

February 2020

Claims and Elections Review: Scoping Document

Claims and elections are a long-standing feature of many UK taxes. In some cases, it is unclear why there is a need to make a specific or separate claim or election in order to benefit from a relief or exemption, and this can lead to some of those who are entitled to benefit missing out.

One particular concern that is sometimes raised is the prevalence of high-volume repayment agents who will claim certain reliefs and exemptions on behalf of those that are eligible, for a fee. Individuals may use these agents for a number of different reasons, but it may suggest that what are intended to be simple reliefs that apply to lots of people could, in practice or in perception, be more complicated to deal with than people are able or willing to handle.

The OTS has considered certain claims or elections in the context of previous reports, however this will be the first time that the OTS looks at claims and elections issues more widely, on a standalone basis.

This review will identify opportunities for simplification both in relation to the claims or elections presently needed for certain reliefs or exemptions, and the processes involved.

The OTS will publish a call for evidence shortly and intends to publish a report outlining its findings in Autumn 2020.

Scope of Review

The review will seek to establish the broad numbers and types of claims and elections across the main taxes in the UK. It will then focus on a range of the more significant or frequently used claims and elections across a number of taxes in relation to individuals, partnerships and companies and how they may be simplified.

The work will be led by, and primarily concerned with, how the administration of these claims and elections may be simplified, including IT systems considerations. However, where relevant it will also consider related policy issues, including issues around the awareness and uptake of these reliefs, the possibility of removing or replacing minor reliefs or simpler and cost-effective ways of achieving the desired policy outcomes.

Claims and elections that may be considered are likely to include:

- Claims for relief for certain expenses incurred by employees and not reimbursed, in particular flat rate allowances such as for cleaning uniforms or for tools
- Capital allowances, including issues arising when these are subject to specific claims rather than handled within tax returns

- Section 198 elections (for allocating property sale proceeds between buildings and fixtures), taking forward a recommendation in the OTS's 2017 report on simplifying the corporation tax computation

During the review and in consultation, the OTS will seek to identify further claims and elections where there are potentially unnecessary burdens in making claims.

The work will include:

- exploring the scope and impact of relevant reliefs and the population of taxpayers and agents involved (including the prevalence of high volume repayment agents in some areas and why individuals use them)
- considering reliefs where there is a need to make a claim and others where the relief or exemption is given automatically already (and the impacts of these different approaches)
- considering whether it could be simpler for additional reliefs or exemptions to be given automatically, subject to an ability to disclaim and scope for HMRC to review the position
- the processes involved, including:
 - whether a claim needs to be made on a return or outside of a return, and the reasoning for this distinction
 - whether there are easier ways of making a claim, perhaps through the personal tax account or wider changes to tax administration processes, reflecting increasing digitisation of the tax administration system
 - in relation to any reliefs or exemptions being applied automatically, the potential for employers or others involved in tax administration to be involved in the process, including supplying information to HMRC
 - any key process differences across taxes and whether there could be alignment
 - consideration of the time limits in which a taxpayer must make a claim or an amendment to a claim (including whether a claim time limit should be based on an event or by reference to a tax year)

Further guidance for the review

In carrying out its review, the OTS will

- consider the likely implications of recommendations on the Exchequer, the tax gap and compliance
- engage widely with stakeholders
- be mindful of the role and contribution of taxation agents
- take account of relevant international experience
- take account of previous research in this area
- take account of the impact of any recent IT changes made to support the claims and elections process
- liaise with the Administrative Burdens Advisory Board