

Tax Day – 23 March 2021

INTRODUCTION

In mid-February the Treasury [announced](#) that “To allow for more transparency and scrutiny, documents and consultations that would traditionally be published at a Budget will be published on 23 March”. It was far from clear what would, or would not, emerge just 20 days after Rishi Sunak’s first Budget of 2021. A [letter](#) from the Financial Secretary, Jesse Norman, to the Treasury Select Committee promising “... a number of consultations, most of which will be published on the same day” was similarly vague.

Nevertheless, 23 March became labelled Tax Day and the focus on its contents intensified when the Chancellor avoided Budget comment on, for example, the future of inheritance tax and capital gains tax. Both had been the subject of detailed reports from the Office of Tax Simplification (OTS), one of which had been commissioned by Mr Sunak.

In the event, the day was marked by [publication](#) of over 30 documents, ranging from new consultations and discussion documents to interim reports, calls for evidence and summaries of responses. Despite the quantity, there were some surprising absentees from the list of topics, including tax relief on pension contributions, which had been the subject of an earlier [call for evidence](#).

We have summarised some of the key areas likely to have a direct impact on your tax planning in the months and years ahead. Links to individual measures are given for exploring further details.

The full collection of documents is available [online at .GOV.UK](#).

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PERSONAL TAXATION

Self-catering lets and business rates

Following on from a [consultation paper](#) issued last November, there will be legislation to change the criteria determining whether a holiday let is valued for business rates to account for actual days the property was rented. Details of the reform and its implementation will be published shortly by the Ministry for Housing, Communities and Local Government.

PENSIONS, SAVINGS AND INVESTMENTS

Pensions tax technical updates

The Treasury has identified “several aspects of the pension tax framework that do not work as intended in all situations”. For example it cites how the current framework does not easily permit individuals to ask their pension scheme to settle annual allowance charges from previous tax years by reducing future pension benefits (‘Scheme Pays’). Technical updates will be made to remove such anomalies.

There was no comment on pension tax relief administration, the subject of a [call for evidence](#) that ended last October.

Tax treatment of Superfunds

There will be a review of “the appropriate taxation framework” for Superfunds, which act as consolidator funds for defined benefit pension schemes. The Treasury says that “it should not be assumed that the tax regime that currently applies to entities and transactions in the Superfund structure or the pension schemes that have transferred to the Superfund will remain unchanged”.

Social investment tax relief (SITR)

A [summary](#) of responses to the earlier call for evidence on SITR confirmed the Budget announcement that the relief will continue until April 2023.

CAPITAL TAXES

Inheritance tax (IHT)

The reporting regulations for estates will be amended so that from 1 January 2022, over 90% of non-taxpaying estates will no longer have to complete IHT forms when probate or confirmation is required. The Treasury [says](#) it will respond to other OTS proposals for simplifying IHT “in due course”.

The taxation of trusts

Responses to a taxation of trusts [consultation](#) launched in 2018 have finally been published. The Treasury notes that “The responses did not indicate a desire for a comprehensive reform of trust tax at this stage” and it will now “keep the issues raised under review”.

BUSINESS TAXES

Business rates

An interim [report](#) on last year’s fundamental review of business rate incorporates responses, but no new proposals. A final report is scheduled for autumn 2021.

Transfer pricing documentation

A new [consultation](#) seeks views on transfer pricing documentation requirements.

Aggregates levy

A [consultation](#) seeks view on proposals for a more restrictive treatment of aggregate removed during construction works.

Landfill tax review

Aspects of the landfill tax in England and Northern Ireland will be reviewed following discussion with stakeholders.

Residential property developer tax

A consultation will be published in the coming months on a new tax on the largest residential property developers to help pay for the costs of cladding remediation. The tax will be introduced in 2022.

VALUE ADDED TAX

VAT partial exemption and capital goods scheme

A [response](#) to the 2019 consultation includes details of how HMRC intends to update internal systems to simplify the existing process.

VAT grouping

Before the summer the Treasury will publish a summary of responses to its VAT grouping [call for evidence](#). No further action will be taken on this subject.

Value shifting for VAT

A summary of responses to the [consultation](#) on VAT and value shifting will be published in the summer and, subject to those responses, new rules will be prepared and an update on next steps will be issued later in 2021.

TAX ADMINISTRATION AND TAX AVOIDANCE

The tax administration framework: supporting a 21st century tax system

This [call for evidence](#) is part of the government's 10-year tax administration strategy and seeks ideas on how the tax administration framework could be updated and simplified.

Timely payment

The Treasury describes this [call for evidence](#) as “the start of a conversation about the benefits and challenges of the current tax payment timings, and for moving to more frequent, in-year tax calculation and payment”.

Making Tax Digital

Making Tax Digital (MTD) is the first phase of moving to a digital tax service. The government confirmed that legislation later this year will extend MTD to income tax self assessment from April 2023.

Clamping down on promoters of tax avoidance

A new [consultation](#) on a “package of measures to clamp down on promoters of tax avoidance” is published alongside draft technical guidance on other anti-avoidance measures contained in Finance Bill 2021.

Raising standards in the tax advice market

A [consultation](#) proposes a standard definition of tax advice together with a requirement that tax advisers hold professional indemnity insurance.

Helping taxpayers get offshore tax right

A discussion [document](#) focuses on the mechanisms HMRC can use to assist with offshore tax compliance.

Preventing and collecting international tax debt

This discussion [document](#) examines issues around international tax debt, including how it can be collected.

Hidden economy conditionality

This [consultation](#) sets out proposals for making renewal of certain licences in Northern Ireland and Scotland subject to appropriate tax registration from April 2023.

Tackling disguised remuneration tax avoidance

A [summary](#) of responses has been published to last year's consultation paper. The government's main reaction to these responses is a continued clamp down on promoters of tax avoidance schemes and the education of taxpayers about the risks.