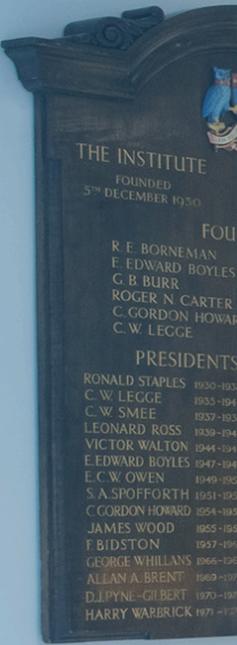




Chartered
Institute of
Taxation
Excellence in Taxation

Annual Report

2018



The Members of Council (the Trustees) present their Annual Report and audited Financial Statements of the Chartered Institute of Taxation for the year ended 31 December 2018. The Financial Statements comply with the Charities Act 2011, the governing documents and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102) effective 1 January 2015.

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Vision and aims

Our vision

The Chartered Institute of Taxation's vision is to remain the leading institute for taxation professionals in the United Kingdom, serving the public interest through the pursuit of excellence and integrity.

Our mission

"Our mission is the advancement of public education in taxation."

Our aims:

We achieve our mission by:

- Maintaining an educational and ethical framework of the highest standard aiming to produce tax advisers of the best quality for the general public (Chartered Tax Advisers)
- Working for greater public understanding of tax matters, including through:
 - Promoting tax discussion and debate
 - Publishing and distributing information on tax matters
- Setting ongoing educational and ethical practice requirements for tax advisers and reviewing compliance with those requirements
- Supervising members for compliance with anti-money laundering regulations
- Being available for consultation by legislators, regulators and administrators of tax law and others and by producing high quality representations and responses.

Our members

Membership of the CIOT is by examination; nationally recognised as the gold standard of UK taxation education. We support our 18,700 members and 4,000 students throughout their tax careers, providing assistance through our London-based head office and network of 40 branches across the UK and worldwide.

The CIOT is a registered charity in England and Wales, number 1037771 and a regulatory body for the purposes of anti-money laundering supervision of tax practitioners.

Our objectives for the tax system:

The CIOT works for a better, more efficient tax system for all affected by it – taxpayers, their advisers and the authorities.

Our objectives for the tax system include:

- Greater simplicity and clarity, so people can understand how much tax they should be paying and why
- Greater certainty, so business and individuals can plan ahead with confidence
- A legislative process which translates policy intentions into statute accurately and effectively, without unintended consequences
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented)
- Responsive and competent tax administration, with a minimum of bureaucracy.

2018 – The Year in Review

Prof Michael Devereux, Director of the Oxford University Centre for Business Taxation, and Paul Johnson, Director of the IFS, awarded Honorary Fellowships by CIOT President John Preston



Taxation (Cross-Border Trade) Bill begins passage through Parliament – it provides the framework for a post-Brexit customs system



JANUARY

FEBRUARY

The charity TaxAid celebrates its 25th birthday at an event with Lord Hodge and other supporters



Government publishes its Good Work Plan, in response to the Matthew Taylor review of the gig economy and other modern working practices



Chancellor Philip Hammond presents Spring Statement to Parliament – no new tax policy measures though he does announce consultations including one on reducing single-use plastic waste through the tax system



TV stars claim they were put under pressure by the BBC to set up personal service companies. Some now face hefty tax bills



MARCH

APRIL

Scotland introduces new system of income tax rates and bands. Scots earning up to £33,000 pay less tax than last year, but above this level workers face a rise.



First Welsh taxes for almost 800 years introduced, with SDLT and landfill tax replaced by land transaction tax and landfill disposals tax in Wales



Nicky Morgan MP, Chair of the Treasury Committee, uses the CTA Address to raise concerns about HMRC customer service



MPs pass cross-party amendment effectively ordering British Overseas Territories to establish public registers of beneficial ownership of companies



MAY

JUNE

Financial Secretary Mel Stride praises role of CIOT in helping shape tax policy, and promises government will stick to objective of 'decluttering the tax terrain', in a speech at the Institute's parliamentary reception



Treasury consults on whether VAT threshold should be reduced or smoothed



Treasury publishes 226 pages of draft tax legislation, including changes to rent a room relief, entrepreneurs relief and a new 'penalty point' model for late submission of tax returns



HMRC announces easing of Making Tax Digital requirements in first year, such as businesses not being required to have digital links between software programs



JULY

AUGUST

Shadow chancellor John McDonnell pledges major overhaul of the accountancy sector should Labour gain power, with a Big Four break-up and market share plans among the options being considered



At their annual conference, Lib Dems pass motions on taxation of wealth and capital, and replacing business rates with a land value-based levy



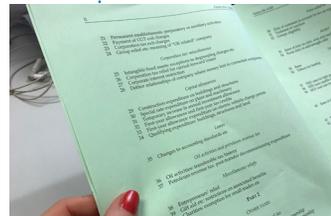
SEPTEMBER

OCTOBER

Lords committee calls for delay of at least one year to the mandatory rollout of Making Tax Digital for VAT



Finance Bill published – CIOT criticises number of measures not previously consulted on, warning of 'scrutiny deficit'



NOVEMBER

DECEMBER

Latest figures on HMRC performance show improvement in revenue collected and cost savings, but call centre response times and customer satisfaction down



Media fuss following revelation that online retail giant Amazon paid less corporation tax in the UK last year, despite seeing a jump in profits



Budget 2018 - Chancellor announces UK digital services tax and delay to extension of off-payroll working rules to the private sector



CIOT holds debates about business taxation in a digital world at Labour, Conservative (both with IFS) and SNP (with CBI Scotland) party conferences . Conservative event panel are pictured



Scottish Budget proposes freeze on higher rate income tax threshold, increasing England-Scotland income tax gap for higher earners



Finance Bill completes unusually eventful committee stage – four opposition calls for reviews accepted and timing of new restrictions on fixed odds betting terminal stakes brought forward



President's review of the year



It is a pleasure to present this review of the past year, a year in which the Chartered Institute of Taxation continued to grow in size at home and in importance and regard abroad. The CIOT has never been more international than we are today; more highly regarded around the world for the quality of our educational standards; more sought after as a model and source of guidance for how a professional body should operate in the interests of its objectives, in our case both charitable and business. Our international tax qualification, ADIT, is being studied in more than half the countries of the world; students sat our exams in Thailand and Lesotho for the first time in 2018. We have continued to promote the Chartered Tax Adviser / CTA designation as a badge of quality internationally, and we are currently in discussions with other overseas tax bodies about expanding the agreement we already have with our fellow tax institutes in Ireland and Australia. John Preston and Peter Fanning visited China last year, meeting with tax advisers and firms about areas where we might co-operate.

Welcome to London

The visit of over one hundred leading tax professionals from across Europe to London for the General Assembly of CFE Tax Advisers Europe last September was a particular highlight. Amid all of the turmoil associated with Brexit, being able to welcome our European colleagues and friends and, in conjunction with ICAEW President Paul Aplin (who is also a member of CIOT Council), entertain the CFE in a way that showed British friendship and hospitality at its best was a real

pleasure. As I said at the time, tax issues and how to solve them know no border, hard or otherwise, and everyone involved in the event can be proud of the resolve on display to not only continue our relationship with CFE but to build for whatever the future brings to ensure the future of our profession.

The ICAEW is one of our most important relationships and we have greatly strengthened that relationship with increased joint working on tax policy, professional standards and at elected Officer level. Nowhere is that seen more clearly than in the Joint Programme that allows students to qualify ACA and CTA at the same time through a coordinated course. Hundreds of students are currently progressing through this programme. Our work to build deeper professional relationships does not stop there - work continues to strengthen our relationship with ICAS; I am delighted that Charlotte Barbour the Director of Taxation of ICAS and a Fellow of the CIOT has joined the CIOT Council. The partnerships the Institute strikes – with other professional bodies, home and abroad, and with others with whom we share common cause – are hugely rewarding and are the focus of pages 12-13 of this report. We achieve more working with others than we can achieve alone.

Building partnerships

One area this is especially true is in bringing together all those with an interest in tax policy – from business, academia, politics, government, media and civil society – to engage on the contentious issues we face and try to move the debate forward. In 2018 we continued to partner with the Institute for Fiscal Studies holding a series of debates in London and at the political party conferences on topics including tax and the family, business tax reliefs and tax devolution. The IFS leads in analysing and explaining the public finances and there is a real synergy between their economic heft and our practical experience. It is this combination that makes our debates so insightful. We recognised the tremendous contribution of the IFS's director, Paul Johnson, by awarding him, along with Professor Michael Devereux of Oxford's Centre for Business Taxation, an honorary fellowship of the Institute in 2018.

Our work with IFS and the Institute for Government led to our 2017 Better Budgets report which encouraged the move by government in 2018 to a 'single fiscal event'. The report continues to help set the debate on the tax policy process.

Debating business taxation

I greatly enjoyed chairing our Conservative conference debate in Birmingham with Paul Johnson and Council member Claire Hooper being joined on our panel by the Financial Secretary Mel Stride. In Glasgow, my home town, it was my turn to be on the panel at the SNP event, for which we partnered with CBI Scotland, alongside Scotland's new tax minister Kate Forbes.

The question at both was the same – what does fair business taxation look like in the modern world, taking into account the increasing importance of the digital economy? It's increasingly clear that politicians of all parties are set on shifting the tax burden away from 'bricks and mortar' high street businesses and onto internet-based companies. Of course, as CIOT points out, these divisions are far from binary and unilateral action, in particular, can create inconsistencies and mismatches. It's not our job to tell politicians what policies they should be introducing but we can at least try to ensure they are informed by the experience of tax professionals and unintended consequences are, ideally, avoided, or at least mitigated.

The Glasgow event also highlighted how informed the public try to be where devolved taxes are concerned. Our alliance with ICAS in the Scottish Taxes Policy Forum, which the two bodies set up in 2017, has informed the debate on devolution elsewhere in the UK. We and the IFS held an excellent event in London in October to discuss this work. Given my experience in Glasgow I was surprised to find, from the polling we had commissioned in Scotland, that most Scots don't have a clear understanding of who sets their taxes and how, and they would like more and better information. So perhaps the real lesson from the SNP event is that many of them intend to find out.

Celebrating LITRG

But Scotland is not alone in finding the tax system confusing. That is why the work of the Institute's Low Incomes Tax Reform Group is so valuable. In 2018 we celebrated 20 years of hard work, said goodbye to Robin Williamson as LITRG's technical director and welcomed Victoria Todd. Nearly five million people a year now use LITRG's websites to find guidance and we celebrated LITRG's success at the CIOT President's reception held at the Imperial War Museum last October during which we also commemorated the 100th anniversary of the end of the First World War. Lt General Richard Nugee – deputy chief of the defence staff - was our guest speaker alongside LITRG's founder John Andrews.

LITRG have also provided support to thousands of individuals impacted by the loan charge from April 2019 through a series of articles intended to help those involved find a way through this complex issue. Obviously those who peddled these abusive schemes and those who used them carry the heaviest responsibility but both ministers and HMRC could have done more and much earlier. And we also have to acknowledge that some tax advisers, including CTAs, will have given advice in the past in circumstances that would almost certainly contravene our current rules in PCRT. But no one can change the past and we all should be concerned at the law being changed in a way that makes it financially and practically difficult for individuals to bring their tax position to a close especially in relation to transactions from many years previously and where bankruptcy is a real threat to many.

Working with HMRC

Having spent the larger part of my professional life in the Revenue it is clear to me that the relationship between HMRC

and the profession is key to the health of the tax system. Our senior level relationships are strong but the picture is far more mixed at a day-to-day level. Member feedback suggests that HMRC are taking an increasingly confrontational approach even where the issue is one of interpretation or judgement or on occasions where a fair reading of law would suggest that HMRC are wrong. We have raised these issues in evidence to the Treasury Committee, with the Financial Secretary and of course with HMRC. There are now over 600 CTAs and ATTs working in HMRC, and an increasing number doing ADIT (and winning prizes!) and we have a shared responsibility for the integrity of the tax system. The changes we have made to PCRT stand as a lasting tribute to the late Chris Jones. We have also welcomed the government decision to provide full sponsorship to Treasury officials to take our qualifications.

But going forward we face the ongoing problem of a Revenue department continually having to do more with less and trying to do everything. Something has to give and we are determined that it must not be customer service. Making Tax Digital is a huge challenge for us all and in the past year we have kept up the pressure to persuade government that a pace of change that is too fast jeopardises the effective delivery of digital services.

All change!

But we cannot stop change and the past year has been no exception. Our new office in Monck Street is settling down well and going forward offers a modern well equipped facility for the CIOT and ATT staff and volunteers with better meeting and drop in facilities as well as much improved video conferencing capability. I have greatly appreciated and relied upon the wise counsel of our Chief Executive Peter Fanning who announced his retirement at the end of 2018. The search is on for a replacement.

Some well known faces will retire from CIOT Council in 2019: Chris Brydone, Andrew Hubbard, Emma Chamberlain, Keith Gordon, and Ian Menzies-Conacher. I thank them and wish them all well.... And sadly at the end of last year we lost the great Jean Jesty, past ATT President and CIOT Council member.

Finally thank you to my fellow elected Officers - Glyn, Peter and John, your support has been invaluable. When Glyn takes over I know the Institute will be in safe hands. And a special thank you to our Officers and staff for all the work you do to make the CIOT work and of course to all of you, our members - in the end you are the CIOT.



Ray McCann
President
Chartered Institute of Taxation

Chief Executive's Report



This will be my final report as Chief Executive and, in preparation, I read my first, as a source of inspiration.

In the 2008 report, I began by thanking those who appointed me as the CIOT's first Chief Executive. It is a feature of the commitment of the Institute's volunteers that some of them remain actively involved a decade later – they did not appoint and run! I would also like to pay tribute to my immediate predecessor, Bob Dommett, and his predecessors, some of whom are still seen at CIOT events. Thank you for your support and encouragement.

In 2008 I said my objective was 'to raise the game' of the CIOT so that (1) more people in tax want to join CIOT and contribute to its work, (2) the CIOT leads the conversation on tax, and (3) the Institute's organisation is strong and supports members. These three themes have guided my actions and my work with Officers and Council over the past decade. On all three I believe we can be proud of the progress we have made.

A decade of growth

Measured by membership numbers people continue to want to join the Institute, in increasing numbers, as the charts to the right show.

In 2008 we did not measure retention which I regard as a key measure of the health of the Institute. At the end of 2018 98% of members chose to renew their membership with the Institute which I have always regarded as a kind of referendum on how members feel about us.

In 2008 I mentioned that we had introduced a modular structure and E-Assessments to modernise our CTA qualification – and in 2017 we launched a revised CTA

structure which will apply from 2019. I am particularly proud of the joint programme with the ICAEW which offers an efficient path for aspiring tax professionals to obtain an ACA and CTA. All these developments responded to the views expressed by our members and their employers and were implemented in consultation and cooperation with them.

Recognising that CIOT shares common values and standards with other tax institutes, in 2012 we licensed the Irish Tax Institute and the Tax Institute of Australia to designate their members Chartered Tax Advisers and CTAs, subject to conditions. Other tax institutes are seeking the licence which they recognise as enhancing their prestige and that of their members. This arrangement also serves to protect, and to raise awareness of, the CTA marque as a badge of quality internationally.

Leading the conversation on tax

Today as in 2008, the voice of CIOT's members is heard loudly in the national conversation on tax, and it is instructive that today, the Institute engages with HM Treasury, HMRC and Parliament through meetings, calls, and written documents at least once a day. A particularly notable recent contribution has been the 'Better Budgets Report' which the CIOT published in 2017 with the Institute for Government and the Institute for Fiscal Studies. HM Treasury accepted its main recommendation and moved to a single fiscal event by moving the Budget to the autumn and discontinuing the Autumn Statement.

The strongest evidence that our support for those on low incomes, through the Low Incomes Tax Reform Group (LITRG), is now a firm fixture at the Institute is that three former presidents have served as its chair and it has recruited new staff leadership. More people than ever are helped by LITRG with websites it supports recording nearly five million 'unique users' in 2018.

Working with other professional bodies the Institute played a leading role in developing new professional standards set out in Professional Conduct in Relation to Taxation in response to a clear demand and expectation from Treasury ministers. During 2018, the Institute faced its

first inspection by an external regulator when the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) reviewed our supervision of those members whom we supervise under the anti-money laundering scheme. Taken together these point to the increasing expectation from the public, mediated by government for ever higher standards and even regulation of the tax services industry.

We have relaunched and modernised Tax Adviser and its online website, and as a joint venture with the University of Exeter's Tax Administration Research Centre we launched the Journal of Tax Administration as an online peer-reviewed academic journal.

The Institute continues to play a material role in the CFE Tax Advisers Europe which brings together the leading tax

institutes across Europe. London hosted the CFE Tax Advisers Europe General Assembly in September where leading members of the Institute were elected to its executive board.

A strong organisation

We have continued to invest to support the business and our members. During 2018 we delivered an IT programme which modernised the systems used by our Education Team, Member Services Team and Finance Team. The new systems are based in 'the cloud', lowering maintenance costs while increasing resilience and security. We are planning upgrades to our websites in the coming period.

In my 2008 report I said that the Institute would be moving offices – and we did. Ten years on I can report that we have moved again, to 30 Monck Street which gives us better facilities for both members and staff. It is a clear sign of the health and continuing development of the Institute.

I am the only member of staff who is not jointly employed by the ATT as well as the CIOT. However, I have always felt a duty of care to the Association and accountable to its Council. The ATT's success and the CIOT's are intertwined.

Which brings me to the heart of the Institute's work which is our people.

The branch network continues to flourish with a programme which schedules on average an event per day. We are increasing the administrative support the London office provides to branches but they rely largely on the effort of volunteers. The Technical output of the Institute, its work on professional standards, the governance of the examinations, much of the content of Tax Adviser, its support for those on low incomes and its contribution to international affairs all depend on the time and skills donated without charge by those who care about what it does and what it stands for.

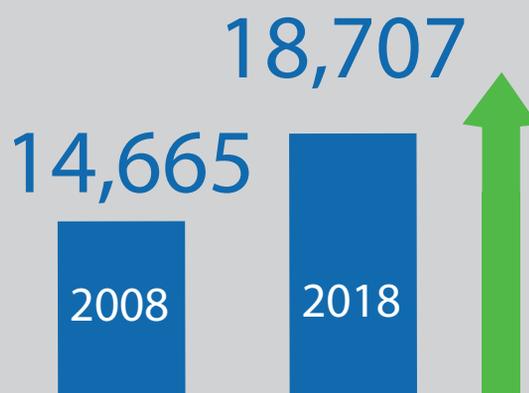
Volunteers are the essence of the Institute, and the Presidents and Trustees their epitome. Thank you for your support and I shall always respect your selfless commitment to the Institute.

And finally, there are the staff with whom I have been proud to work for the past years, especially Roz Baxter, John Cullinane, Paul Davies and Jane Ashton and their predecessors. It has been a real pleasure to work with you all and, as I look forward to my retirement in the summer, I wish you, the Institute and the Association, well.

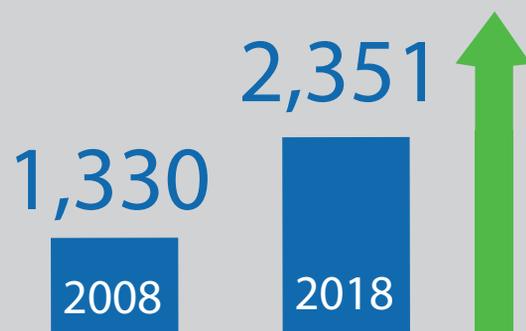


Peter Fanning
Chief Executive
Chartered Institute of Taxation

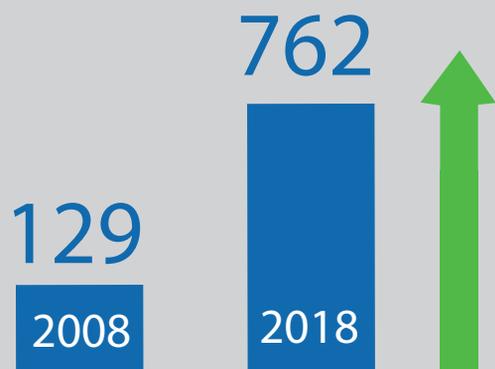
CIOT Members



CTA Registrations



ADIT Registrations



Public Benefit Report

The CIOT is an educational charity with the consequent obligation to work for the public benefit.

CIOT Council has considered the guidance published by the Charity Commission and concluded that the CIOT's core activities – as described in this report – satisfactorily address the principles of identifiable public benefit and demonstrate that the charity has fulfilled the public benefit requirement under Section 17 of the Charities Act 2011.

Since 2010 the Institute has had a Lay Public Interest Council Observer whose role is to advise the Institute's Council on the public interest regarding the Institute's activities. Until the end of 2018 this was Sam Younger. His report appears below.

Report from the CIOT's Lay Public Interest Council Observer



As I step down after four years as the Council's Public Interest Observer, I am grateful to have had the opportunity to observe at close quarters over that period an organisation that, while it is a professional membership body, has been at all times fully aware of its status as a charity and its obligation to deliver public benefit. What has been heartening is that this awareness and the readiness to act on it have been consistently displayed by successive Presidents and Officers, by members of Council and by the executive team led by Peter Fanning. My predecessor in his valedictory report said that the professionalism of the Institute had made his job very straightforward. The same has been true for me.

It is noteworthy that the main area of concern identified by my predecessor at the end of his term was that the continuing and intense public and political debate around the public benefit delivered by charities - which had been focused particularly on private schools - might turn its attention to membership bodies. He said then, though, that the Institute would have little to fear from such scrutiny as its record on its charitable objectives was strong. That has continued to be the case, through its work on ensuring a continuing flow of well qualified tax professionals; developing its standards on professional conduct in light of the significant public concern around tax avoidance; engaging with government and HMRC

to ensure that tax policies are fair and workable; and pursuing and funding the work of LITRG on behalf of the poor and the voiceless even as government withdrew its support.

In the event, issues around public benefit faded from the political agenda in relation to charities and the past four years have seen major challenges to the standing of the charity sector over a range of issues, notably fundraising and most recently safeguarding as well as issues such as executive pay and administration costs. The result has been an unprecedented challenge to public confidence in charities. In response the sector has worked to demonstrate that it is taking very seriously the need to improve its governance.

In 2017 a coalition of umbrella groups, with the support of the Charity Commission, published a new "Charity Governance Code" designed to support continuous improvement. Although some of the key criticisms of the charity sector - such as fundraising and safeguarding - do not touch the Institute closely, my report last year tested the governance of the CIOT against the new Code. The result was positive in many areas, and in a number of the areas where I identified possible improvements, action has been taken in 2018 - for example on induction and setting expectations for Council members, on Council reviewing its own performance and effectiveness, and on injecting external perspectives into the Institute's deliberations.

One key remaining area relates to the size of Council, how it can best organise itself to focus on the key strategic issues, and how best to manage the relationship between the non-executives and the executive. The Council's strategy day in November 2018 launched an important debate which is likely to see some changes in the Institute's governance. I welcome this, not because of any sense that the Institute is currently getting it wrong, but because it demonstrates the willingness of those responsible to look at themselves and how they work and contemplate changes that can help them in addressing the strategic challenges ahead. This gives me confidence in the Institute's future and I wish it well.

A handwritten signature in black ink, appearing to read 'Sam Younger'.

Sam Younger CBE

Lay Public Interest Council Observer 2015-18

The public benefit CIOT provides is recognised by leading policy-makers...

“Can I thank you, again, for all that you do individually in this great endeavour of making sure our tax system is fit for purpose.”

Financial Secretary to the Treasury Rt.Hon. Mel Stride MP, CIOT parliamentary reception, June 2018



“I recognise the importance of the valuable analysis and scrutiny the Chartered Institute of Taxation... provide of the tax system across the UK and welcome the ongoing engagement we have around this.”

Scottish Tax Minister Kate Forbes MSP, correspondence, December 2018

“It’s really good to be here under the aegis of CIOT...I certainly appreciate the fact that they offer a lot of very dispassionate and neutral advice to us as policy-makers when we’re assessing tax proposals.”

Shadow Financial Secretary Anneliese Dodds MP, Labour conference event, September 2018



“CIOT are frequent flyers with the Treasury Committee and are very open and generous with the help they give us. The Low Incomes Tax Reform Group has recently given us evidence that has prompted HMRC to review the way it deals with vulnerable and unrepresented customers involved in tax disputes... [This engagement] really helps us to hold HMRC and Treasury ministers to account and encourage change for the better.”

Treasury Committee Chair Rt.Hon. Nicky Morgan MP, writing for CIOT website, February 2019

Working through Partnerships

Association of Taxation Technicians (ATT)

The ATT is the CIOT's sister body and the two share a set of offices, most of their staff and a branch network. Many CIOT members are also ATT members. Since 2016 it has been possible, via the Tax Pathway, to study for the ATT and CTA qualifications simultaneously.

Government

In pursuit of our charitable objectives for a better, more efficient tax system for all affected by it, we engage constructively with HMRC and the Treasury over both policy and administrative issues – meeting regularly, participating in forums and consultative committees and responding to consultations. We also work closely with other government departments and public bodies, such as the Office of Tax Simplification, and with the devolved administrations.

Institute of Chartered Accountants in England and Wales (ICAEW)

CIOT has a strong relationship with ICAEW including joint working on tax policy, professional standards and at elected Officer level. The Joint Programme allows students to qualify as an ACA Chartered Accountant and CTA at the same time through a coordinated course. As the two UK members of CFE Tax Advisers Europe we jointly hosted the organisation's General Assembly and associated events in London in 2018.

Institute of Chartered Accountants of Scotland (ICAS)

CIOT and ICAS work together on the Scottish Taxes Policy Forum, which the two bodies set up in 2017 and which published a well-received paper - Devolving Taxes across the UK: Learning from the Scottish Experience – in 2018, as well as hosting the 'Big Tax Debate' in Edinburgh.

Other professional bodies

CIOT works closely with a range of other professional bodies as well, particularly in the technical and professional standards areas, for example agreeing and publishing shared rules on professional standards (Professional Conduct in Relation to Taxation). These include the Association of Accounting Technicians, the Association of Chartered Certified Accountants, the Society of Trust and Estate Practitioners and Chartered Accountants Ireland.

International Partners

CIOT works with tax professional bodies from across Europe through CFE Tax Advisers Europe, sharing information about national tax law and practice and contributing to the development of tax law at a European level. (See page 36-37 for more.) Additionally since 2012 the CIOT has licensed the Irish Tax Institute and The Tax Institute in Australia to use the designations 'Chartered Tax Adviser' and 'CTA' as the first step in developing the CTA brand as an international 'Gold Standard' in tax. The three bodies work together to promote the designations.



Chartered
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Taxation

Excellence in Taxation

Employers

The Institute works closely with the major employers of our members to ensure that our qualifications are appropriate to their needs. Employers were consulted at all stages during our recent CTA examination review (see page 24). We have also worked with employers in the creation of the Level 7 Trailblazer Apprenticeship.

Institute for Fiscal Studies (IFS)

CIOT and IFS share the aim of better informing public debate and policy-making on tax and economic issues and, since 2013, we have worked together to hold 5-6 debates a year to promote this. In 2017 we, along with the Institute for Government, published Better Budgets, a report setting out how to improve the tax policy-making process.

Event partners

As well as IFS and ICAS, we collaborate with a range of other organisations on conferences and other events. For our annual Commerce and Industry Conference we partner with the CBI. For the annual Cross Atlantic & European Tax Symposium we partner with the UK branch of the International Fiscal Association. In 2018 we also partnered with the Worshipful Company of Tax Advisers, the City of London, CBI Scotland and Labour Business for events. We are also grateful to our event sponsors.

Training providers

As a body who sets the syllabus and organises exams the CIOT is reliant on tuition providers to offer training so that students can prepare themselves appropriately. In addition, tuition bodies help us provide our twice-yearly very low cost CTA Exam Focus Days, offering both face-to-face exam technique sessions in London, together with webinars, so students can take part wherever they live.

LITRG Partners

Our Low Incomes Tax Reform Group (LITRG) works to improve the tax system for those on low incomes. To achieve this LITRG works closely with a range of partners including the tax advice charities - Tax Aid and Tax Help for Older People – and Age UK, all of which are represented within the group. LITRG partners with LASA (Rightsnet) on the RevenueBenefits website and works within coalitions such as the Net Pay Action Group where these further the group's aims.

“The partnerships the Institute strikes are hugely rewarding. We achieve more working with others than we can achieve alone.”

Ray McCann,
President, Chartered
Institute of Taxation

And thank you to the many other partners who work with us to pursue our public benefit objectives, from parliamentarians to publishers to our suppliers. We couldn't do it without you!

Promoting debate on tax



Big Tax Debate

In January more than 300 members and others braved a cold Edinburgh evening to attend the CIOT/ICAS 'Big Tax Debate'. Pictured are (back row, left to right) Glenn Campbell (BBC Scotland Political Correspondent, in the chair), Alan McFarlane (chair of the Reform Scotland think-tank, panellist), Murdo Fraser MSP (Scottish Conservatives - Shadow Finance Secretary, panellist), Alexander Garden (then Chair of the CIOT Scottish hub), Darren 'Loki' McGarvey (writer and social commentator, panellist), (front row, left to right) Charlotte Barbour (Director of Taxation, ICAS) and Kate Forbes MSP (SNP - then Parliamentary Liaison Officer to Finance Secretary Derek Mackay, panellist).



Debating business reliefs

The CIOT's debates partnership with the Institute for Fiscal Studies (IFS) continued into a sixth year in 2018. Our March debate in London posed the question - Business Tax Reliefs: corporate welfare or essential elements of the tax system? Speakers were (left to right) Helen Miller (Deputy Director at IFS), Rob Prideaux (Director of NAO), CIOT President John Preston (chair), Annie Gascoyne (Head of Economic Policy at CBI) and Dr Kevin Farnsworth (Reader in Social Policy at the University of York).



CTA Address

Rt.Hon. Nicky Morgan MP (pictured, bottom left), Chair of the House of Commons Treasury Committee, gave the CTA Address in May, speaking on the role of the committee, its current work and why tax has become such a hot topic in the media, as well as raising concerns about HMRC's customer service.

After her address she took part in a panel discussion with (left to right) Stella Amiss (PwC), Heather Self (Blick Rothenberg), Ray McCann (CIOT President, in the chair) and Maya Forstater (Centre for Global Development).



Debating personal taxation

In June CIOT and IFS marked 30 years since the introduction of independent taxation with a debate on the taxation of families. Our panel was made up of (left to right) Fran Bennett (Senior Researcher and Teaching Fellow at University of Oxford, and of the Women's Budget Group), Stuart Adam (Senior Research Economist, IFS), Ray McCann (CIOT President, in the chair), Don Draper (co-founder of the campaign group Tax and the Family) and Gillian Wrigley (Technical Officer, LITRG).



At Labour conference event

The CIOT/IFS party conference debates posed the question: What does fair business taxation look like in a digital world? Speakers at the Labour conference event in Liverpool were (left to right) Helen Miller (IFS), Glyn Fullelove (CIOT Deputy President), Hamish Sandison (Chair of Labour Business, who co-hosted the event with CIOT and IFS, in the chair) and Anneliese Dodds (MP, Shadow Financial Secretary).



At Conservative conference event

The Conservative Party debate in Birmingham featured (left to right) Robert Courts MP (Chair of the All Party Parliamentary Group for Small and Micro Business), Rt.Hon. Mel Stride MP (Financial Secretary to the Treasury), CIOT President Ray McCann (Chair), Claire Hooper (EY), and Chair of the CIOT's Corporate Taxes Sub-Committee and Paul Johnson (Director, IFS).



At SNP conference event

At SNP conference in Glasgow, for which CIOT partnered with CBI Scotland, the speakers were (left to right) Mari Tunby (Assistant Director Policy at CBI Scotland), Kate Forbes MSP (the new Scottish Tax Minister), Michael Blackley (Scottish Political Editor, Daily Mail, in the chair) and Ray McCann (CIOT President).



Debating tax devolution

Tax devolution was put under the spotlight at our October debate, for which, after a number of years of holding events at the RSA, we tried out a new venue – the British Academy (10-11 Carlton House Terrace). Speakers at this event were (left to right) Dr Neil Lee (London School of Economics), Helen Miller (IFS, in the chair), Joanne Walker (Technical Officer for Scottish Taxes, CIOT and LITRG), Julia Goldsworthy (Director of Strategy, West Midlands Combined Authority and former MP and Treasury Special Advisor) and David Phillips (Associate Director, Devolution and Local Government, IFS).

Additionally, in June, CIOT supported the Lord Mayor's Tax Debate, hosted by the Lord Mayor of London, Charles Bowman, as part of his Business of Trust programme. Close to 200 guests at Mansion House in the City of London heard a range of speakers from tax, business and civil society discuss how to increase trust in the tax system.

Working for a better tax system

Report from the CIOT Technical Committee

The CIOT's technical work is driven by our public benefit objectives. These include seeking a simpler, more workable tax system, and ensuring the interests of both represented and unrepresented taxpayers are considered by policy-makers.

2018 was, at least in legislative terms, a more settled year in tax. A single Finance Act less than 200 pages in length is, at least in modern day terms, almost inconceivable. But that is, of course, only part of the story. Making Tax Digital and Brexit, scheduled to occur within days of each other in 2019, have the potential to bring significant challenges, and figured prominently in our work in 2018. They are picked out for separate mention below. Other activity during the year appears under the headings of the relevant committee or sub-committee.

Technical Committee

Some of the CIOT's technical work is driven directly by the Technical Committee itself, either because it is of strategic importance or because it spans several sub-committees. For example, we continue to work with HMRC and the Government Digital Service to secure improvements to HMRC's guidance, and we responded to the Charity Tax Commission's call for evidence into charity tax reliefs. With input from relevant sub-committees, the Technical Committee has responded to a number of House of Lords and Treasury Committee inquiries, including on VAT, the draft Finance Bill 2018, the Autumn Budget, tax avoidance and evasion, Making Tax Digital, the conduct of tax enquiries and resolution of tax disputes, and HMRC's powers.

Capital Gains Tax & Investment Income

In collaboration with other professional bodies, we produced draft FAQs on all aspects of the substantial reforms to the taxation of non-UK domiciled individuals to assist practitioners in identifying and considering areas of uncertainty. Discussions with HMRC continue in order to clarify the intended effect of these complex technical provisions.

We responded to consultations on changes to the CGT payment and return date and to Entrepreneurs' Relief. Entrepreneurs' Relief was again the focus in the latter part of the year following changes announced at the Budget and published in Finance (No.3) Bill. We engaged extensively with HMRC to assist in identifying unintended consequences to the changes and as a result amendments were made to the Bill at report stage.

Succession Taxes

We continued to engage with HMRC to improve the operation of the regimes for inheritance tax (IHT) Disclosure of Tax Avoidance Schemes (by commenting on HMRC Guidance) and IHT on non-doms' enveloped UK residential property (by collaborating with the professional bodies in drafting FAQs for HMRC comment). The shortcomings of the Trust Registration Service required disproportionate attention – we reported

shortcomings to HMRC, and disseminated directly developments and workarounds to members and the public as they emerged. We contributed to a 'lessons learned' exercise on this.

The Office for Tax Simplification (OTS) Review of IHT provided a welcome opportunity for direct meetings with the OTS to both stimulate and widen the debate, and also to suggest 'quick wins', some of which were evident in the First Report. We also explored with HMRC some of the practical implications which may arise from the implementation of the 5th Money Laundering Directive.

Corporate Tax

We were pleased that Budget 2018 announced two changes to the Corporate Intangible Fixed Assets (IFA) regime which the CIOT had supported in our response to the earlier consultation:

- a change to the degrouping rules applicable to IFAs which will remove an artificial barrier in the tax system to merger and acquisition transactions created by the fact that there are currently different degrouping rules for chargeable gains assets and assets within the IFA regime; and
- to re-introduce some relief for the cost of acquired goodwill.

Alongside other representative bodies, the CIOT helped ensure that HMRC's guidance dealing with the new rules relating to corporation tax losses highlighted sufficiently the compliance obligations arising from those changes that would apply to all companies, regardless of size. The guidance and toolkits were updated in October and November 2018.

Employment Taxes

We continued our engagement with government on employment status, with volunteers attending a ministerial roundtable as well as having discussions with government officials. A written submission, based on input from volunteers and the wider CIOT membership followed. We expect to engage further on this topic in 2019.

We engaged with government on the proposals to extend the off-payroll working rules that apply to public bodies to the private sector, suggesting alternative ways in which IR35 compliance could be improved without the need to switch the obligation to deduct onto the engager. Ultimately the government announced it would extend the rules (though smaller engagers will be excepted), but heeded our recommendation that any change should not arise before 2020, and we expect to spend much of 2019 working with HMRC on improvements to their employment status tool (CEST) and other practicalities in preparing for the new rules.

We have also met HMRC and made written submissions covering a variety of other matters including the draft PAYE Settlement Agreement regulations, extending the security deposit regime to include the Construction Industry Scheme, and the tax treatment of self-funded work-related training and short term business visitors from overseas branches.

Indirect Taxes

Our main focus continues to be on Making Tax Digital and Brexit (see pull-out boxes). However, we have continued work in many other areas, including working with HMRC on the reverse charge to combat fraud in the construction sector, both in terms of formal consultation responses as well as discussions with invited stakeholders. We submitted responses to the consultations on VAT and split payment, VAT and vouchers, and the VAT registration threshold. Our submissions on the Finance Bill VAT clauses were quoted extensively in Parliament.

We held a successful conference in October, with nearly 100 attendees hearing from a range of expert speakers on a variety of topical issues.

Management of Taxes

We continued to meet throughout 2018 with HMRC's offshore strategy team. This proved particularly helpful in dealing with queries from members about the "Requirement to Correct Offshore Tax Non-Compliance". As a result, we were able to publish practical notes and information to supplement HMRC's guidance. HMRC also took part in our webinar in July 2018. We met with HMRC on several occasions to discuss the UK's implementation of DAC6 (the EU Directive regarding automatic exchange of information relating to reportable cross-border arrangements).

We are leading the CIOT's work around "HMRC's Behaviour in their Investigative Approach". Following discussion at a meeting with the Financial Secretary to the Treasury in October, this was put on the agenda for the Compliance Reform Forum meeting in December. CIOT gave a presentation around the types of issue / behaviour experienced, and a positive discussion took place with HMRC and other professional bodies. It was agreed this should be the start of a dialogue, and HMRC recognised that they need to formulate some proposals to address the concerns raised. Further discussions will continue during 2019.

The Dispute Resolution and Litigation Working Group wrote to the President of the Upper Tax Tribunal and Chancery Chamber setting out its concerns about the costs regime in the Upper Tribunal and suggesting that in non-complex cases a taxpayer who is successful before the First-tier Tribunal should be able to opt for the continuance of the no-costs regime in the Upper Tribunal.

Property taxes

Much of the year was devoted to leading the CIOT's response to the consultation on taxing gains made by non-residents on UK commercial property, a significant change to the tax code. We also responded, in conjunction with the Stamp Taxes Practitioners Group, to the consultation on changes to the return and payment period for Stamp Duty Land Tax.

We made proactive submissions on aligning the tax treatment of Islamic finance and conventional finance for CGT purposes

Making Tax Digital

From April 2019, Making Tax Digital (MTD) for VAT will require VAT registered businesses with taxable turnover above the VAT registration threshold to keep records in digital form and file their quarterly VAT returns using compatible software. MTD was a significant focus of our work in 2018, led by our Digitalisation and Agent Strategy Working Group. We continue to be represented on several MTD stakeholder groups and work as a 'critical friend' to HMRC.

In particular, we have worked with HMRC on a number of significant ways to help with implementation, identifying and recommending solutions to practical issues, providing input into the guidance which HMRC has released, and focusing on areas such as penalties, exemptions and simplifications. We have argued – with partial success – for a 'soft landing' for the new regime, as well as for greater efforts to increase awareness and understanding of the changes among taxpayers. We continue to work with HMRC to help ensure that the transition into MTD is as smooth as possible.

We have also concentrated significant efforts on helping members. We have a dedicated MTD section on the Policy and Technical pages of the CIOT website (www.tax.org.uk/policy-and-technical/making-tax-digital), which is frequently updated and contains lots of useful information and guidance. We held two, free webinars in 2018 (both of which remain available to view) and CIOT technical staff have spoken about MTD at more than 20 branch and similar events. We also continue to provide articles and updates via Tax Adviser magazine, and in the weekly CTA newsletter.

and on the tax treatment of housing enablement schemes that secure residential allocations as part of an urban development.

There is ongoing engagement with HMRC on the tax consequences of landlord contributions to tenants' works and the transition into corporation tax from income tax for non-UK resident companies carrying on UK property businesses.

Owner Managed Business

We started 2018 by continuing our engagement with HMRC on the effects of section 35 of Finance Act 2016 which introduced a targeted anti-avoidance rule on distributions in a winding up. As a result of our discussions, in July HMRC made clarificatory changes to their guidance in the Company Taxation Manual.

We met the OTS on several occasions during the year to discuss their review of tax through the business lifecycle. We met the Institute for Fiscal Studies to discuss their proposed project looking at how different types of income and capital are taxed. We responded to HMT's consultation on Enterprise Investment Scheme Knowledge-Intensive Funds.

We engaged with HMRC to discuss unintended consequences arising from changes to the definition of “beneficial ownership of shares” for the purpose of Entrepreneurs’ Relief which were proposed in the Finance (No 3) Bill. This led to the government tabling an amendment to the clause on 21 December 2018.

International Tax

The public tax debate remains focused on the digital economy and the taxation of large ‘tech’ companies. The CIOT has continued to contribute to this debate throughout the year, responding to papers from the UK government and the European Commission, reiterating our view that the preferred outcome is a multilateral solution and that there are significant risks associated with a tax on revenues as an interim measure. This issue was also central to our party conference debates in 2018 (see page 15). Notwithstanding the relatively short time period in which the OECD has committed to reaching a global, long-term solution, Budget 2018 saw the introduction of a new tax on offshore receipts arising in respect of intangible property and a consultation document on a UK digital services tax. Developments in this area, therefore, continue apace and we shall continue to engage with them.

Scotland

A significant piece of work during 2018 was our collaboration with ICAS on the Scottish Taxes Policy Forum, which produced its first discussion paper in October: “Devolving Taxes across the UK: Learning from the Scottish Experience”. The publication of the paper was supported by the results of a poll examining the views of Scottish taxpayers, which the CIOT commissioned. The intention is that the paper will lead to further discussions, and indeed we are building on this through meetings with the Scottish Government and MSPs.

We made several submissions to the Scottish Government and Scottish Parliament in relation to proposals on Land and Buildings Transaction Tax (LBTT), as well as continuing to participate in Revenue Scotland’s LBTT Forum and other LBTT stakeholder meetings, including Revenue Scotland’s LBTT Project Board.

The Scottish Budget was published in December and, as in 2017, we contributed to the Scottish Government roundtable on income tax, to help inform decisions around

income tax policy in particular. Following the Budget, we also participated in a Finance and Constitution Committee roundtable at the Scottish Parliament to discuss the Scottish Government’s approach to taxation in the Budget.

Wales

Having previously operated as a virtual working group, the CIOT recognised the increasing importance of devolution in Wales and the Welsh Technical Committee was established. We held the inaugural meeting in Cardiff in September 2018, followed by a second meeting in December. A representative of the Welsh Revenue Authority attended part of the September meeting to brief committee members on the early months of the implementation of the new devolved taxes, Land Transaction Tax and Landfill Disposals Tax.

We responded to HMRC’s technical note and draft legislation in relation to the Welsh Rates of Income Tax, and provided input and comment for the Welsh Revenue Authority’s ‘Our Charter’.

Working Together

Working with HMRC to highlight and resolve systemic issues is an important part of what we do, and we do this alongside other professional bodies through a number of forums, such as the Issues Overview Group (IOG) and the Virtual Communications Group (VCG), as well as through direct contact with HMRC.

Working Together has changed over recent years, and the Agent Forum is the principal way in which systems and processing issues should be raised with HMRC. The current platform has limited functionality and is felt not to work well, although we were pleased that, following encouragement from agents and the professional bodies, the weekly HMRC email providing a round-up of recent postings was recommenced in the summer. We were also delighted to learn that funding has been obtained for a more sophisticated forum to be launched in early 2019, and we will be working with HMRC to promote the new forum once it goes live.

Chair of Technical Committee: Glyn Fullelove
Tax Policy Director: John Cullinane
Head of Technical Team: Richard Wild

Brexit

As the process of the UK’s exit from the EU continues, we have sought to ensure that the tax and customs implications of our departure remain high on the government’s agenda, that taxpayer rights and obligations are maintained, and that the tax system is fit for purpose after Brexit. Members of our EU & Human Rights and Indirect Taxes sub-committees in particular have contributed in this area.

We met with HMRC and Treasury officials, and with government and opposition politicians, through the year to raise issues of concern to tax and customs professionals around the Brexit transition. These included arguing for: a transitional period as close as possible to the status quo; a light regulatory touch to ease the many SMEs who have never prepared documents for a customs clearance; maintenance of postponed accounting arrangements; HMRC to get the substantial extra resources they need to cope with Brexit.

In January 2018 we provided a written briefing to MPs considering the Taxation (Cross-border Trade) Bill and Jeremy White, CIOT’s customs spokesperson, appeared before the bill committee as a witness. In September we organised a roundtable event on indirect taxes and customs for parliamentarians, following up an earlier one held in December 2017. The event was well-attended and several peers referred to information learned at the roundtable during their subsequent discussions in the House of Lords. As Brexit-day drew closer we scrutinised customs and VAT statutory instruments and provided comments to HMRC.

During 2018 we launched the Brexit section on the CIOT website (www.tax.org.uk/policy-and-technical/brexit) which seeks to highlight the various VAT, customs duty and excise duty issues that need to be considered by members, and signposts to information and guidance. We published our first joint Brexit factsheet with ICAEW and ICAS in autumn 2018, with more to follow.

Formal submissions

2017

94 CIOT

56 LITRG

2018

81 CIOT

51 LITRG

Formal submissions to HMRC, HM Treasury and other government and parliamentary bodies during the year (including devolved administrations). These divide 81 from CIOT (down from 94 in 2017) and 51 from our Low Incomes Tax Reform Group (LITRG) (down from 56 in 2017). The reduction from 2017 is largely a reflection of the move to a new fiscal timetable and a single fiscal event, the number of written submissions being largely dictated by the volume and nature of formal consultations issued.

Meetings

2017

147 CIOT

118 LITRG

2018

254 CIOT

192 LITRG

Meetings (face to face or virtual) with officials from HMRC, HM Treasury and the devolved tax administrations. These divide 254 CIOT (up from 147 in 2017) and 192 LITRG (up from 118 in 2017).

Giving the unrepresented a voice

Report from the CIOT's Low Incomes Tax Reform Group (LITRG)

In 2018, the CIOT marked 20 years since the Low Incomes Tax Reform Group (LITRG) was set up by past President John Andrews. LITRG's mission is to 'target for help and information those least able in the community to afford to pay for advice and make a real difference to their understanding of the systems of taxation and related benefits whilst working to make them more equitable and accessible for their needs'.

Some of the issues may be different to those that John and the group's early volunteers first identified, but many remain. HMRC's focus on digital might make life easier for some, but it does not remove the need for LITRG. Digitalisation of the tax system presents new challenges, such as ensuring that systems are accessible to all and that no-one is left behind. For efficiency, digitalisation also means that government departments take tax data and use it for other purposes, such as assessing benefits entitlement. Tempting though this may be, there are many potential pitfalls, particularly where definitions are different. LITRG seeks to identify and flag such issues at an early stage.

In 2018 LITRG made 51 submissions to government and parliament and attended 192 meetings with officials. The Group also gave written and oral evidence to a number of parliamentary committees, and saw their evidence cited regularly in parliamentary debates and committee reports (see pages 28-29).

LITRG websites

One of the ways LITRG contributes to the CIOT's public benefit role is by working for greater public understanding of tax matters via four websites. The LITRG website aims to provide the most comprehensive, up to date source of tax, national insurance contributions and tax credits guidance for the low-income population.

In 2018, there were nearly 5 million visitors across the four websites – a significant increase on the 3 million in 2016 and just over 4 million in 2017.

Although aimed at low income taxpayers, the websites receive regular positive feedback from CIOT members who use them in their work and they are often referenced in parliamentary library research briefings.

The websites also help to gather feedback and evidence which is used to support LITRG's consultation responses, Parliamentary submissions and raise issues with HMRC.

Carers report

In May 2018, LITRG published a comprehensive report highlighting how care workers are losing out because of the confusing and unhelpful way in which their working

"For nearly 18 months, I've been trying to find out when the period of administering my mother's estate "ends", and when the tax liability for CGT/income tax becomes her beneficiaries' instead. I've trawled the internet and phoned HMRC countless times... but couldn't get clear answers... this has been frustrating and incredibly stressful... not knowing the correct terminology to look or ask for. Today I googled "period of administration" for the first time and immediately found your website. The page I found has answered every question that I've been trying to get answers on and I now feel clear about what I need to do.... a very grateful THANK YOU!" -

Visitor to LITRG website

arrangements and low pay interact with tax, welfare and minimum wage rules. The report was widely welcomed and was highlighted by Catherine McKinnell MP via a parliamentary question to the Chancellor of the Exchequer.

Tax relief on pension contributions

LITRG is playing a leading role in the fight for equal treatment for low earners on their pension contributions. Members of 'relief at source' pension schemes who do not pay income tax are entitled to basic rate tax relief, but this relief is not available for non-taxpayers whose employers opt for 'net pay arrangement' schemes.

LITRG made a Budget submission to the Treasury proposing a way to rectify this inconsistency in tax rules, has publicised this issue in the media, and is working with pension providers, two former pensions ministers and other interested parties to press for government action.

Loan charge

LITRG's articles explaining the loan charge for unrepresented taxpayers were widely welcomed by HMRC, CIOT members, the wider profession and campaign groups

People

Early in 2018, Jonathan Riley was appointed as LITRG vice chair following the sad passing of Chris Jones in November 2017. Jonathan will succeed Anne Fairpo as Chair in May 2019.

After more than 15 years as LITRG's Technical Director, Robin Williamson MBE retired. Robin will continue as a LITRG volunteer. Following Robin's retirement, Victoria Todd, previously Senior Technical Manager, was appointed as Head of the LITRG team.

Chair of LITRG: Anne Fairpo
Vice Chair of LITRG: Jonathan Riley
Head of LITRG Team: Victoria Todd

LITRG successes in 2018

Examples of successes from LITRG's work in 2018 include:

- Finance Act 2018 changed the law to allow marriage allowance claims in cases where a partner has died before the claim is made. Introducing the change the Financial Secretary indicated that it was being made as a result of representations from LITRG
- HMRC took on board a number of LITRG recommended changes to the draft Help to Save regulations. HMRC also accepted all of LITRG's recommendations for changes to draft Help to Save guidance
- Following a presentation by LITRG to HMRC's digital centre staff, LITRG highlighted incorrect material on GOV.UK which has since been corrected. Material has also been added to GOV.UK as a result of LITRG intervention
- The Financial Conduct Authority amended its handbook to include a new rule requiring advisers to consider the impact of tax and access to state benefits following representations from LITRG
- LITRG received a number of mentions in both the Low Pay Commission's report on the 'Taylor' premium and the Director of Labour Market Enforcement's first full strategy document. LITRG suggestions also helped shape resulting recommendations
- Following LITRG representations, HMRC have introduced temporary guidance (until legislation can be put in place) to clarify the treatment of savings income in relation to the remittance basis of taxation
- LITRG supported the Childhood Bereavement Network in their Supreme Court Case win on Widowed Parent's Allowance by providing calculations and examples on various tax and benefit interactions
- Following LITRG's work in Scotland, amendments were made to the text of letters, and the Scottish Government website, in relation to Carer's Allowance Supplement payments to ensure the tax treatment and interactions with tax credits were explained correctly

Promoting excellence in tax education

Report from the Education Committee

The Education Committee, along with its sub-committees and working parties, ensures that the educational aims of the Institute remain relevant and maintains a focus on the future development of the tax profession. In addition to providing support and encouragement for its students, the Committee has the key responsibility for promoting the study and understanding of tax for the benefit of the wider public.

By the close of 2018, there were over 4,000 students registered for the CTA qualification and over 500 more registered for the Tax Pathway, the joint ATT CTA route to qualification, plus over 800 registered for the ACA CTA Joint Programme. In addition, there were approximately 2,900 students registered for the ADIT qualification.

Level 7 Trailblazer apprenticeship

The CIOT's application to the Department for Education to become an Apprenticeship End-Point Assessment Organisation (EPAO) was accepted. This means the CIOT is now on the government register as an approved EPAO, which is a prerequisite for apprenticeship providers.

The Institute has started planning to allow the first Level 7 Taxation Apprentices to sit their End-Point Assessment (EPA) in 2019. These apprentices will have to pass both elements of the EPA, comprising a Project Report and the new Application and Professional Skills (APS) examination.

Review of the future of members' conferences

In 2018, the Members' Conference Working Party began discussing how the Institute can build on the long running success of the spring and autumn residential conferences. Plans are at an early stage, but the Institute intends to refresh its conference programmes. The aim is to attract new attendees, recognising that for some members it is not possible to give up a weekend to attend the residential conferences.

ADIT (the Advanced Diploma in International Taxation)

Our ADIT qualification has attracted students in over 120 countries and territories around the world. 924 individuals had completed the qualification at the close of 2018.

2018 saw a record number of students registering and sitting exams, with more than 750 student registrations and over 1,800 exam entries received. The on-screen marking process has now been rolled out across all ADIT examinations, and the proportion of ADIT students choosing to sit their exams electronically continues to increase.

Our ADIT work is overseen by our ADIT Sub-Committee. ADIT was promoted at a diverse range of international tax events in the UK and around the world, the biggest of which included the International Fiscal Association (IFA)

Annual Congress in Seoul; the IFA USA Branch Annual Conference in Houston; the SAIT Annual Africa Transfer Pricing Summit in Johannesburg; and the Foundation for International Taxation (FIT) Annual Conference in Mumbai.

Support for tax academia

In 2018, the Committee agreed to support a contribution of £6,500 to the Tax Research Network (a network formed of active and would-be tax researchers and teachers) to assist with their annual conference at the University of Birmingham. In 2018, the event was extended to add a day of activities related to tax teaching in the UK. This included issues related to the teaching of tax at Universities, in addition to professional students.

In addition, the Committee approved one other funding request, from the University of Cambridge. This was for a total of £1,435 to support the third annual Tax Policy Conference in April 2018 at the Centre for Tax Law, Christ's College.

Student support in 2018

The Institute continues to support its students, with exam focus days in the spring and autumn, which our Student Training Conferences Working Party help plan and deliver. We continue to offer the option of webinars running alongside the traditional face-to-face sessions. Attendance across the board increased in 2018, in particular at the autumn session after the Education Committee approved a reduction in prices for all sessions. The aim of doing so was to expand availability to those students who may not previously have been able to afford the cost of these sessions.

External relations

Meetings have taken place this year with employers in the accounting, legal, and business and commerce sectors, both in the UK and overseas. The increased dialogue with employers over the past few years has been universally welcomed. A focus of these meetings has been the new CTA exam structure, given the majority of the new elements come into force in 2019 and employers have naturally been keen to discuss the options available for their trainees. Feedback from employers on the new exam structure has been encouraging.

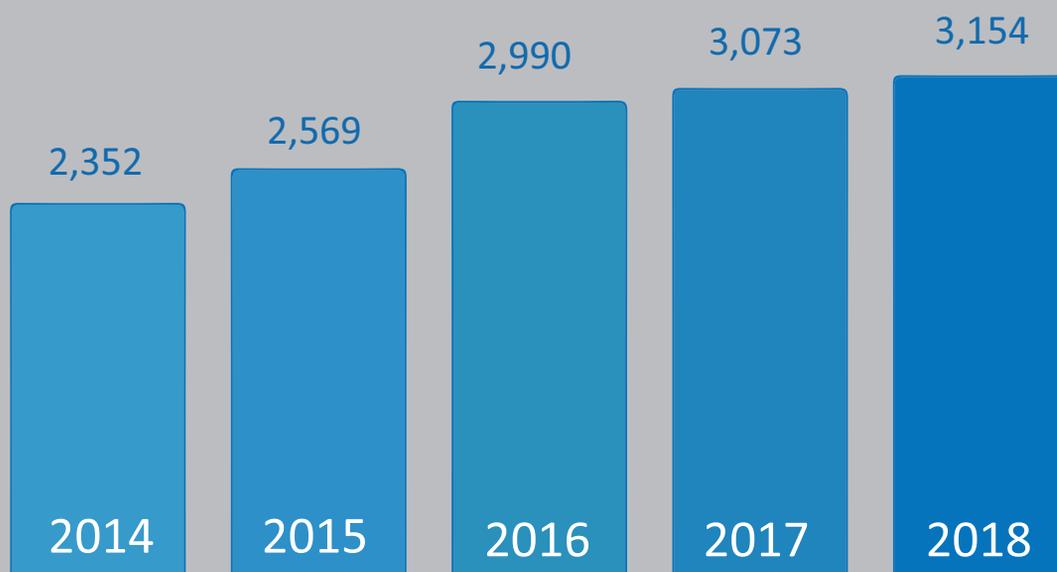
Fellowship

In 2018, six individuals successfully presented a body of work or dissertation to the high standard required to achieve Fellowship and a further three individuals had their synopses approved. This area is overseen by our Fellowship Working Party.

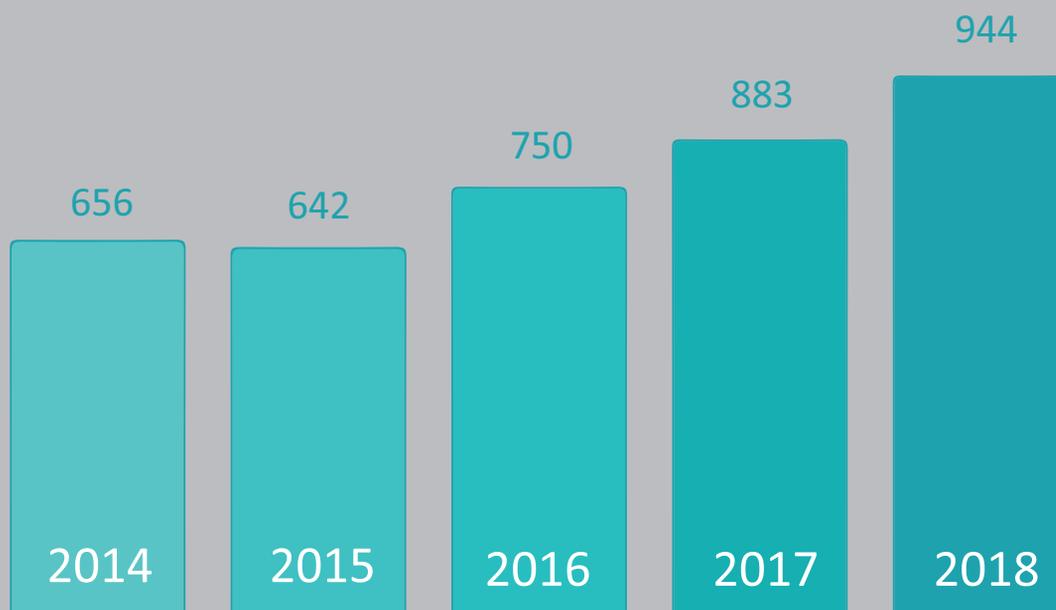
Chair of Education Committee: Peter Rayney
Director of Education: Rosalind Baxter
Education Development Manager – Andy Brodrick
ADIT Examinations Manager – Rory Clarke

Number of candidates sitting exams

CTA



ADIT



Modernising our Examinations

Report from the Examination Committee

The primary objective of the Examination Committee is the supervision of the administration arrangements for the CTA examinations, and review of the examination format and results in line with the requirements of Council. We are grateful to our examiners and staff for all of their hard work in what is a huge administrative and intellectual exercise.

Our examinations are run twice a year in May and November. Candidates are also examined in Law and in Professional Responsibilities & Ethics, and these examinations are conducted via Computer Based Examinations which are available throughout the year at various test centres around the UK. From March 2019 students will also be examined in a new Computer Based Examination in Principles of Accounting.

A CTA is regarded as having achieved the premier tax qualification as a result of having passed examinations that require candidates to demonstrate technical expertise both in breadth and depth and an ability to apply that knowledge to practical situations.

Following the exam results published in January 2019 649 students had completed the exam requirements and became entitled to membership of the CIOT as a result of the 2018 examinations. The Committee hope that some of the successful candidates will go on to play an active role in the future of the CIOT, volunteering for whichever area of the Institute's work interests them most.

CTA Examination Review

The Examination Review Sub-Committee, which reports to the Education Committee, has over the past 18 months been tasked with reviewing all aspects of the CTA examination syllabus and ensuring that the CTA examination enables candidates to give the very high standard of taxation advice expected of a CTA. The revised examination structure takes effect from 2019 with 2018 seeing a couple of early changes.

One of these was that the two Advisory papers Advanced Corporation Tax and Taxation of Major Corporates merged and became one paper under the name of Taxation of Major Corporates. This new paper (previously only available to ACA CTA Joint Programme students) became an option for all students.

A considerable amount of work was undertaken with regards to the new Application and Professional Skills paper (examinable from May 2019). Candidates will be required to demonstrate competence in each of three skills. Sample papers are available to view on the CIOT website. No exemptions will be permitted and specific rules will be in operation for ACA CTA Joint Programme candidates.

From 1 July 2018 the requirement to have a Confirmation of Eligibility to sit the CTA examinations ceased. Students with no prior tax knowledge are being strongly advised to sit the Tax Pathway examinations.

Electronic Marking Platform (EMP)

The Education Team has been working with Secure & Confidential Documents Ltd (SCD) since early 2017 on the implementation of the EMP. This has allowed examiners to mark scripts on screen rather than the traditional method of paper marking. All candidates now receive a barcoded answer booklet in which to write their answers which also bears their unique candidate number. This has improved the security and integrity of the candidates' answer booklets. This has been a key step for the implementation and success of the onscreen marking pilot.

All examiners now use EMP to mark their scripts onscreen. The only exception is the Application and Interaction examiners who still marked hard copies of the scripts during 2018. This is due to the new Application and Professional Skills paper (from May 2019) and the way in which it will be marked. The EMP will need to be configured to deal with the competency based marking system.

The CIOT and SCD will continue to strive for improvements with the EMP and respond to issues that arise. SCD and the Education Team will continue to add new features and improve the user functionality in response to examiners' feedback.

Computer Based Examinations

The current manual (fourth edition) for the Computer Based Examination on Professional Responsibilities & Ethics will continue to be examinable until the end of February 2020. The fifth edition of the Essential Law for Tax Practitioners will be examinable from 1 March 2019. There is also a new manual called Principles of Accounting (third edition) which has been substantially updated to coincide with the launch of the new Computer Based Examination in Principles of Accounting. The question banks have been updated accordingly.

Tax Pathway

During the course of 2018 55 students on the Tax Pathway successfully completed all examination papers required of them. The Tax Pathway was launched in June 2016 and enables students to study for both the ATT and CTA qualifications and become members of both bodies in less time, without reducing the quality and rigour of the qualifications. Students are able to transfer into the Tax Pathway from the traditional CTA and ATT routes providing they meet the requirements.

CIOT and ICAEW Joint Programme

During the course of 2018 63 students completed both qualifications and thus successfully completed the ACA CTA Joint Programme.

Chair of Examination Committee: Daniel Lyons
Director of Education: Rosalind Baxter
Education and Examinations Manager: Jude Maidment

Prize Winners



At the May 2018 admission ceremony prize winners from the November 2017 CTA exam sitting received their awards from then Institute President John Preston.

From left to right, front row: Emma Aish-Lyons (Gilbert Burr Medal), Rebecca Lowiss (John Tiley Medal), John Preston (CIOT President), Victoria Bell (Ronald Ison Medal) and Hannah Wu (Wreford Voge Medal). Back row: James Lawton (Institute Medal), Ryan Stowers (John Wood Medal), Steven Carson (Ian Walker Medal), Neavana Martin (Avery Jones Medal), Oliver Jackson (Spofforth Medal and Croner-I Prize) and Robert Thomas (LexisNexis Prize)

Prize winners from this sitting not pictured are Catherine Edwards (John Beattie Medal)



At the October 2018 admission ceremony prize winners from the May 2018 CTA exam sitting received their awards from Institute President Ray McCann.

From left to right: Helen Jackson (Victor Durkacz Medal), Elizabeth Linsley (Spofforth and Avery Jones Medals), Kieran Hutchinson Dean (Ronald Ison Medal), Ray McCann (CIOT President), Jonathan Bradford (Gilbert Burr Medal and Croner-I prize) and Victoria Bell (Ian Walker Medal).

Prize winners from this sitting not pictured are Helen Kaminski (Institute Medal), Chris Jepson (John Tiley Medal and Croner-I Prize), Elliott Lomas (Wreford Voge Medal) and James Rogers (Chris Jones Prize).



At the October 2018 admission ceremony prize winners from the June 2018 ADIT exam sitting received their awards.

From left to right: Susannah George (Raymond Kelly Medal), Frances Clapham (Worshipful Company of Tax Advisers Medal), Ray McCann (CIOT President), Ieronymos Toungoulos (International Fiscal Association Prize), Puneet Gulati (Heather Self Medal) and Alistair Pepper (also Heather Self Medal).

Prize winners from this sitting not pictured are Flora Barnes (also International Fiscal Association Prize), Demetris Lambrou (Croner-I Prize) and Gareth Charles Lewis (Wood Mackenzie Prize).

Prize winners from the ADIT December 2017 sitting were: Konstantinos Krimpas (Heather Self Medal), Elinor Crockford (Raymond Kelly Medal), Sam El-Grew (Worshipful Company of Tax Advisers Medal) and Ryan McMahon (Croner-I Prize)

Engaging with our Members

Report from the Membership and Branches Committee, and the Branch Network

Members

2018 has been a year of change with lots of challenges; the implementation of new technologies has meant the Head Office Team have worked hard to adjust their processes and procedures to handle more and more new members. Our total membership is now over 18,700.

We are proud to have welcomed 583 successful students into membership in 2018. This number of new members returns us to our steady state following our bumper crop of 635 in 2017.

New Members are invited to our illustrious Admission Ceremonies which take place at Drapers' Hall in the City of London. We were delighted to present certificates to over 80 new members at the 2018 ceremonies, which took place on 3 May and 18 October.

Membership & Branches Committee

The Committee's work, this year, has focused on reviewing the benefits of membership, as more and more of the Institute's services and engagement move online. Potential new benefits have been reviewed including potential help and support lines for members aimed at mitigating the stresses and strains of work life in the digital age. Surveys were conducted at member conferences and responses fed back to committee for review.

The Committee continues to work with the Joint Branches sub-committee to encourage members to get involved with their local branches (see right).

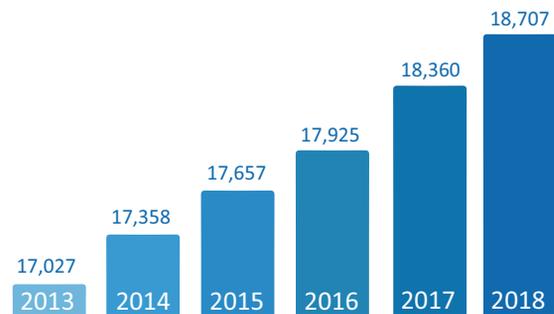
Digital Engagement

Tax Adviser Magazine remains our principal member benefit and the Finance Act handbook is now available digitally through the secure members' area of the website. We are pleased that engagement with members through our taxadvisermagazine.com website is rising substantially, with a 26% increase in the number of users in the last 12 months. The total number of page views over the year increased by 20% on 2017, up to more than 670,000.

The average time spent on a page is also rising and now stands at over 3 minutes (an increase of 16% on last year).

The number of visitors to the website coming to us via search engines is up 27% on last year. Our social media presence through LinkedIn, Facebook and Twitter, has also seen a significant increase on 2017, with a 59% increase in user traffic.

CIOT Membership (numbers for end of each year)



Member conferences

Along with our digital engagement with members it is evident that face to face encounters continue to be an important part of learning, networking and convening in 2018. The Institute's Head Office events team produced 29 events, attended by just under four thousand delegates.

Our Residential Conferences take place at Warwick University campus in Coventry, Queen's College Cambridge and Dunblane Hydro in Scotland. Conference content is pulled together by the Conferences Working Party who began reporting into the Education Committee in 2018. The Conferences Working Party is now chaired by Peter Rayney who took over the chair when Robert Jamieson stepped down after an incredible 25 years service in the role.

Robert was awarded a Certificate of Merit by the CIOT Council for his services to Conferences, presented by the President, Ray McCann in September at the Warwick Conference, which Robert chaired. Feedback on our conferences is very positive. The Conferences Working Party plan to look at an expansion of the conference offering in the course of the next few years, with one potential target group being the "NTP" or New Tax Professionals, those members in the first 10 years of their careers in tax.

Annual Conferences for Commerce & Industry Branch and for those interested in indirect taxes also received good attendance and are examples recognising the diversity of interests within our taxation community.

Tony Arnold Library

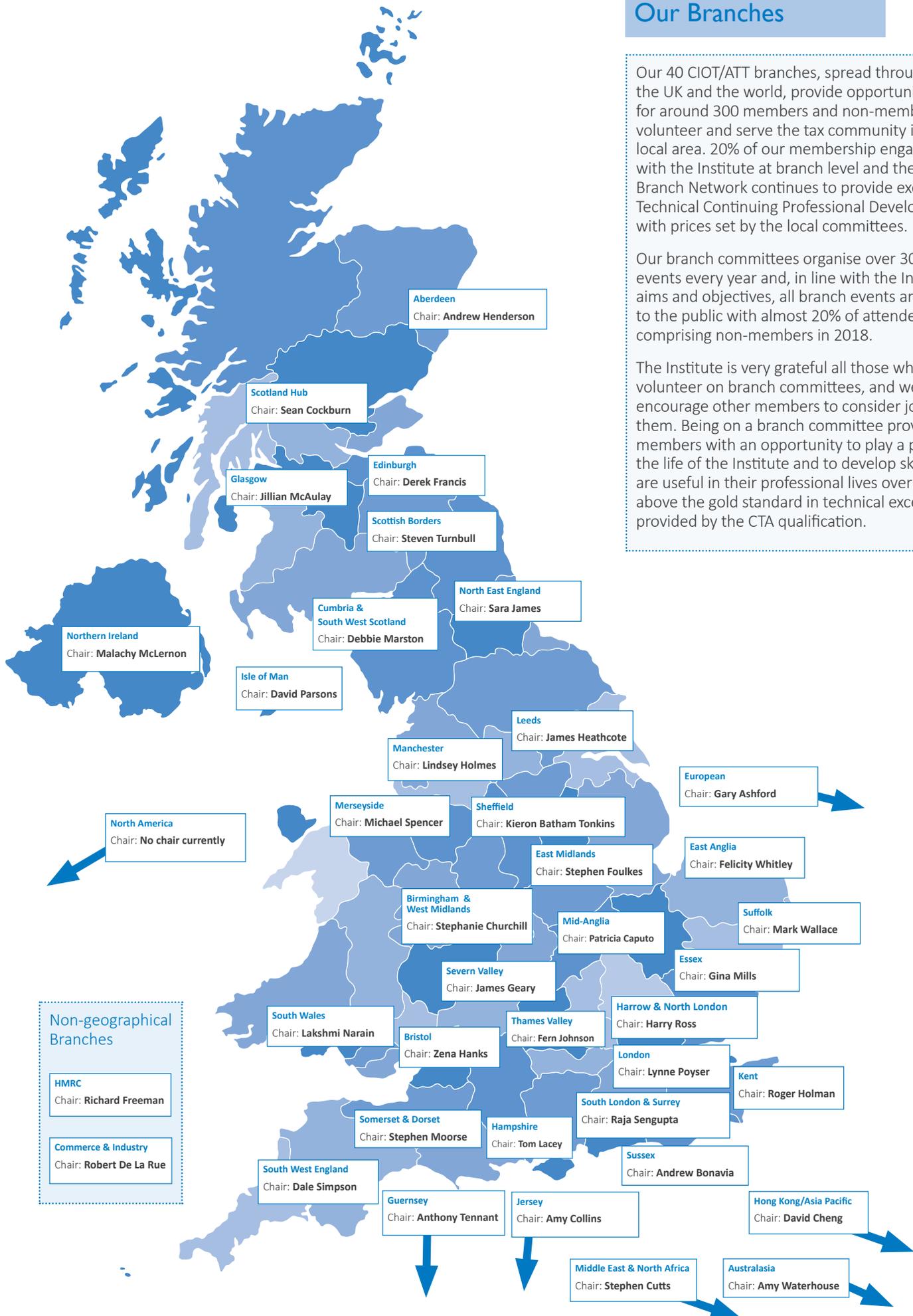
The Institute began monitoring visitor numbers to its Tony Arnold Library housed at King's College in 2017 and had accumulated sufficient information to propose to Council the cessation of its Librarian Service in August. Members' and students' access to the library has been retained and more information on visiting the reference collection can be obtained at www.tax.org.uk/members/library

Our Branches

Our 40 CIOT/ATT branches, spread throughout the UK and the world, provide opportunities for around 300 members and non-members to volunteer and serve the tax community in their local area. 20% of our membership engages with the Institute at branch level and the Branch Network continues to provide excellent Technical Continuing Professional Development with prices set by the local committees.

Our branch committees organise over 300 events every year and, in line with the Institute's aims and objectives, all branch events are open to the public with almost 20% of attendees comprising non-members in 2018.

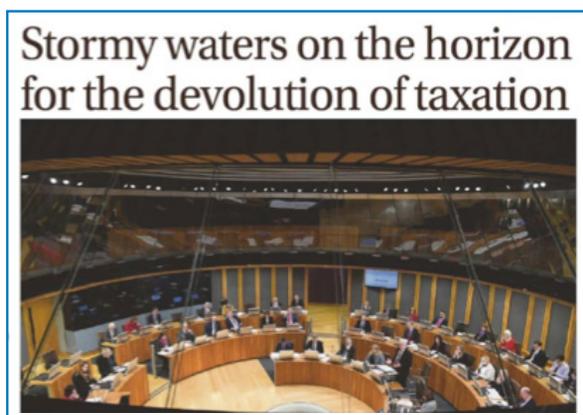
The Institute is very grateful all those who volunteer on branch committees, and we encourage other members to consider joining them. Being on a branch committee provides members with an opportunity to play a part in the life of the Institute and to develop skills that are useful in their professional lives over and above the gold standard in technical excellence provided by the CTA qualification.



Promoting understanding of tax

As set out in our Royal Charter, CIOT's objectives include creating "a well-informed public opinion" on taxation. To achieve this we inform public debate via the media, we directly publish helpful information for taxpayers (mainly via our Low Incomes Tax Reform Group), we meet with politicians and other policy makers, and we promote forums for discussion of tax policy involving all with an interest in it.

CIOT in the media



Ritchie Tout, vice-chair of the Institute's Welsh Taxes Technical Committee, analysed Welsh tax plans in the Western Mail in September

The CIOT, including LITRG, was covered on 254 occasions in the mainstream media during 2018, in addition to hundreds of mentions in the tax and accountancy trade press.

Tax avoidance continued to interest the media. John Cullinane talked to Radio 4's Today programme about use of 'tax havens' and to LBC about personal service companies and Facebook's tax affairs, Ray McCann was interviewed by Talk Radio about tax schemes and by the BBC News Channel about Amazon's taxes. Glyn Fullelove wrote in City AM on the digital services tax and John Cullinane in the same paper on tax and Brexit. Ahead of the Spring Statement Chief Secretary to the Treasury Liz Truss and Exchequer Secretary Robert Jenrick wrote articles highlighting the role of CIOT and others in making the case for a single annual fiscal event, which appeared in The Times and the Financial Times respectively.

The CIOT achieved unprecedented levels of media attention in Scotland in 2018. John Cullinane wrote in The Herald on tourist tax proposals and Moira Kelly in The Times on improving scrutiny of devolved taxes. The launch of the CIOT/ICAS Scottish Taxes Policy Forum paper on tax devolution in October, and accompanying polling, generated 130 pieces of media coverage, largely as a result of being syndicated UK-wide by the Press Association. We also made the Welsh media, saying a Vacant Land Tax must not add to current confusion and separately calling for a Finance Bill for Wales (both in Western Mail).

Online information

In addition to the extensive information provided by LITRG for particular groups of taxpayers (see page 20-21) the CIOT publishes information on its website blog to assist public and business understanding of current tax issues. In 2018 this included expert articles on recent developments in tackling tax avoidance and evasion, supporting families through the tax system, double taxation, the digital services tax and enterprise tax reliefs. Additionally members of the Institute's external relations team produced regular summaries of parliamentary tax debates, including 'live blogging' Finance Bill debates, and published briefings on the tax policies of the political parties during the party conference season.

Engaging with policy-makers



CIOT Customs spokesperson Jeremy White giving oral evidence to the committee of MPs considering the Taxation (Cross-Border Trade) Bill, which paved the way for Brexit-related customs and tax changes

We continue to support and build relationships with politicians of all parties in pursuit of our aim of better tax policy making. We engaged with a total of 93 politicians (from 8 different parties) across Westminster and the devolved institutions in 2018. This included debates we invited them to take part in (see page 14-15) and also:

- Meetings with Conservative, Labour, Lib Dem and SNP ministers and shadow ministers to discuss issues ranging from Brexit to the Finance Bill to devolved taxes
- Victoria Todd (LITRG) and Ray McCann giving evidence to the Commons Treasury Committee inquiry on the conduct of tax enquiries and resolution of tax disputes
- A parliamentary briefing session in September on Customs and Brexit attended by 10 MPs, peers and advisers
- John Cullinane and Victoria Todd giving evidence to the House of Lords Economic Affairs Committee on the Draft Finance Bill in October

- Victoria Todd giving evidence to the Scottish Parliament’s Social Security Committee on social security and in-work poverty (September), and Joanne Walker to the Parliament’s Finance and Constitution Committee on Scottish tax proposals (December)
- Our successful parliamentary reception in June with guests including the Financial Secretary and Shadow Financial Secretary to the Treasury (12 MPs and 6 peers in total)

Informing the political debate

CIOT and LITRG were mentioned on 78 occasions in parliamentary debates and reports during 2018. These included:

- Our representations on clauses on R&D credits, venture capital trusts and the marriage allowance cited during debate on Finance (No.2) Bill early in the year
- Our comments on offshore time limits, the consultation process, the personal allowance, carried-forward losses, entrepreneurs’ relief, capital allowance changes and VAT grouping and guidance cited during debate on Finance (No.3) Bill in the autumn
- Recommendations in our Better Budgets report on parliamentary scrutiny and other ways to improve tax policy-making being highlighted by Labour and SNP spokespeople during debate on both the year’s Finance Bills
- Our concerns about post-Brexit customs arrangements being raised during second reading and committee stage debates on the Taxation (Cross Border Trade) Bill
- Being quoted extensively in the Commons Treasury Committee’s reports on Autumn Budget 2017 and Budget 2018, including our ‘traffic light’ assessment of the Budget measures
- Being quoted extensively in House of Lords reports on Making Tax Digital, HMRC Powers and the legislative process
- Our evidence on the effect of tax differentials being cited in a Scottish Parliament report on Draft Budget 2018-19
- Extensive citation of LITRG evidence in the House of Commons Treasury Committee’s March report on Childcare and the Work and Pensions Committee’s May report on Universal Credit
- Our views on the risks of unilateral action on digital taxation cited by the Shadow Chief Secretary to the Treasury during a parliamentary debate in March.

Tax Policy Director: John Cullinane
Head of External Relations: George Crozier

“This is where it gets slightly more complicated, unfortunately, so I will refer to the Chartered Institute of Taxation’s helpful advice on the matter... “

Shadow Economic Secretary to the Treasury Jonathan Reynolds MP, Finance Bill Committee, December 2018

“Majority of Scots ‘want more information on devolved tax system’”

The Scotsman, headline above story about CIOT-commissioned polling, October 2018

Upholding Professional Standards

Report from the Joint CIOT/ATT Professional Standards Committee

The joint CIOT/ATT Professional Standards Committee continues to play a significant role in helping the Institute meet its objective: “to prevent crime and to promote the sound administration of the law for the public benefit by promoting and enforcing standards of professional conduct amongst those engaged in the provision of advice and services in relation to taxation and monitoring and supervising their compliance with money laundering legislation.”

Professional Rules and Practice Guidelines (PRPG)

A revised PRPG which sets out the Fundamental Principles which apply to all members and students as well as guidance aimed at helping the member in their working life was issued on 9 November 2018. Key changes included:

- Clarification of the rule on professional behaviour and how it extends to conduct in a member's private life
- New obligation to notify the CIOT if a member receives
 - a dishonest tax agent conduct notice
 - a monitoring notice from HMRC under the Promoters of Tax Avoidance Schemes (POTAS) legislation
- New chapters for members in employment, members in Commerce and Industry and members employed in professional practice or other sectors
- A table setting out how to respond to a professional clearance letter
- Enhanced guidance on retention of records, on time limits for court action and clarification on the position on liens over client papers

General Data Protection Regulation (GDPR)

In response to the introduction of the GDPR on 25 May 2018 the CIOT along with other professional bodies drafted a series of FAQs which were reviewed by the Information Commissioner's Office. These were aimed at helping members clarify and comply with their obligations under the new legislation.

Engagement Letters

Updated engagement letters guidance was issued on 2 May 2018. This included some new schedules (such as Company Accounts and Voluntary (unprompted) disclosure to HMRC) and amendment of the previous schedules to reflect technical changes. It also took account of the new GDPR requirements.

Where possible, a uniform approach on professional standards issues across the tax profession is adopted and so, where appropriate, CIOT liaises with other relevant professional bodies, as well as members, to inform best practice.

Anti-Money Laundering (AML)

AML continues to be high up on the political agenda. It was of particular interest in 2018 because of the Financial Action Task Force's (FATF) Mutual Evaluation Review of the effectiveness of the UK's AML and Combating the Financing of Terrorism (CFT) system. FATF gave the UK a good overall report and concluded that 'The UK's overall AML/CFT regime is effective in many respects'. It added though, that the UK needed to address certain areas of weakness, such as supervision and the reporting and investigation of suspicious transactions.

As a supervisory authority, the CIOT has a statutory duty under the AML legislation to effectively monitor supervised members and take necessary measures to ensure compliance by them. Under legislation introduced in 2017 no supervisor may supervise a business where a beneficial owner, officer or manager (BOOM) has a criminal conviction for any offence listed in Schedule 3 (falsification of documents, fraud, tax offences, company director penalties, etc.). CIOT required all supervised members and firms to demonstrate this by carrying out criminality checks on their BOOMs in 2018.

Any members or firms which refused to comply were referred to the Taxation Disciplinary Board. CIOT will continue robustly to pursue compliance with AML requirements in the coming year.

AML Guidance for the Accountancy Sector (AMLGAS), to which the CIOT contributed, was issued in March 2018 and replaced the CCAB guidance. It is HM Treasury approved and members and firms registered with CIOT for AML supervision should adhere to it. The Tax Sector Appendix, which focuses on the interaction between AML compliance and tax offences, has also been revised and is currently with HM Treasury for approval.

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS)

OPBAS was set up in 2017 to oversee the AML work of 22 professional body supervisors, including CIOT. This year it visited all the professional bodies (CIOT in December) to review the approach, quality and standards of supervisory work and the compliance of supervised members. Their aim is to ensure consistency of approach across all professional body supervisors. The CIOT will receive a report from OPBAS in the first quarter of 2019 setting out the findings of their visit and making recommendations on areas to improve where necessary.

Chair of CIOT/ATT Professional Standards Committee: Alistair Cliff
Tax Policy Director: John Cullinane
Head of Professional Standards (CIOT): Heather Brehcist

See page 36 for news of the CIOT's work on professional standards through the CFE Tax Advisers Europe

Enforcing Standards: Complaints and Discipline

Report of the Taxation Disciplinary Board

The Taxation Disciplinary Board (TDB) is an independent body which handles complaints about alleged breaches of professional rules of conduct by members and students of CIOT and ATT.

The disciplinary procedures exist to protect the public and members of the participating bodies. By enhancing the standing and reputation of the tax profession, they can only be beneficial to all its members. The TDB is concerned to ensure that it remains at the forefront of best regulatory practice and therefore better able to serve the public interest on behalf of an open and aware profession that commands widespread public confidence.

Recent Changes

Larry Darby, the ATT representative on the TDB Board of directors, retired from the Board after six years service. His replacement, Brian Palmer, took up his appointment on 11 July 2018.

A comprehensive review of the TDB website was completed during 2018. Further, the TDB believed, with the full encouragement of the sponsors, CIOT and ATT, that in addition to the steps recently undertaken to enhance the actual and perceived independence of the TDB, benefit would be obtained from removing complaint related information, and all correspondence, from being (albeit securely) on the CIOT/ATT server, and accordingly this was also undertaken and completed during 2018 and all such matters transferred onto an independent server.

Arrangements were put in hand to ensure that the TDB is fully compliant with the new GDPR requirements including the appointment of a dedicated Data Protection Officer.

As is the case every year a full day's training was held for all panel members and directors, which was also attended by members of staff from CIOT/ATT.

Cases dealt with in 2018

During 2018 the TDB received 37 new complaints (up from 30 in 2017), 25 of them involving CIOT members, (up from 21 in 2017) and there were 15 complaints still under investigation from 2017. 36 of these cases were closed in the year.

In addition to the above, 93 (up from 4 in 2017) cases arose from the failure of members to submit the required Anti-Money Laundering (AML) revised returns, in full, and by 1 June 2018. These cases were all reported by CIOT in batches to TDB towards the end of the year and as a consequence the majority are open and continuing to be being progressed in the early months of 2019.

Apart from these AML cases, perhaps the only discernible trend in the type of complaints referred to the TDB relates to the apparent increase in those not involving professional breaches or behaviour, but rather discreditable personal criminal behaviour.

During the year the Investigation Committee considered 8 complaints (3 involving CIOT members, the same number as in 2017). All the complaints were referred to the Disciplinary Tribunal.

During 2018, 5 cases were heard by Disciplinary Tribunals, 4 of them involving CIOT members or students. Four further cases, 1 involving a CIOT member, were awaiting a hearing at the end of the year.

Findings, in respect of cases heard by a Disciplinary Tribunal in 2018, resulted in 2 exclusions, 2 censures (1 including an order to pay compensation of £5,000) and 1 no further action.

There was 1 appeal (CIOT member) against a decision of the Disciplinary Tribunal; the appeal was not upheld by the Disciplinary Assessor.

At 31 December 2018, excluding the AML cases, there were a total of 16 cases open and under investigation, of which 14 were CIOT members.

Peter Douglas

Executive Director
Taxation Disciplinary Board

This is an edited version of the full TDB report for 2018, which can be viewed, along with the findings of individual hearings, at www.tax-board.org.uk

Managing our resources

Report of the Finance and Operations Committee

The CIOT, as a charity delivering public benefit and operating as a professional membership body supporting its members, requires well managed resources and systems to deliver these objectives. The Finance and Operations Committee (F&OC) is a delegated committee of the CIOT Council with a remit to ensure that this objective is met. The F&OC is chaired by a member of Council and reports to Council on all matters relating to the CIOT's finances and on matters relating to operating resources including IT, HR and property.

2018 Results

We are pleased to report on our results for the year. The Institute incurred an Operating Loss for the year of £231,000 – note that this outcome is after charges of £227,000 relating to the exit from our offices at Artillery House (see New Offices below). These one-off charges have been fully offset by a release from the Property Fund of £227,000 – in accordance with recommended accounting practice, this offset is shown as a movement between the General Fund and the Property Fund (see Note 13 to the Financial Statements) rather than as an offset within the Statement of Financial Activities for the year (see page 47).

During the year, losses of £299,000 were incurred on our investments which, added to the Operating Loss of £231,000, gave rise to Net expenditure for the year of £530,000. After the release of £227,000 from the Property Fund, the movement on the General Fund for the year was a deficit of £303,000 resulting in general reserves held of £4,988,000 (2017: £5,291,000).

Total income amounted to £8,122,000 (2017: £7,891,000), an increase of 3%. Income continues to be generated primarily from Membership subscriptions of £5,188,000 (2017: £5,071,000) and Student registrations and examination fees of £1,794,000 (2017: £1,650,000).

Total expenditure amounted to £8,353,000 (2017: £7,787,000), an increase of £566,000 (7%) - after taking into account the release of £227,000 from the Property Reserve to cover the one-off expenses of exiting Artillery House, expenditure increased by £339,000 (4%). Of this increase of 4%, 3% related to revenue generating expenditure and 1% related to our overheads. The Institute continues to share staff and other back office resources with The Association of Taxation Technicians (ATT) which enables both organisations to benefit from economies of scale.

Overheads continue to be strictly controlled and monitored against budgets which have been scrutinised carefully by F&OC before approval by Council. Apart from general inflationary increases in costs the main expenditure increases in recent years have occurred in IT, including the development of new IT systems to improve operational support.

Investments

The CIOT investment portfolio showed a decrease over the year with net losses of £299,000 (2017: gains of £170,000). This change in performance reflects the greater volatility in investment markets during 2018. The F&OC considers investment performance at each meeting and holds regular discussions with the Portfolio Manager (Cornelian) and the Investment Adviser (Alvarium).

The Institute's primary reason for investing is to ensure that sufficient funds are available to meet the required levels of reserves, to seek capital growth in those funds and for those funds to provide a source of income to contribute towards the costs of its charitable activities.

The Institute's powers of investment are set out in the Royal Charter which states that: monies of the Institute not immediately required for any of its objects may be invested in such manner as may be prescribed by the Byelaws. The Byelaws state that the Council may invest any monies belonging to or held by the Institute in such stocks, funds or securities as the Council shall from time to time think fit anywhere in the world, subject to the provisions of the law relating to investment by Trustees. Council has also determined that no direct investment is to be made in commercial property - investments in collective funds holding commercial property are however permissible.

The Council has assessed the risks involved in the activities of the Institute and has adopted a low risk policy for its shorter term investments (held on term deposits or in gilts) and low/medium risk for its longer term investments (under independent professional management).

Regular reviews of the invested funds are carried out to ensure they are adequate to meet the obligations identified in the Institute's strategic plans.

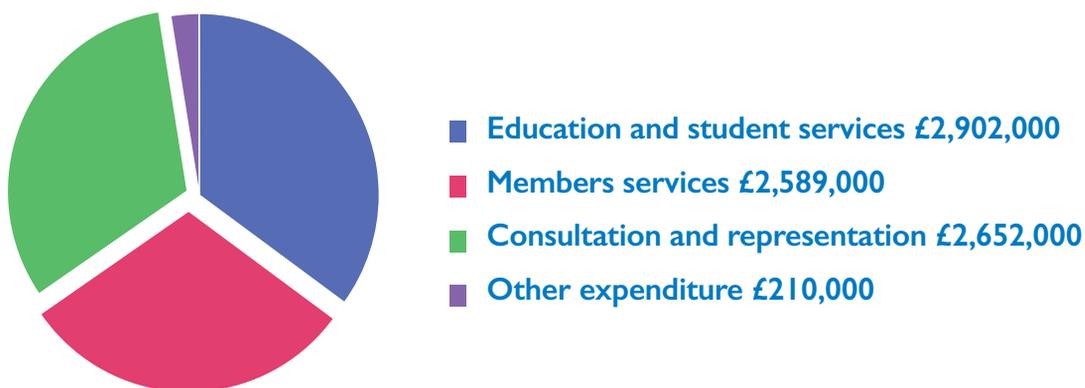
As advised by the Institute's Portfolio Manager and Investment Adviser, no changes were made to investment strategy during the year. Notwithstanding the losses made during the current year, the longer term investment portfolio (managed by Cornelian) continues to outperform both the agreed benchmark and our peer group. At the request of the Investment Manager and with the agreement of the Investment Adviser, the F&OC agreed to a change in the portfolio benchmark in late 2018 – this change had no impact on investment strategy.

Council has not placed any restrictions on investments for environmental or ethical reasons. At Council's request, the F&OC reviewed this policy during 2018 and concluded that no changes were appropriate. Although it was agreed that all investments would be regularly reviewed in the light of

Income



Expenditure



A full breakdown of CIOT income and expenditure is provided in the Notes on Financial Statements section of this report.

current circumstances; and that we would make it clear to our investment advisers that we take reputational damage seriously and that this should always inform their investment decisions.

Reserves

The Trustees regularly review the charity's needs for reserves in line with the guidance issued by the Charity Commission and assess the risks involved in the activities of the Institute. They agreed that the purpose of its reserves policy should be to:

- provide financial stability and the means for the development of the Institute's principal activity; and
- retain a sufficient level of net current assets or other readily realisable fixed asset investments. The Trustees also agreed that the target for reserves at December 31, 2018 should be £6,514,000, comprising the following:
 - nine months' running costs, to provide financial stability so that the Institute can run efficiently and meet its future commitments for a reasonable period in the event of adverse operating conditions ; and
 - two designated funds providing cover over specific projects, as follows

Disciplinary Procedures Fund – a fund to cover the unpredictable future costs of investigations and disciplinary hearings by the Taxation Disciplinary Board; and Property Fund – a sum to be set aside each year to build up a property fund for use on the expiry of the current lease.

The current Property Fund has comfortably covered the costs arising from our move this year to new offices, illustrating the clear and professional management of the Institute's funds, and will form part of the review of Funds policy described below.

Full details on the calculation of the Reserve target are given on page 51 in the Notes on Financial Statements.

As of December 31 2018, there was a small shortfall of £202,000 representing 3% of the Reserves target. Trustees keep the Institute's overall financial position under regular review through F&OC and Officers Group and retain the power to reallocate these designated funds within unrestricted funds, unless and until, expended.

During 2019, the F&OC will be reviewing the policy for both the General Fund and the two Designated Funds.

Branches

The CIOT/ATT Branches have had a reasonable year financially with a consolidated net surplus of £76,703 before central costs. Branches have continued their important role for members and have attracted good delegate numbers at their meetings, assisted by staff at Head Office. We are continually reviewing the logistical support provided to branches and the new CRM and Finance systems (see IT below) provide the platform for this. The Finance team in Head Office has started to assume responsibility for each of the branch's accounting functions – this transfer is expected to complete in December,

2019 at which point the branch year-ends (currently June 30) will be aligned with the Institute's year-end of December 31.

Controls

Controls and systems are reviewed regularly by CIOT management and are updated as necessary, in agreement with the Audit Committee, so as to ensure that optimal support, control and best practice are achieved.

IT

The IT infrastructure and software constantly need to be kept up-to-date to meet members' and students' requirements and expectations. A number of infrastructure improvements have been made as a result of an independent review carried out in the first quarter of the year. The CIOT strategic goal of replacing our legacy systems remains on track and the new CRM (Customer Relationship Management), including integrated Finance and Education systems, is close to being fully implemented.

HR

Staffing has been stable during the year. There has been investment in staff and management development to improve the Annual Appraisal Process so as to ensure that staff achieve personal and departmental KPOs which are aligned with those of the organisation.

Restricted Funds

As noted in in last year's report, Restricted Funds were exhausted during 2017 – these comprised income and expenditure in connection with the Low Incomes Tax Reform Group (LITRG) operated by the Institute. This was a consequence of the withdrawal by HMRC of the larger part of its grant funding for LITRG with the result that the Institute now supports most of the cost of running LITRG. Council consider LITRG to be a fundamental part of the Institute's charitable activities and accordingly considered it appropriate that this expenditure is in future absorbed by Unrestricted Funds.

Charity Commission

The F&OC regularly considers the implications for CIOT of new recommendations and guidance issued by the Charity Commission.

The Future

Due to the encouraging increase in Membership and Examinations in 2018, accompanied by an anticipated increase in IT expenditure to replace legacy IT systems, the Institute continues to be prudent when preparing its budgets, anticipating a small operating surplus for the year 2019.

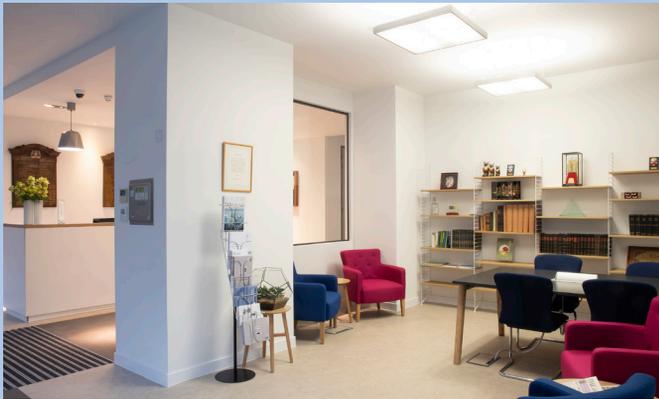
We continue to look forward to 2019 with the usual cautious optimism.

Chair of Finance and Operations Committee: Keith Bell
Director of Finance and Operations: Paul Davies
Head of Finance: Harriet Archer
Head of Human Resources: Annette Hutchinson

New Offices

We've moved - but we are still in Westminster.

During 2018, having identified superior offices in nearby Monck Street, Council decided to exercise the break clause on the lease for its existing offices at Artillery House. The decision was taken after an extensive review of options and after full consultation with our professional advisers. As noted on page 32, charges relating to our exit from Artillery House will be absorbed by our Property Fund whilst the cost of acquiring and fitting out the new premises in Monck Street have in the main been capitalized. The CIOT moved to Monck Street in January 2019 and capitalized costs on the new premises will accordingly start to be depreciated in 2019.



Members' area



Reception desk



Main working area



One of the meeting rooms

CFE Tax Advisers Europe

CFE (short for Confédération Fiscale Européenne) Tax Advisers Europe brings together professional tax advisory bodies throughout Europe. It acts as a forum for the exchange of information about national tax law and practice, and contributes to the development of tax law at a European level.

Together with the Tax Faculty of ICAEW, the CIOT represents the UK at the CFE. In 2017 it was agreed to develop the CFE's branding to include the strapline 'Tax Advisers Europe' to reflect the strength of the tax adviser brand and the English language within the tax profession in Europe.

CIOT has always been actively involved in the CFE, providing three former Presidents, a current Vice President, Gary Ashford, the chair of the Indirect Tax Fiscal Sub-Committee, Jeremy Woolf, and the chair of the new Tax Technology Committee, Ian Hayes (who was the organisation's First Vice President during 2018).

In September 2018 the CIOT, jointly with ICAEW, hosted the CFE Tax Advisers Europe's General Assembly, Professional Affairs Committee and Fiscal Committee meetings in London.

Participation in CFE Tax Advisers Europe is a useful means of keeping the CIOT abreast of developments in the tax profession in our European neighbours and sharing the benefits of our experience in the organisation's work. This naturally separates into Professional Affairs and fiscal matters each governed by an appropriate committee consisting of tax professionals who donate their time and skills.

Professional Affairs

The CIOT's representatives, currently Alistair Cliff, Chair of the Professional Standards Committee, and Heather Brehcist, from the Professional Standards Team, play an active part in the CFE's Professional Affairs Committee (PAC). As well as attending the committee itself this includes participating in virtual meetings on matters such as the new Mandatory Disclosure Rules and anti-money laundering. Alistair was a speaker at the 2018 Professional Affairs Conference in Madrid, which focused on the new Mandatory Disclosure Rules.

Fiscal Affairs

The CIOT continues to work with CFE (Tax Advisers Europe) to address the many similar tax related challenges faced by the UK and Europe, including the taxation of the digital world and addressing tax avoidance and evasion. This work will continue notwithstanding Brexit. The CIOT's representatives on the Fiscal Affairs Committee are Glyn Fullelove, Jeremy Woolf and John Voyez.

CIOT President Ray McCann and ICAEW President Paul Aplin were invited to write the Foreword to this year's CFE Tax Advisers Europe annual report. This is what they said:

We were delighted and honoured to be asked by the Executive Board of the CFE Tax Advisers Europe to write the Foreword to their Annual Report for 2018. At a time when so much about the future relationship between the United Kingdom and our European friends, colleagues, and neighbours is uncertain, we take great pride in the contribution that the many members of our respective Chartered Institutes make to the valuable work of the CFE.

It was with very real pleasure that we hosted your General Assembly in London and celebrated with you at the Tower of London reception and the dinner at Chartered Accountants Hall, a building that draws upon Italian inspiration and which was opened in 1893. We will not quickly forget the sunset at the Tower of London or being entertained by singers whose repertoire included Italian arias complimented by la bella danza of Piergiorgio gracefully gliding across the dance floor!

As well as meetings of the CFE Tax Advisers Europe's Professional Affairs Committee, Fiscal Committee and of course the General Assembly itself, this year saw the first meeting of a joint initiative of the CFE Tax Advisers Europe, CIOT and ICAEW to bring together future leaders of the tax profession and we hope this will lead to even greater cooperation in years to come.

So thank you on behalf of the CIOT and the ICAEW for what was one of the highlights of the London tax summer.

Looking ahead, the UK and Europe face many similar tax related challenges. By continuing to work together, as we have done for many years, we will meet those challenges - whether they concern the taxation of the digital world, addressing tax avoidance and evasion, helping our respective governments detect and deter money laundering, assisting governments to develop stable economic environments in which businesses can start, grow and prosper or indeed with issues yet to emerge. And by working together we will continue to encourage and attract the very best young talent to a modern, dynamic, exciting, and rewarding tax profession that offers careers in which they have opportunities to develop and grow into the leaders of the profession in the future.

And together in partnership, the ICAEW, CIOT and CFE Tax Advisers Europe will continue to offer strong thought leadership now and in the future.

To fraternity and cooperation,

Ray McCann	Paul Aplin
CTA (Fellow) ATT	OBE FCA CTA (Fellow)
President CIOT	President ICAEW

General Assembly 2018 in London



CFE General Assembly



CIOT Chief Executive Peter Fanning speaking at the General Assembly



Stella Raventós-Calvo, Chair of the Fiscal Committee and Ian Hayes, First Vice-President



CIOT Deputy President Glyn Fullelove welcoming CFE President Piergiorgio Valente to the reception at the Tower of London



At the Gala Dinner at Chartered Accountants Hall



Professional Affairs Committee meeting

Reference and Administrative Information

(as at 21 March 2019)

President

Ray McCann CTA (Fellow) ATT (2012)

Deputy President

Glyn Fullelove MA CTA (Fellow) ACA (2014)

Vice-President

Peter Rayney CTA (Fellow) FCA TEP (2016)

Vice-President elect (in post from May 2019)

Susan Ball CTA (Fellow) ATT (2017)

Other Members of Council

Paul Aplin OBE BSc FCA CTA (Fellow) (2017)

Gary Ashford CTA (Fellow) ATT (2011)

Charlotte Barbour MA, CA CTA (Fellow) (2019)

John Barnett MA (Oxon) CTA (Fellow) TEP Solicitor (2014)

Keith Bell CTA (Fellow) ATT (2008)

Chris Brydone BA CTA (Fellow) FCA ATT (2007)

Emma Chamberlain OBE BA (Hons) CTA (Fellow) Barrister (2007)

Tracy Easman CTA (Fellow) ATT (Fellow) (2018)

John Endacott BSc CTA (Fellow) FCA (2016)

Anne Fairpo* MA (Oxon) CTA (Fellow) ATT Barrister (2008)

Keith Gordon MA (Oxon) CTA (Fellow) FCA Barrister (2009)

Ian Hayes BA FIIT CTA (Fellow) FCA FRSA (2013)

Claire Hooper BSc CTA (Fellow) ACA (2017)

Andrew Hubbard* BMus CTA (Fellow) ATT (2004)

Moira Kelly BACC ALCM CTA (Fellow) CA (2013)

Chris Lallemand BSc CTA (Fellow) FCA (2011)

Daniel Lyons BA CTA (Fellow) Solicitor (2011)

Nikhil Mehta LL B, Barrister CTA (Fellow) (2018)

Ian Menzies-Conacher BSc (Econ) CTA (Fellow) ACIB FCA (2007)

Mary Monfries BA CTA (Fellow) ACA (2018)

Amanda Pearson BSc CTA (Fellow) ACA (2014)

John Preston*BSc FCA CTA (Fellow) (2012)

Jonathan Riley CTA (Fellow) (2017)

Jennie Rimmer LLB CTA (Fellow) (2014)

Nichola Ross-Martin CTA (Fellow) FCA (2017)

Mike Thexton MA CTA (Fellow) FCA (2016)

Penelope Tuck BSc PhD FCA CTA (Fellow) (2019)

John Voyez BSc CTA (Fellow) FIIT FMAAT (2013)

Year of appointment to Council shown in brackets.

* indicates Past President

Lay Public Interest Council Observer

Sam Younger's term of office ended December 2018. Jane Brothwood and Quinton Quayle took up the post March 2019.



Left to right: Peter Rayney, Glyn Fullelove, Ray McCann

Management Team

Chief Executive

Peter Fanning MSc BSc

Secretary and Director of Education

Rosalind Baxter BA ACIS

Director of Finance and Operations

Paul Davies ACA

Tax Policy Director

John Cullinane MA CTA (Fellow) FCA

Registered office

The Chartered Institute of Taxation
30 Monck Street
London
SW1P 2AP

Reference and Administrative Information

(as at 21 March 2019)

Committees of Council and Sub-Committees

Officers Group

Chair | Ray McCann
Deputy Chair | Glyn Fullelove
Vice-Chair | Peter Rayney

Membership & Branches Committee

Chair | Chris Lallemand

Education Committee

Chair | Peter Rayney

Low Incomes Tax Reform Group

Chair | Anne Fairpo

Performance & Remuneration Committee

Chair | Vincent Oratore

Professional Standards Committee (Joint CIOT/ATT)

Chair | Alistair Cliff

Examination Committee

Chair | Daniel Lyons

Audit Committee (Joint CIOT/ATT)

Chair | Rakesh Shaunak

Finance & Operations Committee

Chair | Keith Bell

Joint Branches Sub-Committee

Chair | Malachy McLernon

Examination Review Sub-Committee

Chair | John Beattie

Tax Adviser Sub-Committee

Chair | Yvette Nunn

ADIT Sub-Committee

Chair | Jim Robertson

ADIT Examination Sub-Committee

Chair | David Salter

Technical Committee and its Sub-Committees

Technical Committee

Chair | Glyn Fullelove
Vice-Chair | John Barnett
Vice-Chair | Peter Dylewski
Vice-Chair | Claire Hooper

Scottish Technical Committee

Chair | Alexander Garden

CGT & Investment Income

Chair | Aparna Nathan

Corporate Taxes

Chair | Claire Hooper
Vice-Chair | Pete Miller
Vice-Chair | Adrian Rudd

Employment Taxes

Chair | Colin Ben-Nathan
Vice-Chair | Mark Groom

EU & Human Rights

Chair | Jeremy Woolf

International Taxes

Chair | Joy Svasti-Salee
Vice-Chair | David Murray

Management of Taxes

Chair | Chris Davidson
Vice-Chair | Helen Adams
Vice-Chair | Stephen Barnfield

Owner Managed Business

Chair | Tina Riches
Vice-Chair | Pete Miller

Property Taxes

Chair | Brian Slater
Vice-Chair | Marc Selby

Succession Taxes

Chair | John Bunker
Vice-Chair | Danny Clifford

Indirect Taxes

Chair | Alan McLintock
Vice-Chair | Linda Skilbeck

Working Together

Chair | Jonathan Stride

Welsh Technical Committee

Chair | Lakshmi Narain
Vice-Chair | Ritchie Tout

Connected Charity

Association of Taxation Technicians
30 Monck Street
London
SW1P 2AP

Auditor

Buzzacott LLP
130 Wood Street
London EC2V 6DL

Investment Advisers

Cornelian Asset Managers Ltd
21 Charlotte Square
Edinburgh EH2 4DF

Strategic Investment Advisers

Alvarium
9 Clifford Street
London W1S 2FT

Solicitors

Stone King
Boundary House
91 Charterhouse St
Clerkenwell
London
EC1M 6HR

Bankers

HSBC
333 Vauxhall Bridge Road
London SW1V 1EJ

Structure, governance and management

The Institute of Taxation was founded in 1930, it was registered as a charity in England and Wales in 1982 (registered charity in England & Wales number 1037771). It was incorporated by Royal Charter in 1994. The governing instruments of the Institute are its Royal Charter, and Byelaws as amended from time to time.

Governance

The Institute operates within the terms of its Royal Charter (the Charter), Byelaws and regulations and its management is under the control of the Council of the Institute. Good governance and leadership is essential for the success of the Institute and Council is committed to following the principles and recommended practice in the Charity Governance Code (as recommended by the Charity Commission) <https://www.charitygovernancecode.org/en>. These principles are organisational purpose, leadership, integrity, decision-making, risk and control, board effectiveness, diversity and openness and accountability.

Council

The Council comprised 30 Trustees at the close of 2018 (29 in 2017) who provide a wide range of skills and experience. The Officers Group of Council comprises the CIOT President (Chairman), CIOT Deputy President, CIOT Vice-President, CIOT Vice-President elect, Immediate Past-President, ATT President, Chief Executive and the Directors of Education, Finance and Operations and Tax Policy.

The members of staff who attend all Council meetings are the Chief Executive, Secretary and Director of Education, the Tax Policy Director and the Director of Finance and Operations. All their roles are separate and clearly defined. Other staff members attend as and when required for specific items.

The Council considers that its Members are independent and that no individual, or small group of individuals, can dominate Council decisions.

The Council met four times during the year to deal with Trustee business, review financial performance, strategy and risk and has a formal agenda of matters specifically reserved to it for decision in accordance with the Charter paragraph 5 (3). Council papers comprising an agenda, formal Council Minutes together with briefing papers on specific Trustee matters are sent to all Council members in advance of each meeting.

In addition, a day-long meeting was entirely devoted to strategic discussion. Matters discussed included the size of Council and other governance processes. It was decided to form a Working Party in 2019 to review Council procedures and processes, in order to ensure that the Institute is in good shape for the future.

The Officers Group of Council met four times in the year to deal with day-to-day executive matters which include reports from Institute executives and staff remuneration with reference to annual performance.

Council members achieved an overall attendance rate of 74% (2017: 85%) at Council meetings and 90% (2017: 86%) at Officers Group meetings.

In compliance with Council Regulation 10.9 Council members and other Standing Committee Members are required to make declarations of interests at meetings which might give rise to a conflict of interest or influence their vote on a resolution proposed at a Council or other committee meeting. All Members of Council have access to the advice and services of Institute staff and may take independent professional advice on Institute matters.

There are a number of Standing Committees of Council to which various matters are delegated and they adopt the same approach as Council to the preparation and distribution of papers for meetings.

Election to Council

Election to Council is by the Members of the Institute at the Annual General Meeting. The Council is responsible for dealing with nominations under Members Regulation 19 (Nominations for Election to Council). Council is also responsible for the election of its Honorary Officers.

To help identify potential candidates with the skills which Council needs, prospective new Council members, who must also be Members of the Institute (Byelaw 5), are selected for what they can contribute to the Institute and must sign a declaration that they are not disqualified from acting as a Trustee as detailed in Section 178 of the Charities Act 2011. Trustee training is provided for new and existing Trustees on an annual basis.

Prospective new Council members are considered at Council following diligence on names brought forward from Council, the Institute's Standing Committees and the wider tax profession.

Audit Committee

The Audit Committee is an independent joint committee of the Councils of the Institute and the Association of Taxation Technicians.

The Audit Committee has specific responsibility for the Institute and Association relationship with the external auditors, attending the audit planning and closure meetings and having private meetings with the auditors as necessary.

In addition to matters of internal control, the Audit Committee oversees the risk management process at a strategic level. It has also interacted with the CIOT Officers' Group and ATT Leadership Team on managing risk and challenging the risk management process, which has been regularly refined.

The Committee reviews the accounting policies and practices of the bodies and the presentation within their respective accounts, examines the budgets and management accounts, and monitors the internal financial control policies of the CIOT and ATT.

During the year the Audit Committee met three times in formal meetings and the Chairman had discussions throughout the year with the Officers of both bodies on developing issues.

The Director of Finance and Operations, ATT Treasurer, Secretary and Director of Education, CIOT Chief Executive, the Tax Policy Director and the ATT Executive Director, attended meetings.

There was discussion throughout the year on three strategic aims: growing numbers of students and members, giving members a voice in the tax world and providing services to members.

Risk management was at the forefront of the Committee's mind, and various matters were discussed, including: the accommodation strategy (the decision to move premises to Monck Street necessitated the need to ensure business continuity and a well-defined migration plan), the government's proposals for tax administration known as Making Tax Digital, trademark disputes, litigation in India, Data Protection and GDPR matters, Level 4 and 7 Apprenticeships, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) and progress on the continuing implementation of a CRM system, including the finance, membership and education modules.

Council Members' Remuneration

Council members normally receive no remuneration for their services although their travelling expenses on Institute business are reimbursed. However, under paragraph 8 (2) of the Charter, not more than a minority of the total number of members of the Council for the time being may receive reasonable remuneration for delivering lectures or writing articles on taxation matters on behalf of the Institute in any one calendar year. Payments to Council members for services rendered to the Institute total £15,477 VAT inclusive (£18,280 VAT inclusive in 2017).

Internal Controls

The respective responsibilities of the Council and Auditor in connection with the financial statements are explained on pages 44-45. The Council Statement on going concern is set out on page 50.

The Council is responsible for the Institute's system of internal controls and for taking such steps as are reasonably open to it to safeguard the assets of the Institute and to prevent and detect fraud and other irregularities.

The Code for the Voluntary and Community Sector emphasises the importance of maintaining and regularly reviewing the systems of financial controls, performance reporting, policies and procedures with the Council periodically taking steps to assure itself of their effectiveness. As with all such systems, internal control is designed to manage rather than eliminate the risk of failure to achieve strategic objectives and can provide reasonable and not absolute assurance against material misstatement

or loss. The day-to-day running of the Institute's business is delegated to the Officers Group and to the Management Team comprising Institute executives (listed on page 38).

The President, Officers and Committee Members of the Institute visit Head Office and its Branches on a regular basis and meet volunteers, members, students, staff and law-makers and administrators of the tax system.

Quarterly management accounts are presented to Council at meetings and are measured against both budget and interim forecasts. A clear organisation structure with defined authority limits has been established. The Council keeps under review the need for internal audit at the Institute.

Its current view, which is supported by the Audit Committee, is that a separate function is not required given the size and nature of the Institute; the close management supervision exercised; and the increased attention paid to the adequacy of financial, operational, organisational and compliance controls and risk management.

Data Protection

The Institute complies with the Data Protection Act 1998 and is the data controller and sole owner of personal data collected. The Institute uses up-to-date industry procedures to keep personal data as safe and secure as possible and to protect against loss, unlawful processing, unauthorised disclosure or access. The Institute has taken the necessary steps to ensure full compliance with the General Data Protection Regulation (GDPR), which came into effect on May 25, 2018.

Remuneration and Performance Committee

This Committee considers the Institute's key management personnel and how their remuneration is set. Committee membership comprises a Chairman, the CIOT Past President, a CIOT and ATT representative, Chairman of the Audit Committee and the CIOT Lay Public Interest Observer acting as an observer. The Committee met once during the year to recommend the annual pay review for 2018-19 and to monitor the objectives and performance of the Chief Executive Officer. The Committee reports directly to the Audit Committee and the Chairman normally attends Officers Group and Council once per year.

Staff and Volunteers

The Council recognise that building and developing skills, competencies, teamwork and motivation of employees is key to achieving the CIOT's charitable aims.

The CIOT's employees are responsible for providing efficient and effective support to all Committees and the commitment and positive support of volunteers is crucial to the Institute's success. All staff, except the Chief Executive who is employed by the Institute, are jointly employed by the Institute and its connected charity, the Association of Taxation Technicians (registered charity in England & Wales number 803480).

The average number of employees in a mix of full-time and part-time roles in the year was 85 (a mix of 27 part-time and 58 full-time, excluding exam invigilators who work for the CIOT approximately four days per year (2017- 84 employees).

Institute members and students are encouraged to become involved in Institute activities and there are over 740 unpaid volunteers on Council, Committees, Sub-Committees, Branches and Working Parties. The Institute is grateful not only for their generous input but also to their firms who may ultimately bear the financial cost. It is estimated that over 37,500 volunteer hours were provided during the year.

In addition, office space and utilities have been donated for meetings by other organisations. Staff seconded to the Institute from HMRC contributed an estimated 2,050 hours in the year. The value to be placed on these resources cannot be reasonably quantified and measured and is not therefore recognised in the statement of financial activities.

Health and Safety

The nature of the Institute's activities means that employees and volunteers do not encounter many hazards in the workplace. However, safety receives regular management attention and a general policy statement of health and safety at work is included in the Employee Handbook which was comprehensively updated during the year.

The ongoing responsibilities include assessment and management of areas of exposure to organisational and remote workers' risk assessments, first aid provision, issuing statutory information and increasing employee awareness of their role in maintaining a safe environment.

Equality and Diversity

The Institute is committed to providing equal opportunities to job applicants, staff, students and volunteers regardless of sex, sexual orientation, marital status, age, race, ethnic origin, religion or belief or disability. The Institute seeks to conduct all its activities in compliance with this principle and in full adherence to all applicable laws prohibiting discrimination in employment or service provision and develop and maintain a diverse workforce of staff and volunteers at all levels within the Institute. All new employees undergo diversity training as part of their induction.

Safeguarding

The Institute has a set of safeguarding principles which are expected to be observed by staff and volunteers who represent the organisation at career talks, exhibitions and other events where young or vulnerable people may be present.

Recycling

The total amount of paper recycled by the Institute's office in 2018 was 14,000 kgs which equates to 159 trees.

Risk Management

It is the Institute's policy for volunteers and staff with a detailed knowledge of how the Institute operates to:

- regularly review areas of uncertainty throughout the Institute;
- develop mitigation strategies; and
- take action to mitigate all risks that would otherwise prevent the Institute from achieving its charitable objectives.

The Officers Group keeps the principal risk areas regularly under review and discusses risk at each meeting.

The Institute has developed a 'statement of ambition' and has analysed this by threats or risks to achieving these ambitions. At each meeting, Officers review an ambition and how the risks of failing to achieve that ambition are being mitigated. The overall risk management process is reviewed annually by the Audit Committee.

The 'statement of ambition' analyses the Institute's ambitions:

- People in tax want to join the Institute and contribute to its work and the public benefit
- The Institute leads the conversation on tax and promotes public understanding of tax
- That the Institute is a strong organisation that supports and enables members, students and the taxpaying public

The statement was presented to Council during 2018 and sets the framework for the Institute's strategy for the coming period. Not achieving these ambitions constitutes the key risks to the Institute. An analysis of detailed risk flows from this, as does the performance management of senior staff.

Key risks identified are:

- Less than expected student registration numbers due to economic climate or lack of support from employers

Mitigation includes continued regular meetings with the biggest employers and trainers of students and the revised CTA exam structure being launched in 2019. This followed an extensive review of the qualification to ensure it remains relevant and fit for purpose to meet the current and future needs of the profession.

- Retention of members

Mitigation includes demonstrating the Institute's authority and prestige by playing a leading role in the key issues in tax affecting the public and the profession. Members in practice are involved in all our activities from setting exams to engaging with government, through holding each other to account for compliance with our professional rules (including the anti-money laundering scheme), to managing the organisation.

- Core IT systems not fit for purpose.

Mitigation includes the continued upgrade and strengthening of the IT infrastructure, a long term project which began towards the end of 2017 with the implementation of a new finance system and a new CRM (Customer Relationship Management) system. A new learning management system to administer the exams was implemented in 2018 and continues to evolve. The subscription requests for 2019 were issued to members at the same time as the request to complete their Annual Return, increasing efficiency and saving time for members and staff alike. Our use of third party software for the CRM and our partnership with suppliers who support this software means that our systems are now both more future-proofed and securely supported. The premises move in January 2019 has meant that IT facilities for meetings have been enhanced. This will enable better participation by those unable to be physically present at meetings.

Fundraising

The CIOT does not raise funds for itself through asking for public donations in any form.

Statement of Council Members' responsibilities

Council members, as trustees of the Institute are responsible for preparing the Annual Report of the Council and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its income and expenditure for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Royal Charter. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to the Auditor

The trustees who are in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the trustees has confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This report was approved by Council on 21 March 2019.

By order of the Council

Rosalind Baxter

Secretary

Independent Auditor's report

Independent auditor's report to the trustees of The Chartered Institute of Taxation

Opinion

We have audited the accounts of The Chartered Institute of Taxation (the 'charity') for the year ended 31 December 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- give a true and fair view of the state of the charity's affairs as at 31 December 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the accounts and our

auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the trustees' annual report is inconsistent in any material respect with the accounts; or
- sufficient accounting records have not been kept; or
- the accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

29 March 2019

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Financial Statements

Statement of Financial Activities for the year ended 31 December 2018

	Unrestricted Funds 2018 £'000	Total Funds 2018 £'000	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total Funds 2017 £'000
Income from:					
Charitable activities ^{2a}	7,940	7,940	7,693	36	7,729
Other trading activities ^{2b}	56	56	53		53
Investments ^{2c}	126	126	109		109
Total income	8,122	8,122	7,855	36	7,891
Expenditure on:					
Raising funds ^{2d}	12	12	12		12
Charitable activities ^{2d}	8,341	8,341	7,688	87	7,775
Total expenditure	8,353	8,353	7,700	87	7,787
Operating (loss)/gain	(231)	(231)	155	(51)	104
Net (losses)/gains on investments ⁶	(299)	(299)	170		170
Net income/(expenditure)	(530)	(530)	325	(51)	274
Net movement in funds	(530)	(530)	325	(51)	274
Reconciliation of funds					
Total funds brought forward at 1 January ¹³	6,842	6,842	6,517	51	6,568
Total funds carried forward 31 December ¹³	6,312	6,312	6,842	0	6,842

The above results are derived from continuing activities and all gains and losses recognised in the year are included above. The notes on pages 48 to 59 form part of these financial statements.

Balance Sheet as at 31 December 2018

	2018 £'000	2017 £'000
Fixed Assets		
Tangible assets ⁴	832	220
Intangible Assets ⁵	1,151	666
Investments ⁶	4,853	5,345
Total Fixed Assets	6,836	6,230
Current Assets:		
Stock ⁷	93	56
Debtors ⁸	1,047	978
Cash at bank and in hand ⁹	1,171	2,432
Total Current Assets	2,311	3,466
Liabilities		
Creditors falling due within one year ¹⁰	(2,649)	(2,685)
Net Current (Liabilities)/Assets	(338)	781
Total assets less current liabilities	6,498	7,011
Creditors		
Amounts falling due after more than one year ¹¹	(186)	(169)
Net Assets	6,312	6,842
Funds of the charity		
Unrestricted ¹³	6,312	6,842
Total Funds	6,312	6,842
Approved and authorised for issue by the Council on 21 March 2019 and signed on its behalf by:		

President



Director of Finance & Operations

Chief Executive

Financial Statements

Statement of Cash Flows for the year ended 31 December 2018

	2018 £'000	2017 £'000
Net cash (expended)/provided by operating activities (Table A)	(129)	272
Cashflow from investing activities		
Dividends and interest from investments	126	109
Purchase of tangible fixed assets	(792)	(68)
Purchase of intangible fixed assets	(657)	(683)
Proceeds from sale of investments	453	727
Purchase of investments	(510)	(680)
Movement on term deposits	248	0
Net cash provided by investing activities	(1,132)	(595)
Decrease in cash and cash equivalents in the year	(1,261)	(323)
Cash and cash equivalents at 1 January	2,432	2,755
Cash and cash equivalents at 31 December (Table B)	1,171	2,432
Table A		
Reconciliation of net income/expenditure to net cash flow from operating activities		
Net (expenditure)/income as per Statement of Financial Activities	(530)	274
Adjustments for:		
Depreciation charge for the year	65	67
Amortisation charge for the year	171	18
Loss on disposal of fixed assets	117	0
Dividends and interest from investments	(126)	(109)
Loss/(gain) on investments	299	(170)
Decrease/(increase) in stock	(37)	(5)
(Increase)/decrease in debtors	(69)	118
(Increase)/decrease in creditors	(36)	35
(Increase)/decrease in creditors (long term)	17	44
Net cash (expended)/provided by operating activities	(129)	272
Table B		
Analysis of cash and cash equivalents		
Cash in hand	356	428
Notice deposits (less than 3 months)	815	2,004
Total cash and cash equivalents	1,171	2,432

Notes on Financial Statements

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Basis of preparation of accounts

The financial statements are presented in sterling and rounded to the nearest thousand pounds. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Charities Act 2011 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Chartered Institute of Taxation is incorporated by Royal Charter and registered as a charity with the Charity Commission.

The Chartered Institute of Taxation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historic cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The financial statements of the Institute for the year ended 31 December 2018 include the results of its Branches, which are not separate legal entities, for the year ended 30 June 2018.

The Association of Taxation Technicians of 30 Monck Street, London SW1P 2AP is a connected charity but it is not subordinate to the Institute and therefore consolidated financial statements have not been prepared. Further information on the relationship can be found in note 18.

Going Concern

As detailed in the Council Members' responsibilities statement, the accounts are prepared on a going concern basis unless it is inappropriate to presume that the Institute will continue in operation. The Institute's Council Members have approved the Institute's budgets for 2019 and conclude that the Institute has adequate resources to continue in operational existence for at least twelve months from the date of the signing of the financial statements.

Income Recognition

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item of income have been met and it is probable that the income will be received and the income can be reliably measured.

Student registration fees are not refundable and are credited to income over the period of the registration with 50% recognised in the first year and 25% in each subsequent year. This phasing reflects the additional administration costs incurred in the first year of registration.

Subscriptions, sponsorship, examination fees and registration income are credited to income over the period to which they relate with that portion relating to subsequent years included in creditors. The date to which examination fees relate is deemed to be the date of the examination.

Investment income from the Institute's portfolio of investments is credited on an earnings basis each year.

Income from government and other grants, whether 'capital' or 'revenue' grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the funds are met and it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Expenditure Recognition

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Expenditure on raising funds comprise the costs of commercial trading including investment management costs.

Expenditure on charitable activities includes, but is not limited to, the cost of regulation and compliance, student services, education, governance and grants.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Notes on Financial Statements

Donated services and facilities

In accordance with Charities SORP (FRS102) the contribution of unpaid volunteers is not recognised as income in the financial statements given the absence of a reliable measurement basis. More information about the contribution is given on page 58.

Donated services and facilities are recognised on receipt or supply on the basis of the value of donation or contribution which is the amount that the Institute would be willing to pay or charge to obtain or supply facilities and services on the open market. Corresponding amounts are recognised as income and expenditure in the period.

Significant accounting estimates and judgements

Preparation of the accounts requires the trustees and management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- consistent with prior years, the financial statements of the Institute for the year ended December 31, 2018 include the results of its Branches, which are not separate legal entities, for the year ended June 30, 2018. Branch income and operating surplus for the year ended June 30, 2018 amounted to £379,959 and £76,703, respectively. In the future, it is the intention of the Institute to align the Branch accounting year-end date with that of the Institute;
- estimating the useful economic life of tangible fixed assets for the purposes of determining a depreciation rate; and
- estimating the useful economic life of intangible fixed assets for the purposes of determining an amortisation rate.

Allocation of support costs

Support costs are central administration costs that assist the work of the charity but do not directly undertake charitable activities and are allocated across the categories of charitable expenditure. The basis of allocation is given in note 2d to the financial statements. Governance costs, now included as a part of support costs rather than a separate category, include those incurred in the governance of the charity and are primarily associated with organisational administration, and constitutional and statutory requirements.

Reserves

In 2018 the target for reserves was composed as follows:

	2018 £'000
9 months running costs to provide financial stability and enable the Institute to meet its commitments for a reasonable period in the event of adverse operating conditions.	4,963
To cover (i) the unpredictable future costs of investigating and disciplinary hearings by the Taxation Disciplinary Board and (ii) the depreciation charge arising in future years on the capitalised expenditure incurred on the move to Monck Street. A Further £150,000 per annum is to be set aside for 10 years before the expiry of the current lease.	1,551
	6,514
Actual reserves at 31 December 2018 (excluding restricted funds)	6,312
Shortfall in target level of reserves	202

Intangible and Tangible Fixed Assets and Depreciation and Amortisation

All single purchases of less than £1,000 (inc VAT) are written off in full to the Statement of Financial Activities in the year of purchase unless forming part of a bulk purchase where the total is £1,000 (inc VAT) or more, which is capitalised.

Depreciation and amortisation are calculated to write off the cost of fixed assets over their estimated useful lives on a straight line basis as follows:

Leasehold improvements are written off over the remaining life of the lease (15 years)

Office equipment 25%

Intangible assets relating to new CRM and accounting system 20%

Fixed Asset Investments

Investments have been valued at fair value at 31 December 2018. The fair value of investments quoted on a recognised stock exchange is the quoted bid price. Account is therefore taken of both realised and unrealised gains/losses in the Statement of Financial Activities.

Stock

Stock is valued at the lower of cost and net realisable value. An annual review is carried out for any obsolete stock which is written off accordingly.

Debtors

Trade and other debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid net of any discounts due.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and Provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any discounts due.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments and are not considered to be of a financing nature. Such financial instruments, except for investments classified at fair value through profit or loss, are initially recognised at the transaction value and subsequently measured at their settlement value.

Pension Costs

Members of staff are eligible to join the Institute's defined contribution retirement benefit scheme. The scheme provides individual pension plans which are managed by independent pension providers. The amounts charged to the statement of financial activities in respect of pension costs is the actual contribution payable in the year.

Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate set at the date of transaction. All differences are taken to the statement of financial activities.

Taxation

The CIOT meets the definition of a charity in Schedule 6 Finance Act 2010 and accordingly is entitled to the exemptions set out in Part II Corporation Tax Act 2010 and Section 256 Taxation of Chargeable Gains Act 1992 to the extent that its income and gains are applied for charitable purposes.

Operating Leases

The charity classifies the lease of property as an operating lease; the title of the property remains with the lessor and the lease agreement expires in 2028 whilst the economic life of such property typically exceeds this. Rental charges are charged on a straight line basis over the term of the lease.

Fund Accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes.

Restricted funds are funds which are to be used in accordance with the specific restrictions imposed by donors.

Notes on Financial Statements

2. Analysis of income and expenditure

2a. Income from Charitable Activities

	2018 £'000	2017 £'000
Membership Subscriptions	5,188	5,071
Chartered Tax Adviser registration fees and entrance fees	24	43
Student registrations and examination fees	1,794	1,650
Conference and Event fees	678	731
Sale of books and journals	102	78
Anti Money Laundering Fees	110	113
Grants receivable	43	36
Other sales	1	7
Total Income	7,940	7,729

The income from charitable activities was £7,940,795 (2017: £7,728,206) of which £7,940,795 was unrestricted (2017:£7,691,956)

Government grants received in the year amounted to £43,118 (2017: £36,250). There were no unfulfilled conditions or other contingencies attaching to the grants that were recognised in income nor any other forms of government assistance from which the charity directly benefited during the year.

2b. Income from Other Trading Activities

	2018 £'000	2017 £'000
Sponsorship	56	53

2c. Investment Income

	2018 £'000	2017 £'000
Dividend income	64	70
Other interest receivable	62	39
Investment Income	126	109

2d. Breakdown of expenditure

	Activities undertaken directly £'000	Support costs £'000	Grant funding of activities £'000	Total 2018 £'000	Total 2017 £'000
Charitable activities					
Grants payable		44	50	94	219
Education and student services	1,534	1,368		2,902	2,871
Members Services	1,369	1,220		2,589	2,442
Regulation and Compliance	11	9		20	178
Consultation and representation	1,402	1,250		2,652	1,862
LITRG Restricted Funds	44	40		84	87
LITRG Restricted Support Costs				0	48
LITRG Unrestricted costs				0	68
	4,360	3,931	50	8,341	7,775
Raising Funds					
Investment management costs	12			12	12
2018	4,372	3,932	50	8,353	7,787
2017	3,891	3,783	113	7,787	7,787
Expenditure on charitable activities was £8,353,343 (2017: £7,786,892) of which £8,353,343 was unrestricted (2017: £7,699,892) and £nil was restricted (2017: £87,000).					
Support costs and governance costs are central administration costs allocated to each activity on the same proportional basis as expenditure incurred directly and are analysed as follows:					
				Total 2018 £'000	Total 2017 £'000
Information technology				400	244
Staff costs				822	677
Operating costs				1,626	1,443
Audit Remuneration				18	23
Legal and professional fees				127	152
Council meetings (inc. Council member's expenses)				35	64
Property				506	469
LITRG Support Costs				0	51
Governance support				398	485
				3,932	3,783
Grants payable in respect of charitable activities					
Grants payable to tax and other charities to help meet the core operating costs of providing free tax advice to persons who cannot afford to pay for professional help or training and to promote public understanding of tax matters					
				Total 2018 £'000	Total 2017 £'000
Tax Advisers Benevolent Fund (registered Charity no. 1049658)				10	10
Tax Aid (registered Charity no. 10622852)				20	20
Tax Volunteers (registered Charity no. 1102276)				20	20
Grants payable to nil University Students for original tax research (2017: three)				0	33
Grant for Journal of Tax				0	30
				50	113

Notes on Financial Statements

3. Net income/(expenditure) for the year

	2018 £'000	2017 £'000
This is stated after charging:		
Depreciation	65	68
Amortisation	171	18
Fair value gains on investments	(299)	(170)
Operating lease rentals	341	333
Auditors' remuneration:	18	23
Loss on disposals of tangible fixed assets	116	0

4. Tangible Fixed Assets

	Leasehold Improvements £'000	Office equipment £'000	Total Tangible Fixed Assets £'000
Cost at 1 January	215	631	846
Additions	582	211	792
Disposals	(215)	(113)	(328)
Cost at 31 December 2018	582	729	1,310
Depreciation at 1 January	124	502	626
Change for the year	13	52	65
Disposals	(136)	(76)	(212)
Depreciation at 31 December 2018	1	478	479
Net book value at 31 December 2018	581	251	852
Net book value at 31 December 2017	91	129	220

All tangible fixed assets are held for charitable purposes.

5. Intangible Assets

	CRM £'000
Cost at 1 January	683
Additions	657
Cost at 31 December 2018	1,340
Amortisation at 1 January	18
Charge for the year	171
Amortisation at 31 December 2018	189
Net book value at 31 December 2018	1,151
Net book value at 31 December 2017	665

6. Fixed Asset Investments

	2018 £'000	2017 £'000
Fair value at 1 January	5,345	5,222
Additions at cost	510	680
Disposal proceeds	(455)	(727)
Net unrealised investment gains/(losses)	(287)	196
Unrealised (loss) on gilts	(16)	(26)
Realised (loss)/gain on sale of investments	4	0
Movement on cash/deposits	(248)	0
Fair value at 31 December	4,853	5,345
Historical cost	4,987	5,098
Holdings representing more than 5% of the investment portfolio valuation at 31 December 2018 were:		
2.15% and 0.125% index linked Treasury Gilt - 2024	487	491
1.78% index linked Treasury Gilt - 2022	368	380
Listed investments held at 31 December comprised of the following:		
Fixed interest	852	834
Listed UK equities	768	800
Listed International equities	564	656
Other Assets	264	387
Gilts	855	870
Term deposits and cash	1,550	1,798
	4,853	5,345

Notes on Financial Statements

7. Stock

	2018 £'000	2017 £'000
Publications and merchandise	93	56

8. Debtors

	2018 £'000	2017 £'000
Other debtors	278	325
The Association of Taxation Technicians	318	319
Prepayments and accrued income	451	334
	1,047	978

9. Analysis of changes in cash and short-term deposits

	2018 £'000	2017 £'000
Cash at bank	356	428
Cash on short-term deposit	815	2,004
	1,171	2,432

10. Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Taxes and social security	135	116
Accruals	967	905
Deferred income	1,548	1,664
	2,649	2,685

Deferred income includes subscriptions, examination fees and conference fees paid in 2018 but relating to income and events in 2019.

Deferred Income

	2018 £'000	2017 £'000
Amount brought forward	1,664	1,920
Released in the year	(1,664)	(1,920)
Amounts deferred in the year	1,548	1,664
Amount carried forward	1,548	1,664

11. Creditors: Amounts falling due after one year

	2018 £'000	2017 £'000
Student registration fees:		
At 1 January	169	125
Fees received in advance	126	169
Release of income in year	(109)	(125)
At 31 December	186	169

12. Financial Instruments

The carrying amount of the charity's financial instruments at 31 December were:	2018 £'000	2017 £'000
Financial Assets		
Debt Instruments measured at amortised cost	596	674
Instruments measured at fair value through profit or loss	4,853	5,345
Amount carried forward	5,449	6,019
Financial Liabilities		
Measured at amortised cost	967	905
Amount carried forward	967	905

13. Income Funds: Unrestricted

	At 01.01.18 £'000	Income and gains £'000	Expenditure	Transfer	At 31.12.18
Unrestricted					
General	5,291	8,122	(8,652)	227	4,988
Designated:					
Property	1,251			(227)	1,024
Disciplinary procedures	300				300
	6,842	8,122	(8,652)	0	6,312

Notes on Financial Statements

14. Analysis of net assets between funds

	Unrestricted Fund £'000	Designated Funds £'000	Total £'000
Tangible Fixed Assets	832		832
Intangible Fixed Assets	1,151		1,151
Investments	4,853		4,853
Cash on short-term deposit and at bank	(153)	1,324	1,171
Other net current (liabilities)	(1,509)		(1,509)
Creditors falling due after more than one year	(186)		(186)
Total 2018	4,988	1,324	6,312

	Unrestricted Fund £'000	Designated Funds £'000	Total £'000
Tangible Fixed Assets	220		220
Intangible Fixed Assets	665		665
Investments	5,345		5,345
Cash on short-term deposit and at bank	881	1,551	2,432
Other net current (liabilities)	(1,651)		(1,651)
Creditors falling due after more than one year	(169)		(169)
Total 2017	5,291	1,551	6,842

At 31 December 2018 there were no capital commitments (2017: none)

15. Analysis of Unrealised Gains

The total of unrealised gains at 31 December 2018 constitutes movements on revaluation and are as follows:

	2018	2017
Unrealised gains included above:		
On investments	(134)	247
Total unrealised (losses)/gains at 31 December	(134)	247
Reconciliation of movements in unrealised gains:		
Unrealised gains at 1 January	(56)	(103)
Add/(less) in respect to disposals in year	170	77
Add/(less) (losses)/gains arising on revaluations in year	(304)	170
Total unrealised (losses)/gains at 31 December	(134)	247

16 Financial Commitments

The Institute has future commitments under its office lease as follows

	2018 £'000	2017 £'000
Amounts due:		
Within one year	39	333
Between one and five years	1,860	1,334
After five years	2,209	686
Total commitment	4,108	2,353

The Institute entered into a long term lease at 30 Monck Street, London SW1P 2AP in October 2018.

17. Personnel

All members of staff with the exception of the Chief Executive, who is employed by the Institute, are jointly employed by the Chartered Institute of Taxation and the Association of Taxation Technicians. All costs are initially disbursed by the Institute and an agreed proportion is attributed to the Association

The Institute has maintained liability insurance throughout the year to pay on behalf of the Institute or its Council, committee members and staff, any claims for wrongful acts arising out of the conduct of the Institute's business, or committed in their capacity as officers. The insurance premium paid by the Institute covering both claims against the Institute and the Trustees personally amounts to £12,674 (2017:£10,877)

The Institute operates a defined pension contribution scheme whose assets are held separately from those of the Institute in independently administered funds. The pension cost charge represents staff pension contributions. Contributions paid by the Institute amounted to £514,040 (2017: £471,584)

There was an outstanding pension contribution at the year end for 2018 of £43,059 (2017:£40,936)

The average number of employees was 85, a mix of 27 part time and 58 full time employees (excluding exam invigilators who work approximately 4 days per year) (2017: 80) and the number whose salary and benefits in kind, fell within the following scales is as follows

	2018	2017
£60,001 - £70,000	3	5
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	1	1
£110,001 - £120,000	0	0
£120,001 - £130,000	0	0
£130,001 - £140,000	0	0
£170,000 - £180,000	1	1
Total staff costs:	2018	2017
	£'000	£'000
Salaries	3,782	3,529
National Insurance	393	374
Pension costs	508	442
	4,683	4,345

Key management personnel are defined as those with the day to day control of running the organisation. At the Institute those people are Chief Executive, Director of Finance and Operations, Director of Education & Secretary and the Tax Policy Director. Their aggregated remuneration in 2018 was £498,661 (2017:£459,443).

Notes on Financial Statements

18. Donated Services and Facilities

Institute members and students are encouraged to become involved in Institute activities and there are over 700 unpaid volunteers on Council, Committees, Sub-Committees, Branches and Working Parties. The Institute is grateful not only for their generous input but also to their firms who may ultimately bear the financial cost. It is estimated that over 37,500 volunteer hours were provided during the year. In addition, office space and utilities have been donated for meetings by other organisations. In addition facilities and administration services have been supplied by the Institute to other tax charities. Staff seconded to the Institute from HMRC contributed an estimated 4,000 hours in the year. The value to be placed on these resources cannot be reasonably quantified and measured and is not therefore recognised in the statement of financial activities.

19. Related Party Transactions

Council members' remuneration for the year was £15,477 (2017: £18,280).

In the year ended 31 December 2018, 10 Council Members claimed reimbursement of expenses aggregating to £17,570 (2017: 13 claimed a total of £40,470).

The Association of Taxation Technicians

The total allocation for the year is £1,624,789 (2017 : £1,335,547) and the balance outstanding from the Association at the balance sheet date was £317,850 (2017:£318,728).

The Taxation Disciplinary Board

The Institute's contribution to costs on the year was £86,705 (2017:£91,136). The amount due to the CIOT at the balance sheet date was £89,047 (2017: £89,047).

ELIZABETH THE SECOND
by the Grace of God of the United Kingdom of Great Britain and
Northern Ireland and of Our other Realms and Territories Queen,
Head of the Commonwealth, Defender of the Faith:

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING!

WHEREAS an humble Petition has been presented to Us by The Institute of Taxation a company limited by guarantee and hereinafter referred to as "the Company" praying that We might be graciously pleased to grant a Royal Charter incorporating the members of the Company as a body corporate for the advancement of public education in and the promotion of the study of the administration and practice of taxation and the principles of economic and political science in relation to taxation and to give a Charter with such provisions in that behalf as shall seem to Us right and lawful.

NOW THEREFORE KNOW YE that We, having taken into Our consideration the said Petition and being minded to accede thereto, have willed and ordained and do, by virtue of Our Prerogative Royal and of all other powers enabling Us in that behalf, that We do hereby give certain knowledge and more reasons for Us, Our Heirs and Successors will and ordain as follows:

1. Those persons who are members of the Company at the date of this Our Charter and remain members of the Institute in accordance with the Byelaws and all other persons who shall hereafter in accordance with the Byelaws become and remain members of the body hereby constituted shall be members of a Body Corporate and Public by the name "The Institute of Taxation" hereinafter referred to as "the Institute" which by the same name shall have perpetual

succession and a Common Seal, with power to break, alter and make anew the said Common Seal from time to time as so well and pleasure, and which by the same name shall and may use and be used in all Courts, and in all matters of action and suit, and which shall have power to do all other matters and things lawfully to be representing as a Body Corporate.

2. The objects of the Institute shall be the advancement of public education in and the promotion of the study of the administration and practice of taxation and the principles of economic and political science in relation to taxation.

3. Subject to this Our Charter and to the Byelaws, and to the extent only that such powers shall be consistent with its charitable objects, the Institute shall have the following powers:

(1) To take over all the assets, undertaking and obligations of the Company and for such purpose to enter into all such contracts (including contracts of indemnity) as may be necessary or desirable.

(2) To promote and lay down standards of education, training and experience appropriate for practitioners in taxation, to institute and establish scholarships, grants, awards and prizes, to hold examinations and tests of



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