

ICAEW KNOW-HOW
TAX FACULTY



***Tax Administration
Framework Review:
Tax Payments and
Repayments***

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Today's presenters



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Ask a question

The screenshot shows a Q&A interface. At the top, it says "Q&A". Below that, there is a question: "You asked: What happens when I raise my hand?" with a timestamp of 18:03. Below the question is the answer: "Molly Parker answered: I can take you off of mute." with a timestamp of 18:04. At the bottom, there is a text input field with the placeholder "Please input your question". To the left of the input field is a checkbox labeled "Send Anonymously". To the right of the input field is a blue button labeled "Send".

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type in your question and click **send**.

Note. If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration to the left.

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Tax payment and repayments – calls for evidence

- Chapter 6 in [Tax Administration Framework Review](#)
- Separate call for evidence on [Timely Payment](#)
 - ITSA, simple assessment and CT (non QIPs)

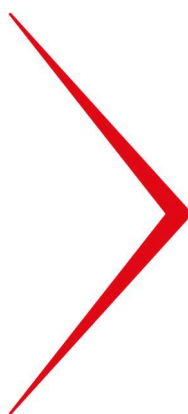
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Previous reports

- Previous consultation in 2016 on [Voluntary Pay as you Go](#)
- OTS report 2019: [Tax reporting and payment: Simplifying tax for self-employed people and residential landlords](#)
- HMRC research 2018: [Supporting customers to pay their tax on time](#)
- OECD [Tax Administration 3.0: Digital Transformation of Tax Administration](#)

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- Making Tax Digital
- COVID-19 pandemic
- Attacks on HMRC systems
– additional HMRC checks
- Delays to HMRC repayments
- Allocation issues
- HMRC funding - Budget 2021 - to improve Budget Payment Plan offer



Context

Why now?

Not until at least the next parliament

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Aligning rules between different taxes

“Considerable variation in the obligations, processes, time limits and frequency of required payments in relation to different regimes”

“Variation also extends to the treatment of different taxpayer groups, business/industry sectors and schemes which could be seen as having an impact on fairness”

- Is this important?
- Single view of payment and liabilities and improved allocation processes would have value...but does this need change in legislation?
- HMRC statements generally confusing
- What payment issues do businesses and clients experience?

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More timely/earlier payment?

“Timely Payment is defined as bringing the calculation and payment of tax closer to the point where the income or profit arises, paying tax based on the taxpayer’s current year position using, where possible, up to-date data”

- Income tax self assessment – not just MTD ITSA
- Simple assessment
- Corporation tax self assessment – excluding those in QIPs regime

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Impact of earlier payment

- Assuming quarterly payments due one month after the end of the quarter
 - Self assessment income tax – 4.5 months earlier on average
 - Corporation tax – 12.5 months earlier on average
- Potentially attractive to Chancellor?
- Bigger driver likely to be £4bn tax gap due to non-payment?
- Is ITSA- PAYE difference still justified?
- Reduce driver to incorporation?
- Reducing working capital and taking money out of the economy?

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Possible advantages

- Facilitate planning, reduce surprises and debt
- Remove time lag for new starters
 - ITSA – up to 22 months from starting
 - CTSA – 9 months after the end of the accounting period
- Non-traditional self-employment
 - Gig economy/digital platforms/side-hustles

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Problems and challenges

- Use of in-year estimates
- Cash flow
- Transition
- Flexibility needed for different sectors and sizes
- Any others?

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Payment based on in-year figures

- Interim updates - balance between effort and accuracy
- Payment would need to be based on liability more robust than current MTD for ITSA estimate
- MTD estimates will be confused with actual liabilities
- Goes beyond MTD for ITSA – all taxpayers in SA and simple assessment
- Seasonality, cash vs accruals, investments – what other issues with using in-year figures?

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Transition and cash flow

- Double payments in transition year – options for spreading?
- Do clients put tax aside?
- Do they dip into savings?
- Extent to which flexibility is needed?
- Real life example of cash flow difficulties needed

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International comparisons

- OECD discussion paper
- Most other countries require self-employed to make advance payments
- Monthly and quarterly most common
- Default - usually based on prior year

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Other taxes

- Capital gains tax
- Other taxes and duties

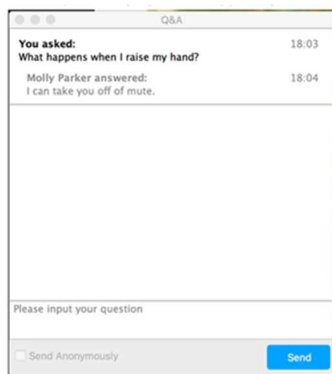
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***Any
questions?***

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Ask a question



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Future events and schedule

- Upcoming Events
 - 07 May CJRS: The final phase calculations explained
 - 10 May SME and OMB tax planning post Finance Bill 2021
 - 25 May Employment Taxes update
 - 9 June E-Commerce VAT
 - 14 June Capital allowances post Finance Bill 2021
- Events Schedule
 - Topics updated regularly
- Webinar Archive
 - If you miss a webinar, you can view the recording
 - **For further details visit www.icaew.com/taxfacevents**

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