

Business Lifecycle Review: Call for evidence

Introduction

The Chancellor has asked the Office of Tax Simplification (OTS) to carry out a further review of the business lifecycle.

In this review, the OTS is interested in the everyday experience of business owners and managers as they engage with tax throughout the business lifecycle. The review will focus mainly on smaller businesses, including self-employed individuals, especially those that struggle the most with tax.

It follows an [earlier business life cycle report](#), which considered the tax charges and reliefs applicable at key stages in the life of a business (Start up, Incorporation, Financing for Growth, Succession and Disposal). The primary focus was on external events such as the raising of capital or a change in ownership. The report concluded that the complex patchwork of tax charges and reliefs which apply at various points in the business lifecycle needs an overhaul to reduce complexity, make reliefs more accessible, and help UK businesses to fulfil their potential.

This review

This review will look at the practical tax issues facing businesses from start-up onwards.

The review will consider the extent to which complexity may make it difficult to get tax right and lead to errors. It will look at HMRC guidance for businesses as well as administrative processes. The review will build on the Office's previous work on smaller businesses.

The OTS would like to hear directly from businesses, representative groups and professional advisers, either in meetings, by completing our survey or writing to us. The survey should take around 10 minutes or less to complete.

We would like to have arranged any meetings, and to have received completed surveys or written responses by **7 December 2018**. If you are interested in meeting us, please get in touch as soon as you can. We can be reached at ots@ots.gov.uk.

We expect to acknowledge those responding by including their names in an annex to the report, but no specific comments will be attributed to you unless we agree that with you.

Consultation questions

We do not want to constrain your response, but the following questions may be a helpful starting point:

Background

Questions 1 to 6 are most relevant to businesses:

- 1 What industry/trade do you work in?
- 2 What size is your business?
 - a) Just you?
 - b) One to 5 employees or contractors?
 - c) 6 to 10 employees or contractors?
 - d) More than 10?
- 3 Is the turnover from your business:
 - a) Below 15,000?
 - b) £15,001 to £85,000?
 - c) above £85,000?
- 4 How did your business start? Was it:
 - a) Your own initiative?
 - b) A business you started having had a previous business?
 - c) Prompted by redundancy or lack of employment?
 - d) Other – please explain
- 5 Do you work through other businesses or platforms (e.g. service providers such as taxi or delivery firms, sales platforms such as Amazon, Etsy, Ebay and Shopify)? If yes;
 - a) Would you like the platform/contracting business to collect and pay any tax due to HMRC and send the net payment to you?
 - b) How much of this income is offset by expenses, such as the lease of a car or purchase of a uniform?
 - i. None, or a negligible amount?
 - ii. Less than a quarter of your income?
 - iii. Between a quarter and half of your income?
 - iv. More than half of your income?
- 6 Are you:
 - a) In business by yourself, with no employees or subcontractors?
 - b) In a partnership?

- c) In a business with employees or subcontractors?
 - d) Representing a company?
- 7 If your business is a partnership, how do you find the process of dealing with tax as a partnership?
- 8 If your business is a company:
- a) Why did you decide to set up a company?
 - b) How did you find the process of setting up a company?

Questions relevant to agents and representative bodies:

- 9 What is the composition of your client base/membership?
- 10 Is there scope to streamline the Corporation Tax computation? If so, how, and for what size of company?
- 11 In your experience, have the recent dividend tax changes impacted on clients' decisions about whether or not to incorporate a business, and where incorporated, the remuneration strategy?

Dealing with tax

Questions for all:

- 12 Which taxes, if any, do you, or businesses in general, deal with directly, as opposed to using an agent (for example, ITSA, NICs, PAYE, VAT, CT, Customs)? Are any taxes easier for a business to do themselves?
- 13 What is your experience of registering for the various tax regimes (ITSA, NICs, PAYE, VAT, CT, Customs)? Looking across the process of registering: finding out what to do, accessing the relevant forms, filling them in, receiving registration details, completing the process -
- a) Is this a quick process?
 - b) Is it easy to do?
 - c) What works well?
 - d) What could be improved?
- 14 Do you use HMRC's online Personal Tax Account or Business Tax Account?
- a) What works well?
 - b) What could be improved?
- 15 What is your experience of accessing HMRC's online services (for example, filing VAT, ITSA, PAYE, or CT returns online)?
- a) Which services do you use?
 - b) Do you find them simple and quick to use?
 - c) What works well?
 - d) What could be improved?

- 16 What is your experience of paying tax?
- Is this a simple process?
 - Is it a quick process?
 - Do you have any suggestions for improvement?
- 17 Do you use HMRC guidance to help with your business's or your clients' tax affairs?
- If not, why not?
 - If yes, what do you find helpful, and what could be improved?
- 18 If your business (or a business you advise) has employees, how does being an employer impact on the administrative burden?
- Do you/your clients offer employee benefits? (For example, private medical insurance, childcare, season ticket loans, company vehicles, or staff parties?) Have the benefits changed following tax changes?
 - Do you/your clients make use of voluntary payroll of benefits, or the low value benefits allowance (£50 per benefit)? If so, do you find it reduces your administrative burden?
- 19 Have you/your clients bought or sold business assets in recent years? Business assets are things kept for use in a business, for example IT and other equipment, office furniture, machinery, premises and business vehicles.
- How were these treated for tax?
 - Did you claim capital allowances on these items?
 - Was it easy or difficult to work out the tax treatment of these capital assets in your annual accounts?
 - What could be improved in relation to the calculation of tax due on the sale of capital assets?
 - How could tax relief and related administration for business asset purchases be improved?
- 20 Has your/your clients' business made a loss in any recent year(s)?
- Did the tax system help offset the losses?
 - How have you found the process of recording the loss for tax purposes?
- 21 Does your/your client's business export goods or services, or import goods or services from overseas?
- What tax and administrative issues does this raise?
 - Do you/they sell directly, or through a platform (such as Amazon, eBay, Etsy, Shopify)?
 - Does working through such a platform simplify tax administration on overseas sales?

- 22 Making Tax Digital (MTD): from April 2019, VAT registered businesses with a turnover exceeding the £85,000 threshold will need to keep VAT records digitally and file their VAT returns using MTD compatible software.
- a) Were you aware of the MTD programme?
 - b) Do you keep records
 - i. Digitally
 - ii. On paper
 - iii. Both digitally and on paper?
 - c) Do you know what may be expected from your business (or your clients' businesses) under MTD?
 - d) Are you or your clients prepared for future MTD requirements?
- 23 Have you or a client applied for Research and Development (R&D) tax credits? If so:
- a) Who made the claim: (the taxpayer/ the usual tax agent/ a specialist tax agent)?
 - b) Did you contact HMRC in relation to the claim?
 - c) Did you feel that HMRC understood the business?
 - d) How easy did you find it to identify qualifying activities and costs?
 - e) If you carried out R&D activities but chose not to make an R&D claim, why was this?
- 24 Have you ever closed down a business, or part of a business?
- a) Was this voluntary or involuntary?
 - b) How easy was it to deal with HMRC and Companies House?
 - c) Did the business have tax losses? Was it possible to use them?

In conclusion

Please let us know of any other issues you wish to raise about tax as it affects businesses, including suggestions for simplification.

Thank you very much for taking time to consider this paper, and for any responses you wish to provide.

We would like to hear your views by **7 December 2018**.

Please send written responses to ots@ots.gov.uk.