

## Written evidence submitted by STEP

### About Us

STEP is the worldwide professional association for those advising families across generations. We help people understand the issues families face in this area and promote best practice, professional integrity and education to our members.

Today we have over 22,000 members in over 100 countries and over 8,000 members in the UK. Our membership is drawn from a range of professions, including lawyers, accountants and other specialists. Our members help families plan for their futures: from drafting a will or advising family businesses, to helping international families and protecting vulnerable family members.

We take a leading role in explaining our members' views and expertise to governments, tax authorities, regulators and the public. We work with governments and regulatory authorities to examine the likely impact of any proposed changes, providing technical advice and support and responding to consultations.

STEP welcomes the opportunity to comment on this call for evidence regarding this inquiry on "Tax after Coronavirus."

### Response

STEP thanks the Treasury Select Committee for the opportunity to reply to its call for evidence regarding tax after coronavirus and recognises that the exceptional challenges and measures utilised during the outbreak have left a large gap in the country's public finances which needs to be rectified.

However it must be stressed that whatever approach is decided to be taken forward would benefit enormously from a long term strategic approach covering all strands of taxation. This approach was used by the Government in 2010 for its Corporate Tax Road Map.<sup>1</sup> By setting out the Government's principles for corporate tax reform, including a joined up timetable and engagement strategy it produced a cohesive approach to taxation which had a relatively seamless transition and still operates effectively today.

STEP is not in a position to comment on the technical questions asked by the Committee in the call for evidence but does feel that the importance of any new taxes or significant changes to existing taxes or rates of tax being thought about with clear objectives and principles in mind and in the context of the tax system as a whole rather than individually cannot be overstated.

That is why STEP believes that, using the example of the road map for corporate tax, there should be a roadmap for personal tax which sets out the planned long term

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<sup>1</sup> <https://www.gov.uk/government/publications/the-corporation-tax-road-map>

Government strategy and how all the different overlying areas will interact with each other. This will give clarity and certainty, promote fairness and will encourage further investment into the country, with research showing that uncertainty over taxes is given as one of the main reasons for investors being put off.<sup>2</sup>

Particular concerns have been raised by the public in the past about a lack of clear direction and the frequency of change which had led to needless complexity. Inheritance Tax is a prime example of the damage caused by disjointed changes which has created a complex, ineffective system which is riddled with anomalies and is viewed as unfair. Both the OTS in their Inheritance Tax review<sup>3</sup> and the All-Party Parliamentary Group for Inheritance & Intergenerational Fairness in their 'Reform of inheritance tax' report<sup>4</sup> call for reform of the system focusing particularly on the fact that the current system's inefficiency is evidenced by the main fact that 5% of deaths actually result in payment of inheritance tax but far more actually have to submit a return. There is something wrong with a tax where around 250,500 people<sup>5</sup> have to submit a succession of very onerous forms on the death of a relative only to prove they don't owe any tax and in some cases receive no acknowledgement from HMRC at all.

The piecemeal approach to property taxation has similarly resulted in needless complexity and change. For example the introduction of the Annual Tax on Enveloped Dwellings (ATED) in 2012 was intended to stop "enveloping" UK real estate in foreign companies allegedly for SDLT avoidance purposes. In fact the real purpose of holding a property through a company was to avoid inheritance tax. It took the Government until 2017 before they accepted this and changed the legislation appropriately despite repeated representations to HMRC that this was why people put property in a company. Meanwhile between 2012 and 2019, four separate CGT regimes with different bases of computation could apply to non-residents involved in holding UK residential property. The position was only finally resolved in 2019.

As described above, this approach has been used successfully by the Government in 2010 and it therefore makes sense for this approach to be replicated for individual taxation with proper consultation between practitioners and Government as to the direction of travel. The Institute of Government, the Chartered Institute of Taxation (CIOT), and the Institute for Fiscal Studies (IFS) have also all called for more joined up thinking on tax in communication with the Government earlier this year.<sup>6</sup>

In conclusion STEP urges that, whatever changes are to be introduced in light of this review, a strategic view should be taken in the form of a roadmap that links everything together, reducing complexity and any uncertainty in relation to the system.

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<sup>2</sup> Zangari et al, *Tax Uncertainty: Economic Evidence and Policy Responses*, European Commission working paper N. 67 – 2017

<sup>3</sup> <https://www.gov.uk/government/publications/ots-inheritance-tax-review-simplifying-the-design-of-the-tax>

<sup>4</sup> <https://www.step.org/appg>

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/816520/Final\\_Inheritance\\_Tax\\_2\\_report\\_-\\_web\\_copy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816520/Final_Inheritance_Tax_2_report_-_web_copy.pdf)

<sup>6</sup> <https://www.instituteforgovernment.org.uk/sites/default/files/ciot-ifs-ifg-letter-chancellor-28-february-2020.pdf>

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