Tax Day takeaways

Financial professionals anticipated shake ups to capital gains tax (CGT) and trust taxation on 23 March 2021 'Tax Day'. However, despite various reviews conducted by the Office for Tax Simplification ('OTS') and other independent agencies last year, no such reforms were included in the policy papers. This ultimately leaves individuals and advisors with more questions than answers.

Although the briefings left out overhaul of CGT and trust taxation, the Government insists that the issues raised by the OTS are still under review.

Amongst the various 'watch this space' updates, there were some interesting points to note:

Inheritance tax red tape cut

From 1 January 2022 reporting requirements for inheritance tax (IHT) will be simplified. IHT forms will not need to be completed for more than 90% of estates where grant of probate is required but no tax is actually payable. And where an IHT return **is** required, it will not have to have a physical signature.

Whilst red tape cutting is always a welcome exercise, many industry leaders are frustrated with the lack of action by the Government following extensive OTS recommendations regarding the digitalisation and simplification of tax and probate services.

Making tax digital

Whilst the plan is very much in its infancy, the Government continues to consult on how to get self-employed individuals to pay tax more frequently (and closer to source) than under the current system of annual self-assessment. They aim to make this a reality for April 2023. Whilst this should help those who use self-assessment to manage their money better, they will need to start to think about their cash flows in the coming years.

Dormant asset scheme

The new Finance Bill will be amended to expand the scheme which raises funds by recovering lost assets. The scheme currently allows the Government to recover dormant monies from old current and saving accounts, but will now include insurance, pensions and other investments. This will raise potentially hundreds of millions for good causes and help local communities in the wake of COVID.

Social Investment Tax Relief

Reflecting the impact COVID has had on social enterprises, it was confirmed that Social Investment Tax Relief will be extended to April 2023. This relief provides income tax and capital gains tax hold-over relief for investors who qualify under the scheme.

Business rates

Along with significant tax reform, the Government has similarly shied away from responding to calls for fixed business rates and more regular revaluations of assets. However, they have confirmed a final report will be published later in the year.

How we can help

If you have any questions about how the recent announcements might affect you, please don't hesitate to contact us.

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