

# INSIDER

JUNE 2023



## GOVERNMENT LAUNCHES CRYPTOASSETS CONSULTATION

The Government has launched a consultation to modify the tax treatment of cryptoassets used in decentralised finance (DeFi) lending and staking transactions.

The law currently treats many of these transactions as disposals for tax purposes. This usually triggers a capital gains tax (CGT) charge, despite the owner still having an economic interest in the asset.

According to industry representatives and tax professionals, these rules cause difficulty and do not reflect the "underlying economic substance" of DeFi transactions.

Instead, the Government plans to introduce separate rules for DeFi lending and staking. Under the proposed changes, CGT will only apply once the asset is fully disposed of.

The Government hopes this measure will reduce costs and simplify the administrative burden for taxpayers involved in DeFi transactions. The approach also allows policymakers to make further legislative changes as the DeFi market evolves.

Gary Ashford, deputy president of the Chartered Institute of Taxation, said it was "encouraging" to read these proposals.

"Whatever the rules on taxing cryptoassets, the Government needs to work hard to raise awareness among owners of crypto of their obligations on both tax payment and reporting."

The consultation will run from 27 April 2023 to 22 June 2023.

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## TAX TAKE SOARS BY ALMOST 10%

Recent HMRC data shows that the Treasury collected £786.6 billion in taxes in 2022/23 – a 9.9% increase on last year's total of £715.3bn.

Receipts from income tax, capital gains tax and National Insurance contributions hit £47bn – accounting for over half (57%) of the total tax take.

Meanwhile, property price increases mean more families are now over the inheritance tax threshold, which raised a further £7.1bn – around £1bn more than the same time last year.

Business taxes for 2022/23 also rose significantly, jumping by £17.5bn to £84.9bn. According to HMRC, this was partly due to higher offshore receipts as a result of Russia's invasion of Ukraine and the new energy profits levy.

The surge in total tax receipts can be largely attributed to recent tax threshold freezes, often dubbed "stealth tax rises".

The inheritance tax nil-rate band is frozen at £325,000 until 2026, while both the personal allowance and higher rate threshold for income tax will remain frozen until 2028.

The Office for Budget Responsibility (OBR) predicts that inheritance tax receipts will raise £45bn between 2022/23 and 2027/28. The OBR expects the tax take to increase further in coming years as property prices and wages rise with inflation.

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## ICAEW CALLS MTD QUARTERLY REPORTING “DISPROPORTIONATE”

The Institute of Chartered Accountants for England and Wales (ICAEW) is urging HMRC to rethink the quarterly reporting model for Making Tax Digital for income tax self-assessment (MTD for ITSA).

In a letter to HMRC, the representative body is asking the Government to review the quarterly reporting process for the upcoming extension of MTD. According to the ICAEW, the change from annual reporting is “burdensome and not justifiable”.

While the ICAEW is “wholly supportive of the digitalisation of businesses and practices”, it criticises the reporting proposals, saying these will increase administrative costs for smaller businesses.

“Even when a taxpayer is maintaining digital records on a regular basis, having to ensure that these records are complete and checked by specific quarterly deadlines adds extra compliance burdens, especially where a bookkeeper or agent is involved, as we expect in the majority of cases,” ICAEW said.

There are hopes that the delay of MTD for ITSA until 2026 will give HMRC more time to analyse any feedback and consider further suggestions on the scheme.

In its letter to HMRC, the ICAEW added:

“MTD ITSA has become mired in controversy, the credibility of the project and the ‘MTD brand’ has been severely, if not irretrievably, undermined.

“To maximise support by business, the project needs a rethink and a rebrand, focused on the original aims, namely to deliver productivity benefits from the adoption of software and digital record keeping, and making it simpler for taxpayers to comply with their tax obligations.”

As well as the delay to the scheme’s rollout, HMRC has also paused the MTD for ITSA pilot scheme.

According to a Freedom of Information request, there were only 115 participants in the trial as of the start of 2023. HMRC has confirmed it will announce a revised testing stage to reflect the delays in the scheme’s launch.

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## GOVERNMENT EXTENDS VAT EXEMPTION FOR PHARMACISTS

The VAT exemption for pharmacists has been extended to medical services carried out by supervised, non-registered staff as of 1 May.

Prior to the measure, the exemption only applied to medical services carried out by registered health professionals. The new zero-rating rules now mean that all staff can provide their service exempt from VAT under the direct supervision of a registered pharmacist.

According to HMRC, extending the exemption will bring the VAT treatment of pharmacists in line with other health professionals.

Simplifying the current VAT rules may also positively impact over 13,000 community pharmacies in the UK, encouraging them to offer a wider range of services – easing the pressure on GPs and the NHS.

Services affected may include blood pressure checks and health checks conducted by non-registered pharmacy team members, which were previously liable for the 20% VAT rate.

Malcolm Harrison, chief executive of the Company Chemists’ Association (CCA), praised the measure, saying:

“The CCA has long campaigned for the full breadth of the pharmacy team to be utilised. From May this year, healthcare services provided by pharmacy team members under a pharmacist’s supervision will be treated as zero-rated for VAT.

“In addition, from this autumn, medicines supplied via Patient Group Directions will be treated the same way for VAT as those prescribed by a GP or independent prescribing pharmacist.

“These measures will boost capacity in pharmacies and crucially pave the way for the future commissioning of clinical services in community pharmacy.”

Janet Morrison, chief executive of the Pharmaceutical Services Negotiating Committee (PSNC), shared Harrison’s point of view, adding that the PSNC had been “fighting for changes to these VAT rules for many years”.

She continued:

“While small in impact in the context of the current challenges, this is a very welcome development.”

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