



Chartered
Institute of
Taxation

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Measures taken to combat COVID-19

Submission by the Chartered Institute of Taxation

1 Introduction

- 1.1 Our nation is facing unprecedented challenges and we welcome the government's commitment to do 'whatever it takes' to support families and businesses through the COVID-19 pandemic.
- 1.2 Many businesses, including those operated by some of our members and their clients, are suffering loss of revenue, in some cases of dramatic scale, notwithstanding they likely still have long-term viability.
- 1.3 Families and individuals will lose (in some cases are already losing) income streams as businesses cease employing them (or engaging them as self-employed workers).
- 1.4 The impact of these developments will likely be huge in some cases, though for others it is likely to be mild or even non-existent (at least unless there is a 'second wave' more general recession reflecting initial loss of demand).
- 1.5 A fiscal support package has been announced. As this was being drafted further – and very large-scale government measures were announced, and more may follow. This is as it needs to be: the situation is fast moving. Our comments below are therefore necessarily brief and, in most cases, identify broad areas for potential action rather than making specific prescriptions. We do not claim unique insight in this unprecedented situation, but our members do have substantial practical experience of the operation of the tax system and how changes to its administrative processes, in particular, could help business and other taxpayers get through these exceptional circumstances.
- 1.6 The tax system cannot provide the complete answer to these problems. But it can help, and we identify some of the ways it can help below.

2 Potential action in relation to taxation

- 2.1 We welcome the fiscal support packages already announced, including tax aspects such as a business rates holiday for many businesses and easy access to HMRC's 'Time to Pay' scheme. We also welcome the deferral of the next set of VAT payments.

- 2.2 There are major continuing streams of tax liabilities regularly imposed on business which can be looked at in finding solutions. Some are very sizeable even in relation to revenue (VAT, PAYE/national insurance and, in many of the businesses affected, Business Rates). In addition, the infrastructure of the tax system provides mechanisms whereby the State is already regularly transacting with business; it holds information about their income and historic profitability levels: these factors might be useful in the speed of help that can be given (as we are seeing with the Job Retention Scheme) and perhaps, at least in time, its targeting to those in most need of support. This may have implications for
- payment flows, dates, interest and/or penalties,
 - prioritisation of refunds, and perhaps rules on offset of losses,
 - suspension of payment liabilities (as we have already seen with Business Rates), and/or use of the tax system as a basis for providing revenue/income support.
- 2.3 Business managers will be preoccupied, even in those businesses least affected immediately in revenue terms, in restructuring their businesses to accommodate more widespread, if possible universal, working from home. HMRC will perhaps be burdened with the task of administering and supporting packages of financial help and ensuring it is directed as effectively as possible. In consequence, matters of lesser priority need to be put to one side, so that some officials and the broad mass of relatively compliant businesses can put them out of their minds 'for the duration'. This has implications for
- the extent of compliance activity normally undertaken except in the more egregious cases (and indeed we are getting indications that this is well understood by HMRC)
 - potential relaxations of reporting and filing obligations, and maybe consultation response deadlines, geared to the initial period of forced business restructuring (or in some cases suspension),
 - relaxations of rules requiring particular forms of authorisation (sometimes digital, even though some taxpayers are digitally challenged; other times non-digital or even 'wet signature', or outdated 'stamping' requirements, whereas physical contact and proximity are discouraged in the current emergency): such modest practical issues can have real importance in some situations,
 - the timing of roll-out of new measures in the pipeline imposing new economic costs and/or compliance obligations (as already seen with IR35 in the private sector).
- 2.4 The conflicting needs for speed of action on the one hand, and on the other hand, of targeting given the likely huge cost (and very diverse levels of real need), combined with the fact that almost all businesses have an immediate restructuring and psychological challenge, may suggest the use of 'blanket' measures in the immediate term, perhaps guaranteed for an initial time limited period, but with a reinforced commitment to consider at least partial extensions as necessary and to continue to do 'whatever it takes'. This will allow breathing space to enable succeeding support policies to be better targeted.
- 2.5 Some tax rules depend on people being, or living, in a certain place at a certain time or over certain periods, to obtain a given tax treatment (eg the various tests of individual, corporate and trust residence or non-residence in the UK, or living in a claimed 'principal private residence'). Should aspects of these rules be waived where people are confined because of the crisis in places they would otherwise not be in, or would not remain in for long? There may be similar issues where behaviour is appropriately changed as a result of the crisis in ways that might normally carry a tax cost, eg gifts of business property to help with the emergency. The issues here are both of treating people fairly, and of incentivising the 'right' behaviour in public health terms.
- 2.6 In conclusion, we recognise that the authorities face an unenviable task: in particular, it is extremely difficult to achieve the right balance between maintaining 'business as usual', whilst also supporting businesses and

individuals through this difficult period. This is a confusing situation, where in addition to the real challenges, businesses and individuals are also confronted with ‘noise’ and even misinformation. We stand ready to support the authorities in these challenges, including in getting appropriate messages out to business and their advisers, and to a wider public through our Low Incomes Tax Reform Group’s website.

3 Acknowledgement of submission

3.1 We would be grateful if you could acknowledge safe receipt of this submission.

4 The Chartered Institute of Taxation

4.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries. The CIOT’s comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.

The CIOT’s 19,000 members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

The Chartered Institute of Taxation

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