

Box 4.6: Delivering tax simplification

As part of the Government's new approach to tax simplification, it will make immediate progress with over 20 tax measures:

Business

- beginning this year, doubling the three line account threshold to £30,000 and introducing shorter self-employment pages for businesses with turnovers below the VAT registration threshold, helping 1.3 million businesses submit shorter tax returns;
- doubling the payment on account threshold for income tax self assessment to £1,000 from April 2009, simplifying the payment system for 320,000 businesses;
- consulting this autumn on how best to collect tax on benefits in kind and expenses through the payroll, helping up to 500,000 employers by removing the need for a separate end of year process;
- including consultation on removing the £8,500 a year threshold at which most benefits in kind become taxable, making it simpler for employers when reporting benefits;
- consulting on how to improve the present separate systems for collecting Class 2 and 4 national insurance contributions (NICs), to make it easier for around 3 million self-employed to understand and pay their NICs;
- working closely with business to improve the guidance on tax and NICs, making it easier for all employers to understand and meet their tax obligations;
- repealing outdated legislation relating to expenditure on fire safety equipment from April 2008, making the tax code easier to understand;
- consulting on principles-based responses to avoidance involving income stripping to improve clarity and certainty; and
- consulting on principles-based responses to avoidance involving disguised interest to improve clarity and certainty.

Assets

- removing the need for 250,000 non-residential and residential Stamp Duty Land Tax (SDLT) returns by introducing a notification threshold of £40,000 for all freehold and leasehold transactions at Budget 2008. In addition, notifications will only be needed for certain high-value leases;
- simplifying the relevant legislation for companies that choose to invest in life insurance policies;
- responding to industry concerns about pensions taxation by simplifying the rules for protecting rights to pre-April 2006 lump sums and by cutting the administrative burden of a lifetime allowance anti-avoidance rule; and
- consulting on proposals to rationalise and simplify the business rate relief system while protecting those currently covered by reliefs and continuing the support offered to charities.

Financial Sector

- removing a range of smaller financial and other transactions from the charge to Stamp Duty – cutting the number of forms that need to be presented for stamping by more than 60 per cent;
- consulting on options to make ‘Schedule 19’ of the Stamp Duty Reserve Tax (SDRT) legislation simpler to administer and easier for investors to understand. This will benefit collective investment funds, improving the industry’s international competitiveness;
- publishing HMRC guidance to clarify the direct tax treatment of financial derivative transactions, making it easier for investment funds and investors to deal with the tax system by giving more certainty on future tax treatment of investment strategies;
- publishing a discussion paper today setting out proposals which simplify the offshore funds tax regime, remove tax barriers impacting on the development of offshore funds of funds and ensure the regime continues to prevent UK investors gaining unfair tax advantages. This follows the Budget 2007 announcement that, subject to consultation, the Government intends to legislate for a modernised offshore funds tax regime in Finance Bill 2008;
- modernising the Investment Manager Exemption legislation to clarify and simplify the scope of exempt transactions and ensure a proportionate tax response if a single condition for exemption is not met, so increasing certainty for UK-based fund managers involved in a wider range of activities;
- continuing to consult with the life insurance sector on proposals for further simplification, including on the repeal of complex inherited estates legislation; and
- publishing the latest draft of regulations as part of the final step toward the simplification of rules relating to transfers of life insurance business.

Charities

- continuing to consult with charities to identify ways of making the Gift Aid system – already worth more than £800 million a year to the charitable sector – simpler and easier to use. Further detail on the consultation is available in Chapter 5.

The Environment

- reviewing the hydrocarbon oil duties legislation to simplify the duty rates structure and remove obstacles to the introduction of more environmentally friendly fuels.

Tax Appeals

- consulting on how to streamline and make more consistent across all taxes the process for reviewing decisions and handling appeals before they come before a tribunal, in the context of wider tribunal reform.