



A better deal for the low-income taxpayer

**Practical steps to making the tax and associated welfare systems
work better for people on low incomes**



Principles for the tax system

Our recommendations are primarily aimed at policy-makers and those who administer the tax system. These recommendations are divided between seven principles which we believe should be firmly lodged in the minds of those designing and managing the tax system. The recommendations under each principle are not intended to be exhaustive but merely provide examples of changes that could be made to improve the experience of low-income taxpayers with the tax system.

1. Clear and up to date

To be clear and up-to-date, the tax system requires:

- **Clear, unambiguously written law that keeps pace with the times**
 - **Clear division of responsibility between the state and the taxpayer**
 - **Accurate, comprehensive and accessible guidance**
- Ensure consistent use of terminology and definitions when making new tax and benefits law
 - Make PAYE coding notices and P800 tax calculations easier to understand
 - Review how Self Assessment, Simple Assessment and PAYE interact
 - Tell taxpayers what data HMRC have, how it is used, and explain taxpayers' responsibility to check it
 - Improve GOV.UK to make it more accurate, more comprehensive and easier to navigate
 - Clearly explain calculators and tools, and use them to supplement (not replace) guidance
 - Provide pensions information and advice which incorporates relevant tax and benefits issues
 - Teach more tax in schools
 - Proactively target certain groups with tailored guidance, and raise awareness of tax law changes



Principles for the tax system

continued

2. Simple

To make the tax system feel easier, government and tax authorities need to:

- **Aim for simplicity when writing the law**
 - **Even if the law is complex, aim to reduce this complexity through its administration, so that it is as easy as possible to be compliant**
- Avoid introducing multiple complex mechanisms in tax law
 - Find a way to tax those in the gig economy, other than through Self Assessment
 - Consider an optional default accounting date of 31 March or 5 April for new self-employed businesses
 - Review and simplify the taxation of trusts and estates
 - Consider further alignment of National Insurance and income tax rules
 - Set out plans for improving PAYE and the rollout of Simple Assessment
 - Enhance usability and functionality of digital tax accounts
 - Operate full PAYE on taxable state benefits including the state pension

3. Equitable

To be equitable, the tax system should:

- **Where possible, aim to treat taxpayers in similar situations comparably**
 - **Avoid injustices and traps for the unwary**
- Extend bereavement support payment to unmarried couples
 - Ensure all low-income earners benefit from tax relief on pension contributions
 - Make it easier for people to raise employment status issues and to report non-compliance by employers and engagers
 - Review fixed amounts in tax legislation and uprate them annually by default
 - Consider whether to increase the universal credit work allowance as well as – or instead of – the personal allowance
 - Explore options for giving relief to non-taxpayers for their travel expenses
 - Amend universal credit rules for the self-employed to better reflect fluctuations in income

Principles for the tax system

continued

4. Just

A just tax system should feature:

- **A careful balance between the powers of tax collectors and the rights of taxpayers**
- **Appropriate safeguards and oversight**
- **Availability of justice to all, irrespective of financial means and vulnerability**
- Avoid further erosion of taxpayers' ability to gain certainty over their tax affairs
- Train HMRC staff to make better decisions earlier in the process in common areas of dispute
- Introduce an accessible means of disputing HMRC's use of discretion
- Proactively identify taxpayers who need extra support in HMRC dispute situations and signpost them appropriately to independent help
- Provide a clear mechanism for taxpayers to challenge inaccurate information held by HMRC

5. Accessible and responsive

To deliver an accessible and responsive tax system, it is necessary to:

- **Capitalise on technological advances appropriately, but ensure no-one is disadvantaged**
- **Ensure resources are available to allow for flexibility and to be responsive to individuals with particular needs**
- **Ensure that HMRC understand external pressures and factors**
- Ensure detailed consultation during the development of the next phase of Making Tax Digital
- Keep easily accessible non-digital channels and provide telephone numbers on all correspondence
- Help advisers to help people, e.g. provide 'dummy' access to HMRC and DWP systems
- Raise awareness of the HMRC Charter, embed its principles across HMRC, and learn from complaints
- Introduce an HMRC overarching extra support strategy and vulnerable customer policy
- Ensure HMRC is adequately staffed, and staff sufficiently trained, to provide consistency and continuity of service
- Ensure HMRC devote the time, effort and resources necessary to fully understand the inner workings of the labour market

Principles for the tax system

continued

6. Joined up

A joined-up system should ensure that:

- **Different government departments and devolved administrations work closely together, so that no-one falls into gaps between different arms of government**
 - **Data is shared appropriately, and taxpayers are not caught between different arms of government and third parties as regards inaccurate or incomplete data**
 - **The tax and benefits systems interact effectively and coherently**
- HMRC should appoint a senior official to take responsibility for agency workers and umbrella companies and work with other government departments on issues arising
 - Deliver a holistic service for joint customers of government departments and devolved administrations
 - Publish details of any protocols for dealing with matters that cut across government departments and devolved administrations
 - Carefully manage the migration of tax credits claimants to universal credit, ensuring it is fully piloted and clearly communicated
 - Tackle issues arising out of sharing data across government departments
 - Align rules for calculating self-employment profits for tax and universal credit
 - Better co-ordinate policy making across government departments

7. Inclusive

An inclusive tax system should mean that:

- **Policy and legislation are consulted on in a wide and meaningful way**
 - **Everyone has a voice**
 - **The full impact of proposed changes is considered, including the interaction with non-tax systems such as welfare benefits**
- Consult early on all tax policy, with proactive stakeholder involvement
 - Increase parliamentary scrutiny of tax policy, and embed post-implementation reviews in the process
 - Introduce a step in the tax policy-making process to ensure all impacts, including non-tax impacts, are considered
 - When making tax policy, consider all the interactions between UK government and devolved administrations

We provide guidance on (or for):

General tax

www.litrg.org.uk/tax-guides/tax-basics

Employment

www.litrg.org.uk/tax-guides/employment

- Checking coding notices and tax calculations, and claiming refunds
- Benefits and expenses
- Pension contributions

Self-employment

www.litrg.org.uk/tax-guides/self-employment

- Registering for tax and National Insurance
- Working out profits, allowances and expenses (including trading allowance)
- Agency work/umbrella companies
- Downloadable guide

Pensioners

www.litrg.org.uk/tax-guides/pensioners

- Preparing for retirement
- What pension income is taxable, including flexible pension withdrawals

Disabled people and carers

www.disabilitytaxguide.org.uk

- Employing a carer/personal assistant
- Reporting under Real Time Information

Students

www.taxguideforstudents.org.uk

Migrants

www.litrg.org.uk/tax-guides/migrants

- Residence and domicile
- Foreign income and gains
- Short stays/studying in the UK

Tax credits and benefits

www.litrg.org.uk/TC and

www.revenuebenefits.org.uk (for advisers)

- Tax credits entitlement and claims, and moving to universal credit
- Child benefit including the high-income charge

Bereavement

www.litrg.org.uk/tax-guides/bereavement

Childcare costs

www.litrg.org.uk/childcare

- Different schemes, e.g. Tax-Free Childcare, and childcare vouchers

Savers

www.litrg.org.uk/savings

- Savings and dividend allowances/tax bands
- Help to Save

Landlords

www.litrg.org.uk/property

- Rent-a-room relief
- Property allowance

We also produced tailored guidance aiming to help people during the coronavirus pandemic:

www.litrg.org.uk/coronavirus

* **Note:** the materials on www.disabilitytaxguide.org.uk and www.taxguideforstudents.org.uk are being merged into our main website www.litrg.org.uk

Low Incomes Tax Reform Group
30 Monck Street
London
SW1P 2AP
www.litrg.org.uk
CIOT is a registered charity,
number 1037771

Reproduction, copying or extracting by any means of the whole or part of this publication must not be undertaken without the written permission of the publishers. This publication is intended to be a general guide and cannot be a substitute for professional advice. Neither the authors nor the publisher accept any responsibility for loss occasioned to any person acting or refraining from acting as a result of material contained in this publication.
© Chartered Institute of Taxation, registered charity number 1037771



Low Incomes
Tax Reform
Group

A voice for the unrepresented