

LONDON WALL PARTNERS LLP



“Tax Day” 2021 – Briefing

14 April 2021

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INTRODUCTION

In mid-February the Treasury announced that “To allow for more transparency and scrutiny, documents and consultations that would traditionally be published at a Budget will be published on 23 March”. It was far from clear what would, or would not, emerge just 20 days after Rishi Sunak’s first Budget of 2021. A letter from the Financial Secretary, Jesse Norman, to the Treasury Select Committee promising “... a number of consultations, most of which will be published on the same day” was similarly vague.

Nevertheless, 23 March became labelled “Tax Day” and the focus on its contents intensified when the Chancellor avoided Budget comment on, for example, the future of inheritance tax and capital gains tax. Both had been the subject of detailed reports from the Office of Tax Simplification (OTS), one of which had been commissioned by Mr Sunak.

In the event, the day was marked by publication of over 30 documents, ranging from new consultations and discussion documents to interim reports, calls for evidence and summaries of responses. Despite the quantity, there were some surprising absentees from the list of topics, including tax relief on pension contributions, which had been the subject of an earlier call for evidence.

We have summarised some of the key areas for personal and capital taxes.

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1. PERSONAL TAXATION

Self-catering lets and business rates

Following on from a consultation paper issued last November, there will be legislation to change the criteria determining whether a holiday let is valued for business rates to account for actual days the property was rented. Details of the reform and its implementation will be published shortly by the Ministry for Housing, Communities and Local Government.

Capital gains tax (“CGT”)

Despite the publication of a detailed report by the OTS in November 2020, offering proposed changes to the current rates, exemptions and structure of CGT, Tax Day did not provide any comment from the government in this area. It should perhaps be noted that the OTS is producing a second report on CGT, due to be published later this spring.

2. PENSIONS, SAVINGS AND INVESTMENTS

Pensions tax technical updates

The Treasury has identified “several aspects of the pension tax framework that do not work as intended in all situations”. For example, it cites how the current framework does not easily permit individuals to ask their pension scheme to settle annual allowance charges from previous tax years by reducing future pension benefits (“Scheme Pays”). Technical updates will be made to remove such anomalies.

There was no comment on pension tax relief administration, the subject of a call for evidence that ended last October.

Tax treatment of Superfunds

There will be a review of “the appropriate taxation framework” for Superfunds, which act as consolidator funds for defined benefit pension schemes. The Treasury says that “it should not be assumed that the tax regime that currently applies to entities and transactions in the Superfund structure or the pension schemes that have transferred to the Superfund will remain unchanged”.

Social investment tax relief (SITR)

A summary of responses to the earlier call for evidence on SITR confirmed the Budget announcement that the relief will continue until April 2023.

3. CAPITAL TAXES

Inheritance tax (IHT)

The reporting regulations for estates will be amended so that from 1 January 2022, over 90% of non-taxpaying estates will no longer have to complete IHT forms when probate or confirmation is required. The Treasury says it will respond to other OTS proposals for simplifying IHT “in due course”.

The taxation of trusts

Responses to a taxation of trusts consultation launched in 2018 have finally been published. The Treasury notes that “The responses did not indicate a desire for a comprehensive reform of trust tax at this stage” and it will now “keep the issues raised under review”.

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If you would like to discuss any matters arising from this budget briefing, or would like an informal consultation on your financial matters, please contact Nick Fletcher on +44 (0) 20 3696 6801 or nick.fletcher@londonwallpartners.com.

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