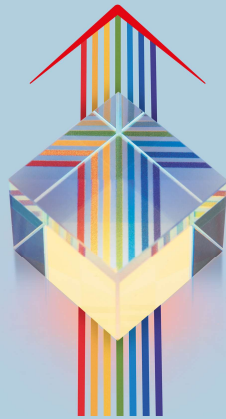


ICAEW KNOW-HOW
TAX FACULTY



Office of Tax Simplification review of Capital Gains Tax

29 SEPTEMBER 2020

PRESENTED BY:

BILL DODWELL

LISA SPEARMAN

ANITA MONTEITH

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Presenters



Today's Speaker:
Bill Dodwell
Tax Director
Office of Tax Simplification



Today's Speaker:
Lisa Spearman
Partner
Mercer & Hole

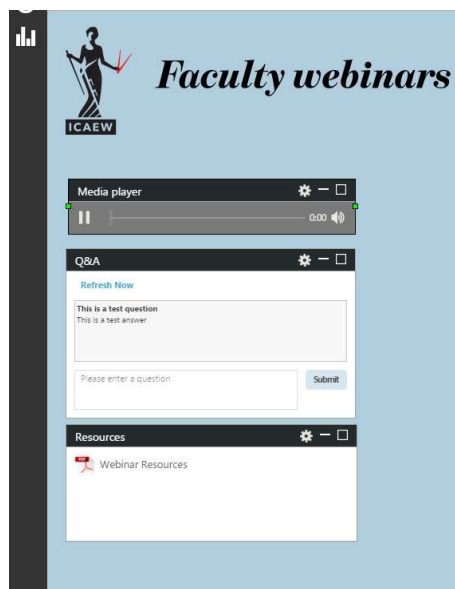


Today's moderator
Anita Monteith
Technical Lead
ICAEW Tax Faculty

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Office of
Tax Simplification

The Office of Tax Simplification

Review of Capital Gains Tax

Bill Dodwell

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www.gov.uk/government/organisations/office-of-tax-simplification

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Introducing the OTS

Who we are

independent adviser to Government on tax simplification – since 2010
 arm's length Office of HMT – became statutory through FA 2016
 mix of HMT/HMRC and private sector expertise (up to 10 FTEs)
 Board: Kathryn Cearn's OBE (chair), Bill Dodwell (Tax Director),
 Teresa Graham, John Cullinane, Kathleen Russ, Judith Freedman,
 Beth Russell, Ruth Stanier
 first Annual Report published 26 June 2017

What we do

We “challenge tax complexity to help all users of the tax system”, by
 providing

- reports offering practical recommendations
- analysis that shines a light on challenging structural issues to inform debate
- insight into tax simplification implications of changes in society

Our strategic goals



Review of Capital Gains Tax

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Chancellor commissions OTS review 13 July 2020



“I would like this review to identify and offer advice about opportunities to simplify the taxation of chargeable gains, to ensure the system is fit for purpose and makes the experience of those who interact with it as smooth as possible, as set out in the agreed terms of reference.”

“This review should identify opportunities relating to administrative and technical issues as well as areas where the present rules can distort behaviour or do not meet their policy intent. In particular, I would be interested in any proposals from the OTS on the regime of allowances, exemptions, reliefs and the treatment of losses within CGT, and the interactions of how gains are taxed compared to other types of income.”

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CGT Scoping document: general areas

This will include consideration of general areas such as:

- the overall scope of the tax and the various rates which can apply
- the reliefs, exemptions and allowances which can apply, and the treatment of losses
- the annual exempt amount and its interactions with other reliefs
- the position of individuals, partnerships and estates in administration
- the position of unincorporated businesses and stand-alone owner-managed trading or investment companies, including the setting up, selling or winding up of such businesses or companies
- any distortions to taxpayers' personal or business investment decisions
- interactions with other parts of the tax system such as Income Tax, Capital Allowances, Stamp Taxes and Inheritance Tax, including potentially different definitions for similar transactions/events

CGT Scoping document: specific issues

It will also look at more specific areas such as admin or technical issues on:

- clearance and claims procedures
- chargeable gains on shares and securities, including holdings of listed shares
- the acquisition and disposal of property
- the practical operation of principal private residence relief
- consideration of the issues arising from the boundary between income tax and capital gains tax in relation to employees
- valuations, record-keeping, calculating any tax payable and making returns, including claiming losses
- the information HMRC have and can use to help them reduce administrative burdens, improve customer experience and ensure compliance.

In carrying out its review, the OTS will:

- research widely among all stakeholders
- have regard to the effect of the tax and its reliefs on investment and the productive use of assets
- consider the likely implications of recommendations on the Exchequer, the tax gap and compliance
- take account of relevant international experience
- establish a Consultative Committee to provide support and challenge
- liaise with HMRC's Administrative Burdens Advisory Board
- consider the implications of devolution of tax powers and different legal systems within the UK
- be consistent with the principles for a good tax system, including fairness and efficiency
- be mindful of the effect of taxpayer trust in the operation of the tax system

How is the review being conducted?

Wide-ranging consultative committee:

Economists, academics, practitioners – legal, accountancy, tax advisers, HMRC, HM Treasury

Meets four times, Confidential


Public survey – over 1,000 responses so far

Part one and part two submissions from wide range of representative bodies, firms, individuals

Timing – Spring 2021

Some CGT data

In the 2017-18 tax year £8.3bn of Capital Gains Tax was paid and £55.4bn of chargeable gains reported by a total of 260,000 individual UK taxpayers (and 20,000 trusts). This compares with the £180bn of income tax paid in 2017-18 by 31.2m individual taxpayers.



£8.3 bn
260,000
£31,900

CGT data

Most of those with gains are taken out of tax entirely by the tax-free allowance (or Annual Exempt Amount)

In 2017-18, 62% of CGT came from those who made gains of £1 million or more, which is generally around 3% of CGT taxpayers each year

Those who pay CGT are twice as likely to pay higher rate income tax as taxpayers generally

Over 70% of all those who pay CGT did so only once in the 11 years to 2017-18

Over half of those who pay CGT pay no income tax or pay at the basic rates

CGT Principles

Allowances, including the Annual Exempt amount

Exemptions and reliefs, including how they fit together and incentivise behaviours

The treatment of losses

The interactions of how gains are taxed compared to other types of income, including the boundaries. Should there be a separate regime for short term gains?

Issues particularly affecting individuals

Principal Private Residence relief – detailed issues

Chattels exemption

Administration, including returns

Record keeping

Valuations

Claims and elections

Interaction with other taxes e.g. inheritance tax, property transaction taxes

Issues particularly affecting businesses

Business Asset disposal relief

Investors relief

Gift relief

Rollover relief

Claims and elections

Administration

Please give us your views

<https://www.gov.uk/government/consultations/ots-capital-gains-tax-review-call-for-evidence-and-survey>

Survey (primarily for taxpayers) <https://www.smartsurvey.co.uk/s/3HRSVY/>
Email: ots@ots.gov.uk

Alternatively, via the ICAEW

Closing date 9 November 2020

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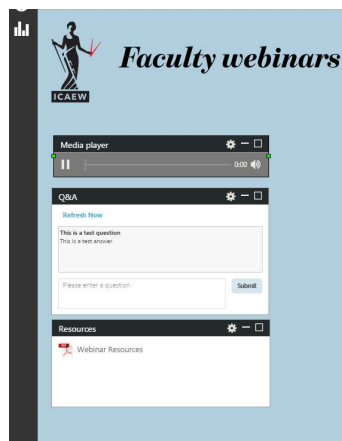
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***Any
questions?***

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Future webinars and events

- 21 October 2020 – Wyman virtual event
- 30 October 2020 – Custom duties and VAT after EU withdrawal

For further details visit www.icaew.com/taxfacevents

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Thank you for attending



Please take the time to fill out our short survey

Contact the Tax Faculty

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