



HM Treasury



HM Revenue
& Customs

Autumn 2021

Tax administration and maintenance



Autumn 2021 Tax administration and maintenance

Presented to Parliament by
the Financial Secretary to the Treasury
by Command of Her Majesty

November 2021

CP 577



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-911686-50-7

PU: 3178

Contents

Foreword		2
Chapter 1	Tax simplification	4
Chapter 2	Tackling non-compliance	6
Chapter 3	Further tax policy announcements	9
Annex A	Accompanying documents	13

Foreword

Autumn Budget and Spending Review 2021 set out the government's plans to build back better and repair the public finances as the UK continues its recovery from the COVID-19 pandemic.

HM Treasury and HM Revenue and Customs (HMRC) continue to focus on the long-term goal of creating a modern, resilient and effective tax system which prevents non-compliance and makes it easier for businesses and individuals to get their tax right the first time.

In July 2020 the government set out its 10-year tax administration strategy, 'Building a trusted, modern tax administration system'.¹ This aimed to modernise the tax administration framework, make better use of real-time and third-party information, and improve the experience for taxpayers and businesses, reducing the tax gap and increasing resilience. This command paper outlines steps the government is taking to progress this strategy further and ensure the tax system continues to modernise and reflect the government's wider priorities.

The government is taking forward several measures to **simplify our tax system**. This includes making progress on the Tax Administration Framework, which marks the first steps to design a trusted, modern tax administration system that is simpler, easier to navigate and more responsive to taxpayers' needs. We are also formalising an existing concession that streamlines the administration of trusts with negligible levels of interest income. In addition, the government is publishing the outcome of a review of the Office of Tax Simplification (OTS) and responses to two OTS reports on Capital Gains Tax and Inheritance Tax.

A fair tax system ensures that those who should pay, do. That is why the government is setting out further measures to **tackle non-compliance**. This includes publishing a call for evidence on how HMRC can modernise its collection of tax debts. We are also announcing a new stakeholder forum to tackle offshore non-compliance. In addition, the government is publishing a summary of responses to the consultation on extending tax conditionality to certain licences in Scotland and Northern Ireland, which makes their renewal conditional on applicants confirming they are registered for tax. And we are

¹[Tax Administration Strategy](#), HM Revenue & Customs and HM Treasury, July 2020

publishing a consultation on the Stamp Duty Land Tax (SDLT) reliefs for purchases of mixed property and multiple dwellings, which sets out potential changes to make the system fairer and reduce the scope for misuse and incorrect claims.

Finally, the government is taking forward a range of reforms to ensure our tax system **remains fit for the modern world**. We are publishing a call for evidence on Landfill Tax, focused on how it can continue to support the government's ambitious environmental objectives, including achieving zero avoidable waste by 2050. We are publishing a call for evidence to ensure we have an up-to-date and well-informed view of how the umbrella company market operates. This command paper sets out further details on the proposed reforms to Research and Development (R&D) tax reliefs and business rates announced at Autumn Budget 2021. It also announces a widening of the scope of the Alternative Finance rules and reforms to Small Brewers Relief.

This 'Tax Maintenance and Administration' command paper builds on the approach the government took in March of publishing a series of consultations and tax policy updates following on from the Spring Budget, in the 'Tax Policies and Consultations' (Spring 2021) publication.² This document will help Parliamentarians and wider stakeholders to better scrutinise tax policy, leading to improved policy outcomes for the UK public and taxpayers.

Rt Hon Lucy Frazer QC MP
Financial Secretary to the Treasury

² ['Tax Policies and Consultations \(Spring 2021\)'](#), HM Revenue & Customs and HM Treasury, March 2021

Chapter 1

Tax simplification

1.1 The government's 10-year tax administration strategy 'Building a trusted, modern tax administration system' outlines HMRC's plans to harness technology and digitisation to deliver a tax system that operates closer to real time and makes it easier for businesses and individuals to get their tax right.

1.2 Tax Administration Framework Review – The government is publishing a summary of responses to the call for evidence on modernising the tax administration framework, covering the core legislation, processes and guidance that underpin obligations for HMRC, taxpayers, agents, and third parties. The government is committed to incremental long-term reform to support effective tax administration in the 21st century. It will set out a roadmap for future consultation in due course.

1.3 Income Tax Self Assessment registration for the self-employed and landlords – The government is publishing a call for evidence exploring the case for reforming registration for Income Tax Self Assessment for the self-employed and landlords. Earlier registration could benefit taxpayers by ensuring they understand their tax obligations, and can receive support if they need it, earlier.

1.4 Timing of tax payments – The government is publishing a summary of responses to the call for evidence on timely payment of tax, which looked at the opportunities and challenges of more frequent payment under Income Tax Self Assessment, and for Corporation Tax for small companies. No changes will be made to payment timings within this Parliament. To mitigate some of the challenges brought out in the call for evidence, HMRC will conduct a pilot, developed in close collaboration with external stakeholders, to test the calculation of tax liability in-year.

1.5 Raising standards in the tax advice market – The government is publishing a summary of responses to the consultation on 'Raising standards in the tax advice market: professional indemnity insurance and defining tax advice', as well as external research on the characteristics of tax agents who are not affiliated to tax professional bodies. The government will not make professional indemnity insurance for tax advisers compulsory at this time, but remains committed to raising standards in the tax advice market – and will consult on further options, and on proposals to tackle the high cost to taxpayers of using tax agents to claim tax repayments.

1.6 Making Tax Digital for Corporation Tax (MTD for CT) – The government is publishing a summary of responses to the consultation on the

potential design of Making Tax Digital for Corporation Tax. The government is committed to ongoing collaboration with stakeholders on the service design and following any decision to mandate MTD for CT, will provide sufficient notice ahead of implementation.

1.7 Helping large businesses get their tax right and improving the compliance experience – At Spring Budget 2021 the government announced a review of tax administration for large businesses, in recognition of the role that the tax administration plays in supporting the UK’s competitiveness and promoting investment. Following engagement with stakeholders, the government is taking action, including: developing new Guidelines for Compliance and improved guidance; changes to help address long-running enquiries; and work to improve the co-operative compliance experience.

1.8 Administering low-income trusts and estates – The government will formalise an existing interim concession that removes trustees and personal representatives from income tax where the only source of income is savings interest and the tax liability is less than £100. The precise form and level of the change will be confirmed following consultation by HMRC.

1.9 Simplifying VAT on land and property – The government is publishing a summary of responses to the call for evidence on the land and property VAT exemption that closed in August 2021. It sets out the government’s response, including improving guidance in this area of VAT and how the government will further engage with the sector on potential options for reform.

1.10 Increasing the effectiveness of the Office of Tax Simplification (OTS) – The government is publishing its first five-year review of the OTS, launched in March 2021, to examine the effectiveness of the OTS. It makes eight recommendations.

1.11 Response to Office of Tax Simplification Review of Capital Gains Tax (CGT) – The government is publishing its response to the OTS’s two-part review of CGT. The government has carefully considered the OTS’s recommendations and will keep the CGT system under review to ensure it is simple and efficient. The government has accepted five of the technical recommendations in the OTS’s second report and will work towards their implementation.

1.12 Response to Office of Tax Simplification Review of Inheritance Tax (IHT) – The government is publishing its response to the OTS’s review of the design of IHT. It has decided not to proceed with any changes at this point in time. The government responded to the OTS’s review of the administration of IHT in March 2021.

Chapter 2

Tackling non-compliance

2.1 Since 2010 the government has introduced over 150 new measures and invested over £2 billion in HMRC to tackle non-compliance in the tax system – this has secured and protected over £250 billion which would otherwise have gone unpaid. Significant reforms include: the introduction of the General Anti-Abuse Rule; Accelerated Payments; the implementation of the OECD Base Erosion and Profit Shifting Action Plan; and a range of measures to clamp down on promoters of tax avoidance. The measures announced in this document build on that strong base and further the government’s aim for everyone to pay the tax that is legally due, no matter who they are.

2.2 Modernising tax debt collection for non-paying businesses – The government is publishing a call for evidence on how HMRC can modernise its collection of tax debts to reflect the changing nature of the economy, where an increased use of e-commerce has given rise to new business practices – including the conduct of business in the UK without having a presence or physical assets here. The call for evidence also seeks views on HMRC’s approach to the small minority of business taxpayers who do not engage with HMRC and hold off paying their tax for as long as they can, forcing HMRC to resort to costly and time-consuming enforcement action. The proposals will not affect taxpayers who are in temporary financial difficulty and need support from HMRC to get back onto a sustainable financial footing – including those affected by the Covid-19 pandemic.

2.3 OECD’s Model Mandatory Disclosure Rules to tackle non-compliance – At Spring Budget 2021, the government announced that it would implement the OECD’s Model Mandatory Disclosure Rules. The government is now issuing a technical consultation and draft regulations. Mandatory Disclosure Rules require advisers (and sometimes taxpayers) to report information to the tax authorities on certain prescribed arrangements and structures, including those that could circumvent existing tax transparency reporting rules known as the Common Reporting Standard. This information will be exchanged with relevant tax authorities to help deter non-compliance, assist in identifying and challenging evasion, and support the development of tax policy.

2.4 Improving Transfer Pricing Documentation – The government is publishing a summary of responses to the consultation that closed in June 2021. It will legislate in 2022 to require businesses that are in scope of country-by-country reporting to maintain a master file and local file in line with OECD Base Erosion and Profit Shifting Action 13, and a supporting

summary audit trail. These changes will take effect from April 2023. The government will continue to review the case for companies to submit an International Dealings Schedule.

2.5 Extending tax conditionality to licences in Scotland and Northern Ireland – The government is publishing a summary of responses to the consultation on extending tax conditionality to certain licences in Scotland and Northern Ireland from April 2023. This makes the renewal of certain licences conditional on applicants completing checks that confirm they are appropriately registered for tax. The policy will be developed through continued engagement with the Devolved Administrations and is consistent with reforms which come into force in England and Wales in April 2022. Licensing bodies will have to obtain confirmation that an applicant has completed the check before deciding on their renewal application, making it more difficult for traders to operate in the hidden economy. The government remains committed to exploring further the wider application of tax conditionality.

2.6 Strengthening and modernising Individual Savings Accounts (ISA) compliance and penalties – In December 2020, the Economic Secretary to the Treasury announced that: “The Treasury is urgently looking at the sufficiency of checks on IF [Innovative Finance] ISA managers and the penalties regime.” Following that announcement, the government is now publishing a call for evidence on proposals to enhance ISA compliance, which will help determine how the current approach can be strengthened and modernised to encourage ISA managers and investors to get things right first time. The proposals apply to all types of ISA – Cash, Stocks and Shares, Junior, Lifetime and Innovative Finance.

2.7 Consulting on making Stamp Duty Land Tax (SDLT) reliefs fairer – The government is publishing a consultation on the SDLT reliefs for purchases of mixed property and multiple dwellings. These reliefs are being exploited by some purchasers to unfairly reduce their tax liability. This consultation sets out potential changes to make the system fairer and reduce the scope for misuse and incorrect claims.

2.8 New stakeholder forum on tackling offshore tax non-compliance – The government has established an HMRC stakeholder forum with representative bodies and agents to explore ideas to tackle offshore tax non-compliance. This follows from the publication of two discussion documents in spring 2021, as part of implementing HMRC’s ‘No Safe Havens’ strategy. The documents sought views on how to help taxpayers reduce offshore non-compliance in relation to non-UK income, gains and assets, and how to reduce and prevent international tax debt.

2.9 Exploring the potential of VAT split payment – The government is committed to exploring further VAT split payment, an alternative method of VAT collection where the tax element of a digital payment could be remitted directly to HMRC. While the work is at an exploratory stage, the government will continue to assess the potential of split payment both for tackling overseas VAT non-compliance and wider tax modernisation. The government

is grateful for the ongoing input of stakeholders in the payments industry and will continue to take this work forward collaboratively, including through the Industry Working Group established in 2018.

2.10 Use of marketed tax avoidance schemes in the UK – HMRC is publishing its annual report on the use of marketed tax avoidance schemes in the UK. It sets out the numbers and characteristics of taxpayers using avoidance schemes in the tax year 2019-2020. The report includes data on occupations, locations, ages and the average declared incomes of those involved in avoidance.

Chapter 3

Further tax policy announcements

3.1 It is important that the tax system continues to be fit for the modern world, and that government continues to take action to level the playing field and increase transparency. The policies set out in this section open new consultations on promising areas for potential reform and set out next steps on reform work already underway.

Taxes fit for the modern world

3.2 Ensuring Landfill Tax continues to support environmental objectives – In spring 2021, the government announced it would review aspects of Landfill Tax in England and Northern Ireland. It is now launching a call for evidence, focused on how Landfill Tax can continue to support the government's ambitious environmental objectives, including achieving zero avoidable waste by 2050.

3.3 Delivering Budget commitments on business rates – The government is launching a technical consultation on business rates reform. This consultation sets out detailed proposals for delivery of a number of the commitments in the final report for the business rates review. It focuses on the move to a more timely and transparent system of three-yearly revaluations, and sets out further technical detail on measures to facilitate this, as announced at Autumn Budget 2021. The consultation also set outs further detail on the new improvement relief and changes to support investment in green plant and machinery, and several administrative changes.

3.4 Publishing a consultation on an online sales tax – As announced at Autumn Budget 2021, the government continues to explore the arguments for and against a UK-wide online sales tax. Any revenue raised would be used to reduce business rates for retailers with properties in England, with the block grants of the Devolved Administrations increased in the usual way. A consultation on this will be published in the new year.

3.5 Retaining a hybrid rules exemption for regulatory capital – The government is changing the hybrid and other mismatches rules to ensure that an exemption for certain regulatory capital instruments issued by banks will be retained after 31 December 2022. Secondary legislation will be laid next year to make this change.

3.6 Improving the administration and operation of Insurance Premium Tax (IPT) – The government is publishing a summary of responses to the consultation on IPT. Following the consultation, the government plans to engage with the insurance industry to explore appropriate public access to a

register of insurers registered to pay IPT, alongside a code of conduct for brokers.

3.7 Modernising Aggregates Levy exemptions – The government is publishing a summary of responses to the consultation on the tax treatment of aggregate removed during construction works. In light of these responses, the government proposes to legislate in a future Finance Bill so that the exclusion from the Levy for aggregate that is returned to the land at the site where it was won applies only for a purpose connected to the winning of aggregate. The government will also examine the feasibility of consolidating several exemptions from the Levy into one for unavoidable by-product aggregate extracted as part of a construction project.

3.8 Allowing UK securitisations and insurance-linked securities arrangements to operate more effectively – The government is publishing a summary of responses to the consultation on the reform of taxation of securitisations and insurance-linked securities which closed in June 2021. The consultation process identified several areas where the tax rules should be updated to reflect developments in the current market. The government is publishing draft legislation to make these changes.

3.9 Supporting the delivery of deposit return schemes – In order to ensure that new drinks deposit return schemes being introduced across the UK operate effectively, the government will explore and make any necessary legislative changes to the VAT regulations.

3.10 Helping to mitigate the tax and Exchequer impacts of accountancy changes for insurance contracts – Following the Autumn Budget 2021 announcement that the government is taking a power to spread the transitional impact of the new international financial reporting standard IFRS17 for corporation tax purposes, a consultation on next steps is being published. This will inform the design of secondary legislation. It will also cover removing the requirement for life insurance companies to spread acquisition expenses over seven years for tax purposes.

3.11 Reforming Research and Development (R&D) tax reliefs – The government is publishing a report on the review of R&D tax reliefs. At Autumn Budget 2021, the government announced that R&D tax reliefs would be reformed to support modern research methods by expanding qualifying expenditure to include data and cloud costs; to capture more effectively the benefits of R&D funded by the reliefs, through refocusing support towards innovation in the UK; and to target abuse and improve compliance. This document provides further detail and next steps for the review. It also includes a summary of responses received to the consultation published at Spring Budget 2021.

3.12 Customer experience in claiming R&D tax reliefs – As part of the R&D review announced at Spring Budget 2021, the government commissioned an independent research organisation to conduct research into customer experiences of preparing and submitting claims for R&D tax reliefs (R&D Expenditure Credit and the Small and Medium Enterprises scheme). The research explored companies' behaviours and decision-making processes

when preparing R&D tax relief claims. The government is publishing the findings of this research.

3.13 Updating the definitions of an investment bank – The government will update the definition of a bank in the existing bank-specific tax rules to ensure that they continue to operate in line with current policy following the Financial Conduct Authority's (FCA) introduction of the new Investment Firm Prudential Regime. Secondary legislation will be laid next year.

3.14 Call for evidence on the umbrella company market – The government is publishing a call for evidence to ensure it has an up-to-date and well-informed view of how the umbrella company market operates. The call for evidence invites views from stakeholders on the role that umbrella companies play in the labour market, and how they interact with the tax and employment rights systems. It sets out the concerns that have been raised by some stakeholders, as well as government action already taken to tackle tax non-compliance and improve protection for workers.

3.15 Exploring potential VAT challenges posed by the sharing economy – Following the publication of a call for evidence and summary of responses earlier this year, the government continues to work with stakeholders both in industry and at the OECD to develop its understanding of the sharing economy and its implications for VAT. Specifically, the government is conducting further engagement with stakeholders on the VAT rules for cross-border services supplied between businesses, as well as the possibilities offered by increased data sharing and how such sharing or reporting would be best achieved. The government recognises the opportunities and value created by the sharing economy, while remaining committed to protecting the tax base.

Level Playing Field

3.16 Helping to level the playing field for alternative finance arrangements – The government is widening the scope of the alternative finance rules to allow FCA-regulated Home Purchase Plan providers and alternative finance arrangements through FCA-regulated peer-to-peer platforms to access the rules. This will allow these products to be treated in the same way as conventional mortgages and loans for tax purposes, contributing towards a level playing field for Islamic and conventional finance products. Changes will be made through secondary legislation in 2022. Arrangements entered into between the publication of this paper and the effective date of the secondary legislation will be eligible, but only in relation to events occurring after the effective date.

3.17 Consistency for partnerships on Capital Gains Tax roll-over relief – The government will expand the scope of Capital Gains Tax roll-over relief to include Limited Liability Partnerships and Scottish partnerships. These partnerships are currently unable to claim relief on an exchange of interests in land held jointly by their members/partners, in contrast to English partnerships. This was not the intention of the relevant legislation (The

Taxation of Chargeable Gains Act 1992) and the government will therefore amend it.

3.18 Small Brewers Relief (SBR) – The government is publishing its response to the technical consultation on SBR published earlier this year. At Autumn Budget 2021, the government announced as part of its alcohol duty review that it would introduce a new Small Producer Relief that would supersede SBR. This sets out the government’s conclusions in relation to the questions raised in the technical consultation to help brewers and other stakeholders respond to the alcohol duty review in more detail.

Transparency

3.19 Increasing transparency on tax reliefs – The government is publishing a list of the objectives of non-structural tax reliefs. This is in response to a commitment made to the Public Accounts Committee in 2020.

Annex A

Accompanying documents

- A.1 These documents can be found at:
<https://www.gov.uk/government/collections/tax-administration-and-maintenance-autumn-2021>
- A.2 A list of tax consultations can be found at:
<https://www.gov.uk/government/publications/check-the-status-of-tax-policy-consultations>

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk