

Quarterly Article - Summary of Responses – 30 Sept 2014

During the third quarter of 2014, AAT has responded to 16 consultation documents and this summary provides a brief overview of our responses to each of these consultations. If you would like to read the full responses to any of these consultations then these can be found on our website at [AAT public policy work](#) or accessed through the links provided below.

On 7 July 2014, AAT submitted a response to a Department of Business, Innovation and Skills (BIS) consultation document on the [Data sharing for non-economic regulators](#)

In its response AAT outlined its support for the principle of data sharing between regulators in order to reduce duplication, as it would thereby reduce the administration burden imposed both on business and the UK citizen. However, at the same time AAT recommended that the data principles are applied and that safeguards are included in the primary legislation to enforce transparency and accountability.

If you would like to read AAT's full response this can be found at:
[AAT response to the Department of Business, Innovation and Skills \(BIS\) consultation document on "Data sharing for non-economic regulators"](#)

On 23 July 2014, AAT submitted a response to a HMRC consultation document on the [Exposure draft disclosure initiative \(Proposed amendments to IAS 1\)](#)

The proposals contained in the Exposure Draft are only intended to achieve limited and short-term improvements and the long-term IAS goal is ensuring the content of financial statements achieves the objectives of transparency and conciseness.

It was AAT's view the proposals offer clarity in respect of the disclosure requirements in existing IFRSs and enabled principles to be developed for disclosures within the notes. The difficulty some preparers have had in the current form of IAS 1 has been the interpretation of some of the terminology and therefore the amendments to some terminology is welcomed by AAT on the basis that it will enable reporting entities to exercise more judgement in presenting and disclosing information within the notes and hence improve the overall relevance of disclosures.

If you would like to read AAT's full response this can be found at:
[AAT response to the IASB's "Disclosure Initiative - Proposed Amendments to IAS 1"](#)

On 29 July 2014, AAT submitted a response to a HMRC consultation document on the [Direct recovery of debts](#)

The consultation document described a new power which will allow HMRC to recover debts from the bank and building society accounts of debtors who are able to pay what they owe but have chosen not to do so, and have not responded to HMRC's attempts to contact them and collect these sums.

AAT's view is that HMRC needs to further address the following key concerns:

- i) That the consultation process has been insufficient
- ii) The predication that the debt to be pursued has been definitively established (the phrase when the 'debt is established' meaning unilaterally by HMRC)
- iii) The need for the compliance of deposit takers (At the time that AAT met with the senior HMRC officers it became clear that discussions with the deposit takers had not, at that stage, taken place on a substantive basis, which further undermined AAT's confidence in the consultation process)

- iv) The risk of the subjectivity in decision making by HMRC staff if implemented
- v) That the safeguards are not sufficient to protect the more vulnerable
- vi) That the behaviour of those “gaming the system” that the proposals in the condoc are designed to impact on will be driven to take further measures to ensure continued avoidance.
- vii) That there is no consideration as to the role that agents could play in the process

If you would like to read AAT’s full response this can be found at:

[AAT response to the HMRC consultation document on "Direct Recovery of Debts"](#)

On 3 August 2014, AAT submitted a response to a HMRC consultation document on the [Maintaining customer service levels in peak periods: draft legislation](#)

AAT noted the proposal is to suppress the coding notice, “where the employee's PAYE income is not chargeable to tax, or it is not anticipated that there is likelihood of a deduction on an individual's PAYE income.”

In the Explanatory Memorandum to the draft legislation it stated that, “these changes do not affect an individual's rights of appeal against their notice of coding”. However, the fact that there is a delay of 30 days from generation to receipt does disadvantage an employee by meaning that they will suffer the deductions made under PAYE for at least a period of 30 days longer than previously had been the position.

AAT did not support the delay of 30 days for the employee to receive their coding notice after the employer has received their notice.

If you would like to read AAT’s full response this can be found at:

[AAT response to the HMRC consultation document on draft legislation: "the Income Tax PAYE amendment No. X regulations 2014"](#)

On 26 August 2014, AAT submitted a response to a HMRC consultation document on the [VAT: Mini One Stop Shop](#)

AAT noted that the regulations as drafted appeared to achieve their objectives as described in the consultation document and that the draft regulations did not appear to generate any unintended consequences.

If you would like to read AAT’s full response this can be found at:

[AAT response to VAT MOSS amendment to VAT Regs 1995](#)

On 27 August 2014, AAT submitted a response to a HMRC consultation document on the [Draft legislation – The Taxation of pensions bill](#)

AAT believes the flexibility the Bill seeks to introduce will increase engagement with retirement savings thereby helping individuals make greater provision for their retirement.

AAT is also of the view that the measures will make it easier for retirees to access their funds in the manner that more efficiently meets their needs.

While AAT is supportive of the aims of the draft legislation, AAT remains concerned, as expressed in the AAT’s earlier response to the HM Treasury consultation document “Freedom and Choice in Pensions”, that some individuals could find the array of choices that will be open to them in retirement bewildering. AAT also expects non-advised retirees to make withdrawals that are not tax-efficient.

AAT repeated its assertion that the effectiveness of the guidance service in directing individuals towards products that are suitable for them will be crucial to the success of the policy.

If you would like to read AAT's full response this can be found at:
[AAT response to the draft legislation of the Taxation of Pensions Bill](#)

On 29 August 2014, AAT submitted a response to a HMRC consultation document on the [A fairer way of calculating trust charges](#)

AAT expressed disappointment that the model that had been selected and continued to be used for the basis of these further discussions was suggested by only a small group of interested stakeholders at the time of the 2013 consultation.

AAT was, further, disappointed that greater consideration was not given to the overwhelming consensus put forward at the time of the 2013 consultation for alternative arrangements to be explored. The introduction of a renewable Settlement Nil Rate Band, or a true realistic life-time allowance amount for trusts within a charging regime that is both flexible for the size of trust and purpose of the arrangement, would be viewed as fair.

If you would like to read AAT's full response this can be found at:
[AAT response to Inheritance Tax: A fairer way of calculating trust charges](#)

On 9 September 2014, AAT submitted a response to a HMRC consultation document on the [VAT: prompt payment discounts](#)

AAT supported the proposal that businesses must account for VAT on the consideration actually received. Furthermore, AAT noted that the nature of the change and its timing has been decided and was not part of the consultation.

Other than the additional costs involved, AAT is not aware of any particular issues or difficulties. The additional costs will include monitoring the debtors list to identify when the terms of prompt payment discounts are taken up and arranging for credit notes or revised invoices to be issued.

If you would like to read AAT's full response this can be found at:
[AAT response to the HMRC consultation document on "VAT Prompt payment discounts"](#)

On 10 September 2014, AAT submitted a response to a HMRC consultation document on the [Employee benefits and expenses: trivial benefits exemption](#)

The subject of the consultation document was the introduction, for the first time, of a statutory trivial benefits level and to define what a "trivial benefit" should be.

AAT welcomed the consultation and supported many of the views and proposals expressed by HMRC. However, the response highlighted a number of reservations AAT had regarding the lack of simplification and the effects the proposed changes might have. In some respects the proposals would be likely to increase burdens.

If you would like to read AAT's full response it can be found at:
[AAT response to Employee benefits and expenses: trivial benefits exemption \(PDF\)](#)

On 10 September 2014, AAT submitted a response to a HMRC consultation document on [Abolishing the threshold for taxation of BiKs for employees who earn at a rate of less than £8,500](#)

The proposal was to remove the current £8,500 threshold for Benefits in Kind (BiKs) and to identify the groups of employees, employers and others who will be affected by the change and to hear views on whether certain groups require some form of protection to mitigate against the full effects.

The consultation document asserted that the abolition of the £8,500 threshold will make little difference to the BiK reporting processes which has to be followed by employers. AAT agreed with this in part only. Fundamentally all the abolition does is substitute the P11D for the current P9D in some cases. However, since a low paid worker will suddenly be subject to many more potential charges on BiKs it is clear that removing the P9D and forcing employers to do a P11D instead increases the number and scope of benefits to be reported.

If you would like to read AAT's full response this can be found at:
[AAT response to Abolishing the threshold for taxation of BiKs for employees who earn at a rate of less than £8,500 \(PDF\)](#)

On 12 September 2014, AAT submitted a response to a HMRC consultation document on the [Employee Benefits and Expenses – exemption for paid or reimbursed expenses](#)

The proposal set out in this consultation is the replacement of the current dispensations regime with a statutory exemption for qualifying expenses that are paid or reimbursed by employers.

AAT has been advocating the self-certification of dispensations for many years because on the basis that compliant employers often find themselves non-compliant simply because they, did not hold an up to date dispensation or they failed to arrange one in the first place.

AAT considered that compliance with the rules is important. Therefore, we welcome the proposal to move away from dispensations and get back to promoting compliance with the rules.

If you would like to read AAT's full response this can be found at:
[AAT response to Employee Benefits and Expenses - exemption for paid or reimbursed expenses \(PDF\)](#)

On 12 September 2014, AAT submitted a response to a HMRC consultation document on the [Real time collection of tax on benefits in kind and expenses through Voluntary Payrolling](#)

The objective of this consultation is the creation, for the first time, of a proper formal structure for the payrolling of BiKs and for dealing with expenses reimbursements which might fail the current exemptions. It also sought to define those benefits which might apply and provide employers and agents with a framework to work within.

Payrolling has immense advantages for many employers however AAT did not consider it to be suitable for all. Those employers who have access to expensive software and skilled payroll staff will find it beneficial to use payrolling for some of their BiKs. Unfortunately, smaller employers are less likely to have access either to software systems with extensive capabilities or highly skilled staff and it is these employers who would like to benefit from payrolling that will be least able to make good use of it.

If you would like to read AAT's full response this can be found at:
[AAT response to Real time collection of tax on benefits in kind and expenses through Voluntary Payrolling \(PDF\)](#)

On 12 September 2014, AAT submitted a response to a HMRC consultation document on the [Remuneration practices: call for evidence](#)

The purpose of this “call for evidence” is the request for information to improve the government’s understanding of the wider picture around remuneration including the factors and issues that influence businesses’ and individuals’ decisions when negotiating remuneration packages.

AAT’s view is that a professional approach to salary sacrifice and flexible benefits set ups by the government will allow employers to review their practices and create modern packages for the 21st century which can make full use of the tax efficiency currently permitted. We expressed concern that the review of the tax system, as it applies to such arrangements, should not result in significantly reducing employer provided benefits.

If you would like to read AAT’s full response this can be found at:

[AAT response to Remuneration practices: call for evidence \(PDF\)](#)

On 15 September 2014, AAT submitted a response to a HMRC consultation document on the [Legislating Extra Statutory Concession D33](#)

The consultation document proposed to replace the long standing Extra Statutory Concession (ESC) D33 with additional legislation. Furthermore, the consultation is proposing to replace the existing, recently introduced, £500,000 limit with an absolute limit of a £1m exemption for compensation, whereby amounts in excess of the £1m limit would be subject to Capital Gains, or Corporation, Tax.

AAT supports the proposal to replace ESC D33 with appropriate legislation, where a capital sum is received from a right of action. AAT added that a provision should be included for the exemption limit to be linked to inflation and regularly reviewed.

If you would like to read AAT’s full response this can be found at:

[AAT response to Legislating Extra Statutory Concession D33 \(PDF\)](#)

On 19 September 2014, AAT submitted a response to a HMRC consultation document on the [VAT relief on substantially and permanently adapted motor vehicles for disabled wheelchair users](#)

HMRC has evidence of abuse of the VAT zero rate relief on the supply of motor vehicles that have been substantially and permanently adapted for the personal use of a disabled person who normally uses a wheelchair. AAT supports these common-sense proposals to curb abuse of the relief and focus the relief on the people for whom it was designed.

If you would like to read AAT’s full response this can be found at:

[AAT response to VAT relief on substantially and permanently adapted motor vehicles for disabled wheelchair users \(PDF\)](#)

On 22 September 2014, AAT submitted a response to a HMRC consultation document on the [Improving the operation of the Construction Industry Scheme \(CIS\)](#)

AAT supported the Government’s goal of improving the operation of the CIS. AAT recognises that the current system is costly to clients, agents and HMRC, and supports the general principle of HMRC investing extensively in digital services to save businesses time and money, making transactions faster and to simplify end-to-end processes.

AAT strongly recommended that before HMRC designs a new on-line verification system that it engages with interested parties at the earliest possible instance to identify the required key features. AAT also recommended that HMRC work with the digitally-excluded to ensure that an enhanced-digital solution was found to meets their needs as well.

If you would like to read AAT's full response this can be found at:
[AAT response to Improving the operation of the Construction Industry Scheme \(PDF\)](#)

At the time of writing this article AAT is also involved in preparing responses to the following formal consultation documents:

Consultation Document	Response submission Deadline
FRC - Accounting standards for small entities - Implementation of the EU Accounting Directive	30/11/2014
Pension Schemes Bill 2014-15	06/11/2014
Tackling offshore tax evasion: A new criminal offence	31/10/2014
Tackling offshore tax evasion: Strengthening civil deterrents	31/10/2014
BIS - EU Accounting Directive: financial reporting	24/10/2014
Strengthening the Tax avoidance disclosure regimes	23/10/2014
Regulation of Auditors of Local Public Bodies	17/10/2014
Internationally mobile employees and earnings related securities	16/10/2014
Draft legislation: The Income Tax (Recommended Medical Treatment) Regulations 2014	15/10/2014
Inheritance Tax: exemption for emergency service personnel	15/10/2014
Restricting non-residents' entitlement to the UK personal allowance	09/10/2014

If you have any comments or views on any of the above consultation documents, and assuming that the deadline has not passed, then we would like to hear from you. Please email your comments to consultation@aat.org.uk

Volunteers – for HMRC Forums, subgroups and workshops

From time to time HMRC approaches AAT looking for volunteers for one of their forums, subgroups or workshops. We already have a number of members who help us in this regard but we are looking to bolster this number to ensure we can continue to raise our profile through collaboration with HMRC.

Currently, we are looking for volunteers to assist HMRC with user testing of new systems, for example on the [Agent Online Self Serve \(AOSS\)](#).

If you would be interested in getting involved please email your contact details (email address, mobile phone number and membership number) to aleemi@aat.org.uk

At this time we would particularly like to hear from Members in Practice who specialise in Employment-related securities, capital taxes or inheritance tax.

End of report