

Office of Tax Simplification Project

Definitions in tax legislation and their contribution to complexity

Response from the Low Incomes Tax Reform Group ('LITRG')

1 Executive Summary

- 1.1 Our remit is to represent low-income taxpayers who may not be otherwise represented. Accordingly, our response is on behalf of those taxpayers who might wish to review legislation on their own and for whom the existing complexity makes this extremely difficult.
- 1.2 We strongly agree with the summary of conclusions that it is extremely unhelpful for the lay person to have one word or phrase defined in different ways in tax legislation.
- 1.3 We think it is essential that as far as possible words and phrases that are used in both the tax and benefits legislation are given the same definitions or that any deviations from this are clearly signposted. We also think it would be helpful to clearly define some terms that may be difficult for some low-income taxpayers to understand but which are becoming more widely used, eg step-child. This complements the comment at 2.4.5 of the report that notes some definitions are 'included to ensure that legislation is clear and robust.'
- 1.4 It may be helpful to have an additional category of definition where a generic concept is given a particular attribute: an example is the Interpretation Act 1978, section 7, where the concept of service by post ('whether the expression 'serve' or the expression 'give' or 'send' or any other expression is used') is given a specific attribute: ie that service is effected at the time when the letter would be delivered in the ordinary course of post, provided the missive is properly addressed, pre-paid and posted etc.

- 1.5 Any amendments to the formatting of the legislation should be considered by experts in visual impairment to ensure those who are visually impaired are not prejudiced.
- 1.6 Having an index of definitions seems to be a very good idea, whether this is available in paper or online. We note that one of the large distributors of tax legislation still carries such an index with their publications.

2 About Us

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.
- 2.2 LITRG works extensively with HM Revenue & Customs and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 General comments

- 3.1 We do understand that different policies may lead to specific definitions for those specific purposes, but that is often because of pressure of time on the draftsmen. In our opinion it would be helpful to have a set of standard definitions that might be referred to by the draftsmen. If these were being modified by a piece of new legislation, then we would suggest that should be made very clear in the new legislation. It would also be helpful if any published guidance highlighted any such deviations so that any layperson might readily understand the meaning in that particular context.
- 3.2 We can agree that your suggestion of having infotip boxes on electronic material would be very helpful. Unfortunately many of the individuals we represent are digitally excluded and would not benefit from this. That is not to say we disagree with the idea, but to point out that other material must also be easily accessible, for example, in Schedules to the Acts or as an index of definitions.
- 3.3 Having said that, we suspect that any unrepresented taxpayer who wished to investigate a point would be more likely to consult a textbook rather than the legislation itself. Only if

they were intending pursuing a case to a First Tier Tribunal, for example, might they wish to access the actual legislation. In such cases we suspect they might do so at a public library, for example, where it would be important that lists of definitions be available in some format.

- 3.4 Given the group of people that we represent, most of whom have no agent to provide them with help, we would suggest that guidance provided both online and on any written documentation also include basic definitions.
- 3.5 We note your comments on the use of 'labels' within the legislation. While we understand that they can significantly reduce the length of the legislation, we would point out that they can make it extremely difficult for the lay person, who may not understand that the label has different meanings in different parts of the legislation.

4 Responses to the particular questions raised

4.1 Q1 Do you find definitions easy to find in tax legislation?

- 4.1.1 Not really, because there is no consistency as to where they might be found.

4.2 Q2 Where would be the best location for definitions?

- 4.2.1 We would suggest consistency above anything else. The first schedule of any Act might be a good place as it would not detract from the legislation itself, but be easily located.

4.3 Q3 Would an online database of definitions in tax legislation be a useful resource in the UK?

- 4.3.1 Undoubtedly it would be useful, and not least because it would be available to the Parliamentary draftsmen, thus making future legislation more easily comprehensible.

4.4 Q4 Would it be possible or practical to have a system of common definitions (with limited exceptions) in tax?

- 4.4.1 As noted above, we would suggest that any common definitions include both tax and welfare legislation, as unrepresented individuals on low incomes generally have to deal with both systems. From the current starting position it is probably not practical to have such a system, but we do recommend that new legislation be drafted with this as a goal.

4.5 Q5 Which style of definition do you prefer?

- 4.5.1 Rather than settling for a particular style we would suggest that a good definition is:

- Positive, rather than negative
- Expressed in everyday language, with a minimum of words
- Capable of being used in more than one situation

4.6 Q6 Would it be useful to have definitions stand out more within the body of the text? And Q7 If so, which formatting method would be most helpful?

4.6.1 Having definitions stand out may be useful, but we would suggest you may approach specialist charities dealing with the visually impaired to establish the best format for this. If definitions were contained in one area of an Act, the need for this may be less.

4.6.2 We would also point out that this could make the text appear very “patchwork” in areas where several definitions appear.

4.7 Q8 Have the right principles underlying a good, or helpful, definition been identified?

4.7.1 We believe they have.

4.8 Q9 Do you have any other suggestions in relation to definitions?

4.8.1 As an alternative to having definitions stand out in the text, it may be helpful to have words that are defined stand out (similar to the infotab facility for online material).

4.8.2 Where definitions include lists, we have a concern that these might be more difficult to update.

LITRG
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