AAT Tax Update 30 April 2015

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1. General election : likely tax developments and helpful toolkits for 2014/15

With all of the political parties promising to spend more on the NHS, improve benefits and investing on infrastructure, it is almost inevitable that there will have to be increases in tax to pay for the promises. Politicians are vague about where the extra tax will arise but a lot of the political rhetoric is nonsense. The vague promise to tackle avoidance and evasion thereby improving tax yield is a little like a rainbow end. You may think the solution is there but it will never be found.

Increasing the bank levy risks encouraging the banks to emigrate from the UK.. HSBC has raised the prospect of moving its Headquarters from London.

Increasing the additional rate of tax to 50% is unlikely to raise any money but it does make a political gesture. After all, who would consider moving from the UK with its top rate of income tax currently at an effective 62% to a jurisdiction like Hong Kong where the top rate of tax is 17%?

Listening to Radio 4 Money Box on 29 April, I was struck by the concerns about IHT and in particular how it might be avoided in relation to property. The conservative promise to introduce an additional allowance of £175,000 might be a vote winner in the South East of England. Labour's promise to do away with the remittance basis of tax for people living here in the UK but who remain domiciled overseas makes a lot of sense to me as our rules on non-domiciled persons seem odd in the modern mobile world.

Most of the parties have thoughts about anti-avoidance provisions and aspirations for tackling evasion. It sounds good but in practice it will be difficult to deliver. Parties have a variety of other measures which range from the abolition of the non-dom status, imposition of a general wealth tax, a mansion house tax and through to a new general anti-avoidance rule (despite there being no evidence of whether the recently introduced GAAR works or not).

What we need is a period of stability with sensible and sustainable tax rates that are capable of being enforced. I for one will be glad when the election has past, whatever the outcome.

HMRC have published a range of toolkits to help practitioners with risk assessment and checking the information on draft tax returns is correct and complete. The 3 key elements of each toolkit are:

- a checklist - to help you to address the areas of possible error that HMRC identifies as key
- explanatory notes - which identify the underlying types of error, how to mitigate those errors and a brief outline of the tax treatment - HMRC recommends that you review these notes, even if you are confident about answering the questions in the checklist
- cross references - linking to the relevant guidance available online, so you can easily find more detailed guidance if required

You can read more about this and watch a 3 minute video on how toolkits can help agents at:
https://www.gov.uk/government/collections/tax-agents-toolkits

2. HMRC Publish an organogram for their senior management

As someone who spent 28 years meeting senior staff at HMRC, I am fascinated to see the latest list of executive committee members and directors within HMRC. There are so many! See for yourself at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/419465/HMRC-organisation-chart-2015-03-15.pdf

3. New Disclosure obligations on Employers using notifiable schemes

I dislike uncertainty but there are times when something is unclear but practitioners should be aware that change might be in the air. For example, the Lichtenstein disclosure opportunity might be closing early, at the end of 2015 rather than continuing to April 2016.

I now a 50% larger penalty regime apply if offshore assets are moved to an unacceptable location in an effort to keep these assets hidden from the tax authorities. I hope that all of this is academic to my readers and their clients but the warning which might be appropriate is that if a client has been evading tax and hiding assets offshore, the Lichtenstein disclosure facility might be an opportunity to make things right and reduce the penalties imposed.

New DOTAS disclosure requirements were introduced by statutory instrument and they apply from 16 April 2015. These regulations (SI2015/948) change the Information that employers must provide to employees and to HMRC in relation to avoidance involving their employees and extend the prescribed information that introducers must provide to HMRC in relation to avoidance to include information relating to persons with whom an introducer has made a marketing contact.

The prescribed time for the employer to provide the prescribed information to HMRC is:

• 14 days after the end of the final tax period in respect of the tax year in which any person first enters into a transaction forming part of the notifiable arrangements; and

• on the same date in each subsequent year until an advantage ceases to apply to the employee and the employer.

The employer has to inform the employee affected of the scheme's SRN and tell HMRC the following information:

• name, address and reference number of the employer;

• name and any National Insurance number of the employee;

• scheme reference number;

• tax year in which the employee obtains, or expects to obtain any tax advantage;

• where a tax advantage is obtained or might reasonably be expected to be obtained as a result of the scheme only by a person other than the employee, confirmation that the employee's tax advantage is expected to be nil; and

• name and address of the promoter and the scheme name at the time of its notification.

At 4 pages including the explanatory notes, I recommend that you read
http://www.legislation.gov.uk/uksi/2015/948/pdfs/uksi_20150948_en.pdf

4. Transfers of Child Trust Funds to ISAs

SI 2015/876 and SI 2015/941 provide that with effect from 6 April 2015 amounts held within child trust funds can be transferred to junior ISAs. Both the documents are 4 pages in length and can be found at:

http://www.legislation.gov.uk/uksi/2015/876/pdfs/uksi_20150876_en.pdf
http://www.legislation.gov.uk/uksi/2015/941/pdfs/uksi_20150941_en.pdf

5. HMRC publish guidance on new pension flexibility for over 55s in DC schemes

https://www.gov.uk/government/news/pension-changes-2015

From 6 April 2015, from age 55, you can access as much of your savings from your defined contributions pension scheme (also known as 'money purchase schemes') as you want under new 'pensions flexibility' rules. The link above is to a short information paper published by HMRC which is well worth a read.

Derek Allen
30 April 2015
Set your diaries for the next edition of the general tax update which will be published at the end of May 2015

The views expressed in these podcasts are Derek Allen's personal views and do not necessarily represent AAT policy or strategy.