



Low Incomes
Tax Reform
Group

A voice for the unrepresented

Low Incomes Tax Reform Group

What we have achieved

The Low Incomes Tax Reform Group (LITRG) exists to make the tax system work better for taxpayers who are vulnerable or on low incomes. We aim to help improve legislation and administrative processes so that unrepresented taxpayers are treated properly and fairly and can navigate the complex systems of tax and benefits more easily.

This short note highlights some of the recent success stories from our campaigning work. Of course we do not operate alone, and we acknowledge gratefully the campaigning carried out by others – individuals and other third sector organisations – that has helped to achieve these successes. We are also grateful to civil servants and ministers of successive governments for listening to our concerns and quite often being willing to act upon them.

Improvements to the collection of taxation

1. Introduction of composite Notice of Coding

Most workers and pensioners have tax deducted from their pay using the PAYE system. This document provides them with a way of checking they are paying the correct amount of tax on their various income sources, and understanding the complex coding system used by HMRC.

2. Introduction of simpler assessment

For taxpayers who have not paid the correct amount of tax during the year, this should enable them to more easily comply with their taxation obligations and settle their debts without having to complete tax returns.

3. Increased protection for vulnerable taxpayers when Direct Recovery of Debts introduced

Through discussions with government we achieved amendments to draft legislation and guidance to provide greater protection to vulnerable taxpayers who have debts outstanding to the tax authorities to make sure they are not subject to the Direct Recovery of Debts process inappropriately. The safeguards were written into the second Finance Act for 2015.

Better, targeted information for some groups of low-income taxpayers

Tax Guide for Students, www.taxguideforstudents.org.uk, provides information for students in relation to tax and collection of student loans.

The Disability Tax Guide, www.disabilitytaxguide.org.uk, provides information for those taking on a personal assistant.

Revenue Benefits, www.revenuebenefits.org.uk, provides information for advisers on a range of HMRC products and, in particular, the transition from tax credits to Universal Credit.

Our guides for migrants www.litr.org.uk/tax-guides/migrants-and-tax/guides-and-factsheets and armed forces personnel www.litr.org.uk/tax-guides/armed-forces-and-tax/litr-guide-armed-forces provide an overview of the issues affecting those groups.

We are grateful for HMRC providing us with funding for several years to develop this targeted tax information. These resources, together with our core tax information website, www.litr.org.uk, means that we are now successfully reaching over 2.5 million web users a year and probably many more through advisers using our materials.

Tax help for older people on low incomes

In 2002 members of LITRG set up Tax Help for Older People, which became a nationwide charity harnessing the skills of tax professionals to give help and advice on tax to older people who could not afford the services of a tax adviser. Tax Help has for many years been a flourishing independent charity.

Improving housing availability

Rent-a-room relief, which provides tax relief for those who take in a lodger, had not been increased since 1997. We argued that the limit of the relief should be doubled, enabling more homeowners to offer accommodation to third parties in their own homes, improving the availability of housing while providing useful tax-free income to the homeowner. In April 2016 the Government increased the relief from £4,250 to £7,500 per year.

Assistance for carers and those they care for

1. Ensuring that carers who stay overnight are not unfairly taxed

Often disabled people require overnight assistance, so we successfully campaigned for the introduction of a specific exemption from tax when a care and support employer provides their carer with board and lodging.

2. Ensuring that disabled people who employ carers are entitled to claim employment allowance

This saves them employer's NIC on £3,000 of their wages bill. Original proposals excluded such employers from claiming the allowance despite many being encouraged to employ their carers as a result of direct payments by local authorities.

3. Ensuring that care & support employers can file RTI payroll returns manually if they wish to do so

Many individuals have only recently become employers (due to the increased availability of personal budgets for care); many of them are disabled. We argued successfully that they should be entitled to special treatment and so be allowed to file their payroll returns due under RTI manually if they choose to do so.

Protecting the vulnerable and less able

1. Ensuring that alternative procedures are put in place for many who are digitally less able

We assisted many appellants in a VAT case which has ensured other channels, such as paper and/or telephone, must be available for the digitally less able.

2. Ensuring disabled trusts were available to a wide class of vulnerable people

Our campaign increased the potential classes of vulnerable people for whom such arrangements might be made. In addition, legislation that might have been considered objectionable in defining some groups of taxpayer was repealed and replaced by applying principles set out in general law.

Easing worries at time of bereavement

1. Obtaining changes to bereavement support payment

Working with other interested parties we obtained tax-free status for the Bereavement Support Allowance, due to replace the Widowed Parents Allowance in 2017.

2. Encouraging the roll out of Tell Us Once

Notifying the death of a loved one is never easy. Tell Us Once, available throughout much of GB and now being considered for roll-out in Northern Ireland too, enables the registrar to advise other government departments and agencies about the death.

Improving the tax credits systems for the low paid

1. Ensuring that the strengthened test for self-employment did not discriminate against low-paid disabled workers

The new test for self-employment was reshaped to recognise that disabled workers have a lower minimum hours requirement in the tax credit system.

2. Scrapping of the proposed changes to tax credits in 2016 that would have dramatically reduced the financial support received by low income families

Many campaigners contributed to the defeat of these proposals, including LITRG. Our major concern was the proposed speed of introduction, resulting as it would have done in significantly less cash being available to families in a very short space of time which, combined with other changes, would have resulted in low-paid families suffering severe financial detriment. Our briefings on the subject were much quoted in Parliament.

3. Ensuring working hours requirements were applied more fairly

When the weekly working hours requirement for couples with children was raised from 16 to 24, we secured an exemption for couples where one parent is entitled to carer's allowance, and a similar easement for claiming childcare support through tax credits.

About the Low Incomes Tax Reform Group

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.

About the Chartered Institute of Taxation

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.

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