

ICAEW KNOW-HOW
TAX FACULTY



Tax Administration Framework Review: Supporting a 21st century tax system

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Today's presenters



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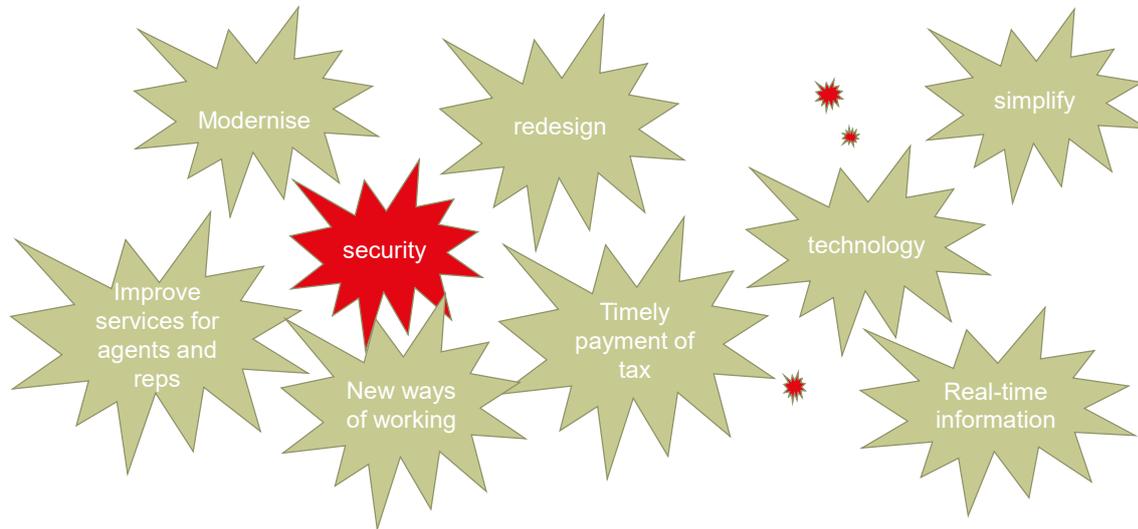
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A new framework for the UK tax system?



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Core principles

- 10-year Tax Administration Strategy (published July 2020)
 - A **fully digital** tax system
 - Able to support the needs of **all** taxpayers
 - Flexible
 - Operate closer to **real time**
 - Fits with real life
 - Help to drive up **productivity and innovation**
- Tax Administration Framework
 - Change is needed to support new digital services

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Reforms planned

- Extension of Making Tax Digital
- Better use of information in real time
 - COVID
 - Digital online platforms
 - Gig economy
- Everyone to have a single digital tax account – a complete financial record
- Better services for agents

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Call for evidence

- The legislation underpinning HMRC's administration of the tax system
- Includes:
 - Identifying taxpayers
 - Moving in and out of the system
 - Registering with the system
 - How tax is calculated and assessed
 - Use of third party data
 - Tax payments and repayments
 - Checking
 - Safeguards

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Also of relevance

- Next steps for Making Tax Digital
 - April 2022 VAT returns from non-mandated VAT registered businesses
 - April 2023 MTD for ITSA
 - After 2026 MTD for CT – consultation during 2020
- Separate call for evidence on Timely Payment
 - Examines timing and frequency of tax payments
(watch our separate webinar for more on this call for evidence)
- Work of the Office of Tax Simplification

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Illustration of some problems

- Joe is a self employed VAT registered plumber with gross income of £100,000
 - Quarterly VAT returns must be to a **calendar month end**, eg to 31/3, 30/6, 30/9, 31/12
- Joe also has a buy-to-let property he lets for £1,500 per month.
 - Property income must be reported for **tax years**, so 6 April to 5 April
 - MTD for ITSA quarterly reports must be to 5/7, 5/10, 5/1, 5/4

MTD for ITSA:

8 reports? 8 dates to miss? Something has got to give!

The end of the tax year?

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Poll question 1

To achieve administrative simplification should the end of the tax year

- Remain unchanged at 5 April
- Change to 31 March
- Change to 31 December

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Chapter 3: Obligations for people to enter and exit the tax system

- Obligation is on the taxpayer to register
- Different rules for different taxes (and duties)
 - Inconsistent timing
- Need to keep details up to date
- How do you deregister?

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Who are you?

- How should taxpayers be identified?
- What is the identifier for the individual?
 - NINO
 - SA UTR
 - NHS number
 - Something else?
- Individuals: when do they need to register?
 - Income tax and CGT, 5 October following
 - CGT from residential property gains, 30 days
 - Employ someone, must register for PAYE
 - VAT registration, 30 days
 - Excise duties?
- Agents

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Poll question 2: What is your main issue when registering a new taxpayer

- Obtaining a UTR
- Pin in the post
- Gaining agent access
- Taxpayer not realising they needed to register to report a liability
- Other

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Chapter 4: Improving the way tax liabilities are calculated and assessed

- Self assessment (ITSA and CTSA)
 - Notify a taxpayer's liability
 - Notice to file
 - Time limits to file (paper, online)
 - Amendments (by taxpayer or HMRC)
- Role of third party data?
- Better integration with finalisation within PAYE?
- Use of a single digital tax account
 - Could this be used for claims/elections/nominations/amendments?
- Is there another way to allocate trading income to tax years?

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Basis periods: simplification?

- Mandate accounting by tax year for income tax? or
- Move away from annual assessment periods?

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Poll question 3

Would you support a move to tax year accounting with limited exceptions?

- Yes
- No

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Chapter 5 Better use of data and information (ie use of third party data)

- Banks
- Brokers
- Letting agents
- International agreements
- Roles and responsibilities
- Taxpayer safeguards
 - Right to challenge
 - Right to correct
 - Use of estimates

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Chapter 6: tax payments and repayments

- Separate call for evidence 'Timely Payment'
- How and when different taxes must be paid

Eg

- ITSA: payments on account and balancing payments. CGT.
- VAT: quarterly, annual accounting scheme, monthly (usually repayments)

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Chapter 7: Building in effective methods of verification, sanctions and safeguards

- Consequences for failure to comply with obligations

- Penalties	- Criminal sanctions
- Non-financial civil sanctions (publishing details)	- Direct recovery of debt
- Withdrawal of approval for certain schemes	- Seeking securities

- Taxpayer safeguards include right to:
 - request statutory review
 - refer complaints to independent Adjudicator's Office
 - appeal to independent tribunal

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Opportunity for review

- How to promote earlier resolution of tax disputes
- Discretion v consistency and fairness
- Accountability for completeness and accuracy of data (eg third party information)
- Harmonisation of powers, sanctions and safeguards
- Proportionate sanctions and safeguards for a modern digital real-time tax system'

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Government IT systems

- Multiple computer systems
 - Self assessment and NPS
 - Separate departments not sufficiently integrated, eg DWP and HMRC
- Tendency to react to new policy by bolting on a 'new one', eg
 - CGT 30 day reporting
 - Trust Registration Service
- Failing to deal with existing issues, eg RTI mismatches with employer records of submissions

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We need your comments

- 28 questions in the call for evidence
- We need your views
 - Send in immediate thoughts using feedback to the webinar
 - Use of local groups/friends/ ZOOM time chat to gather comments and views
 - Email us now
- Get in touch with us by 14 June please email anita.monteith@icaew.com
- Closing date for comments to HMRC is 13 July

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