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# ICAS Tax Policy Positions

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# The ICAS role

The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent 23,000 members who advise and lead businesses. Around half our members are based in Scotland, the other half work in the rest of the UK or in almost 100 countries around the world.

ICAS has a public interest remit – a duty to act not only for its members but for the wider public good. Our role is to work in a positive and constructive manner to advise policy makers on legislation and to raise issues of importance to our members, individual taxpayers and businesses.

Taxation is one such area of importance and ICAS has contributed, and will continue to contribute, to tax policy in Scotland, the UK and beyond.

The Tax Board's objectives in establishing its policy positions are to:

- act in the public interest;
- provide constructive input to the authorities; and
- represent ICAS members and students.

We see flaws in the UK tax system which is too complicated; individuals and businesses cannot easily understand their tax position or see what they are contributing. Our policies are aimed at addressing these issues.

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# Introduction

Our members continue to ask for stability, certainty and significantly fewer changes to the UK tax system. We continue to call for roadmaps, setting out future intentions in key areas, but uncertainty about the future direction of UK tax policy remains an issue.

The transfer of tax powers to Scotland and other devolved administrations inevitably means change, potential differentiation and additional complexity.

At the same time, Making Tax Digital sets out to be transformational but ongoing implementation presents significant challenges.

Looking ahead the government will need to consider modernising tax rules, particularly to address changes in working practices (for example, hybrid working) and environmental issues.

The ICAS Tax Board has a number of agreed policy positions. Proactive work focuses on the following areas:

- tax administration, including Making Tax Digital;
- devolution of taxes; and
- simplification of tax law and policy (and improvements to administrative processes).

Further policy positions inform our contributions to consultations and reactive work.

In adopting its policy positions, and actively pursuing these, the ICAS Tax Board seeks to ensure that:

- ICAS and its members are highly regarded in relation to tax by all stakeholders – members, fellow professionals, employers, government, revenue authorities, and the public;
- members have clear sight of the activities undertaken on their behalf by ICAS, and
- there is a wider public understanding of tax, evidenced by:
  - more informed comment regarding tax amongst the press and public;
  - unrepresented taxpayers understanding the tax system well enough to be able to comply with their obligations, or to be able to make an informed decision that they wish to employ an agent; and
  - a public perception of fairness in our tax system, to encourage compliance at all levels.

This document contains the policy positions agreed by the ICAS Tax Board in 2023 which inform the work of ICAS Tax. However, the policies are not static, and they will be reflected upon and revised as tax policy, and the wider economic and political picture, develop.

Members of ICAS are invited to raise their views and concerns, to join the ICAS tax committees, and to contribute to, and gain from, the ICAS Tax Community. Please get in touch by emailing [tax@icas.com](mailto:tax@icas.com).

# Tax administration, including Making Tax Digital (MTD)

## Our work on tax administration aims to:

- Assist HMRC in developing a tax administration which is easy to use at the point of contact between taxpayer and taxing authority, allowing all taxpayers (including the digitally challenged) to have effective and efficient access to the tax system.
- Ensure proper agent access to HMRC systems, including improvements to the authorisation processes for agents so that they are accessible to all taxpayers for all HMRC systems.
- Inform the general public about Making Tax Digital (MTD) and represent the public interest in the transformation of tax administration.
- Use ICAS expertise and that of its members, to work with HMRC to assist in the effective implementation of MTD for business income tax and MTD for CT.
- Support ICAS members both in practice and in business so that they can maximise the benefits of MTD and minimise the effects of any negative aspects.

## Our policy positions are:

- HMRC and Revenue Scotland, as appropriate, should respect the role of the appointed tax agent as representative of the taxpayer – see the ICAS Agent Strategy.
- ICAS does not support mandatory 'online everything' in the tax system. ICAS believes:
  - digital facilities should be accessible to all on the terms that they want;
  - digital services should be so good that everyone wants to use them. and
  - our members are well placed to encourage and support digital use where appropriate
- HMRC systems can cause security issues, where digitally challenged individuals have to provide information to others in order to authorise an agent through the digital handshake process
- ICAS believes that a well-resourced and efficient tax authority is essential for the smooth running of tax administration, and that digitalisation of tax administration will not remove the need for adequate resources.
- ICAS welcomes the MTD initiative as one with potential for streamlining the interface between taxpayer and taxing authority but urges caution in the pace and manner of its introduction, particularly for smaller businesses below the VAT threshold.
- ICAS sees two main sources of difficulty with the introduction of MTD for business income tax: (i) how to achieve a simple interface which accurately reflects what is at present complex legislation, and (ii) how to deal with software issues and digitally challenged taxpayers, without loss of public confidence.
- Implementation of MTD for business income tax and corporation tax should take place within a realistic timeframe, i.e. there should be proper consultation, a pilot covering a full annual cycle and sufficient time for full rollout; lessons should be learned from the implementation of MTD for VAT.
- ICAS believes that proper communication to taxpayers is critical to the introduction of MTD; there is a need to ensure appropriate information is available to support proper, informed decision making by taxpayers with their software.
- The system should be designed to ensure that taxpayers are aware of all reliefs and claims appropriate to their circumstances, and that businesses are not hindered though lack of access to the tax support legislated for and envisaged by Parliament.
- ICAS has issued its [Making Tax Digital strategy](#).

# Devolution of tax powers

## Our work on the devolution of tax powers aims to:

- Bring the expertise of our members in Scotland, Wales and NI to the fore. With approximately half our members based in Scotland, we take an in-depth, proactive approach to devolved tax policy and monitor its development in all jurisdictions.
- Contribute our experience and technical expertise across a range of different taxes – devolved taxes, partly devolved taxes, and assigned VAT.
- Analyse the wider impact at the macro level in terms of raising money, the fiscal frameworks and Barnett Formula, and the need for transparency to enable understanding of public finances.
- Examine the devolved tax powers at the micro level in Scotland, Wales and NI, by considering issues such as tax powers and policies, tax collection, new tax measures, the impact on taxpayers, political choice, impact assessment, and commercial certainty.
- Liaise with the new authorities and personnel, including but not limited to Revenue Scotland, the Scottish Government Tax Directorate, HMRC on Scottish income tax, and the Scottish Fiscal Commission, to provide engagement, scrutiny and challenge, as well as their Welsh and NI counterparts.
- Actively participate in work around the wider meaning of devolution, such as how decisions are made to devolve; the contrast between Wales, N. Ireland, Scotland and the English cities; and in Scotland, from Holyrood to the local authorities.

## Our policy positions are:

- There should be a rolling five-year roadmap to set out the objectives and proposed timeline of devolved taxes policy by all devolved jurisdictions, noting that the Scottish and Welsh Governments have set their broad tax policy frameworks out for the 2021 – 2026 and 2018 – 2022 years respectively. These, as well as any future framework set out by NI, are expected to develop in the years to come.
- There needs to be greater public awareness, and accessible public information about how devolved taxes work and sit alongside UK taxes, to enable and encourage informed decision making by taxpayers and citizens generally.
- There should be a process that allows for regular maintenance of the devolved taxes; this should be part of the budget process, including formalising a regular timetable and mechanism for stakeholders to give input on any operational and policy concerns with the tax legislation.
- There should be sound financial processes that provide useful and meaningful financial information to allow a better understanding of tax policy and tax collection and how these have been used to support public finances.
- The devolved Governments should work closely with the UK authorities to ensure that tax administration is kept as streamlined as possible whilst implementing the devolved tax powers.
- Simplification of tax needs to be borne in mind when deciding parameters with tax impact during devolution negotiations and the design of devolved or new taxes. While these are primarily political negotiations, ICAS would urge the devolved and UK Governments to recognise the potential for adding (necessary and/or unnecessary) complexity to UK and devolved tax law.

# Simplification of tax law and policy

## Our work on the simplification of tax law and policy aims to:

- Highlight the importance of addressing the underlying complexity of the UK tax system which causes considerable difficulties for taxpayers and HMRC. It would be easier to implement all strands of the 10-year tax administration strategy and greatly improve the experience of dealing with tax administration for taxpayers, agents and HMRC, if the UK tax system could be simplified.
- Following the abolition of the Office of Tax Simplification, use ICAS expertise and that of its members, to work with HMRC to identify opportunities for simplification – both simplifying existing legislation and improving processes.
- Work with HMRC to improve administrative processes and guidance, to assist taxpayers in dealing with the complexity in the tax system. This is not a substitute for tax simplification but would still facilitate compliance, reduce costs (for HMRC and taxpayers), and reduce disputes.

## Our policy positions are:

- Complexity increases costs for everyone engaging with the tax system. Complex tax law is reflected in complex tax administration systems which are difficult to use and do not facilitate compliance. HMRC and taxpayer resources are diverted into dealing with corrections, appeals and disputes. Increased digitalisation has the capacity to improve tax administration but without simplification of the underlying rules, the full benefits will not be realised.
- Trust in HMRC and the tax system is undermined because many individuals and small businesses cannot understand their basic tax obligations. Complexity also gives rise to uncertainty which deters business investment. There will always be some complex areas, but it should be possible for the majority of businesses and individuals to have some understanding of their tax position.
- ICAS supported the work of the Office of Tax Simplification and is disappointed that it has been abolished. Following the abolition, the government gave HM Treasury and HMRC a mandate to focus on simplifying the tax code. Given HMRC's responsibilities and resourcing issues, it is important that work on simplification is not simply dropped. ICAS will seek to work with HMRC and other professional bodies to identify opportunities to reduce complexity in existing tax legislation and to improve tax administration processes – and to prevent, wherever possible, further complexity being added in the annual Finance Bill.
- Not all taxpayers will be willing or able to respond directly to tax consultations and calls for evidence. The OTS was able to interact with many of these taxpayers to obtain input for its reports. Following abolition, professional bodies should try to ensure that they provide a channel for input from some of those who will not otherwise respond.
- An immediate decrease in the complexity of UK tax law could be achieved by repealing outdated tax reliefs where the continuation of the relief cannot be justified on a cost/benefit analysis. All tax reliefs should be reviewed regularly to examine whether they continue to achieve their intended objectives – and whether the objectives remain valid. Where possible reliefs should include a 'sunset' clause so that action would need to be taken to retain them.
- Agreed simplification criteria should be developed, with input from the tax authorities and the profession. All Tax Information and Impact Notes (TIINs) should be required to assess the proposed new legislation or amendments against the agreed simplification criteria – and to explain why the changes should proceed, if the result will be increased complexity.
- Simplification would be more likely to happen if governments were transparent about the need to raise tax revenues. Unwillingness to increase the main revenue-raising taxes leads to opaque tax changes and increased complexity, for example the HICBC.

# Taxes and the environment

## Our work on taxes and the environment aims to:

- Support calls for the government to take a more proactive and consistent approach to the role of tax in getting to net zero – including support for publication of an environmental tax strategy.
- Encourage the government to consider the implications for the UK net zero target when drawing up tax proposals and recommendations – for specific environmental taxes and for taxes more broadly.
- Highlight aspects of the tax system which encourage or facilitate behaviour and business practices which are at odds with the government's environmental goals. For example, VAT disincentives to the renovation and repair of existing buildings.
- Consider how all taxes can be used to encourage green behaviour – bearing in mind that it is also important to avoid adding extra complexity and onerous administrative burdens.

## Our policy positions are:

- The government should introduce an environmental tax roadmap or strategy. Without one, individuals and businesses are likely to find it difficult to plan ahead for the tax changes and costs which will arise as part of the implementation of the UK Government's Net Zero Strategy. It may also be difficult for the government to ensure that tax policy is closely aligned with the development of new green technologies and supporting infrastructure.
- The aim of any specific environmental taxes should be to drive behavioural change and deliver benefits for the environment; they should not be designed primarily to raise revenues.
- The long-term consequence of successful environmental taxes will, therefore, often be reduced government revenues. At some point it may no longer be possible to raise enough revenue from taxing environmental 'sins' or to continue to incentivise green behaviour through tax breaks. The government will have to identify alternative ways of raising revenues – and persuade the public to accept that other taxes may have to increase to fill the gap.
- The UK Government and the devolved administrations need to work together on net zero policy and implementation. A piecemeal approach to significant green taxes is likely to increase administrative burdens and reduce effectiveness.
- New environmental taxes should be subject to the same scrutiny as other new taxes, and a coherent and consistent approach should be adopted. This may be more difficult to achieve if taxes are introduced in a piecemeal way and vary from place to place (for example, workplace parking levies).
- Beyond specific environmental taxes, the government will need to consider modernising the wider tax rules, particularly to address changes in working practices (for example, hybrid working) and environmental issues.
- The environmental impact of proposed tax changes should be considered as part of the consultation and implementation process.

# Taxation of multinational enterprises

## Our work on taxation of multinational enterprises aims to:

- Draw on the expertise of our members working in (or advising) large companies to provide insight and feedback to HMRC and HM Treasury on UK tax proposals affecting multinational enterprises.
- Identify areas where ICAS can make a useful contribution on practical matters affecting large businesses operating in the UK, for example, uncertainty and flaws in the tax administration system, tax reporting and large business relationships with HMRC.

## Our policy positions are:

- ICAS believes that a predictable and sustainable tax regime is necessary to support long term economic performance. Whilst the tax system needs to be flexible to deal with change, companies should be able to plan for the future with confidence. Brexit caused a period of considerable uncertainty; going forward confidence in the UK should be encouraged by avoiding constant, unpredictable changes to the tax system.
- In determining its tax policy for multinationals, the UK government should bear in mind the need to ensure that the UK remains an attractive place for multinationals and entrepreneurs to do business after Brexit – both to attract new investment and to keep those already located here.
- An efficient tax administration system, which minimises the administrative burdens placed on multinational enterprises is important to multinational enterprises. Most large businesses value the collaborative compliance approach adopted by HMRC – but this is being undermined by a shortage of HMRC customer compliance managers.
- We call for a clear roadmap to be published, setting out the government's long term policy intentions for the taxation of multinationals and to provide clarity on future plans. This will allow businesses to plan for the future with confidence – helping to maintain and attract investment in the UK.
- ICAS believes that an international approach to tackling the taxation challenges arising from multinational companies and the digital economy is essential, to avoid possible double taxation and increased administrative burdens. We support the work of the OECD in seeking agreement on a new framework for international taxation – the two-pillar approach. Further unilateral measures, such as the Diverted Profits Tax and the Digital Services Tax should be avoided. Where unilateral measures are deemed to be essential to protect the UK tax base, these should be introduced on a temporary basis and replaced once international agreement has been reached.
- ICAS encourages all stakeholders to recognise the vital role multinational enterprises play as major contributors to the UK economy, job creators and collectors of tax revenues (VAT, income tax and NIC).
- It should be noted that much tax compliance administration is 'outsourced' to MNEs, with recent examples including the extension of IR35, the Corporate Criminal Offence and the Notification of Uncertain Tax Treatment. Risk assessing and putting in place extensive procedures to comply can be considerable burden and has a significant impact on the cost of doing business in the UK.
- Any extension of Making Tax Digital to corporation tax should take place in a reasonable timeframe, with adequate time allowed for a full pilot. The UK should learn from the implementation of MTD for VAT and from other countries that are also adopting a digital tax approach. The UK also needs to bear in mind the interaction with digital tax systems in other jurisdictions because multinationals operate in many countries. Aligning MTD for multinationals with digital systems in other jurisdictions will reduce compliance burdens and improve reporting.



# Employment Taxes

## Our work on employment taxes aims to:

- Bring the expertise of member firms and other specialist practitioners across the UK to the fore. We take an in-depth, proactive approach to employment taxes policy and monitor its development and consequences across all sectors.
- Contribute practical experience and technical expertise across a range of different employment taxes and remuneration methodologies.
- Analyse the wider impact of legislation and guidance on employers and the labour market .
- Consider the impact of employment taxes measures, powers and policies on taxpayers, agents and businesses (including practicality, commerciality and administrative burden.
- Liaise with the authorities including but not limited to HMRC, DWP, HM Treasury, BEIS and the devolved Governments to provide engagement, scrutiny and challenge.
- Actively participate in policy forums covering all areas of employment taxation with the tax authorities, governments and other institutes.

## Our policy positions are:

- There should be ongoing transparent dialogue between Government departments and trusted stakeholders to engender mutual trust and understanding.
- Stakeholders should have the opportunity to communicate with members and time (i) to consult fully on new legislation and guidance, and (ii) to give input on operational and policy concerns
- There needs to be consistent, clear messaging to employers and proper access for all employers (not just large ones) to appropriate support for reporting and paying employment taxes correctly.
- Government policy should be consistent across employment law and taxation, in that:
  - Taxation of employed and self-employed workers should be more closely aligned
  - Compliance and public awareness should be at the top of the UK Government's agenda and digital and non-digital compliance should be easy for the unrepresented
  - Legal boundaries between employment and self-employment should be accurately defined
  - Individuals supplying their services in the same way should be taxed in the same way, while permitting flexibility of business vehicle
- There should be a clear focus on 'green' training, knowledge and skills in line with COP26 targets, which filters through to all aspects of employment taxation. Employment taxes should encourage green behaviours.
- The cost of employment should be under constant review. The administrative burden of employing people, combined with ever-increasing employment taxes and compliance costs, can represent a barrier to doing business.
- Since COVID, hybrid working has become the norm in many sectors; the Government should be finding ways for employment taxes to assist employers and employees to embrace new working methodologies and to increase productivity and work life quality combined with fair working practices.
- There should be better cross-referencing of employment taxes-related guidance across Government departments which would assist the unwary to avoid reaching incorrect conclusions when carrying out research.

# The role of the tax profession

## Our work on the role of the tax profession aims to:

- Ensure that HMRC recognises the important role of agents in supporting tax compliance and helping their clients to navigate a complex system – and reflects this in its approach to agents.
- Assist in the development of better working relationships between HMRC and agents.
- Work with HMRC in ensuring adherence to professional standards by all agents and reducing the risk of taxpayers appointing a poor agent.

## Our policy positions are:

- ICAS members are bound by a Code of Ethics, which confirms the primary legal duty of care is to the client; the code can also help clients to understand ethical situations. Members are expected to comply with Professional Conduct in Relation to Tax, the latest version of which took effect from 1 March 2017. The Guidance was restructured from 1 March 2019 to include a mandatory core with five supporting help sheets.
- ICAS members are subject to qualification and quality control measures which give important standard safeguards for HMRC and taxpayers. Accordingly, further regulation of ICAS members is not necessary.
- Agents who do not belong to professional bodies should comply with HMRC's 'standard for agents' but this does not fully replicate professional body standards. A consultation process is ongoing on improving standards in the tax advice market. In the meantime, HMRC should take more action to enforce the more limited standards, using all its available powers.
- HMRC and agents need a good working relationship to facilitate taxpayer compliance. It is important that HMRC understands and respects the different relationships between the three parties: taxpayer, agent and HMRC. Some taxpayers may feel comfortable dealing directly with HMRC and will never use an agent or will only use one occasionally to deal with particular transactions; others will want an agent to handle all their tax affairs and to deal with HMRC on their behalf. Agents who are being paid to act for taxpayers will have contractual terms in place, governing the relationship with their clients. Tax agents also have a relationship with, and responsibilities to, HMRC. They should conduct themselves in a professional manner, but their duty of care is to their client, the taxpayer. HMRC needs to recognise this and understand that whilst agents support compliance, they do not have a contractual relationship with HMRC.
- In the long term, ICAS believes that all tax agents should be required to have a professional qualification and to belong to one of the main professional bodies.

# The Tax Board

Within the ICAS governance structure, the Tax Board reports to the Policy Leadership Board, which reports directly to the Oversight Board and to the ICAS Council.

The Policy Leadership Board (PLB) has delegated authority from the ICAS Council in relation to the 'policy leadership' activities of ICAS. The Policy Leadership Board is specifically empowered to manage and direct the affairs of all boards, committees and panels within its remit.

The Tax Board has delegated authority from the PLB in relation to taxation - to set ICAS policy positions, to act on behalf ICAS in relation to all tax matters and to have primary responsibility for managing the relationship with the UK revenue authorities.

Proposals relating to the business affairs of ICAS which are significant to the strategy, contentious or could have a significant financial outcome are reserved to Council.

The Tax Board has oversight of five Committees and one working group, each of which has responsibility for a particular area of tax. These are:

- Indirect Tax
- International and Large Business Taxes
- Private Client
- Devolved Taxes
- Owner Managed Business Taxes
- Employment Taxes Working Group

Members of the Tax Board and the Committees act in a personal capacity and do not represent the views of their firms.



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