

Low resolution of queries is leading to low customer satisfaction and participants expressing their dread at dealing with HMRC.

Our participants told us that their positive experiences of HMRC customer service involved there being a personal touch, with an adviser taking ownership of a query. HMRC need to ensure that staff have the skills, infrastructure, autonomy and accountability to take ownership of their work and handle a matter from start to finish. This includes delivery on promised callbacks and working to, and meeting, agreed deadlines.

HMRC advisers being able to resolve queries within a reasonable timeframe helps to reduce HMRC backlogs, reduces costs for all, reduces contact volumes and promotes a positive relationship between HMRC, taxpayers and agents. HMRC needs to ensure that staff are equipped with the skills and resources to understand and answer the questions being asked.

The tax system is incredibly complex and not every HMRC customer service adviser can be expected to answer every question, so there needs to be clear avenues to escalate those queries beyond their expertise. There also needs to be a clear review process to ensure the quality of HMRC output – particularly when there are large numbers of new or inexperienced staff.

Digital services

HMRC has been pursuing a digital first strategy since at least 2012. Our participants told us that they support the development of HMRC digital services and are continually driving digital changes to their own businesses and how they interact with their clients.

During the six week period, agents spent on average 30 minutes to action relatively simple tasks such as changing a PAYE code, cancelling a filing requirement or reallocating a payment. There is a strong desire to do these type of activities online. However, most are unable to do so because digital services either do not meet their needs as they do not have the right functionality, are only available to taxpayers, or there are no digital services available at all.

Participants provided examples of difficult and prolonged interaction with HMRC because digital services were not working properly. This was then compounded by HMRC advisers saying they couldn't help as there was now a digital service available for that request.

Agents are encountering errors, problems and inefficiencies with legacy systems, resulting in agents having to seek resolution via HMRC customer services. If HMRC does not continue to invest in and maintain legacy systems until there is a viable new alternative, this will increase the need for customer service contact. In recent years, investment seems to have focused on new systems and platforms at the expense of legacy systems – many of which are in dire need of improvement.

Recommendations 7, 8, 9 and 10

7. **Maintain investment in legacy systems**
8. **Identify and plug gaps in digital services**
9. **Increase the use of secure email for agent communication**
10. **Co-create and continually improve digital services**

We recognise the trade-off between creating new digital systems and investing in legacy systems. However, until there is an effective new digital system, it is vital to maintain investment in legacy systems to ensure their functionality, preserve an effective tax system and reduce avoidable contact with HMRC.

We asked participants what a good digital system looks like. There was unanimous agreement that a digital service should allow an agent to see and do everything that their client can. This should be a function from the outset – not built into the system at a later point in time. A digital system needs to work effectively – this is more than just design and implementation but involves a continual process of improvement. A new digital system should also have a built-in tracking mechanism.

Agents would also like to communicate with HMRC by email. Many spoke of postal correspondence being lost or attachments separated and sent to different teams within HMRC. Whilst being mindful of security concerns, the benefits of email for taxpayers, agents and HMRC are obvious.

The launch event and acknowledgements

The CIOT and ICAEW held a launch event on 11 December. CIOT's President Charlotte Barbour opened the launch event, and we presented the key findings. Panel members from HMRC, the CIOT, ICAEW and two of the participating firms gave their perspectives and responded to attendees' questions.

We would like to thank the participating firms who reported their interactions with HMRC over the six week period and participated in the workshops – the project could not have taken place without their efforts. The authors would also like to thank Richard Hawthorn (HMRC), Emily Nash (Litchfields Chartered Accountants) and Natalie Miller (Azets) for their participation in the panel event; and for the contributions from the CBI, Federation of Small Businesses and the CIOT's Low Incomes Tax Reform Group.

Next steps

The CIOT and ICAEW are currently considering how we can build upon the report's findings and discuss our recommendations with HMRC. We hope to continue working with HMRC to make meaningful improvements to HMRC's customer service.

We welcome any discussion or feedback on improving HMRC customer service from members to help inform how we move forward with this collaborative work with HMRC.

We also look forward to working with HMRC on its digital transformation roadmap, which has a real opportunity to address some of the key frustrations that agents are facing and make meaningful change to the digital journey that HMRC, agents and taxpayers are all on.

The report can be read in full at: tinyurl.com/3hs328ey

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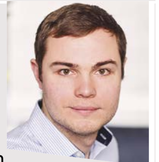

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WELCOME

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February Technical newsdesk

On 11 December, the CIOT and ICAEW launched their joint report on HMRC's service levels, 'Tackling HMRC's Customer Service Challenge'. There is a feature about the project on page 32 and 'CIOT technical team successes' article below. Our report makes ten recommendations to improve customer service, but adequate investment must be made in HMRC to ensure that systems and resources are in place to deliver improvements.

HM Treasury's Spending Review representation portal is now open for submissions (www.smartsurvey.co.uk/s/SpendingReview25). The government, of course, does not have an infinite amount of money and needs to allocate funding to all public services. We must remember that money invested in HMRC might come at the expense of healthcare or education.

You would like to think that investment in HMRC pays for itself, but how do you demonstrate that? Our work on HMRC's service levels gives us a good understanding of where we consider investment in HMRC is needed.

Customer service: Our evidence shows that agents' phone calls are getting through to HMRC quicker than they used to, but only a third of the issues raised are being resolved. The additional investment in customer service is helping HMRC meet some published targets, but is it actually delivering an improvement? We believe that HMRC or HMT should undertake their own research on the 'return' from their investment in customer service. While HMRC can typically put a value on the return from each £1 invested in compliance activities, a similar exercise is more difficult for customer service, which also encompasses non-financial benefits such as trust in the tax system and reinforcing attitudes towards compliance.

In our Summer 2023 survey, 98% of respondents said that poor service levels have a 'moderate' or 'significant' negative impact on trust in the tax system, and 93% said they have a 'moderate' or 'significant' negative impact on attitudes to tax compliance. We think some further research will underline the importance of investing in good customer service.

Agent services: Reputable agents bring huge value to the tax system, such as by encouraging and delivering on compliance obligations, ensuring that reliefs are correctly and appropriately claimed, and shielding HMRC from a significant amount of contact that they might otherwise receive. This is also difficult to value, but we think it should be attempted. In the absence of a tangible recognition of the value that good agents bring, there is a danger that we will continue to see services developed for agents later than those for taxpayers (if they are developed at all), notwithstanding the longstanding commitment from HMRC that agents should be able to see and do what their clients can.

Digital services: We agree that a 'digital first' strategy for HMRC is the correct one, but demand is currently outstripping supply and investment is needed to plug the gaps. Existing systems need ongoing investment until new, better digital systems take their place. I am excited about working with HMRC on their digital transformation road map, and we have shared with the team our suggested minimum standards for new digital systems (tinyurl.com/ymck9j62) and new digital forms (tinyurl.com/ye22zhtj).

The Spending Review representation portal is open until 11:59 on 9 February, so if you have survived the self-assessment season, you have a short window in which to have your say.

NEWSDESK ARTICLES

GENERAL FEATURE
CIOT technical team successes
Chris Thorpe p37

GENERAL FEATURE PERSONAL TAX INDIRECT TAX LARGE CORPORATE PROPERTY TAX
Finance Bill 2024: Committee of the whole House debate
Sacha Dalton p37

OMB EMPLOYMENT TAX
Finance Bill 2024: Employee ownership trusts
Chris Thorpe p38

PERSONAL TAX INTERNATIONAL TAX
Finance Bill 2024: Non-domicile/remittance basis changes
Chris Thorpe p38

EMPLOYMENT TAX
National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024
Matthew Brown p39

INDIRECT TAX
VAT: Annual accounting and VAT exempt income
Jayne Simpson p39

GENERAL FEATURE MANAGEMENT OF TAXES OMB LARGE CORPORATE
Wales: Visitor levy and business rates on private schools
Kate Willis and Claire Thackaberry p39

GENERAL FEATURE
Scotland: Scottish Budget 2025-26 and Scotland's Tax Strategy
Lindsay Scott and Joanne Walker p40

PERSONAL TAX EMPLOYMENT TAX
Labour market – a flurry of activity!
Meredith McCammond p41

Contact

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GENERAL FEATURE

CIOT technical team successes

An outline of the changes influenced by the CIOT's technical team, alongside the recognition of efforts made by the CIOT to deliver on our charitable objectives for a better, more efficient tax system for all affected by it. Here are our successes for the quarter ending 31 December 2024.

Changes to guidance/interpretation/procedure

As a result of our feedback on a proposed 'one-to-many' letter regarding the High Income Child Benefit Charge (HICBC), HMRC have updated their guidance on GOV.UK (tinyurl.com/3jdzmptp).

We said in relation to the proposed letter: 'Under the heading "Check if you need to pay the High Income Child Benefit Charge for 2023 to 2024", it says: "Your adjusted net income is your total taxable income, less certain tax reliefs and before deducting any Personal Allowances. For more information, go to GOV.UK and search 'adjusted net income".' Doing this, the first hit that comes up says "updated 11 December 2018". How does a taxpayer know they can rely on this as being current? Can it be updated to 2024?' HMRC responded by updating the page on 17 October with a more up-to-date example.

Because of feedback from CIOT as part of reviewing draft one-to-many letters, HMRC have updated relevant parts of their guidance (including examples) concerning the HICBC.

Because of feedback provided at the Guidance Strategy Forum on 31 July 2024, HMRC have included some tips on using GOV.UK as part of the trial of a new tax agent 'handbook' (tinyurl.com/yu7f8ek5).

Parliamentary mentions

During the Committee stage debate of the National Insurance Contributions (Secondary Class 1 Contributions) Bill (tinyurl.com/4bdd55rj) on 17 December 2024, the CIOT's concerns were mentioned by the Shadow Financial Secretary to the Treasury Gareth Davies in his criticism of the Bill. In the House of Commons debate on 10 December 2024 (tinyurl.com/azmp3649), the CIOT was cited by Gareth Davies during a debate on the capital gains tax proposals within the Finance Bill 2024-25 in a Committee of the whole House. He also placed on record his thanks to the CIOT for its 'invaluable support'.

In the Westminster Hall debate on 8 October 2024 (tinyurl.com/3yy4zjfz), the CIOT's submission on VAT and private school fees was cited during the debate.

Other recognition of the CIOT's contribution

The CIOT and ICAEW launched a 45 page report, 'Tackling HMRC's Customer Service Challenge'. The report presented key findings from a six week study – involving 31 agent firms – recording 634 attempts to contact HMRC by phone and webchat. The evidence from the six week study and wider experiences of our members were used to inform ten key recommendations to improve HMRC customer service performance. As well as representatives from CIOT, ICAEW and several tax firms, HMRC also attended the launch at the CIOT's office on 11 December. The report can be found at tinyurl.com/cxhfs3r3 and has received widespread support. (See the article 'Tackling HMRC's customer service challenge' setting out the findings of the report on page 32.)

Our joint report was referred to in the Administrative Burdens Advisory Board 2024 annual report and we hope that it will lead to further collaborative work with HMRC and ministers during 2025.

The CIOT was quoted in the Daily Telegraph (6, 11 and 14 October 2024) concerning the imposition of VAT on private school fees, in particular our expressions of concern at the timing of introducing the charge from January 2025.

Aspects of the Finance Bill 2024-25 contain proposals which echo recommendations made by the CIOT on matters such as: changes to the ten year qualifying residence period for the four year tax-free remittance window; the ten year inheritance tax 'tail' being tapered; changes to the 'Transitional Repatriation Facility'; and tighter measures concerning employee ownership trusts and the availability of tax reliefs.

Chris Thorpe *cthorpe@ciot.org.uk*

GENERAL FEATURE PERSONAL TAX INDIRECT TAX LARGE CORPORATE PROPERTY TAX

Finance Bill 2024: Committee of the whole House debate

CIOT submitted briefings ahead of the Committee of the whole House debate of certain clauses of the Finance Bill.

The clauses selected for debate by the Committee of the whole House related to capital gains tax (CGT) rates and reliefs, oil and gas taxation, VAT on private school fees rates and rates of stamp duty land tax for purchases of additional dwellings and purchases by companies. MPs debated these clauses over two days on 10 and 11 December 2024. The Opposition raised points from CIOT's briefings, submitted to and discussed with them, in three of the four debates.

In the debate on clauses 7-12 of the Finance Bill, which make changes to CGT, the Shadow Financial Secretary to the Treasury Gareth Davies thanked CIOT for their 'invaluable support' and highlighted several issues raised by the CIOT on the CGT changes. These included our observation that the immediate increase to main CGT rates, while the rate for business asset disposal relief remains unchanged until April 2025, creates a window until April 2025 for business owners to benefit from a greater differential in rates, incentivising early sales.

In the debate on VAT on private school fees, provided for in clauses 47-49 of the Finance Bill, the Shadow Exchequer Secretary James Wild cited the CIOT's call for delaying the implementation of the policy. Wild raised our concern that 'neither HMRC nor the private schools will be ready to implement the change in VAT liability effectively'. He continued to say that, in order to meet the deadline, HMRC have to register schools for VAT in just five working weeks.

In the debate on clauses 50-53 of the Finance Bill, which make changes to the rates of stamp duty land tax for purchases of additional dwellings and purchases by companies, the Shadow Exchequer Secretary thanked the CIOT for drawing attention to some structural tax issues that the clauses create. He explained: 'There is now a top residential rate of 19%, compared with a top rate of 5% for the purchase of non-residential or mixed property, so taxpayers may be incentivised to argue that the property that they are buying is non-residential or mixed-use – for example, it may have a paddock that they would use – to take advantage of the lower rate. A number of those cases have come to the First-tier Tribunal and higher court'. Wild asked if the minister could address this risk, and whether increased compliance costs will arise because of the divergence. At the end of the debates, the government's clauses on these parts of the Bill passed without amendment.

You can read our full report on the four debates at: tinyurl.com/5efc4rb4.

The briefings that the CIOT produced on the relevant clauses can be read here:

- Finance Bill 2024-25 briefing: Capital gains tax: www.tax.org.uk/ref1435
- Finance Bill 2024-25 briefing: Oil and gas taxation: www.tax.org.uk/ref1436
- Finance Bill 2024-25 briefing: VAT on private school fees: www.tax.org.uk/ref1437

OMB EMPLOYMENT TAX

Finance Bill 2024: Employee ownership trusts

Following a consultation in 2023, the October 2024 Budget unveiled proposals to reform the rules surrounding employee ownership trusts within the Finance Bill 2024-25. The changes focus largely on the capital gains tax relief from which business owners can benefit when placing their businesses into employee ownership trusts and tightening up on potential abuses. The CIOT submitted a response to these proposals.

The CIOT's latest response was largely positive, many of the Finance Bill proposals being in tune with suggestions the CIOT made in the 2023 consultation. The prompt for the 2023 consultation was HMRC's concerns that employee ownership trusts (EOTs) were being abused by those wishing to benefit from the capital gains tax (CGT) relief (the 'no-gain/no-loss' treatment when transferring a controlling stake of a trading company into an EOT), yet showed little intention of prolonging the business for the benefit of employees. The CIOT shares the view that any abuse of process or vehicle should be discouraged but expressed some reservations about the Budget proposals.

First, the CIOT questioned whether the employees are the focus of these changes. The changes largely revolve around the criteria for the business owner's CGT relief. In addition, despite the CIOT's calls for an increase in the level of the £3,600 income tax-free bonus payments to employees, this is not changed, and bonuses remain subject to National Insurance contributions.

Second, we have concerns about the proposals surrounding the funding of the EOT. The company, whose shares are being placed into the EOT, will usually fund the trustees' acquisition but clearance would be sought from HMRC that those monies paid from the company are not treated as distributions. The 2023 consultation had proposed removing the need to request clearance and the Finance Bill includes a corresponding statutory relief (in the form of a deduction against the liability for the distribution) for certain costs. However, the scope of that relief is very narrow, being limited to the cost of the shares themselves and immediate ancillary costs such as stamp duty and loan interest. Also, that relief must be claimed by the trustees – something which is likely to cause a significant administrative burden and impose compliance obligations with which trustees will not be familiar. Costs outside the scope of the relief (including recurring ones) funded by the company will, in the first instance, remain taxed as distributions. Also, with a specific allowance in the legislation for trustees' costs, there is some doubt as to whether HMRC would accept a clearance application for the funding of fees outside the relief, such as those for finance arrangements, professional trustees and professional advice/transactions.

The CIOT's recommendation is that the relief should be automatic and widened to cover all relevant costs concerning the funding and operation of the EOT or, alternatively, that relevant funding be treated as deductible company expenses for corporation tax purposes.

The CIOT's response to the changes within the Finance Bill 2024-25 can be found here: www.tax.org.uk/ref1423

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- Finance Bill 2024-25 briefing: Stamp duty land tax: www.tax.org.uk/ref1438

The remaining clauses of the Finance Bill will be considered in Public Bill Committee in late January and early February 2025.

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PERSONAL TAX INTERNATIONAL TAX

Finance Bill 2024: Non-domicile/remittance basis changes

Following a meeting hosted by HMRC's Capital Taxes Liaison Group and Wealthy External Forum about the 'non-dom' legislation within the Finance Bill 2024/25, the CIOT submitted a comprehensive response on the proposals.

On 18 November 2024, HMRC convened a meeting of representatives from several professional bodies, including the CIOT, to discuss and seek feedback on the construction of the draft legislation concerning the taxation of non-doms. After the meeting, attendees were invited to provide further feedback and the CIOT subsequently submitted a detailed response covering: the four-year foreign income and gains (FIG) regime and the interaction with offshore trusts; the Temporary Repatriation Facility (TRF); and the application of inheritance tax (IHT).

Regarding the four-year FIG regime, the submission repeated the CIOT's view that a longer period than four years would be beneficial, but more importantly that the exemption period should be automatic and without the need to identify and quantify the FIGs. Having to make a claim for the exemption and identify the FIGs would not only be burdensome for taxpayers and their agents, but also expose them to the possibility of penalties and potential inability to make consequential claims. The response also called for greater clarity surrounding matched payments to beneficiaries from offshore trusts during the four-year window.

The CIOT supports the introduction of the TRF, although our response expressed some concern as to the clarity of the legislation. HMRC's technical note suggests that the TRF is to operate by designation, without the need to identify specific income, gains or clean capital (clean capital is capital that does not represent any income or gains – an inheritance is a common example). This is something which the CIOT called for following the initial March 2024 announcement, but some of the wording within the draft legislation does not seem to correspond to this intention.

In the response, the CIOT once again welcomed the move to base IHT upon residence rather than domicile – though the label 'long-term UK connection' was suggested as being less confusing than the proposed 'long-term UK resident'. However, the CIOT pointed out the inconsistency of imposing the relevant property regime on offshore trusts whose settlors leave the UK before April 2025 compared to those individuals' own IHT status.

Regular meetings are being hosted by HMRC with professional bodies to discuss guidance and other means of supporting relevant taxpayers and their agents affected by these changes.

The CIOT response can be found here: www.tax.org.uk/ref1442

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EMPLOYMENT TAX

National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024

CIOT submitted a briefing to Parliament on the National Insurance Contributions (Secondary Class 1 Contributions) Bill.

The National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024 includes measures to:

- increase the rate of secondary (employers) Class 1 contributions;
- reduce the secondary (employers) threshold for Class 1 contributions;
- increase the Employment Allowance; and
- remove the Employment Allowance eligibility threshold of having secondary Class 1 NICs liabilities of less than £100,000 in the previous tax year.

While the CIOT does not comment on rates of tax, we noted that the increase in secondary Class 1 national insurance contributions extends the differential in the burden of tax and national insurance borne by those in employment compared to those engaged as self-employed.

We were concerned that increasing the rate of secondary Class 1 national insurance contributions, and reducing the threshold at which it begins to be paid by employers, could cause employers to seek ways to mitigate or absorb the burden, such as limiting wage rises, outsourcing and managing with fewer workers. We also thought that it may increase the instances of 'false self-employment', or the use of non-tax compliant intermediary arrangements.

We also suggested that the government should work with stakeholders to agree a sustainable solution to how earnings should be taxed, and how we might 'level the playing field' between the burden of tax on the employed, the self-employed and those working through their own personal service company.

The CIOT was mentioned during the Committee stage debate of the Bill, and four attempts by opposition parties were made to create exemptions from the national insurance increase for some businesses; ultimately the Bill was passed without amendment. A full report on the debate can be read on our website at: tinyurl.com/ypv9awkm.

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INDIRECT TAX

VAT: Annual accounting and VAT exempt income

As part of their membership of HMRC's Joint VAT Consultative Committee, the CIOT and ATT can raise technical and procedural issues with the VAT system for further consideration.

The forum's purpose is 'to exchange views between HMRC and representative organisations relating to the procedures and operations of VAT, and to consider and discuss VAT issues arising from member organisations with the aim of strengthening HMRC's understanding of the needs of the business customer/taxpayer'. A recent member case that has been submitted to HMRC highlights how different procedural requirements cause conflict within the VAT system.

Annual accounting

The VAT annual accounting rules allow eligible businesses to submit a single annual VAT return each year rather than make quarterly returns. Businesses can apply for VAT annual accounting if their taxable turnover is estimated to be £1.35 million or less. HMRC publish guidance on the annual accounting scheme in VAT notice 732 (tinyurl.com/3mhuyru4) and on GOV.UK (tinyurl.com/yr2hjuay).

Taxable turnover threshold

A key point to note is that the annual accounting threshold is based only on *taxable* turnover; that is, income derived from sales subject to the standard, reduced or zero rate of VAT. Supplies that are VAT exempt are excluded from the turnover threshold, as stated in paragraph 2.2 of VAT Notice 732 – annual accounting (tinyurl.com/3mhuyru4).

Administrative issue

A procedural issue can arise for affected businesses that have taxable income within the annual accounting threshold, but also exempt income that causes their combined income to exceed £1.35 million. HMRC's system automatically removes those businesses from annual accounting based on the turnover declared in the VAT return, as the Box 6 outputs figure requires both taxable and exempt income to be declared as one figure. There is no separate box on the annual accounting VAT return to separately disclose taxable and exempt turnover, or to make it clear that the taxable turnover is within the annual accounting threshold.

When a business is automatically removed from annual accounting in error, they must contact HMRC to resolve the issue, and in the meantime may receive centrally issued assessments for missing quarterly VAT returns. All of this takes time and resource to rectify, and if they use a VAT agent to assist, they incur costs too.

The CIOT is interested in understanding the impact of this procedural issue and would like to hear from members who have experienced it themselves or on behalf of affected clients. Please contact technical@ciot.org.uk or atttechncial@att.org.uk.

Other VAT issues

Please note that referrals to the Joint VAT Consultative Committee about issues with VAT procedures or operations must come directly from the CIOT or ATT rather than from members themselves. They should represent a general issue that impacts the wider community, as opposed to escalating a case for an individual business, though we can, and do, highlight individual cases where they are an example of a wider issue. For example, we are still highlighting individual cases experiencing excessive delays beyond HMRC's published service level agreement timings, which are generally 40 working days for most VAT service lines.

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GENERAL FEATURE MANAGEMENT OF TAXES OMB LARGE CORPORATE

Wales: Visitor levy and business rates on private schools

The CIOT and LITRG responded to the Senedd Finance Committee's consultation on the Welsh Visitor Accommodation (Register and Levy) (Wales) Bill and the CIOT responded to the Welsh government's consultation on the removal of charitable business rates relief for private schools.

The Visitor Accommodation (Register and Levy) Etc. (Wales) Bill was introduced in the Senedd on 25 November 2024. It provides for:

- a compulsory register of visitor accommodation going live in 2026;
- the power for local authorities to introduce a visitor levy on overnight stays; and
- amends the Tax Collection and Management (Wales) Act to provide the Welsh Revenue Authority (WRA)

with the powers to administer, enforce and collect the levy.

The visitor levy will be a discretionary local tax levied on overnight stays in visitor accommodation, including hotels, B&Bs, cottages and campsites. A local authority considering implementing a visitor levy will be required to consult locally before doing so. The WRA will collect and manage the levy, remitting revenues to the local authority each year. The earliest a visitor levy could come into effect is April 2027.

The visitor levy will be charged on a per person per night basis with a cap of 31 nights. The lower rate of 75p will apply to campsite pitches and the higher rate of £1.25 to other visitor accommodation. Those rates will likely be charged to VAT, bringing the totals to 90p and £1.50 respectively.

The objectives of the Bill, as set out in the Explanatory Memorandum, are to:

- ensure a more even share of costs to fund local services and infrastructure that benefit visitors between resident populations and visitors;
- provide local authorities with the ability to generate additional revenue that can be invested back into local services and infrastructure to support tourism; and
- support the Welsh government's ambitions for sustainable tourism.

Senedd Finance Committee consultation: CIOT and LITRG comments

The Senedd's Finance Committee consulted on the Bill over the Christmas break. The CIOT and LITRG responded to that consultation.

We suggested that consideration might be given to the benefits or otherwise of including the Bill's objectives in the Bill itself (not just in the explanatory memorandum) to ensure secondary legislation and permitted guidance does not move away from the objectives over time.

We said that simplicity should be a core consideration to support visitor accommodation providers through the implementation and administration of the levy, and when measuring the success of the policy after implementation.

We remain concerned about the additional administrative costs of collection and reporting the levy for businesses, although we recognise that the link to compulsory registration should help to minimise costs, provided the registration/visitor levy platform is well-publicised, easy to use and intuitive. Comprehensive guidance and ease of administration will be key requirements, particularly for smaller unrepresented businesses. As the Regulatory Impact Assessment recognises, the estimates for potential upfront and ongoing costs for businesses are inherently uncertain.

We recognised that, following the first consultation on the *design* of the levy, there has been in-depth and collaborative engagement by the Welsh government with stakeholders in developing the draft legislation, including through the visitor levy working group. However, we suggested that a further relatively short consultation on the draft legislation would have provided pre-legislative scrutiny of the drafting, including on the consistency of terms, the definitions used and the extent to which the draft accurately translates intent into law.

We are concerned that some key components of the definitions relating to visitor accommodation and a visitor accommodation provider are not defined in the Bill. Clear guidance will be needed to provide certainty in particular circumstances, including for mobile homes and caravan pitches and guest accommodation in hospices, care homes and similar facilities.

Very clear guidance will also need to be published early since some of the provisions may need prompts to be built into accounting software.

A key concern relates to informal lets (for example, informal lets of second homes or static caravans). If included in scope, these will present challenges in terms of enforcement and compliance for registration and also for implementing and collecting the levy. We thought there is a danger of a high number of disputes about both registration and whether small amounts of levy are due. This would be disproportionately expensive to operate and could undermine trust in the WRA and its administration of other devolved taxes.

We are concerned that potentially unlimited daily penalties of £60 per day for failure to register may also undermine trust in the system unless there is adequate publicity about who will need to register. While many people are aware of the visitor levy itself, we thought there is far less public awareness of the compulsory registration requirement.

We suggested that some notification deadlines in the Bill, including those for claiming a repayment of the visitor levy and filing an annual return (both 30 days), seem unreasonably short and suggest extending these and other deadlines.

The CIOT/LITRG submission can be found here: www.tax.org.uk/ref1428.

Welsh government's consultation on removal of charitable business rates relief for private schools

The Welsh government proposes to withdraw mandatory charitable rates relief (an 80% reduction) from independent schools. The stated aim of this proposal is to make additional funding available for local services in Wales. There are currently 83 independent schools registered in Wales. Of these, 17 currently receive mandatory charitable rates relief.

The CIOT's short response to the consultation raised an area of uncertainty; that is, whether it is the policy intent that the scope of discretionary relief under Local Government Finance Act 1988 s 47 will be retained. In other words, clarification was requested as to whether, following the proposed change, a Welsh local authority will be able to exercise their discretion to award up to 100% relief to a qualifying private school in the local authority area that satisfies the requirement of benefiting the local community.

The CIOT response can be found here: www.tax.org.uk/ref1390

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GENERAL FEATURE

Scotland: Scottish Budget 2025-26 and Scotland's Tax Strategy

The Scottish government has published its Budget for 2025-26 together with its Tax Strategy.

On 4 December 2024, the Cabinet Secretary for Finance and Local Government Shona Robison set out the Scottish Budget for 2025-26 (see tinyurl.com/y5r73kxv). As a minority administration, the Scottish government will need the support of other parties for its Budget to pass. The Budget (Scotland) (No. 4) Bill for financial year 2025-26 was introduced to the Scottish Parliament on 18 December 2024. The Scottish Parliament must pass the Scottish Rate Resolution, which sets the Scottish income tax for 2025/26, before it passes the Budget Bill.

Scottish income tax

The Scottish government announced that the starter rate band will increase by

PERSONAL TAX EMPLOYMENT TAX

Labour market – a flurry of activity!

LITRG has been busy inputting to various government initiatives to support workers and responding to some recent consultations on Making Work Pay and Labour Market Enforcement. Here we round up some of our recent labour market related work.

Zero hours contracts for agency workers

The government published a consultation in October (tinyurl.com/33y5waw9), on the application of the zero hours contracts measures to agency workers. Views were invited on proposals to introduce a right to guaranteed hours with a contract that reflects the number of hours regularly worked, and a right to reasonable notice of shifts with payment for shifts cancelled or curtailed at short notice.

LITRG wrote to the policy team explaining that the proposals seem based on an arguably oversimplified view of the existing labour market and/or do not fully take into account a range of other issues. We offered a meeting to share our knowledge of the labour market, the dynamics and incentives at play and, in particular, the potential tax consequences of the proposals, which could greatly impact the success of the policy.

Changes to Statutory Sick Pay

The government also intends to remove the lower earnings limit for the purposes of Statutory Sick Pay (SSP) to ensure that all employees have access to SSP and to remove the waiting period, making it available from the first day of absence. The government has launched a consultation (tinyurl.com/msysyukf) on the percentage replacement rate for those earning below the current rate of SSP. While we offered no views on the replacement rate, we wrote to the policy team to flag our previous work in this area and to reiterate the importance of ensuring the SSP system is balanced, sustainable and addresses the needs of all workers.

Labour Market Enforcement: Fair Work Agency

A call for evidence (tinyurl.com/mw9kxws3) was published by the Director of Labour Market Enforcement on new proposals for a Fair Work Agency (FWA).

In a letter to the Director Margaret Beels, we put forward our view that state enforcement of employment status should feature as a specific responsibility of the new FWA. We explained that false self-employment is already an insidious issue within our labour market and looks set to get worse, given it is a device that can help engagers displace increasing costs and obligations, such as those arising from the Budget announcements and Employment Rights Bill. We said that unless the issue of false self-employment is tackled, there is a real risk that the planned upgrade to workers' rights will not materialise for some. We set out a few thoughts around the practicalities of expanding the FWA remit in this way and suggest that a full consultation should be launched to gather views and insights, in order that the most effective and workable function possible can be designed.

Umbrella companies

HMRC have recently released a new online tool (tinyurl.com/2ahdh4xx) that can help umbrella company workers understand whether their pay and deductions are being handled properly and new Spotlight guidance (tinyurl.com/3u6vyt7w) warning about the managed service company tax rules. These rules can affect agency or umbrella company workers who work through a limited company, where the company has been set up and is run for them. LITRG was pleased to have had significant input into these products.

More widely, LITRG has been considering the impact of the Budget announcement that from April 2026, there will be a change in who has responsibility to account for PAYE where an umbrella company is used in a labour supply chain to engage a worker. This will move the responsibility to account for PAYE from the umbrella company that employs the worker to the recruitment agency that supplies the worker to the end client. Where there is no agency in a labour supply chain, this responsibility will sit with the end client. LITRG will be working closely with HMRC to help ensure that everybody concerned, but particularly workers, are ready for the new rules taking effect in April 2026.

LITRG's letter to the Director of Labour Market Enforcement can be found here: www.litrg.org.uk/10993

LITRG's articles explaining the two new HMRC initiatives can be found here: tinyurl.com/5yjawmvf and tinyurl.com/ypvamt4u

LITRG's press release on the Budget 2024 umbrella announcement can be found here: tinyurl.com/2ddkaumk

Meredith McCammond *mmccamond@litrg.org.uk*

22.6%, and the basic rate band will increase by 6.6%. The effect of these increases is to raise the thresholds at which taxpayers pay basic rate tax and intermediate rate tax by 3.5%. The Scottish government committed to not introduce any new Scottish income tax bands and not increase Scottish income tax rates before the end of the current Parliament (with the next election due to take place no later than 7 May 2026).

Land and buildings transaction tax

The additional dwelling supplement has increased from 6% to 8%, with effect from 5 December 2024. The additional dwelling supplement may apply to the purchases of residential property for £40,000 or more, where the purchaser already owns residential property. All other residential and non-residential rates of land and buildings transaction tax (LBTT) remain unchanged.

The Scottish government also announced a review of LBTT, which will commence early in 2025. The main objective is to review various aspects of LBTT to ensure they still meet the policy intent. It is intended that this review will focus on longer term policy changes to LBTT, rather than dealing with urgent legislative changes. The Scottish government would welcome suggestions for areas of focus for the LBTT review. Please do feed any thoughts into the technical team as we will be responding to the review.

After ongoing discussion with professional bodies, the Scottish government has committed to making progress on a few other longstanding LBTT issues:

- It will lay legislation in early 2025 to provide clarity on clawback arrangements for sub-sale development relief and to provide for group relief in cases of non-partition demergers.
- It will publish draft legislation for consultation to provide relief on the exchange of units within Co-ownership Authorised Contractual Schemes.

- It will consult further on the case for a relief for the seeding of properties from unauthorised investment vehicles into Property Authorised Investment Funds and Co-ownership Authorised Contractual Schemes.

Scottish landfill tax

From 1 April 2025, the lower rate of Scottish landfill tax (SLfT) will increase to £4.05 per tonne and the standard rate will increase to £126.15 per tonne. The Scottish government is commissioning independent research on the ongoing effectiveness of the lower rate of SLfT. We are also expecting a consultation in 2025 on the future of the Scottish Landfill Communities Fund.

Non-domestic rates

Scottish Budget announcements included a freeze of the basic property rate and inflationary increases to both the intermediate property rate and the higher property rate. The Budget included a commitment to maintaining the Small Business Bonus Scheme, the Business Growth Accelerator relief and 100% hospitality sector relief for island communities and in three prescribed remote areas (Cape Wrath, Knoydart and Scoraig). A 40% relief was also announced for 2025-26 for hospitality premises, including grassroots music venues, which are liable to the basic property rate (capped at £110,000 per business).

Scottish Tax Strategy

On Scottish Budget Day, the Scottish government published 'Scotland's Tax Strategy'.

The publication of Scotland's Tax Strategy follows a series of roundtables with key stakeholders, which ATT, CIOT and LITRG participated in. The Tax Strategy covers five key areas:

- priorities for the existing tax system;
- key areas of focus for the economy and the tax system;
- administration of the existing tax system;
- evidence and evaluation to inform tax policymaking; and
- future priorities.

Some key points to note include commitments to pick up consideration of changes to the legislative processes for devolved taxes in Scotland, to increase public awareness and understanding of devolved taxes in Scotland and complete devolution of the Scottish aggregates tax and air departure tax. These topics, in particular the need for legislative reform, perhaps in the form of an annual Finance Bill, have been recurring areas of discussion with the Scottish government in recent years.

The Tax Strategy included a commitment to work collaboratively with HMRC to improve tax compliance and explore digitalisation of the Scottish tax system. The Tax Strategy also noted that there would be engagement in 2025 to build consensus on the way forward for council tax reform.

To support public understanding of devolved taxes in Scotland, the Tax Strategy confirmed that the Scottish government will publish the Tax Literacy Framework in early 2025. LITRG has been engaging with the Scottish government throughout 2024 on the development of the Tax Literacy framework.

The Tax Strategy also included a list of Areas of Research Interest, a list of key tax research areas for the next five years, with the aim of improving their evidence base. This includes research to evaluate the impact of the divergence of Scottish income tax rates in 2023-24 and 2024-25.

The ATT, CIOT and LITRG have highlighted the importance of taking action to progress key elements of the Tax Strategy, as well as delivering on the 2021 Framework for Tax.

Additional publications on Budget Day

Several additional documents were published alongside the Scottish Budget and Scotland's Tax Strategy, including updated research on public attitudes to tax in Scotland.

This research shows that only 42% of respondents felt they understood tax devolution in Scotland and the devolved taxes they paid. The Scottish government has also published a study on the use of fiscal levers to reduce greenhouse gas emissions across the world.

Lindsay Scott lscott@ciot.org.uk
Joanne Walker jwalker@litrg.org.uk

CIOT		Date sent
CIOT letter to Treasury Committee Chair re Budget October 2024: tax measures	www.tax.org.uk/ref1426	05/11/2024
Finance Bill 2024 changes to Employees Ownership Trusts	www.tax.org.uk/ref1423	25/11/2024
Finance Bill 2024-25 Clause 7-12 Capital Gains Tax rates and reliefs	www.tax.org.uk/ref1435	02/12/2024
Finance Bill 2024-25 Clause 15-18 Oil and Gas Taxation	www.tax.org.uk/ref1436	02/12/2024
Finance Bill 2024-25 Clause 47-49 VAT: Removal of exemption for private school fees	www.tax.org.uk/ref1437	02/12/2024
Finance Bill 2024-25 Clause 50-53 Stamp Duty Land Tax	www.tax.org.uk/ref1438	02/12/2024
PAC inquiry: HMRC Customer Service and Accounts 2023-24	www.tax.org.uk/ref1415	04/12/2024
Scottish Budget 2025-26	www.tax.org.uk/ref1427	05/12/2024
Charitable non-domestic rates relief for private schools	www.tax.org.uk/ref1390	12/12/2024
National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024	www.tax.org.uk/ref1443	13/12/2024
Finance Bill 2024-25 Clauses 37-46 and Schedules 8-13	www.tax.org.uk/ref1442	23/12/2024
National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024	www.tax.org.uk/ref1443	06/1/2025
Visitor Accommodation (Register and Levy) Etc. (Wales) Bill	www.tax.org.uk/ref1428	09/1/2025
ATT		
Finance Bill: taxation of non-UK domiciled individuals	www.att.org.uk/ref472	16/12/2024
LITRG		
Scottish Budget 2025-26	www.litrg.org.uk/10992	10/12/2024
Recent labour market related submissions	www.litrg.org.uk/10993	13/12/2024

AI for Tax

Get future-ready with the
CIOT's new online short course

Artificial Intelligence (AI) and Generative AI are revolutionising the tax profession, opening new possibilities for efficiency, accuracy and strategic decision-making. These technologies are radically changing the way tax professionals will work now, and into the future, by automating routine tasks and providing detailed data analysis capabilities to improve the tax function.

Designed as an easy to access, interactive and digestible short course, AI for Tax is for professionals who want to grow their understanding and confidence in this exciting area of work.

Visit **www.tax.org.uk/ai-for-tax** to find out more.

Diploma in Tax Technology:

Are you joining the digital revolution in tax?

Tax technology is a rapidly evolving field, with exciting opportunities for career growth.

The CIOT's Diploma in Tax Technology (DITT) equips tax professionals with a foundational knowledge of technological developments in tax to help build confidence and skills in this dynamic field. Updated annually, our latest syllabus and course content include:

- A deep dive into Generative AI, machine learning, and predictive analytics
- Current programming trends such as Transformers, GPT, LLMs, and AI-assisted coding
- Tax data management and associated ethical, security and governance considerations
- The shift to digital tax administration in the UK and HMRC's Making Tax Digital
- A simplified online learning environment with diverse study resources.

Find out more and register at **www.tax.org.uk/ditt**

Tax policy

Minister praises practitioners for tax policy contribution in Wales

Left to right: Senga Prior, Mark Drakeford and Charlotte Barbour

Charlotte Barbour presents Council Award to Lakshmi Narain

On 14 November, CIOT and ATT hosted a Networking Lunch in Cardiff with the Welsh government's Cabinet Secretary for Finance and Welsh Language, Mark Drakeford, featuring as the main speaker.

More than 60 guests attended the event from across industry, accountancy, government, the Welsh Treasury, the Welsh Revenue Authority, academia and the media. As well as the Finance Secretary, two other Senedd members were in attendance – Peredur Owen Griffiths, a Plaid Cymru member who chairs the Senedd's Finance Committee, and Rhianon Passmore, a Labour member of the committee.

ATT president Senga Prior welcomed guests and discussed some of the announcements in the recent UK Budget. In particular, she noted the challenge that the increase in employers' national insurance presents to many businesses.

Senga observed that the Welsh government would set its Budget soon, and 'when they do, they will be mindful of the impact their choices will have on decisions reached at the UK level', acknowledging that tax decisions can be complex when different powers rest with different parliaments. She then introduced the main speaker, Mark Drakeford, a former First Minister of Wales, who returned to his old role as Finance Secretary in September in the new administration of Eluned Morgan.

The Finance Secretary welcomed the opportunity to talk to CIOT/ATT members and guests, emphasising that with a new UK government in place, there is an opportunity to reset the relationship between administrations in Westminster and Cardiff. He spoke of Wales's ambition to develop its tax-raising powers further, noting that since tax powers were devolved in Wales six years ago, Welsh taxes, including Welsh rates of income tax, land transaction tax and landfill disposal tax, have been contributing around £4 billion a year to the Welsh Budget.

The minister explained that the Welsh government continues to progress its tax strategy in a number of areas, including council tax and the non-domestic rates system. He stressed the important role that tax practitioners and professionals play in the tax policy 'engine room', saying their valuable contributions are helping to shape the design and implementation of new taxes, including the Welsh visitor levy.

The CIOT's president, Charlotte Barbour, thanked the Cabinet Secretary for his insightful remarks and observed that he had some tough choices to make in his Budget in December, without a great deal of flexibility on the tax front. She wished him luck. She also expressed her gratitude to CIOT/ATT members in Wales, in particular the Welsh Technical Committee (WTC) members who have dedicated their time to liaise effectively with the Senedd and Welsh Revenue Authority.

Charlotte concluded the event by presenting a CIOT Council Award to Lakshmi Narain, former Chair of the WTC. 'For over 45 years, he has tirelessly represented the Institute and championed our mission,' she said. Charlotte observed that Lakshmi has a particular skill in encouraging experienced members of the profession from all backgrounds to contribute their knowledge and time to the CIOT's work. Lakshmi was instrumental in establishing the Institute's Property Taxes Committee in 2007, as well as the WTC more recently, she continued, adding: 'His commitment and energy as chair of that committee deepened and strengthened our engagement with both the Welsh Treasury and the Welsh Revenue Authority – so much so that he was invited to join the WRA's board as a non-exec director.'

Political update

CIOT, ATT and LITRG work with politicians from all parties in pursuit of better informed tax policy making.

MPs began debating the new government's first Finance Bill in November. CIOT and ATT provided written and oral briefings to MPs scrutinising the legislation. CIOT comments were cited in three Committee of Whole House debates by shadow ministers, with one thanking the Institute for its 'invaluable support'.

On capital gains tax, Shadow Financial Secretary Gareth Davies noted that CIOT had highlighted that it was too late to change the format of the relevant 2024-25 tax return pages to accommodate in-year changes to CGT rates. He asked that appropriate levels of understanding be shown to taxpayers.

On stamp duty land tax, Shadow Exchequer Secretary James Wild drew on CIOT's briefing to observe that the high differential between the top residential rate and the top rate for purchase of a non-residential or mixed property will incentivise taxpayers to argue that properties are the latter, which may lead to increased compliance costs.

On the extension of VAT on private school fees, Wild noted CIOT's call for a delay amid concerns that neither HMRC nor schools will be ready to implement the change effectively. Two shadow education ministers had also cited these concerns during earlier parliamentary debates, one in the Commons and one in the Lords, back in October.

During a Scottish Parliament debate on the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill, Labour's Treasury spokesperson, Michael Marra, cited CIOT's criticism of the Scottish government for a failure to consult on elements of the legislation. The Parliament's Delegated Powers and Law Reform Committee cited CIOT, ATT and LITRG in its summary of the call for views for its inquiry into 'framework legislation'. CIOT, ATT and LITRG are also listed as stakeholders in the Scottish government's Tax Strategy, published alongside the Scottish Budget on 4 December.

Finally, during debate on the Bill increasing employer NICs, the shadow minister, Gareth Davies, noted the CIOT's warning that the change could lead some employers to shift employees to a self-employed basis or offshore workers to overseas destinations.

Report

HMRC could save 1.7 million hours by eliminating 'progress chasing' calls

HMRC could save an estimated 1.7 million hours of call handlers' time every year if it implemented an automated tracking system for taxpayers to check the status of their queries, a study by CIOT and ICAEW has found.

The two institutes published their report, 'Tackling HMRC's customer service challenge', on 11 December following a six-week project tracking attempts to contact HMRC across phonelines and webchats. They found that more than one-third of contact attempts were made to chase progress on existing enquiries, rather than to make a new enquiry.

The institutes pointed to key findings which showed that, while improving customer service performance remained crucial, a significant reduction in the need for agents and taxpayers to contact HMRC in the first place was vital.

Ellen Milner, CIOT's Director of Public Policy, said: 'We are grateful to the firms whose participation in our study has, for the first time, provided a comprehensive dataset evidencing where HMRC customer services are not meeting agent needs, and the impacts this has.

'We hope HMRC and the government will take our proposals into account in their work to improve customer services and in providing facilities like progress trackers when drawing up the much-anticipated digital roadmap, which we expect to see in the spring.'

Speakers at the report launch (left to right): Richard Hawthorn, HMRC; Emily Nash, Litchfields; Ellen Milner, CIOT; Natalie Miller, Azets; Ed Saltmarsh, ICAEW

Frank Haskew, ICAEW Head of Taxation, said: 'One of the most effective ways to reduce pressure on HMRC's traditional support channels is to minimise the need for agents to call in the first place.

'We found that over a third of calls to HMRC are for progress chasing and we'd like to see the introduction of a dedicated mechanism to meet this demand. Developing better online services would pay for itself and secure significant savings in HMRC staff time.'

See page 32 for a full report on the study's findings and recommendations.

HMRC

Institute challenges unfair interest rules

CIOT is calling on the government to address unfair tax rules as interest rates on late payments rise.

The interest rate on late payment of tax is due to increase by a further 1.5% in April, to the Bank of England base rate plus 4%. If HMRC fails to make tax repayments on time, or makes errors leading to taxpayer refunds, it pays interest at the base rate minus 1%.

Richard Wild, CIOT's Head of Tax Technical, said: 'We are calling on the government to consult on the rate and approach to repayment interest on overpaid tax. It is vital to ensure that repayment interest provides adequate and fair recompense for the loss of the use of the monies by the business or individual concerned, and an adequate incentive for HMRC to process repayments in a timely fashion.'

The CIOT is also urging the government to re-introduce rules which enable HMRC to waive interest on underpaid VAT when no actual tax loss to the Exchequer occurs.

This power was omitted from the new VAT interest regime which came into effect for VAT return periods starting on or after 1 January 2023. The exposure to interest where there is no tax loss is due to the unique operation of the VAT regime.

In the news

Coverage of CIOT and ATT in the print, broadcast and online media

'There are many young people who are not aware they have a Child Trust Fund. Their parent or guardian may not have taken up the government's offer when they were born, but HMRC would have opened an account on their behalf.'

Joanne Walker, CIOT's Low Incomes Tax Reform Group, quoted in Daily Express, 15 November

'The Association of Taxation Technicians revealed last year that 16,000 student loan holders have been overcharged hundreds of pounds because the self-assessment system could not tell the difference between payroll benefits and PAYE income.'

Daily Telegraph, 25 November

'Analysis by the Chartered Institute of Taxation suggested a worker earning £25,000 or less would be only £5.41 better off as a result of the changes. Those earning more than £30,318 will get an extra £14.51, meaning they pay £28.27 less in income tax if they live elsewhere.'

The Times, reporting on the Scottish Budget, 4 December

'Freezing the higher, advanced and top rate thresholds is likely to mean that fiscal drag brings more people into these bands as wages rise.'

Sean Cockburn, chairman of CIOT's Scottish technical committee, in the Daily Mail on the Scottish Budget, 4 December

'Despite the country's tax gap falling to a historic low of 4.8% in 2023-24, HMRC has struggled to meet customer service needs, ICAEW and the Chartered Institute of Taxation said following the publication Wednesday of a six-week study on the tax authority's customer service performance.'

Bloomberg Tax, 12 December

'The key thing is making sure you keep really good records. It's also just making sure you set aside enough money for tax, so when you come to pay the tax at the end of the year you've got some money to pay for that.'

Helen Thornley, ATT Technical Officer, offering advice on BBC Radio 4's Money Box to those with 'side hustles'

'I think the key message for taxpayers is not to panic – selling some unwanted Christmas gifts or clothes the kids have grown out of is unlikely to mean they have tax to pay.'

Emma Rawson, ATT director of public policy, in the Daily Telegraph on reporting rules for online selling platforms, 2 January

Technical

Spotlight on the One to Many Compliance Advisory Board

The One to Many Compliance Advisory Board includes representatives from the ATT, the CIOT and the CIOT's Low Incomes Tax Reform Group, along with other professional bodies and relevant HMRC teams.

The One to Many Compliance Advisory Board (OCAB) brings together representatives from HMRC and professional bodies to discuss HMRC's use of One to Many compliance techniques, whereby a standard letter or email is sent to a group of recipients who are believed to have a similar compliance risk.

The Board focuses on HMRC's use of One to Many campaigns, which have become an important tool for HMRC in improving taxpayer education and driving up compliance. One to Many campaigns range from educational approaches, which aim to boost compliance 'upstream' by raising taxpayers' awareness of tax issues and obligations pre-filing, to 'downstream' campaigns targeting those who HMRC believe have failed to make a tax submission, or who have made errors in what they have filed.

HMRC value the One to Many approach as an efficient way to reach a large population affected by a particular compliance risk.

Meetings and more

OCAB meets quarterly to discuss topical issues, ranging from recent or planned One to Many campaigns, to their contribution towards strategic objectives such as reducing the tax gap. Broader issues affecting taxpayers who receive a One to Many campaign approach are also covered, such as HMRC guidance and digital services, and routes to correcting non-compliance identified by campaigns.

The work of OCAB continues throughout the year as representatives are asked to comment on planned One to Many campaigns. Technical staff and volunteers from ATT, CIOT and LITRG regularly comment on the clarity of proposed One to Many communications, and the technical accuracy and validity of particular One to Many approaches. Such feedback is collated by HMRC, and we often see improvements made to One to Many letters before they reach taxpayers and agents.

The implications of One to Many campaigns on compliance penalties has been a hot topic for some time, as the breadth of issues covered complicates their impact on penalties. Some campaigns are purely educational, while others tackle suspected errors but without the statutory basis applicable to bespoke compliance checks. OCAB has worked with HMRC to improve consistency and clarity in how letters are worded in this respect.

The role of agents is also a common theme. Some One to Many campaigns are sent solely to taxpayers, and others just to their agents. We regularly remind HMRC to ensure that both parties are copied on One to Many correspondence where relevant.

Political pressure to reduce the tax gap combined with limited HMRC resources means that use of the One to Many approach is likely to increase, making the work of OCAB increasingly relevant.

Member engagement

Where permitted, the CIOT regularly publishes One to Many campaigns on its website. ATT publish those where HMRC are not copying communications to agents. The CIOT has also published a guide for members on how to respond to One to Many campaigns which are targeted at agents (see tinyurl.com/mwvaa78m).

Whilst OCAB members are consulted on a significant number of One to Many campaigns, some do not go through the same consultation process. We welcome feedback from members who experience practical or technical issues with One to Many campaigns at technical@ciot.org.uk or atttechnical@att.org.uk.

Membership

Outstanding 2024 Annual Returns are now late!

If you have not yet submitted your 2024 Annual Return (which was due by 31 January 2025) it is now late. Outstanding membership subscription fees relating to 2025 are also now overdue for payment.

Action required

Annual Return completion obligations have been publicised as part of the subscription communications from the Membership team, in addition to notices in *Tax Adviser*, on our website and on social media.

The vast majority of your fellow members do comply with their Annual Return membership obligation, which is set out in the CIOT and ATT's Professional Rules and Practice Guidelines. Relevant extracts are detailed below:

Completion of Annual Return

2.8.1: A member must complete and submit their Annual Return to the CIOT/ATT within the advised time limits.

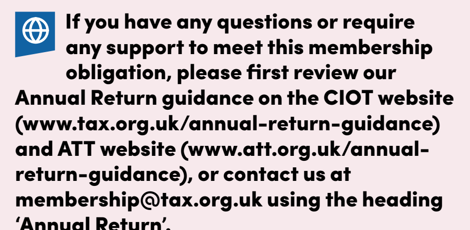
Provision of information to the CIOT and ATT

2.12.1: A member must provide such information as is reasonably requested by the CIOT and ATT without unreasonable delay. A member must reply to correspondence from the CIOT and ATT which requires a response and again must do so without an unreasonable delay.

The Annual Return is a key element in our monitoring, and being seen to monitor, compliance with the high professional standards we expect our members to observe.

Please submit any outstanding 2024 Annual Returns by logging on to the portal at https://pilot-portal.tax.org.uk/ **as a matter of urgency.**

If members do not file their returns in a timely manner from this point onwards, they will be fined (fines start at an amount of £350) and can be further referred to the Taxation Disciplinary Board (www.tax-board.org.uk), which has the power to impose a wide range of sanctions including financial penalty orders.



If you have any questions or require any support to meet this membership obligation, please first review our Annual Return guidance on the CIOT website (www.tax.org.uk/annual-return-guidance) and ATT website (www.att.org.uk/annual-return-guidance), or contact us at membership@tax.org.uk using the heading 'Annual Return'.

Appointment
Meet the ATT's Director of Public Policy

The ATT has appointed Emma Rawson as their Director of Public Policy.

This is a new role for the ATT, which combines responsibility for both tax technical and professional standards work.

Emma may be known to many of you already, as she was an ATT Technical Officer for over seven years before moving into her new role at the start of December.

She said, 'I'm delighted to be appointed the first ever Director of Public Policy for the ATT. I have a real love for the Association and want to ensure that everyone is aware of the great work done by its staff, volunteers and members.

'The ATT has come so far in recent years. The strength of our technical team was recognised at the Tolley's Taxation Awards and Association Excellence Awards in 2023, and we passed the 10,000 member mark this year. I hope to build on these successes and drive us towards even greater ones in the coming years.

'The pace of tax policy change, technological developments and the potential for further regulation make this an interesting but challenging time for ATT members and the Association itself. I believe this role has a pivotal part to play in successfully navigating through those challenges.

Emma Rawson

'We are currently in the process of recruiting new technical team members. This will allow us to expand our existing technical work and increase our engagement with HMRC. It will also better enable us to deliver our charitable objectives of increasing public education in tax and improving the tax system for all involved. I am particularly keen to further build the public profile and standing of the ATT and highlight the benefits a career in tax can bring.

'Of course, we can't do any of this without our volunteers, and I look forward to working more closely with ATT Council, and our Technical Steering Group and Professional Standards Committee in the future. I'm also keen to engage more with the wider ATT membership and make the most of your experience and insights.

'If you have anything you would like to discuss I would be happy to hear from you – just drop me an email at erawson@att.org.uk.'

Membership
New Fellows

New CIOT Fellows and the titles of their dissertations:

- Dr Michael Blackwell, 'Tax disputes'
- Mr Paul Brice, 'Is the UK tax system effective in supporting disabled people?'
- Mr Rob Durrant-Walker, 'Property taxation, including interactions of reliefs and impact on owner-managed business planning'
- Mr Michael McGowan, 'Classifying entities and the meaning of tax transparency'
- Ms Catherine Hill. 'HMRC, my employer, and me'

Membership
New ATT Fellows

James Acire Arweny, Mitcham
Anil Arora, Cambridge
David Bateman, Basingstoke
Christopher Beal, Northampton
Paul Bergin, Bristol
Sara Berington, Northamptonshire
Julia Brewer, Ringwood
William Buckland, Welwyn Garden City
Karen Clarke, Durham
James Clarkson, Leyburn
Sarah Curzon, Brynmenyn
Victoria Daley, Newcastle Upon Tyne
Sarah Davis, Brixham
Piers De Hondt, Southampton
Samuel Dhanda, Sutton Coldfield
Carly Drummond, Peterborough
Natalia Ferrer, London
Michael Fisher, Scarborough
Alexandra Gavins, Knaresborough
Ricky Goffe, Warwickshire
Graham Heydon, Exeter
Kathryn Hill, Leicester
Paul Hodson, Stafford
Matthew Hunt, Newton Abbot
Mudabbir Hussain, Dartford
Martine Hutchinson, High Wycombe
Heather Irvine, Spalding
Stephen James, San Jose
Nick Johnson, Bournemouth
Susan Keen, Thatcham
Ian Kelly, Stockton-on-Tees
Mansoor Khawar, Barnet
Elizabeth Knowles, Bath
Rihard Kramer, Borehamwood
Ben Laurenson, Scalloway
Daniel Lee, Kent
Dayton Little, Bristol
Philip Lowry, High Wycombe
Andrew Macbeth, London
Janette McKinnon, Aberdeen
Nicola Midgley, Portsmouth
Stuart Miller, Kent
Heather Mitchell, Crieff
Rebecca Moir, Worcester
Sudheer Moro, Bangalore
Claire Oglesby, Radlett
Angela Petty, Nottingham
Andrea Plaw, Chelmsford
Dawn Presly, Ellon
Steven Price, Harrogate
Helen Prior, Tiverton
Tashvin Ramdarshan, London
Catherine Rayner, Kingsbridge
Ethna Reid, Belfast
Billie Richards, Exeter
Cassie Riney, Weston-Super-Mare
Pete Roberts, Chichester
Karen Robertson, Shetland
Sarah Sanders, Nottingham
David Scott, Cambridge
Neil Seager, Redditch
Adrian Shipwright, Ledbury
Henry Shutler, Ringwood
Elsa Smith, Shetland
Irina Sowton, Exeter
Natalie Staples-Vvind, Cardiff
Victoria Stephens, Reading
Melvin Storer, Burton on Trent
June Tasker, Lincoln
Nicola Valentine, Cambridge
Maksim Vassiljev, London
Graham Walker, Farnham
Scott Webster, Edinburgh
Helen Wells, Coulsdon
Judith Wheeler, Knebworth
Donna Whitaker, Huntington
Nigel Wigglesworth, Edinburgh
Owen Williams, Fleet
Daniel Williams, Thornton-Cleveleys
Joanne Wright, Northampton
Michael Yeoh, Cambridge

Committee

The Future of Tax Professionals Committee: A new year, a new name

A big thank you to all those who took part in our Linked In poll and voted by email to choose a new name – as you may have guessed, the Future of Tax Professionals Committee (FTP for short) came out on top!

The FTP Committee (previously called the New Tax Professionals Committee) is aimed at helping students or members of the ATT and/or CIOT who are in the first ten years of their career with the awareness that these individuals will be tomorrow's tax leaders. The committee hosts events covering technical and development skills, networking, social events and general interest topics that are particularly relevant to those in the early part of their career.

The FTP Committee works collaboratively with the Branch Network to geographically widen the scope of their committee and the members they support.

Meet the committee members

Each committee member contributes their skills, insights and ideas, helping to drive the committee and the support that we provide members and students. They describe the committee as collegiate, supportive, enthusiastic and enjoyable!

Do you want to hear more about the future of tax professionals committee or about joining the committee? Email us at ftp@tax.org.uk or reach out via LinkedIn: www.linkedin.com/groups/8160878/

Toyin Oyeneyin (Chair)

Tax product technical lead and investment product manager at Octopus Investments

Joined: July 2016

I joined the committee because I wanted to give back to the tax community, particularly supporting those in the early part of their tax career – it's a pivotal time. I also wanted to build my tax network. The tax community works best when we are consistently collaborating, and I wanted to engage with a broad range of tax professionals. There are so many things I enjoy about the committee – speaking to attendees at our events, seeing the committee grow over the years, having a group of committee members who are always ready to bring great ideas about how to deliver the best for the FTP community. I could go on!

Makayla Combes (Vice Chair)

Tax Accountant at Canopius Group, mainly focusing on Corporation Tax

Joined: January 2020

I joined because I wanted to help other people who were starting out in the profession to further their career and build their knowledge and skills. It can be really challenging to know 'what's next' after you've finished your exams, and I love that the committee is there to support members with their continuing development. I love getting to speak to and work with so many different people – members who join our events, people at CIOT and ATT, my fellow committee members and external speakers for our events. You can get involved in so many types of activities – social media marketing, event organisation, joining meetings across Europe with our CFE colleagues and volunteer engagement.

Harry Donaldson

Accounts assistant manager at Kreston Reeves LLP, focused on corporates

Joined: August 2024

I joined because I wanted to be part of a team that makes a positive impact in our community. I enjoy collaborating with passionate and dedicated individuals in a supportive, purposeful and impactful team.

Flossie Skinner

Private client tax disputes at Joseph Hage Aaronson

Joined: December 2024

I joined the committee to get involved with and contribute to the tax community. I enjoy the opportunity to take on responsibilities outside my normal day-to-day in an interesting and varied environment.

Sharlene Rowley

Private Client Tax Director at Wilson Wright LLP

Joined: April 2019

I joined because I wanted to play a small part in shaping the future of the tax profession. I've enjoyed meeting new members and supporting them in the early phase of their careers, and have found the committee collaborative and supportive.

Amanpreet Purewall

Personal Tax Senior Manager at Saffery LLP

Joined: January 2019

I was serving on a different committee when I was introduced to the FTP Committee by the CIOT, as I was in the first 10 years of my tax career and was keen to collaborate with like-minded individuals over a common interest in tax. I enjoy working with a diverse range of people to try and anticipate the needs and wants of professionals in the first ten years of their tax careers, helping to guide them and expanding my network.

Connor Whelan

Group Tax Manager at Porsche

Joined: January 2024

I had finished my CTA studies and wanted to represent the newly qualified population while continuing to develop my own skillset. The FTP Committee was a great platform to do this. I enjoy working with it because it is different from my day job and allows me to think more holistically.

Dannielle Phillips

Senior Tax Reporting Analyst

Joined: May 2022

We are all new tax professionals at one point and there's so much to learn to grow within our roles and within the tax world. I wanted to be a part of welcoming and helping tax professionals in their careers where I could, ensuring they have access to events and information that could help them grow and become more comfortable in the world of tax. I not only love helping to organise events but I love that, more often than not, we all learn something new at those events too!

Exams

Success in CIOT and ATT November 2024 exam results

On 22 January 2025, the Chartered Institute of Taxation and the Association of Taxation Technicians announced the results from their examinations taken at the November 2024 exam session.

In November, 875 CTA candidates sat exams with a further 331 candidates who sat one or more papers on the ACA CTA Joint Programme (with ICAEW) and 30 candidates sat a paper on the CA CTA Joint Programme (with ICAS). 789 ATT candidates sat exams in November 2024. In addition, 1,137 ATT CTA Tax Pathway candidates sat a combination of ATT and CTA papers.

The Institute President, Charlotte Barbour, commenting on the results said: 'I would like to offer my warmest congratulations to those candidates who have passed all of the necessary exams for CIOT membership as well as those who have made progress towards becoming a Chartered Tax Adviser after passing one or more papers at the November 2024 examination session. They should be really proud of their hard work, dedication and effort. The exams set a high standard and successful candidates can be proud of their achievements.

'292 candidates have now successfully completed all of the CTA examinations and we very much look forward to welcoming them as members of the Institute in the near future. Included in this figure are 68 candidates who were on the ACA CTA Joint Programme, six candidates who were on the CA CTA Joint Programme and 90 candidates who have now fully completed the ATT CTA Tax Pathway by passing the CTA element.

'I very much look forward to welcoming the new members into the Institute at the next Admission Ceremony.'

The Association President, Senga Prior, commenting upon the results, said: 'I am delighted to congratulate all the successful candidates from the November sitting of our exams. In total, 789 ATT candidates and 555 ATT CTA Tax Pathway candidates sat 1,787 papers and 1,309 passes were achieved. 90 distinctions were awarded to candidates for outstanding performance.

'Having taken the exams myself, I am well aware of the many hours of study required to sit our examinations and I commend all the candidates for putting in the work necessary to achieve success.

'The ATT's modular system means that candidates can study at their own pace, within the five-year registration period, whether they are working towards full membership or simply wishing to obtain one or more Certificates of Competency in their specialist area.

'I look forward to meeting the candidates who take up membership at our next Admission Ceremony.'

Information regarding these results, including pass lists, can be found on the CIOT and ATT websites and on the Tax Adviser website.

Exam Focus and Skills Webinars

Run by expert tutors from BPP, Kaplan Financial and Tolley Tax Training, our Exam Focus and Skills webinars are designed to help fine tune exam skills, advising candidates on good exam and revision techniques.

Expert tutors will cover:

- Core and challenging areas of the syllabus by taking you through the pre revision question banks
- Guide you to effectively identify issues and scenarios
- Help to kickstart your revision and receive the recording to refer back to.

The webinars will take place in March in readiness for the May 2025 exam session. There is a nominal charge of £25 to attend.

To find out more and book your place visit: **cvent.me/rXeZY1**

Debate

How is tax damaging the housing market and how can we fix it?

Distortionary taxes, constant tinkering and a failure to build enough social homes were all decried by speakers at the latest CIOT/IFS debate.

Left to right: Helen Miller (debate chair), Stuart Adam, John Powlton, Josh Ryan-Collins, Meera Chindooroy)

On 27 November, CIOT and the Institute for Fiscal Studies co-hosted a debate exploring the various tax policies that affect property and home ownership, including incentives for landlords, renters and property owners, 'distortionary' stamp duty land tax (SDLT) and the need for 'radical' reform.

Josh Ryan-Collins, a professor at UCL's Institute for Innovation and Public Purpose, explored the structural drivers for the property market. He said incentives such as tax reliefs and the promise of investment gains have succeeded in pricing houses beyond the reach of most young people and have left a third of homes underoccupied. 'The whole system is now extraordinarily biased towards home ownership,' he added, as the tax burden for owners is much lower than for renters.

Stuart Adam, a senior economist at the IFS, said the most obvious impact of tax on property is with SDLT, which discourages transactions and means many properties are not owned by those who value them most. Josh agreed that SDLT was a distortionary tax and said an annual property tax would 'release a lot of this under-occupied housing'.

Meera Chindooroy from the National Residential Landlords Association highlighted that more than two-fifths of landlords own just one rental property. She said a 'stagnation' of the rental sector coincided with tax changes from 2015 and demand is currently massively outstripping supply. Landlord confidence fell after mortgage interest restrictions, then again after the mini Budget in 2022. The result of this is that landlords are looking to decrease their portfolios, she explained; however, high rates of SDLT are discouraging selling.

John Powlton, Head of Investment Management Tax at M&G, said that the investor base for residential developments is mainly made up of long-term institutional capital, such as pension funds, who want long-term stability. However, he warned that this investment has been undermined by tax changes affecting housing in almost every year since 2013.

'The problem is the constant tinkering,' John said. 'Each time you do that you change the investment proposition.' He said that tax policies used for particular purposes can accidentally affect other areas, including housing. For

Webinars

CIOT AI webinar series: Building an AI resilient workforce

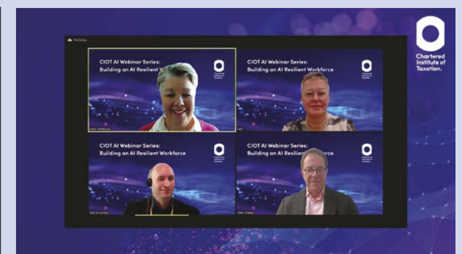
CIOT Chief Executive Helen Whiteman chaired the webinar, exploring the knowledge and skills that we will need to leverage AI and build an AI resilient workforce.

As artificial intelligence continues to shape the future of work, professionals across industries must develop skills and strategies to thrive with evolving technology. Tax technology is advancing rapidly, requiring professionals to adapt swiftly.

Helen set the scene, discussing how AI challenges our traditional understanding of expertise. It can automate tasks, analyse complex data sets and generate insights that previously took hours. As these tools grow more powerful, they demand a shift in approach.

AI is no longer just another tool; we need to see it as a partner. This requires proactive learning and a willingness to rethink how we deliver value. We are living in an era where AI has transitioned from a distant concept to an integral part of daily life. From apps that understand preferences to AI tools streamlining workflows, this technology isn't just coming – it's already here. Tax advisers and professionals in service industries are witnessing this first hand, impacting how we work and what clients expect.

The webinar featured a distinguished panel, including Peter Cheese, Chief Executive, CIPD; Mel Newton, Partner, Financial Services People Consulting, KPMG; and Robert De La Rue, Partner, RSM. Each provided valuable insights and practical strategies for adapting to AI's growing influence.



Peter Cheese opened the discussion, highlighting the vital role of HR in shaping a skilled, capable and culturally aligned workforce with strong leadership and management. He emphasised HR's responsibility in navigating the impact of AI on jobs and skills, and for the use of training and awareness programs to ensure that AI is implemented effectively and responsibly.

Mel Newton highlighted the report co-authored and published by KPMG and

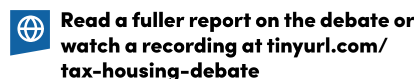
example, scrapping multiple dwelling relief was a response to abuse of the system, but also had the side effect of affecting institutional investment. He suggested that other ways could have been found to stop the abuse without scrapping the relief.

What needs to change? Alongside abolishing SDLT and the single person discount for council tax, Stuart suggested removing most of the features introduced to the system in the last decade and introducing a 'rate of return allowance' for landlords.

Josh said the key was more social, affordable housing 'at rents that are aligned to people's incomes'. He said this was common in the post-war period but prices have increased since then.

John said that if you genuinely want to change behaviour, you have to be really bold. He said changes to capital allowances had not been big enough to influence any of his company's fund managers.

Asked in separate questions about the future of private residence relief and capital gains tax, Stuart said he would not abolish either but would introduce indexation of gains. However, the reason housing is so unaffordable 'is that we don't have enough of it and tax on its own is not the way to [address] that. Where tax does have an impact is making use of the property we've got.'



Read a fuller report on the debate or watch a recording at tinyurl.com/tax-housing-debate

the City of London Corporation, 'The future of AI and the workforce', shedding light on AI's role in the workplace and its impact on job roles and hierarchies. Key findings focused on adoption, risk, opportunities, skills, talent and policy.

Rob De La Rue discussed AI's effects on tax professionals and its expected impacts. He highlighted that this will be significant in the short term, with AI propelling us into a new age of business.

In closing, Helen reminded delegates that adapting to AI doesn't require overhauling your entire business or spending hours on new software. It's about gradually leveraging AI to make working life easier, allowing more focus on delivering value to clients.

You can access a recording of this and other webinars in the CIOT AI Webinar Series at www.tax.org.uk/ciot-ai-webinar-series. You can also register your interest for our Tax Technology conference on 4 June at www.tax.org.uk/tax-technology-conference-2025

A MEMBER'S VIEW

Jordan Kelly CTA

Tax Manager, Curo Chartered Accountants

This month's CIOT member spotlight is on Jordan Kelly, Tax Manager at Curo Chartered Accountants.

How did you find out about a career in tax?

I wasn't a top performer in school or college, but I secured an accountancy apprenticeship which allowed me to work while studying. I progressed through the AAT and ICAEW qualifications, initially working as a generalist accountant. Later, I joined a boutique property tax specialist firm, where I frequently engaged with taxation. I discovered a genuine passion for tax and decided to pursue the CTA qualification, which shaped my career path.

Why is the CIOT qualification important?

Taxation is inherently complex, even for seemingly straightforward transactions. The CIOT qualification provides a robust foundation of technical knowledge and distinguishes you as a tax specialist, ensuring that you can navigate these complexities effectively.

Why did you pursue a career in tax?

Tax constantly evolves, presenting new challenges and opportunities for planning. It's incredibly rewarding to tackle complex scenarios and deliver effective solutions for clients. I particularly enjoy simplifying complex legislation and presenting it in a way that's easy for clients to understand.

How would you describe yourself in three words?

Confident, driven and enthusiastic.

Who has influenced you in your career so far?

I have been fortunate to work with talented professionals who shaped my career. Notably, a former manager who introduced me to taxation and the current tax partner at my firm, whose vast knowledge and approach to challenges has positively influenced me in my career.

What advice would you give to someone thinking of doing the CIOT qualification?

Go for it and don't give up. The qualification is challenging but is also highly rewarding. At the start of each course, the material felt daunting, but persistence paid off. I passed all my exams on the first attempt and even received an award for my final exam. Consistent effort and practice are key.

What are your predictions for tax advisers and the tax industry in the future?

Demand for tax advisers will continue to grow as tax laws become increasingly complex. While artificial intelligence will enhance the industry's capabilities, it will complement rather than replace advisers, streamlining processes and improving efficiency.

What advice would you give to your future self?

Don't doubt yourself and embrace opportunities. Setbacks are inevitable but they are part of the journey. Keep moving forward with confidence and resilience.

Tell me something about yourself that others may not know about you.

Both my children were due around the time of my major exams – one the day after my ICAEW final and the other two weeks after my CTA final. Thankfully, neither arrival coincided with exam day, but it certainly added an extra layer of stress!

Contact

If you would like to take part in A member's view, please contact: Melanie Dragu at: mdragu@ciot.org.uk

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£90,000 – £120,000

Personal Tax Associate Directors
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£80,000 – £105,000

Private Client Tax Senior Managers
Birmingham, London, Northampton, Salisbury
£75,000 – £95,000

Trusts & Estates Senior Managers
Cambridge, Ipswich, London, Norwich
£70,000 – £85,000

Trusts & Estates Managers
Cambridge, Lewes, London,
£60,000 – £70,000

Private Client Tax Advisory Managers
Canterbury, London, Southampton
£60,000 – £75,000

Personal Tax Managers
Bristol, Guildford, London, Salisbury
£55,000 – £70,000

Private Client Tax Assistant Managers
Cambridge, Guildford, London
£45,000 – £60,000

CTA Private Client Tax Seniors
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In-house Tax Manager
Huddersfield
£excellent

Our client is a large international group. They seek an experienced, qualified corporate tax manager to join their in-house team which deals with tax for the UK and Europe. In this role you will deal with a mix of corporate tax compliance review and management, tax reporting and advisory work. Working on a hybrid basis (minimum 2 days a week in the Huddersfield office). Experience of R&D claims helpful. This is a great in-house role with a generous benefits and bonus package. Perfect for someone who lives in or near Huddersfield. **Call Georgiana Ref: 3529**

Trust Manager / Senior Manager
Leeds
£excellent

Our client is a well regarded law firm which is known for its highly rated private client practice. This firm seeks a trust manager to run the everyday trust admin, trust tax and basic trust accounts for a portfolio of trusts and settlements and potentially some related HNW personal tax work for beneficiaries. Our client would consider part-time, hybrid and flexible working for the right individual. You will get to deal with some great clients and really interesting work. You will need proven UK trust experience – STEP or ATT would be advantageous. **Call Georgiana Ref:3510**

Professional Standards Role
Remote with travel to London
To £60,000 + benefits

A great role for a tax professional looking for something a little different. This professional body seeks a manager to work in their Professional Standards team, advising members on areas such as anti-money laundering. You will also help keep members up to date on all areas of professional standards and ethics. As part of a team you will help organise and take part in webinars, attend technical conferences and write articles/ updates for the tax press. This role can be largely remote worked from the UK with some travel to the head office in London. **Call Georgiana Ref: 3532**

Corporate Tax AM or Manager
Leeds
£47,000 to £60,000 + benefits

Our client is a Big 4 accountancy firm. They seek corporate tax staff to deal with a mix of client compliance delivery and advisory work. It is likely that you will be ACA, ICAS or CTA qualified with proven UK corporate tax experience. You will get the opportunity to work on a wide range of clients from dynamic OMB's to large international groups. Would consider someone who has mainly worked in industry or candidates form smaller firms looking to join a larger practice. The key to these roles is the ability to build long-term client relationships. **Call Georgiana Ref: 3531**

Tax Director or Partner
Leeds or London
£excellent + bonus and benefits

Our client is an independent firm with 6 offices throughout the UK. They seek a key tax hire at Director or Partner level ideally based in either their Leeds or London offices. In this role you will help with the next stage of development of the tax practice, joining a small team of tax partners and focusing on advisory work for HNW individuals, entrepreneurs and their businesses. This role would suit either an existing partner or director or someone looking for a step up. Applications welcomed from those with a personal or mixed tax background. **Call Georgiana Ref: 3524**

Corporate Tax Director
Bristol, Exeter, Southampton
or Poole

A fantastic role in a tax team for an individual with significant compliance and advisory experience. You will help manage and develop the corporate tax team and a well-established portfolio of OMB/SME and large corporate clients, providing a mix of compliance and advisory services. You will play a key and leading role in developing and maintaining relationships with our corporate clients, and will provide technical and mentoring support to team members. You will also be a key point of contact for HMRC. Hybrid and flexible working. **Call Georgiana Ref: 3501**

www.georgianaheadrecruitment.com

In-house Senior Manager North Yorkshire £excellent + bonus + benefits

Key role in an in-house tax team based in North Yorkshire. Our client, an international group, seeks an experienced, qualified tax professional, someone with experience of corporate taxes and ideally also VAT. In this role you will report to the UK Head of Tax and ultimately be their succession plan. You will need experience of managing teams, delivering tax compliance and reporting work (including managing external advisors and relationships with tax authorities). This role requires weekly presence in Malton, North Yorkshire. **Call Georgiana Ref: 3530**

In-house Tax Manager North Yorkshire £excellent

Our client is a large international group. They seek an experienced tax manager to join their in-house team. Based in North Yorkshire this role can be hybrid worked but will need weekly travel to the office in Malton. A key element to this role is management of the compliance processes across the UK and Europe. You will need proven corporate tax experience dealing with large groups – so it is likely you will have Big 4 or Top 20 experience or have worked in industry. Its likely that you will be ACA, CTA or ICAS qualified. **Call Georgiana Ref: 3527**

Private Client and Trust Manager Camberley, Surrey £excellent

Opportunity to join a well-established advisory firm based in Camberley. Working in this Tax team, you will be responsible for all aspects of taxation for private clients and trusts. From compliance management to wide ranging advisory work you will provide clients with a range of solutions such as Capital Gains Tax returns, Inheritance Tax returns and advice, Trust Tax returns and tax planning advice. The role is office based and working with a friendly team. Parking provided – a great local role. STEP and CTA an advantage, **Call Georgiana Ref: 3533**

Mixed Tax Senior Manager Ilkley To £55,000 + benefits

This is a great role for a qualified tax professional based in the lovely spa town of Ilkley in West Yorkshire. This is the gateway to the Dales, and our client is a forward thinking, modern practice which can offer the perfect blend of office and home working. They will even set up a home office for you. This practice prides itself on offering superior client service, and they are looking for someone who really enjoys getting to know their clients and delivering an outstanding service. Mixed tax with a personal tax bias. Great local role. **Call Georgiana Ref: 3516**

International Tax and Transactions Leeds £60,000 to £85,000 + benefits

National Tax Team of a large accountancy firm is looking for a couple of key hires. They seek qualified corporate tax professionals with experience of large groups with international footprints. In this role you will focus on advisory work and will deal with international tax advice and transaction work ranging from due diligence to structuring. The Leeds team is small but growing and dealing with great quality work. Hybrid and flexible working available. Would consider a hire from industry. **Call Georgiana Ref: 3513**

Advisory Tax Role – Private Client and OMB Focus – Manchester £55,000 to £90,000

Our client is a longstanding, large independent firm of accountants. This business has doubled in size in recent years and as a result is looking for a key hire, an experienced tax professional who can deal with wide-ranging technical work for HNW individuals, families and entrepreneurs and their businesses. This team prides itself on being a good place to work, staff are well rewarded and overtime is paid at all levels. This firm can offer hybrid working and has modern offices in central Manchester and flexible/part-time working arrangements available. **Call Georgiana Ref: 3534**

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Vacancies
Exeter, Taunton, Bath / Hybrid

Founded in 2001 by Andy Moore, Moore Scarrott is an innovative and agile firm of Chartered Accountants with three offices across the Southwest, with a national client presence from Cornwall to Scotland. Nationally recognised as experts in the Veterinary, Rural, Commercial and Healthcare sectors, we represent a wide range of owner managed businesses.

Corporate Tax Senior Manager/Associate Director

Fantastic opportunity to head up our Corporate Tax offering and become an integral part of the team.

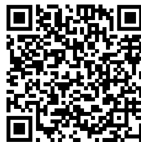
Working closely with the Directors, you will support the Group by delivering corporation tax compliance and advisory services including mentoring and training the team. If you are looking for a varied, exciting role where you can make a huge impact contributing to the Group's success, we want to hear from you.

Tax Senior Advisory

Outstanding chance to work in a mixed Tax Advisory role providing valuable advice to a diverse range of clients across all departments of our group.

Working in an advisory focused tax team, you will help deliver a mix of complex tax compliance and advisory services, with a focus on personal, partnership and trust tax. The role includes a significant amount of client contact and will develop your ability to manage client relationships.

Tax Senior Compliance



If you are looking for the next step in your career within personal tax and a chance to become an integral part of an established team, we want to hear from you.

This role will report directly to our personal tax manager. You will be responsible for assisting with personal, partnership and trust tax returns, P11D's and rental accounts. You should have a keen interest in Tax, alongside previous experience of working within a Tax or Accountancy role. A professional qualification such as ATT/CTA or ACCA/ACA is required for this role, but if you are part qualified, we would still love to hear from you.

Tax Associate

A rare opportunity to step into a tax advisory role without compliance management. This role offers excellent career progression prospects for the right candidate.

Working closely with Directors and the wider Tax Team, you will provide bespoke tax services to a wide range of Owner Managed Businesses with a focus on capital taxes, IHT and trust taxation. The role leans towards advisory project work and includes a significant amount of client contact. Due to sustained growth of the firm, this is an excellent opportunity to gain exposure across a wide portfolio of clients and taxes to grow your tax career without limits.

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IN-HOUSE SENIOR TAX MANAGER

LIVERPOOL To £85,000 plus bens

This opportunity is predominantly a tax advisory role working with the wider tax and finance teams internationally. Work is varied but includes, for example, providing advice on new tax developments, changes in regulations, corporate transactions and the management of tax risks and group TP policy. You will need strong UK corporate tax experience and ideally knowledge of international tax and transfer pricing. Mostly like you will already be operating as Group Tax Manager or Tax Senior Manager in practice. 1-2 days a week in the offices in Liverpool. REF: **R3620**

PERSONAL TAX ASSISTANT M'GER

MANCHESTER To £48,000 plus bens

Our client, a leading Top 20 firm in Manchester, is seeking a Private Client Assistant Manager to work as part of their Northern Tax Team supporting high-profile clients. This role will develop your ability to deal with complex compliance and give you the opportunity to support on advisory work and develop those skills further. This is very much a client facing role handling complex tax affairs. You must be at least ATT qualified with strong compliance experience. Excellent benefits including hybrid and flexible working. REF: **C3622**

INTERNATIONAL TAX SENIOR M'GER

MANCHESTER / LEEDS To £90,000

As part of a high performing team you will work with a diverse portfolio of large clients across UK listed, PE-backed, inbound and family-owned groups, and take on a variety of projects including BEPS Pillar 2, tax structuring and international expansion. Excellent opportunity for either an established Senior Manager or Manager looking for promotion. Part-time considered. REF: **A3611**

TRANSACTION TAX SM / PARTNER

GLASGOW To £six figures

Rare opportunity for an M&A tax specialist to work outside one of the large accounting firms. As part of this fast growing and truly independent firm, you will be joining a high calibre tax team with fantastic client base and reputation in the local deals market. The role would suit someone with several years experience in the transaction space at either Senior Manager or Director level looking to join a close knit and entrepreneurial business building something unique in the market. REF: **A3612**

PRIVATE CLIENT SENIOR MANAGER

NORTH YORKSHIRE To £75,000

This leading firm is seeking a CTA Qualified Personal Tax Senior Manage to support a portfolio of high-net-worth and ultra-high-net-worth individuals and families. You will be leading and delivering advisory project work and there are many clients with significant land and rural interests, comprising both landed estates and trusts. This is a challenging and interesting client-facing role that provides an excellent range of work for someone with a strong tax background in trust and landed estate clients. Clear pathway to Partner as part of succession plans. REF: **C3609**

TAX MANAGER/SENIOR MANAGER

MANCHESTER To £90,000

Unique opportunity to join a leading tax team at this Big 4 firm providing advisory services to non-listed financial businesses and high-net-worth individuals. Based in Manchester, you'll work on UK and international tax matters, including corporation tax, inheritance tax, and investment structures. We seek a motivated professional with experience in corporate, personal, or mixed tax to lead projects, develop client relationships, and mentor junior staff. As part of the role you will enjoy regular training, career development, and a competitive rewards package. REF: **C3625**

IN-HOUSE TAX MANAGER

MANCHESTER £65,000 - £75,000

Due to significant growth, this is an exciting opportunity for a Tax Manager to join a leading FS group in a period of growth and transformative change. The role is largely compliance focused across UK & Europe and there will also be lots of opportunity to develop and take on new projects to manage. The role is suited to a tax professional with solid experience of UK corporation tax and ideally some VAT experience. This would make a fantastic first move from practice owing to the supportive nature of the team and group. REF: **R3606**

OMB TAX DIRECTOR

LIVERPOOL / MANCHESTER To £85,000

Our client is a dynamic independent firm with a fantastic client base and great team. It is seeking a Senior Manager or Director to lead its tax advisory team. With the support of the Tax Partner you will be involved in the delivery of wide ranging OMB tax advisory work, as well as managing and training junior members of staff. There is a clear pathway through to partner for the right individual, making this opportunity a great long term option for someone looking to take a step up in their career. REF: **A3632**

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