

## **OTS calls for overhaul of inheritance tax regime**

The Office of Tax Simplification (OTS) has urged HMRC to overhaul the UK's inheritance tax (IHT) regime.

In January 2018, Chancellor Philip Hammond commissioned the OTS to carry out a review of the IHT regime, and outline ways in which the tax can be simplified.

In its report, which is the first of two, the OTS stated that many individuals' concerns relate to administrative issues. The report revealed that 38% of those who chose not to use an adviser spent over 50 hours on estate administration. An additional 65% of individuals stated that, despite there being no IHT to pay, they still had to provide 'significant amounts' of information.

The OTS has outlined a range of measures designed to 'help make IHT simpler and easier to understand'. According to the OTS, HMRC should consider implementing a 'fully-integrated' digital system for IHT; changing the current IHT forms to 'reduce and simplify' the administration of estates; and reviewing its IHT guidance to ensure it is 'clear, consistent and easy to navigate'.

Commenting on the report, Paul Morton, Tax Director at the OTS, said: 'It has been hugely positive to have had the benefit of so many personal insights into the experience of dealing with IHT, alongside deep engagement with many professional advisers.

'This has been key to informing the overview of the tax that the report provides, and will underpin the OTS's continuing work on its second report.'

## **Committee warns small firms 'could pay heavy price' for MTD for VAT**

The Economic Affairs Committee has warned HMRC that UK small businesses 'could pay a heavy price' for Making Tax Digital for VAT (MTD for VAT).

In a new report, the Committee stated that HMRC has 'failed to adequately support small businesses' ahead of the introduction of MTD for VAT.

The initiative is set to come into effect from 1 April 2019 for businesses which have a taxable turnover above the current VAT registration threshold of £85,000. Under MTD for VAT, firms must keep some records digitally, and must submit their VAT returns via an Application Programming Interface (API).

Many businesses 'will not be ready' for the introduction of MTD for VAT, according to the Economic Affairs Committee. It also stated that it remains 'unconvinced' in regard to HMRC's claims that the new digital system will 'narrow the tax gap'.

'HMRC has neglected its responsibility to support small businesses with MTD for VAT,' said Lord Forsyth of Drumlean, Chairman of the Economic Affairs Committee.

'HMRC [is] not listening to small businesses, while offering a six-month deferral to many in the public sector.'

The Committee has urged HMRC and the government to 'start listening' to small firms' MTD for VAT concerns.

## **First-time homebuyers 'saved £426 million' as result of changes to stamp duty**

Data published by HMRC has revealed that first-time homebuyers have collectively 'saved £426 million' as a result of changes to Stamp Duty Land Tax (SDLT).

In the 2017 Autumn Budget, Chancellor Philip Hammond announced a new exemption from SDLT for most first-time homebuyers. From 22 November 2017, first-time buyers in England and Northern Ireland paying £300,000 or less for a residential property pay no SDLT.

First-time homebuyers paying between £300,000 and £500,000 pay SDLT at 5% on the amount of the purchase price in excess of £300,000. The relief only applies to purchases in England and Northern Ireland: SDLT is devolved in Wales and Scotland.

In the 2018 Autumn Budget, the Chancellor announced an extension to first-time buyers' relief so that all qualifying shared ownership property purchasers can benefit, whether or not the purchaser elects to pay SDLT on the market value of the property.

This extension applies to relevant transactions with an effective date on or after 29 October 2018. It has also been backdated to 22 November 2017 so that those eligible who have not previously claimed first-time buyers' relief are able to amend their return to claim a refund.

According to HMRC, more than 180,500 first-time homebuyers have so far benefitted from the changes to SDLT.

Mel Stride, Financial Secretary to the Treasury, said: 'These statistics show that the government was right to offer a helping hand to first-time buyers. Without this investment, more than 180,500 new homeowners may have struggled to get onto the property ladder.'