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1. General

1.1 Tax Update and May Day Bank Holiday

Tax Update will be taking a break next week for the Bank Holiday. The next issue will be on 12 May.

1.2 OTS finds HMRC has made considerable progress with its guidance

The OTS has published an evaluation update paper reviewing HMRC's improvements to its taxpayer guidance. HMRC has made 'considerable progress' in this area since October 2018.

In 2018, the OTS reviewed HMRC's guidance for taxpayers and made twelve recommendations for improvement. The review recommended, in particular, a new three-tier structure to HMRC's guidance, with clear distinctions between mainstream guidance, specialist guidance and HMRC's manuals. HMRC has committed significant resource to the Guidance Team, made progress in implementing a new guidance model, and made use of external feedback and a Guidance Strategy Forum. The OTS recommends that additional resources be committed to HMRC's guidance work.

www.gov.uk/government/publications/ots-guidance-review-update-paper

2. Private client

2.1 HMRC letters: Enterprise Investment Scheme relief

HMRC will send letters to investors who claimed tax relief under the Enterprise Investment Scheme (EIS) or Seed EIS, in respect of companies that ceased to meet the EIS conditions. The letters request information to enable HMRC to make an assessment to withdraw EIS relief.

HMRC has announced that it will send letters to taxpayers who invested in companies that ceased to meet the conditions for EIS or Seed EIS relief up to July 2019. The taxpayers are requested to provide details of their investments and the IT relief received, to enable HMRC to raise assessments where relief should be withdrawn. The letters also ask taxpayers who claimed CGT relief on the sale of their EIS investments to contact HMRC to discuss their tax position. HMRC has confirmed that no penalties will be charged where EIS tax relief claims were made before the company invested in ceased to qualify for EIS relief.

www.tax.org.uk/policy-technical/technical-news/eis-withdrawal-tax-relief-hmrc%E2%80%99s-letter-investors

3. Business tax

3.1 New country-by-country reporting penalty factsheet

HMRC has published a factsheet setting out the penalty regime for country-by-country reporting (CbCR).

The factsheet explains when penalties may be imposed and how HMRC determines the amount to be charged. £300 penalties may be charged for failing to file a CbCR return, failing to notify HMRC in relation to CbCR reporting, or failing to provide information requested by HMRC. Daily penalties of £60 may be imposed for continuing failures. The maximum penalty for an inaccuracy is £3,000. It also explains how to appeal against penalties, and what to do if you believe your company has a reasonable excuse for failing to comply.

www.gov.uk/government/publications/compliance-checks-country-by-country-reporting-penalties-ccfs59

3.2 ICAEW calls for super deduction extension

The ICAEW has called for the new super deduction and special rate first year allowance to be extended to assets purchased for the purpose of leasing to third parties.

The ICAEW argues that the extension is in line with the Government's aim to encourage commercial investment and growth. Under the current drafting of the Finance Bill, the 130% super deduction and 50% special rate first year allowance are not available for assets that were acquired with the intention of leasing them out. The ICAEW has also noted that excluding assets acquired for third party leasing would result in considerable complexity where parts of buildings are fitted and leased out.

www.icaew.com/insights/tax-news/2021/april-2021/icaew-calls-for-extension-of-super-deduction

4. Tax publications and webinars

4.1 Tax publications

The following Tax publications have been published.

- [*New Super Deductions for capital investment - Practical issues to optimise relief*](#)

4.2 Webinars

The following client webinars are coming up over the next week.

- 29 April: MTD Phase 2 - Are you ready?
- 6 May: Professional Practices Spring Webinar Series

- 12 May: S&W Sessions: Transfer Pricing
<https://smithandwilliamson.com/en/events/>

5. And finally

5.1 Family Fortunes

We were taken by an interesting recent little op-ed piece in the Times by Paul Johnson of the IFS, who contrived to quote Niccolo Machiavelli while conjuring up game show memories of Bob Monkhouse and Max Bygraves. We salute him. His thesis was simple: inheritance is a big and growing barrier to the social mobility that virtually all politicians favour. Part of the answer, he felt, was inheritance tax. He went on to suggest that this could actually be by reducing the rate and broadening the base as a way of increasing effectiveness and reducing avoidance.

Readers will recall that that view chimes with the All Party Parliamentary Group's Report on Intergenerational Fairness. It has to be said, without expressing a view as to what should happen, if there are any voices speaking up for narrowing the tax base and increasing the rate, they are very quiet. Mr Johnson, himself no bending reed, is, as it happens, a straw in the wind.

www.thetimes.co.uk/article/family-fortunes-inherited-wealth-stands-in-the-way-of-social-mobility-mg3n9sl00

2020 APPG report: www.step.org/system/files/media/files/2020-05/STEPReform_of_inheritance_tax_report_012020.pdf

2019 OTS report: www.gov.uk/government/publications/ots-inheritance-tax-review-simplifying-the-design-of-the-tax

Our comparison: <https://smithandwilliamson.com/en/insights/the-future-of-inheritance-tax/>

Glossary				
Organisations		Courts	Taxes etc	
ATT - Association of Tax Technicians	ICAEW - The Institute of Chartered Accountants in England and Wales	CA - Court of Appeal	ATED - Annual Tax on Enveloped Dwellings	NIC - National Insurance Contribution
CIOT - Chartered Institute of Taxation	ICAS - The Institute of Chartered Accountants of Scotland	CJEU - Court of Justice of the European Union	CGT - Capital Gains Tax	PAYE - Pay As You Earn
EU - European Union	OECD - Organisation for Economic Co-operation and Development	FTT - First-tier Tribunal	CT - Corporation Tax	R&D - Research & Development
EC - European Commission	OTS - Office of Tax Simplification	HC - High Court	IHT - Inheritance Tax	SDLT - Stamp Duty Land Tax
HMRC - HM Revenue & Customs	RS - Revenue Scotland	SC - Supreme Court	IT - Income Tax	VAT - Value Added Tax
HMT - HM Treasury		UT - Upper Tribunal		

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