

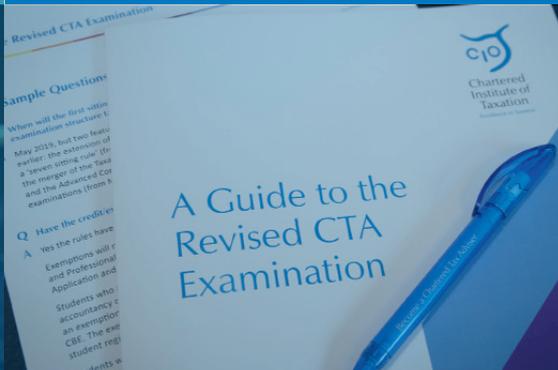


Chartered
Institute of
Taxation
Excellence in Taxation

2017 Annual Report



and Accounts



Annual Report of Council

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 2017. 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.

Delivering public benefit:

As an educational charity, public benefit is at the heart of the Institute's strategy and is integral to all our activities.

We deliver this 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
- Actively engaging with legislators, regulators and administrators of tax law and others, and producing high quality representations and responses
- Providing, through our Low Incomes Tax Reform Group, a voice for vulnerable taxpayers and others unable to afford tax advice

Our members

Membership of the CIOT is by examination, nationally recognised as the gold standard of UK taxation education, and the award of Fellowship by Council. 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

2017 – The Year in Review

Retiring Judge Howard Nowlan and former HMRC official turned tax charity fundraiser Stephen Banyard were awarded honorary fellowships of the CIOT at the Institute's President's Luncheon



Three institutes publish Better Budgets recommendations for improving the tax policy process



Bruce Crawford MSP, convener of the Scottish Parliament's finance committee, was guest speaker at the CIOT/ATT Edinburgh Luncheon



New President John Preston chairs a CTA address panel discussion featuring John Cullinane (CIOT), Paul Aplin (AC Mole & Sons), Jill Rutter (IfG), Vanessa Houlder (FT) and Stella Amiss (PwC)



David Bird, Norman Kirby, Adrian Rudd, Nigel Clarke and David Salter awarded certificates of merit for their contribution to the CIOT



Spring Budget – Chancellor Philip Hammond announces NI increase for self-employed, then scraps it



JANUARY

FEBRUARY

MARCH

APRIL

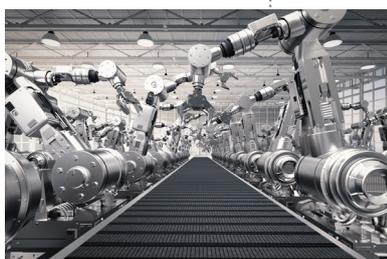
MAY

JUNE

ADIT exam results released – taking total number of ADIT-qualified to 590 across more than 60 countries



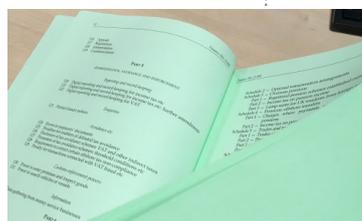
Bill Gates proposes a 'robot tax'



Snap election called – parties argue over tax policies, with Labour proposing increases in corporation tax & income tax for high earners



CIOT welcomes government decision to hold back majority of the largest Finance Bill ever until after the election



Financial Secretary Jane Ellison loses her seat at the general election. Mel Stride is the new tax minister



After stepping down as OTS director John Whiting set out his thoughts on the progress of tax simplification at a CIOT/IFS event



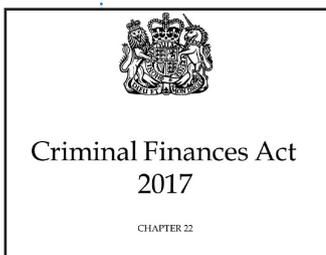
Government announces that mandatory digital record keeping and quarterly reporting for income tax purposes will be deferred until at least 2020

Treasury delays plans to fully digitise business tax returns from 2018 to 2020 at the earliest for taxes other than VAT

Shadow Chief Secretary Peter Dowd is among the attendees at the Institute's annual parliamentary reception



An Act passed this month means corporations can now be prosecuted if they lack adequate systems to prevent staff from facilitating tax evasion



CIOT and IFS hold party conference debates on self-employment and the gig economy (speakers at SNP event pictured, including minister Jamie Hepburn)



Paradise Papers leak focuses attention on the offshore financial affairs of hundreds of politicians, multinationals, celebrities and other wealthy individuals



Autumn Budget – Chancellor scraps stamp duty on homes under £300,000 for first-time buyers



JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

CIOT launches new ADIT module in Brazilian international taxation and exhibits at IFA congress in Rio



Channel 4 broadcasts 'Catching the Tax Dodgers', a documentary looking at HMRC's compliance work



John Preston holds 'Thank You' Reception for CIOT volunteers at the Wallace Collection; Certificates of Merit presented to Marion Hodgkiss, Jeremy Woolf, Tina Riches and Bridie Bradley



Welsh Government minister Jane Hutt AM is guest speaker at CIOT/ATT Joint Presidents' Luncheon in Cardiff



Retiring HMRC chairman Edward Troup speaks on the future role of tax professionals at a CIOT-hosted roundtable



US Congress passes wide-ranging tax bill, cutting corporate and individual tax rates



President's review of the year

With two Budgets, three Finance Bills, a snap general election and an omnipresent drumbeat of tax stories in the media - not to mention Brexit, Making Tax Digital and frequent reminders that our jobs are about to be taken over by robots – there was plenty in 2017 competing for the attention of tax professionals.

Better Budgets – and Finance Bills

It was a record-breaking year, though not in a particularly welcome way, with no fewer than 829 pages of Finance Act legislation. More positively though, the 2018 Finance Act is less than 200 pages. It would be nice to think we contributed to this with the call in our Better Budgets report - published jointly with the Institute for Government and the Institute for Fiscal Studies (IFS) at the start of 2017 – for government to ‘do less but do it better’ on tax. Tax change is one of the greatest causes of complexity. Moving to a single ‘fiscal event’ each year will hopefully allow more time for consultation and reflection. The report has been referenced a number of times in parliament since its publication. The Treasury announced in December that the Government would take up its recommendations on more early stage consultations and a reintroduction of the tax consultation tracker. So, good progress so far, but we will keep the pressure up in 2018!

Making Tax Digital

One change legislated for in 2017 was Making Tax Digital (MTD). In response to concerns raised by ourselves and others, MTD will now not be mandatory until April 2019, and then only for VAT purposes. The debate has now moved to its effective administration, something that HMRC recognise that the Institute knows plenty about.

One of the reasons we are listened to by senior people at HMRC and by Treasury ministers, is that they recognise the practical experience our members and staff bring to the table on matters of tax policy and administration. As the technical pages of this report identify, as well as higher profile changes like those to MTD there were once again a good number of occasions in 2017 where our input achieved small changes that won't make the headlines, but do help make the tax system a little more fit for purpose.

Informing the political debate

Of course it is not only HMRC that we talk to about tax policy. I was pleased in 2017 to meet, alongside colleagues, with both the new Financial Secretary, Mel Stride, and the new chair of the Treasury Select Committee, Nicky Morgan. I also enjoyed chairing a debate at October's Conservative Conference on modern employment practices in the light of the Taylor Review, featuring then Employment Minister Damian Hinds. We, with IFS, ran events on the same topic at Labour and SNP conferences, and met with opposition



spokespeople on a number of occasions too. With devolved taxes an increasing reality we continue to meet regularly with Revenue Scotland, and have begun to engage with the nascent Welsh Revenue Authority.

Brexit is a tricky, and politically contentious, issue to engage on, but we have done our best, making representations on both the EU (Withdrawal) Bill and the Taxation (Cross Border Trade) Bill, which paves the way for a post-Brexit regime for Customs, duties and VAT. Our Deputy President, Ray McCann, chaired a parliamentary briefing on the latter at which leading practitioners answered questions from MPs and Peers. As always, we remain strictly apolitical and our focus throughout has been on practical concerns, such as the need for early certainty, and structures which facilitate the open, frictionless trade that politicians of all parties say is their aim.

However, none of this changes the fact that the level of debate amongst the public on major issues of tax policy is woeful at best. It is politically difficult for any politician even to raise the possibility of major policy reform since the knee jerk media and public reaction would leap to potential “losers”. Accordingly, we have been discussing with the ICAEW and others whether we can encourage a broader public debate on major tax policy issues.

Our objective would not be to promote one set of ideas over any other but merely to provide encouragement for the debate to take place in a politically neutral way. I hope that you will hear more about this in the months ahead.

Helping the low-income taxpayer

One part of the Institute which is particularly effective at getting its voice heard by government is our Low Incomes Tax Reform Group (LITRG). LITRG hit new heights in 2017, achieving four million hits on their websites which provide guidance and advice to vulnerable taxpayer groups. In March the Group published a paper setting out how the tax system could work more effectively for these groups. Already a number of their proposals have been adopted. In June the Group wrote to every MP setting out how their published materials might help them in their work for their constituents. It is of course disappointing that the Government themselves do not provide more support in this area.

It was a year of change for LITRG, with Anthony Thomas stepping down as Chair in May after five years at the helm. I was delighted to be able to present Anthony with the Institute's Council Award in January 2018 in recognition of his outstanding contribution to the life of the Institute and the wider tax profession, encompassing 15 years on our Council and his Institute Presidency as well as his time leading LITRG. Anthony was replaced as Chair by Anne Fairpo, with Chris Jones as Deputy Chair. Tragically Chris died suddenly just a few months later, in late November. I want to take this opportunity to pay tribute to Chris. He contributed hugely to the life and development of the Institute over many years, as well as the wider tax world through his publishing and training activities, and had begun to add his entrepreneurial zeal and enthusiasm to his new role with LITRG. We will miss him greatly.

Members and students

The number of members of the Institute continues to grow, a tribute to the benefits of membership, including our vibrant branches programme. Every new member is invited to attend an Admission Ceremony at Drapers' Hall in the City of London, and it was a delight to preside over these ceremonies during the year. One key factor in rising membership figures is the continuous development of the examination programme, designed to set challenging but achievable targets to students in a manner which fits in with their and their employers' needs. The changes set out in the Examinations section of this report are being introduced with this in mind.

I'm also delighted with the growth of our separate Advanced Diploma in International Taxation ("ADIT") qualification. Over 600 people have now obtained the ADIT qualification and we currently have approximately 3,000 registered students from over 110 countries.

Professional standards

Another major development in 2017 was the introduction of updated Professional Conduct in Relation to Taxation (PCRT) rules in March. These contained, for the first time,

'Standards for Tax Planning', making clear to the small minority of tax professionals who continue to facilitate and promote certain types of aggressive tax avoidance schemes that this behaviour is not acceptable, while enabling the vast majority of advisers to continue undertaking responsible tax planning for their clients to help ensure that they pay the right amount of tax as intended by law. It was welcome that the Government supported the publication of the updated PCRT and that, in the first week of 2018, HMRC issued a notice encouraging all agents, including those outside the seven PCRT bodies, to follow the standards that PCRT sets out.

Thank you

And finally, some thank yous.

It was a privilege to meet so many CTAs dedicated to their profession, during my presidency. The CIOT is delighted that hundreds of people from all stages of their tax careers volunteer for committees, branches and other aspects of the Institute's work. We are proud to be an organisation driven by our members but it does require a lot of (unpaid) work to make it happen. Thank you to all of you who contribute, in whatever way, to this.

Thank you too to our 85 professional staff, ably led by Peter Fanning, who make all the things in this report happen. Their professionalism and dedication is truly appreciated.

As President I chair the Institute's Council and am grateful to all my Council colleagues – and especially my fellow officers Ray McCann, Glyn Fullelove and Bill Dodwell – for their wisdom and support. In 2017 we welcomed Paul Aplin – shortly to become ICAEW President – to our Council, a further sign, alongside our already successful Joint Programme, of the close relationship between our two bodies. I was pleased to welcome Mary Monfries to Council in January and I look forward to welcoming Tracy Easman to Council in the coming months.

And finally thank you to all 18,000 of the Institute's members. I have enjoyed meeting so many of you as I have travelled around the country attending branch meetings and other events. It is a tremendous honour to serve as your President and an experience I will treasure always. I will do all I can to hand on the Institute to my successor, Ray McCann, in May, in even better shape than I inherited it.



John Preston
President
Chartered Institute of Taxation

Chief Executive's Report

In common with previous years, I shall start by reciting the key measures of the Institute's wellbeing. CIOT ended the year with a membership of 18,360, an increase of 2.4% on 2016. In addition, over 99% of those who were members in 2016 and could renew their membership, did so in 2017.

Student registrations for the CTA were 1,811, up by 2.7% on the previous year. The corresponding figures for the Association of Taxation Technicians (ATT), including registrations for the ATT CTA Tax Pathway, show an 11% increase. Registrations for ADIT were 733, a marginal increase on last year and we held exams in more than 40 countries. We watch student registrations very closely as they are a lead indicator of future exam candidates and therefore membership.

These figures suggest that those who are members of the Institute wish to remain so and an increasing number of young tax professionals wish to join. They are key measures of the health of the organisation and are underpinned by our core business processes.

Partnerships

Our educational partnerships with other professional bodies continue to flourish – over 500 students are enrolled in the ACA CTA Joint Programme with the ICAEW, and there are over 800 students registered on the ATT CTA Tax Pathway. This route will become increasingly important now that CIOT Council has agreed to abolish the Confirmation of Eligibility (from 2019) so that students will be entitled to register for the CTA examinations without any prior tax qualification – although they are strongly advised not to!

The Tax Pathway also demonstrates and strengthens our commitment to social mobility. It provides a route by which students with no prior qualifications progress to the CTA, a Level 7 or Masters level qualification, via the ATT. Those who successfully complete the Tax Pathway can become joint members of both bodies, joining the 2,669 existing joint members.

Examinations

In addition to managing the rising numbers of students from our current programme, Rosalind Baxter, our Director of Education, and her team supported John Beattie, the Chair of the Exam Review Sub-Committee, in reviewing and redesigning the CTA exam structure. The revised CTA structure was successfully launched at an event on 5 September 2017, which was attended by 70 delegates including 28 employers and all three tutorial bodies.

The major changes to the CTA are detailed elsewhere but the new cornerstone of the professional qualification will be a new compulsory paper – Application and Professional Skills, based broadly on the former Application and Interaction paper, which will test a broad range of professional skills



expected of a tax professional. There will be separate arrangements for students on the ACA/CTA Joint Programme.

The government's apprenticeship programme continues to evolve. CIOT has worked with our sister body, the ATT, and the professional firms that are the main suppliers of apprenticeships. I am very pleased to report that CIOT's application to be registered as an Apprenticeship Assessment Organisation has been successful.

Professional conduct

Overseen by John Cullinane, our Tax Policy Director, the latest update of our professional rules, known as Professional Conduct in Relation to Taxation (PCRT), came into force on 1 March 2017. They are an ethical code that, in lay terms, requires tax professionals to consider what was intended by Parliament as well as the law that was actually made. An animation highlighting the recent changes can be found at www.tax.org.uk/webinars. The detail of our work on tax policy is set out elsewhere but it is no idle boast that the Institute engages with government – with the authority of practising tax professionals – on average, every working day.

Part of John Cullinane's Technical and Professional Affairs directorate, LITRG continues to put the case for those taxpayers unrepresented by tax professionals. During 2017 LITRG recorded 4 million users to their suite of websites – which support especially vulnerable and low income groups such as some former members of the armed forces, students, migrants, people with disabilities and older people.

Technology

Building on the work of previous years, the Institute commissioned a new Customer Relationship Management system based on Microsoft Dynamics and a new financial management system based on Microsoft NAV. We are well on the way to implementing Microsoft Office 365 and a new IT system to support our examinations operations is scheduled for delivery for the spring examinations diet. To date, these projects have been delivered to time and budget by the team led by Paul Davies, our Director of Finance and Operations. The new systems have the potential to transform the way the Institute works by connecting data previously spread across separate electronic and occasionally paper systems, reducing exposure to bespoke applications by using standard products and enabling new ways of working through moving to the cloud and automating some business processes.

The Institute is strong – 2017 delivered an operational financial surplus and our investments continue to respond to the rises in markets.

Council's work was supported by Sam Younger CBE who served as Council's Public Interest Lay Observer.

Thank yous

I was very pleased to thank Christine Barwell for all her support. She retired from the Institute after 15 years, serving the final decade as assistant to the Officers.

My sincere thanks to the Institute's Presidents, Bill Dodwell and John Preston, the Institute's Council and the Institute's staff for their support during the year.

And finally, the Institute was shocked and greatly saddened by the untimely death of Chris Jones who served as President of the CIOT for 2015/16. I was honoured to represent the Institute with others at his funeral in December and we - jointly with LexisNexis, Chris's employer – hosted a memorial to Chris's memory at Chartered Accountants Hall in January. We shall never forget him.



Peter Fanning
Chief Executive

In Memoriam – Chris Jones

All at the Institute were greatly saddened by the untimely death of our former President Chris Jones in November 2017.

As well as serving as President in 2015-16 Chris was a long serving chair of the Institute's Communications and Brand Management Committee and had recently become Deputy Chair of our Low Incomes Tax Reform Group.



On the day Chris became Institute President he launched the 'Bridge the Gap' campaign to raise funds for the tax advice charities



A music lover, Chris held his President's Thank You Reception for Institute volunteers at the famous Abbey Road studios



Chris championed the Institute's involvement in the Debating Matters competition for sixth formers, promoting debate on controversial tax issues and acting as a judge himself

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. The current Observer is Sam Younger CBE. His report appears below.



Report to Council from the CIOT's Lay Public Interest Council Observer

As my two previous reports have described, the CIOT has a strong track record of living up to its public benefit obligations as an educational charity. During 2017, the finalisation and implementation of the new code of Professional Conduct in Relation to Taxation (PCRT) was an object lesson in how to put public benefit and the public interest at the heart of the Institute's response, with tax advisers' professional interest properly recognised but not allowed to dominate.

That said, there is an increasingly cold climate for charities in the wake of public and political concern over shortcomings in governance. As a result, during 2017 a coalition of charity sector umbrella bodies, supported by the Charity Commission, produced a "Charity Governance Code" - one for larger charities, one for smaller. The Code is designed as a tool to support continuous improvement. The aim of the authors, supported by the regulators, is that Boards of Trustees will "comply or explain" - in other words will follow the Code or be able to explain any divergence from it.

The Code contains seven principles. These cover Organisational Purpose; Leadership; Integrity; Decision-making, risk and control; Board effectiveness; Diversity; and Openness and Accountability. Associated with each principle are a statement of Key Outcomes and a set of "recommended practices". In my view CIOT operates fully in the spirit of the Code, broadly achieves most of the Key Outcomes and undertakes the vast majority of its recommended actions. At the same time there are a number of areas the Institute might wish to think about in order to further strengthen its governance and effectiveness.

On Organisational Purpose, there is no doubt about Council's commitment to the charity's purposes; it leads the development of strategy, measures its performance and reviews its financial sustainability (most recently at its November 2017 strategy day). There would, though, in my view be value in taking up the recommended action periodically to review the organisation's charitable purposes "to make sure that the charity, and its purposes, stay relevant and valid".

On Leadership, Council and senior staff together demonstrated their ability to meet many of the requirements, most clearly through the process of reviewing and renewing PCRT. However, there is a need to ensure that Council can play an effective and collective leadership role across the range of the Institute's activity. This requires the Institute to consider a comprehensive mandatory induction for all new Council members (as well as periodic refreshers), including the setting out of clear expectations of trustees.

On Integrity, the Institute has a strong record, both in terms of ensuring standards of probity and behaviour and declaring and managing potential conflicts of interest. In my view it currently achieves the key outcomes set out in the Code. On the fourth Principle too (Decision-making, risk and control) I can see no serious shortcomings. At the same time, the key outcome of a Board clearly focused on strategy, performance and assurance rather than operational matters is one that requires continuous focus; as is getting the right balance of delegation to committees while retaining Council oversight.

On Board Effectiveness, Council does a good job in achieving the outcomes. But looking through the recommended practice, it seems to me that a review in this area could enable Council to assure itself that it is as effective as it can be. Council is a large body. The Code states that “a board of at least five but no more than twelve trustees is typically considered good practice”.

There are good reasons for the current size of Council, and the Institute has responded to concerns about the ability of such a large body to be effective by developing the role of Officers’ Group. This is something that has quite rightly been a concern at Council, and would in my view merit a full discussion in the context of any review of Board Effectiveness.

However, in my view a review of the size and composition of the trustee body would be valuable. In that context, I would repeat a previous recommendation to the Council to consider how to inject independent, outside views into its deliberations in order to achieve the good mix of skills and experience that the Code demands. The Code also recommends “a formal, rigorous and transparent procedure to appoint new trustees to the Board, which includes advertising vacancies widely”. CIOT Council’s current processes are relatively informal and may be the only effective way to operate in all the circumstances; but they should be reviewed regularly.

Also, the Code recommends that trustees should normally serve for no longer than nine years and that longer service should be subject to rigorous review and be explained in the Annual Report. Finally, Council should consider the recommendation that every year the Board should review its own performance and that of individuals, including the Chair. It further recommends an external evaluation every three years.

Also relevant to Board Effectiveness is the sixth Principle, Diversity. This is something that has quite rightly been a concern at Council, and would in my view merit a full discussion in the context of any review of Board Effectiveness.

The final Principle in the Code, Openness and Accountability, is one on which the Institute in my view measures up well in terms of the outcomes, though further discussion by Council of how it best implements its accountability to its stakeholders could be of value.

Sam Younger CBE
Lay Public Interest Council Observer

Bridge the Gap – ‘The tax profession’s safety net’

The two UK tax advice charities, Tax Help for Older People and TaxAid, have been providing free tax help and advice to vulnerable, low income taxpayers for over 25 years. The need for access to free and trusted tax advice by low income, vulnerable people has never been higher. They currently help around 21,000 people a year between them, but demand continues to rise.

In 2015 the two charities, supported by CIOT, launched a joint campaign, Bridge the Gap, to raise an additional £250,000 a year to enable them to meet the increased demand for their help.

Please support the campaign to give them the resources they need to continue acting as ‘the tax profession’s safety net’.

www.bridge-the-gap.org.uk



**bridge
thegap**

Helping more
vulnerable people
in crisis with their tax

Low Incomes Tax Reform

In 1998 the CIOT's Council, prompted by the then President John Andrews, set up the Low Incomes Tax Reform Group, giving it a mandate:

"To target for help and information those least able in the community to afford tax advice and make a real difference to their understanding of taxation and to work to make the tax system more friendly to their needs."

In the ensuing 20 years to 2018, LITRG has sought to fulfil both strands of that mandate – enhancing the public understanding of tax through its web presence, publications and press and media work; and working towards a better tax system for the unrepresented mainly through engaging with ministers, officials and parliamentarians.



John Andrews (left), LITRG founder and first chairman, stood down in 2012 and was presented with the CIOT's Council Award the following year in recognition of his work with the Group. He had already received an OBE, the Lexis Nexis Lifetime Achievement award and HMRC's External Engagement award for Advancing Transparency in Tax.

A helping hand for older taxpayers

By the end of 1998, LITRG had published its first report on the tax problems faced by older people on low incomes. Having researched tax volunteering schemes in the USA and Canada, the report's authors concluded that the UK needed a similar service for older people who were unable to afford professional tax advice. With Inland Revenue and parliamentary support, two pilots were run to gauge interest – in the South West and West Midlands – following which, in 2004, the charity Tax Help for Older People (TOP) was set up with Paddy Millard (later MBE) as its first Chief Executive. Under Paddy's leadership the new charity soon began harnessing the skills of tax professionals to help older people nationwide. It now has a network of over 500 volunteers as well as a national call centre based in Dorset.

Coding confusion

When the then Chancellor began to announce the basic personal allowance for the coming year in his Autumn Statement, LITRG lobbied for the age-related allowances to be announced at the same time. This meant that older taxpayers received just the one coding notice during the winter with the correct age allowances for the following year, rather than two – one in the winter and an updated one the following spring – which only served to confuse. This practice was followed until the age-related allowances were phased out in 2015/16.

Carers and their charges

Working with TaxAid, we helped improve the tax position for foster carers and adult placement carers between 2003 and 2009, securing for them generous tax allowances to set against their receipts from caring which meant for the most part they no longer needed to complete self-assessment returns. Finally, foster carers were granted capital gains tax exemption on disposal of their main residences in respect of the rooms they had set aside for the children they had fostered over the years.

Tax credits reform

Since welfare tax credits were introduced in 2002/03, LITRG has been in the vanguard of bringing about reforms to this generous but immensely complicated system. We chaired the consortium of professional tax and welfare bodies that challenged many aspects of tax credits administration, resulting in (a) the easing of income-related overpayments by increasing the one-year disregard for rises in income from £2,500 to £25,000; (b) a fairer way of determining whether claimants should have to repay overpayments incurred through official error; and (c) a method of collecting overpayments by instalments over the course of an award.

We led a coalition of charities whose lobbying brought about 'notional entitlement' under which if a tax credit claimant was slow in reporting the start or break-up of a relationship, the tax credits they would have received had they claimed in their new capacity at the right time (their 'notional entitlement') would be set against any overpayment that arose because they had failed to notify their change of status. When HMRC's outsourcing (to Concentrix) of compliance checks on single claimants who were suspected of being part of a couple went wrong, we wrote submissions for parliamentary committees explaining the issues, and were quoted 45 times in the report into the affair by the Work and Pensions Committee which culminated in HMRC taking such investigations back in-house and reviewing its practice.

Finally, when government policy on cutting tax credits entitlements was reversed in 2016, LITRG's parliamentary briefings were again highly influential and much quoted, particularly in the House of Lords whose defeat of the Government was instrumental in ensuring the cuts did not take place.

Group – The First 20 Years

Human rights and the digitally excluded

From 2011 to 2013 we supported three successful appellants in challenging HMRC's introduction of compulsory online filing of VAT returns in the First-tier Tribunal (see *LH Bishop Electrical Co Ltd and others v HMRC Commissioners* [2013] UKFTT 522 (TC)). Bishop established the rule of law that for HMRC to mandate online filing without any adjustment for the age, relevant disabilities or remote location of the taxpayers was a breach of those taxpayers' human rights. In the ensuing consultation we agreed with HMRC that the regulations should make exceptions where it was not reasonably practicable for the taxpayer to file online, and the same wording is now reflected in the draft regulations on Making Tax Digital.

Care and support

The tax affairs of care and support employers (those who employ a carer or 'personal assistant' to help them with their daily living needs) has been of abiding interest to LITRG over the years. Because the relationship between a disabled or elderly person and their carer is usually one of employer and employee, this necessitates the operation of a payroll and other regulatory requirements associated with employment. When RTI was introduced in 2013, LITRG was instrumental in securing an exemption from online PAYE filing for care and support employers so that those who could not interact digitally with HMRC could continue to do so on paper.

Often disabled people require overnight assistance, so in 2015 we successfully campaigned for the introduction of a specific exemption from tax when a care and support employer provides their carer with board and lodging. In the same year, the employment allowance – the exemption from employers' National Insurance on £3,000 of the wages bill – was extended to care and support employers in response to LITRG's representations.

A matter of trust

Some campaigns take a long time to come to fruition. So it was when the taxation of trusts was reformed in 2006, but the new rules catered inadequately for those who were vulnerable to the extent that trustees were required to manage their affairs for them. Over the next eight years, with the help of eminent practitioners in the field, LITRG campaigned for the qualifying conditions for disabled and vulnerable trusts to be broadened so that beneficiaries did not face adverse tax consequences simply because their vulnerability made the use of trusts necessary.

Another long-standing LITRG recommendation took nearly 10 years before it was implemented. The Taxes Management Act 1970 used to define 'incapacitated person' as a 'lunatic, idiot or insane person', a Victorian-age formulation which LITRG regarded as insulting to people with cognitive or mental health impairment. In 2012 the offending provisions were repealed so that the general law on mental capacity now applies for tax, as for all other, purposes.

revenuebenefits

enter keywords

TAX CREDITS UNIVERSAL CREDIT NATIONAL MINIMUM WAGE CHILD BENEFIT TAX-FREE CHILDCARE



Welcome to revenuebenefits

For access to the latest information on the range of HMRC 'products' including tax credits, child benefit and guardian's allowance, national minimum wage and tax-free childcare as well as information and guidance on the transition from tax credits to universal credit.

Our website www.revenuebenefits.org.uk, developed in partnership with London Advice Services Alliance and with HMRC funding, now in its 8th year, guides and informs advisers on tax credits and their clients on how the system works and on latest developments. In 2012 it won the award for Best Technological Innovation in Lexis Nexis's Taxation awards. Its visitor figures have now reached 1.5 million a year.

Tax debt

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

Goodbye tax credits, hello universal credit

As tax credits lead into universal credit, under which the self-employed will be very much worse off, we are pressing hard for equality of treatment between the employed and self-employed claimant. Our report *Self-employed claimants of universal credit – lifting the burdens* (October 2017) has already been quoted many times in parliamentary proceedings, although Government has yet to respond.

Web success

In 2017 LITRG's websites were visited by over 4 million viewers. As well as RevenueBenefits they include tax guides for students, migrants, people with disabilities, and current and former armed forces personnel.

For what LITRG achieved this year, including a hat-trick of recommendations in the Budget, see pages 24-25 of this report. For a fuller account of what LITRG has achieved over the years, see <https://www.litrg.org.uk/about-us/litrg-successes>

Planning for the Future 2018-19

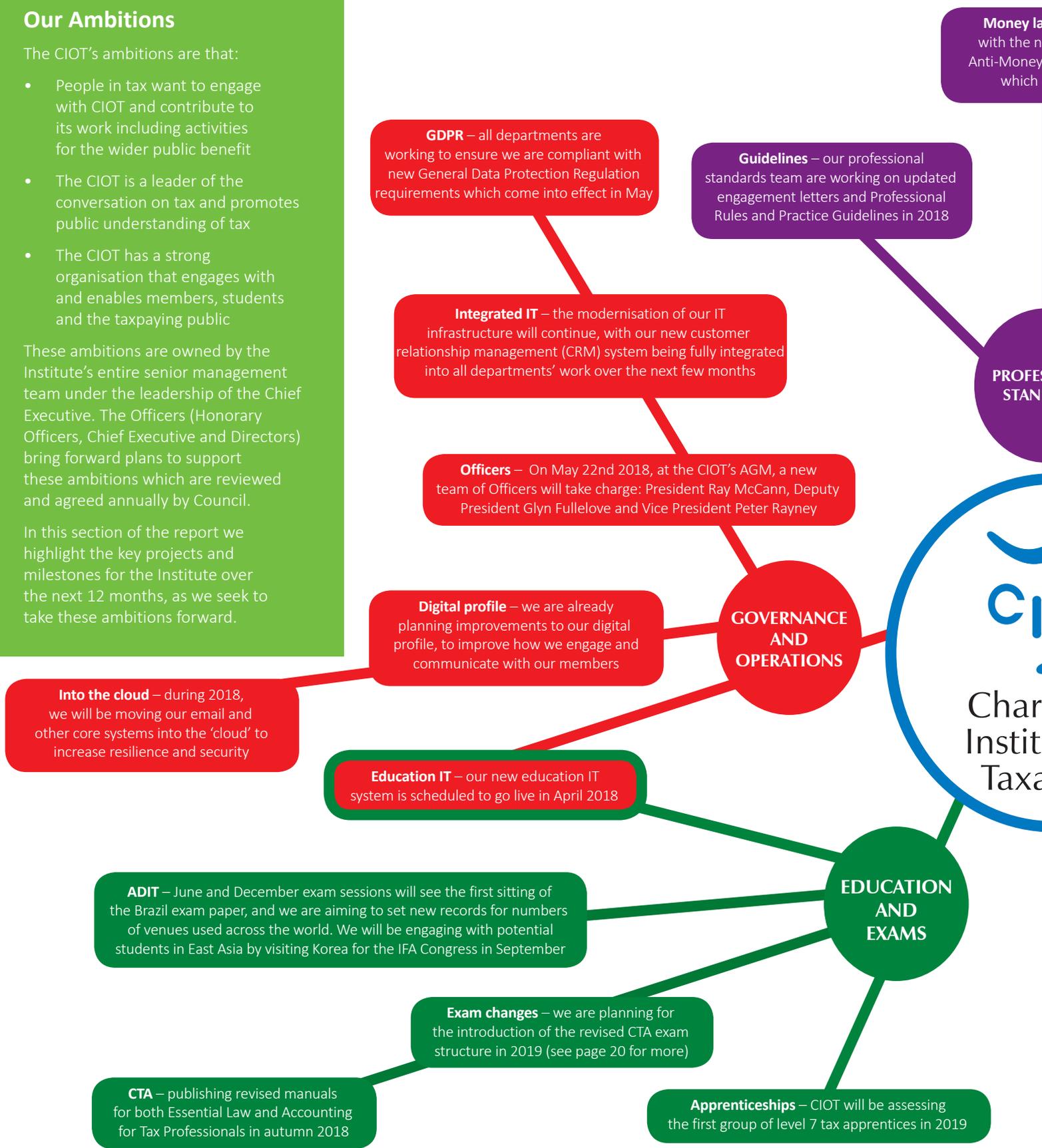
Our Ambitions

The CIOT's ambitions are that:

- People in tax want to engage with CIOT and contribute to its work including activities for the wider public benefit
- The CIOT is a leader of the conversation on tax and promotes public understanding of tax
- The CIOT has a strong organisation that engages with and enables members, students and the taxpaying public

These ambitions are owned by the Institute's entire senior management team under the leadership of the Chief Executive. The Officers (Honorary Officers, Chief Executive and Directors) bring forward plans to support these ambitions which are reviewed and agreed annually by Council.

In this section of the report we highlight the key projects and milestones for the Institute over the next 12 months, as we seek to take these ambitions forward.



Laundering – we will be working with the new Office for Professional Body Laundering Supervision (OPBAS) which came into being in Jan 2018

Brexit – The government need to pass hundreds of statutory instruments to create a post-Brexit Customs, VAT and duties system ahead of Brexit day, March 29th 2019. These are expected in summer and autumn 2018. Our team will monitor the key ones and keep members informed

Making Tax Digital – mandatory quarterly digital reporting for VAT comes in in April 2019. Pilots will be running through 2018. We will continue to keep members up to date with developments via Tax Adviser, dedicated pages on our website and an ongoing programme of branch events

Carers – LITRG will be working on a report on the tax, NIC, minimum wage, tax credit and universal credit problems typically faced by carers, with recommendations for change

LITRG website – LITRG are planning various website enhancements including the transition from tax credits to universal credit, choosing between different forms of childcare support and a comprehensive NIC guide

Better Budgets – The new Budget and legislative cycle prompted by our Better Budgets report means our technical team and sub-committees will be preparing for draft legislation in July, a Budget in November and a Finance Bill in December

Digital economy – the government’s proposal for a new approach to taxing the giant tech firms will be a key issue for CIOT to input into over the year ahead

PROFESSIONAL BODIES



Chartered Institute of Taxation

TECHNICAL AND POLICY

Debates – our programme of tax policy debates held jointly with the IFS will continue with three London events (June/July, autumn and early 2019) and party conference fringes in Sep/Oct

Public debate – led by President John Preston, the CIOT is working with others including the ICAEW to explore how we can encourage a broader public debate on tax policy, potentially through events around the country

CTA Address - Nicky Morgan MP, chair of the House of Commons Treasury Committee, has agreed to give the CTA Address in May 2018

MEMBERS AND EVENTS

Volunteer engagement – we will define and initiate rollout of our strategy to improve volunteer engagement and enhance branch support

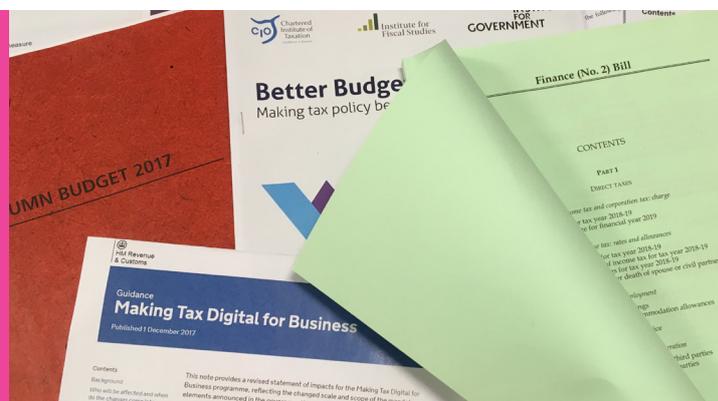
Welcoming the world – the International Fiscal Association holds its 73rd Congress in September 2019, with London’s Royal Festival Hall the venue

Welcoming Europe – London will welcome tax advisers from across Europe for the CFE General Assembly in September. CIOT events team will be working with ICAEW and CFE staff to organise

Working for a Better Tax System

Report from the Technical Committee

The CIOT's technical work continues to be driven by our public benefit objectives. These include a simpler and more certain tax system and full consideration of taxpayers' interests.



2017 was another busy year in tax, with two Finance Acts, two Budgets and a general election which left no single political party with an outright majority. Making Tax Digital and Brexit continued to figure prominently in our work, and so are deserving of separate mention below. Other activity during the year appears under the headings of the Institute's technical sub-committees.

We made 150 formal submissions to HMRC, HM Treasury and other revenue and parliamentary bodies during the year (94 from CIOT and 56 from our Low Incomes Tax Reform Group (LITRG)), while at least 265 meetings (face to face or virtual) were held with officials from those bodies (147 CIOT and 118 LITRG). Our continued engagement with HMRC, HM Treasury and the devolved tax administrations is vital to maintaining our ongoing relationship and influence, particularly as the number of written submissions is largely dictated by the volume and nature of formal consultations issued.

Making Tax Digital

Making Tax Digital (MTD) continues to be a significant focus of our work, led by our Digitalisation and Agent Strategy Working Group (DASWG for short), with input from a number of our technical sub-committees, particularly Indirect Taxes. We are represented on several MTD stakeholder groups and have an open and constructive relationship with HMRC.

We were pleased to see announced in July 2017, following representations from CIOT and other stakeholders, deferral of the timetable for income tax, which will not now be mandated into MTD until April 2020 at the earliest. We have also worked with HMRC to bring about important relaxations to the VAT requirements, such as the level of information that businesses will be required to record within their digital records, and the nature and extent of the digital links between software and spreadsheets; these relaxations are reflected in the draft VAT

regulations and supporting documents published in December 2017. We continue to work with HMRC around all aspects of MTD.

We have also increased our member focus around MTD. We have a dedicated page on the Policy and Technical pages of the CIOT website, which contains useful information and documents in relation to the MTD proposals and what we have been doing. Institute technical staff have visited around 20 branches and other events to speak about MTD, and continue to provide articles and updates via Tax Adviser magazine.

Brexit

As the process of the UK's exit from the EU continues, we continue to seek to ensure that the tax and customs implications of our departure remain high on the government's agenda, that taxpayer rights and obligations are retained as appropriate, and that the tax system is fit for purpose after Brexit.

We have held meetings with HMRC and Treasury officials to discuss the taxation and customs issues associated with leaving the EU, particularly towards the end of 2017. In December, representatives of the CIOT and invited guests were brought together in a roundtable meeting with cross party parliamentarians from both Houses of Parliament to discuss customs and Brexit issues. Points made at that meeting were raised by peers in a debate later the same day. We have also met with relevant spokespeople from opposition parties.

Our EU & Human Rights (EUHR) and Indirect Taxes sub-committees in particular have worked closely in this area. EUHR led on the submission to HMRC on the European Union (Withdrawal) Bill in October, while Indirect Taxes led on the Taxation (Cross-border Trade) Bill (also known as the 'customs bill') submission in early 2018. With a large amount of secondary legislation expected before departure day in March 2019 it is clear that Brexit will continue to be an area of significant focus.

Capital Gains Tax & Investment Income

The Institute has continued to engage with the extensive changes to the taxation of non-UK domiciled individuals. These highly technical and complex changes have required ongoing consultation with HMRC and HM Treasury to assist with the design of the reforms, a continuing review of how the provisions will operate in practice, and input into HMRC's draft guidance to support the changes.

The CIOT was extensively involved in the consultation process to find a legislative solution for taxpayers who have incurred disproportionate tax charges on the surrender of life insurance policies; the nature of such policies are such that affected taxpayers are often elderly and/or unrepresented. We were pleased that the government legislated on this during 2017 even though their approach - to legislate a discretionary remedy - was not our preferred one. We are pleased to have helped improve the guidance on this area.

Corporate Tax

Two substantial measures took effect from 1 April 2017 - the corporate interest restriction and changes to carried-forward losses. The legislation surrounding these measures was both complex and vast, and we continue to work with HMRC and other stakeholders to ensure that the rules operate as intended.

We were pleased that, following representations made by the CIOT, the requirements of the Substantial Shareholdings Exemption were relaxed and availability of the relief from corporation tax on chargeable gains extended to many more companies. We have also worked closely with the Office of Tax Simplification on their reviews on simplifying the CT computation, and depreciation and capital allowances.

Employment Taxes

Significant issues in 2017 included the introduction of new IR35 rules for the public sector and restrictions on salary sacrifice and flexible benefits arrangements, and we continue to raise with HMRC issues with the introduction of these rules. We also made submissions to the Matthew Taylor review of employment practices, stating that any changes to employment status must consider the tax position and not just employment rights.

We responded to HM Treasury's call for evidence on employee expenses, which was greatly informed by a member survey and, although the government concluded that no major changes to the tax rules are required, we achieved a few successes (e.g. consultation on self-funded training, removal of requirement to check receipts when using benchmark scale rates, improved guidance). The government also listened to our representations on the time limit for making good taxable benefits and opted to align the dates to 5 July.

We have also engaged with government on termination payments (they amended proposals in respect of payment in lieu of notice so that only basic pay will be taxed) and on disguised remuneration we met with HMRC to discuss the 2019 loan charge, deductions for contributions now subject to this charge, and the new close company gateway.



New Financial Secretary Mel Stride MP was guest speaker at the CIOT's parliamentary reception. In his remarks he praised the CIOT as a 'huge reservoir of creativity, talent, knowledge and experience', adding 'I believe we will serve government and people well if we extensively draw upon that.'

Indirect Taxes

In addition to Making Tax Digital and Brexit (see previous page), we have worked closely with the Office of Tax Simplification during their VAT simplification review, with representatives from the OTS attending our sub-committee meetings, and the OTS presenting their findings to delegates at the annual CIOT Indirect Taxes conference, as well as in our Tax Adviser magazine.

Our team and volunteers have also met with HMRC and contributed to consultations this year on significant topics such as the reverse charge to combat fraud in the construction sector, VAT and split payment, and the Fulfilment House Due Diligence Scheme.

Management of Taxes

During 2017 we continued to engage with HMRC on the penalty for enablers of defeated tax avoidance and provided input into HMRC's guidance on the legislation.

We built on our engagement with HMRC by having regular meetings with them in key areas to discuss recent developments and future proposals. So far we have already held two successful meetings with HMRC's offshore strategy team, and we are hoping to expand this engagement in 2018 into other areas, such as onshore compliance, tax avoidance and the tax administration framework.

Following our successful webinar in December 2016, we continued to provide assistance to help members comply with the requirement to send certain clients an HMRC branded notice in relation to overseas financial accounts. In late 2017 we undertook a survey of members to obtain their experiences and feedback on complying with the requirements and have published those results and will be discussing them with HMRC.

The Dispute Resolution and Litigation Working Group responded to the Civil Justice Council's interim report into the future role of Alternative Dispute Resolution (ADR) in December, sharing our members' generally positive experiences of using ADR to resolve tax disputes between HMRC and taxpayers, though noting some emerging themes where members had been dissatisfied with the conduct of the HMRC 'side'.

Owner Managed Business

2017 was a busy year in this area, with ongoing correspondence with HMRC on the effects of section 35 of Finance Act 2016 (targeted anti-avoidance rule on distributions in a winding up), including commenting on their guidance published in July.

CIOT representatives met HMRC to discuss problem areas arising from changes to section 77A of Finance Act 1986 enacted by Finance Act 2016, which have made it more difficult to prevent an SDLT charge arising on a demerger. We also met HMRC to discuss the new trading and property allowances, including potential problem areas and guidance, and met the OTS to talk about their review of capital allowances. We also raised the complexity created by having differing default positions for using the cash basis (the trading cash basis is 'opt-in' and the property cash basis is 'opt-out').

Additionally, we responded to consultations on streamlining the advance assurance service for tax advantaged venture capital schemes, financing growth in innovative firms and legislating for extra-statutory concessions, as well as the OTS paper on the future of disincorporation relief.

Scotland

We continued to ensure that the CIOT's voice was listened to and respected throughout 2017, by not only the Scottish Government, Scottish Parliament and Revenue Scotland, but also by the wider public. Submissions on Air Departure Tax ensured that balanced views on the impact of the Scottish Government proposals were provided to Government and Parliament. We also provided representation at a number of forums and roundtables, perhaps the most significant being the Scottish Government roundtable on the role of income tax in Scotland's budget. That appearance and the follow-up submission provided details on the effects and interactions with the UK tax system of different policy proposals, such that the Scottish Government could make an informed decision in respect of income tax policy.

Wales

As well as regular engagement with the Welsh Government Tax Forum and the Tax Advisory Group for Wales, we have contributed to the preparation of draft technical guidance for the implementation of Land Transaction Tax (the Welsh replacement for SDLT) from April 2018. In conjunction with the Association of Taxation Technicians we have provided a paper to the newly formed Welsh Revenue Authority (WRA) setting out the attributes of effective guidance. The CIOT and Law Society Wales held a joint event in Cardiff with the WRA in the autumn shortly before the WRA's inaugural board meeting.

Working Together

Working with HMRC to iron out the 'grit' in the system 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.

The nature of the Working Together initiative has changed over recent years, and we were delighted when the new Agent Forum was launched by HMRC in 2017, allowing agents registered on the forum to raise and comment on issues in real time. We continue to work with HMRC to seek to make the forum a success for all involved.

International Tax

We have maintained our focus on the continued implementation of the BEPS measures, in particular country-by-country reporting, as well as around the digital economy. We challenged HMRC over its application of the hybrid and other mismatches rules, on the application of the legislation to state and local taxes, where the draft guidance did not reflect the legislation; it is vital that guidance, in all instances, is consistent with the underlying legislation it is seeking to explain. We were pleased to see HMRC removed this inconsistency through measures in Finance (No. 2) Act 2017.

Public interest in the taxation of multinationals operating primarily online remains at a high level, and we have continued to provide comments to both the UK authorities and international bodies in this area.

Better Budgets – a progress re

January 2017 saw the launch of the report 'Better Budgets – Making Tax Policy Better', jointly written by the CIOT, the Institute for Government (IfG) and the Institute for Fiscal Studies (IFS). The report's launch featured in last year's annual review. What follows is an update on how some of our proposals have progressed in the year since.

Single fiscal event

Our proposal for a 'single fiscal event' was one of five early recommendations from the project included in a letter to the new Chancellor in September 2016. Our argument was that reducing the frequency of changes of direction in tax policy would release resource for better consultation and implementation. We were delighted when the Chancellor agreed with us, announcing a move to a single autumn fiscal event two months later.

2017 was a year of transition, with both a spring and an autumn Budget as government adapted to the new timetable. March 2018 saw the first slimmed-down Spring Statement, with the Chancellor updating Parliament on the UK's economic situation, but not announcing any tax changes.

Finance Bill oral evidence

Our recommendation of oral evidence sessions for members of the Finance Bill Standing Committee to question experts and affected taxpayer groups has gained strong support from parliamentarians, though not yet from government. New Treasury Committee chair Nicky Morgan took up where her predecessor Andrew Tyrie left off, writing to the Financial Secretary in November making the case for oral evidence sessions.

At the start of committee stage on the latest Finance Bill, in January 2018, the SNP moved an amendment to the programme motion calling for the committee to take evidence from government officials and bodies including CIOT. The amendment was supported by Labour, with both parties' spokespeople citing Better Budgets in their speeches. However the government continue to resist the idea.

Succession Taxes

The Institute's ongoing efforts to improve the practical working of the proposed inheritance tax charge on UK residential property held in an offshore structure resulted in changes, minor in wording but significant in effect, to the legislation finally enacted in Finance (No 2) Act 2017. Attention is now focussed on HMRC's guidance to ensure effective implementation of the new regime. The inheritance tax DOTAS (disclosure of tax avoidance schemes) regulations promulgated in December 2017 also benefitted from our continual involvement over a number of years. HMRC's launch of the Trust Registration Service proved troublesome for many, and we have worked hard with members and HMRC to seek to minimise the disruption to agents and mitigate the risk of non-compliance and penalties.

Property Taxes

The CIOT made a proactive submission to HMRC highlighting the business and administrative burdens of operating the Construction Industry Scheme on landlord contributions to tenants' works, and HMRC have agreed to consider the proposals.

We responded to the government's Housing White Paper in respect of aspects of the tax system which inhibit the assembly of land for new housing developments. We also contributed to the largely technical consultation on non-resident companies holding residential property, and worked on a response (submitted in early 2018) to the consultation announced in the Autumn Budget on the substantial extension of circumstances in which non-residents can be taxed on gains from UK real estate with effect from April 2019.

Report



Consultation tracker

Better Budgets argued for restoring the tax consultation tracker to provide a single repository of all the tax measures that have been announced, stating their current status and the next steps. Following discussions between ourselves and the Treasury the government reintroduced the tracker in March 2018.

Early stage consultation

Another recommendation of Better Budgets was that HMRC and the Treasury should start more consultations at an early stage, before potential options have been closed off. We were delighted when, in a December policy paper, the government committed 'to consult more frequently from an earlier stage of policy development'. Calls for evidence, like the one launched in December on 'rent a room relief', and early stage consultations, such as that on corporate tax and the digital economy, launched on Budget day, are hopeful early signs.

Deepening Treasury tax expertise

Better Budgets argued for more work 'to develop deeper tax expertise in the Treasury'. At the launch of the report the then Financial Secretary announced that, for the first time, the Treasury would be offering full sponsorship for its staff to gain CTA and ATT qualifications. We are pleased to say that this is already feeding through into take-up of our qualifications by Treasury staff.

Tax Information and Impact Notes

Criticism in Better Budgets of the quality of some Tax Information and Impact Notes (TIINs) has led to a series of meetings between CIOT/IFS/IfG representatives and those at HMRC and the Treasury who lead on this area. The first two of these meetings took place in 2017 and were constructive and productive.

An early focus was concern that moving to a single fiscal event might mean that policy costings and impacts could only be assessed at that time, with consequent delays in their publication. We are pleased that, following discussions with HMRC, the Office for Budget Responsibility agreed to approve figures at the Spring Statement as well as the Budget, even though it is not an official fiscal event.

HMRC published a document on Budget day (March 2017) to meet our concerns on clarity around TIINs. It sets out, eg, what 'negligible' means in relation to impact assessments. Following further discussion HMRC have agreed to make this document more prominent in relation to future TIINs.

Discussions are ongoing in a range of other areas, such as a potential future role for the OTS in assessing tax proposals.

"I am pleased to introduce to the House the first Spring Statement. The UK was the only major economy to make hundreds of tax and spending changes twice a year. And major international organisations and UK professional bodies alike have been pressing for change. In 2016 I took the decision to move to a single fiscal event in the Autumn. Giving greater certainty to families and businesses ahead of the new financial year. And allowing more time for stakeholder and parliamentary engagement on potential fiscal changes."

Rt.Hon. Philip Hammond MP, Chancellor of the Exchequer,
House of Commons, March 13th 2018

Promoting excellence in tax education

Report from the Education Committee

The Education Committee maintains a focus on the future development of the tax profession, ensuring that the educational aims of the Institute remain relevant. As well as providing support and encouragement for its students, the Committee is also responsible for promoting the study and understanding of tax for the benefit of the wider public.



At the close of 2017, there were over 4,000 students registered for the CTA qualification and a further 800 plus registered for the Tax Pathway, the joint ATT CTA route to qualification. In addition, there were over 2,500 students registered for the ADIT qualification.

Level 7 Trailblazer apprenticeship

The CIOT was part of the working group with employers and accounting bodies set up to design and draft an Assessment Plan for the new Level 7 Trailblazer apprenticeship for Accounting/Taxation professionals. The plan was submitted to the Department for Business, Energy & Industrial Strategy (BEIS) and approved for publication in August 2017.

The CIOT's application to the Department for Education to become an Apprenticeship Assessment Organisation was successful and the CIOT will be added to the government register in the first quarter of 2018. The first Level 7 Taxation Apprentices for End-Point Assessment will be accepted in 2019. They will be required to submit a Project Report, and successfully complete the new Application and Professional Skills examination, both elements comprising the End-Point Assessment.

Student support

The Institute continues to help support its students, with one-day student training days being held in the spring and autumn, including a continuation of the option of webinars running alongside the traditional face-to-face sessions. Webinar attendance increased in 2017.

Fellowship

In 2017, two individuals successfully presented a body of work or dissertation to the high standard required to achieve Fellowship and a further eight individuals had their synopses approved.

ADIT (the Advanced Diploma in International Taxation)

Our ADIT qualification has attracted students in around 110 countries and territories around the world. 727 individuals have now completed the qualification.

2017 saw the CIOT's new on-screen marking process rolled out across a number of the ADIT examinations, and a continued increase in the proportion of ADIT students opting to sit their exams electronically.

ADIT was promoted at a record number of international tax events in the UK and around the world, the biggest of which included the Tax Executive Institute (TEI) Houston Chapter Tax School; the Informa TP Minds International conference in London; the International Fiscal Association (IFA) Annual Congress in Rio de Janeiro (where the new Brazilian examination paper was launched); and both the Taxutra Conclave and Foundation for International Taxation (FIT) Annual Conference in Mumbai.

Support for tax academia

In 2017, the Committee agreed to support a contribution of £5,000 to the Tax Research Network (a network formed of active and would-be tax researchers and teachers) to assist with their annual conference in Bournemouth. In addition, two funding requests from universities were approved by the Committee. The first was for funding totalling £1,700 to support the second annual Tax Policy Conference in April 2017 at the Centre for Tax Law at the University of Cambridge. The second was a contribution to help the University of Edinburgh fund the 26th Eucotax course in April 2018, which the university will be hosting. Fifteen universities are represented from over a dozen countries, with more than 100 students and faculty members involved in producing reports on the chosen topic of fiscal autonomy.

CTA Examination Review

Our extensive review of the whole CTA qualification was completed in 2017. It was an 18-month process involving many meetings with feedback at key stages from stakeholders. The review was led with huge dedication and patience by Past President, John Beattie with the overriding objective of ensuring that the CTA examination is fit for purpose for the years ahead as the profession continues to evolve.

The revised structure was unveiled at a launch event for employers and tuition providers in September. The concept of Awareness, Advisory and Application of knowledge across taxes has remained central in the revised structure. A video has been produced for the website which summarises the changes and can be found at <https://tinyurl.com/newCTA>



John Beattie, Chair of the Examination Review Sub-Committee, told guests at the launch of the revised CTA exam that those wishing to qualify as a Chartered Tax Adviser would need to show knowledge of a wide range of tax issues and demonstrate in-depth competence and the ability to give advice which is comprehensive, technically correct and commercially sound

Key changes include:

From the November 2017 examination session

- The 'five sitting rule' for the validity of CTA written examination passes will be extended to a 'seven sitting rule'.

From the May 2018 examinations

- Taxation of Major Corporates (TOMC), which is an ACA CTA Joint Programme examination, and Advanced Corporation Tax (ACT), the CTA Advisory examination, will be merging.

From 2019

- The requirement for a Confirmation of Eligibility to sit the CTA examination will cease.
- The Awareness modules in Accounting and in Environmental Taxes, Excise Duties and Stamp Duties will be withdrawn.
- An exemption from the Awareness examination will be available to students with certain professional qualifications.
- The Advisory examination syllabi will be reviewed to ensure continued relevance. In particular, the two Indirect Tax Advisory examination syllabi will change and these two examinations will be renamed.
- The Application and Interaction examination will change and be renamed. No exemptions will be permitted. Specific rules will be in operation for ACA CTA Joint Programme Students.
- A one-hour Computer Based Examination (CBE) in Principles of Accounting will be introduced. Students may apply for an exemption if they have certain qualifications.
- The manuals 'Essential Law for Taxation Practitioners' and 'Essential Accounting for Tax Practitioners' will be revised.

External relations

More than 65 meetings were held in 2017 with employers in the accounting, legal and business and commerce sectors both in the UK and overseas. This represents a 20% increase compared to 2016 and this increased dialogue has been welcomed. The feedback from employers has been encouraging, with all constructive criticism offered being used to improve the Institute's educational offerings.

A significant amount of work continues to be done to promote tax as a career. More than 20,000 brochures, flyers and freebies have been distributed to more than 35 schools, colleges, universities and careers events across the UK. Volunteer members and staff have presented at many of these events on the CTA qualification and the vast array of career options available in our profession.

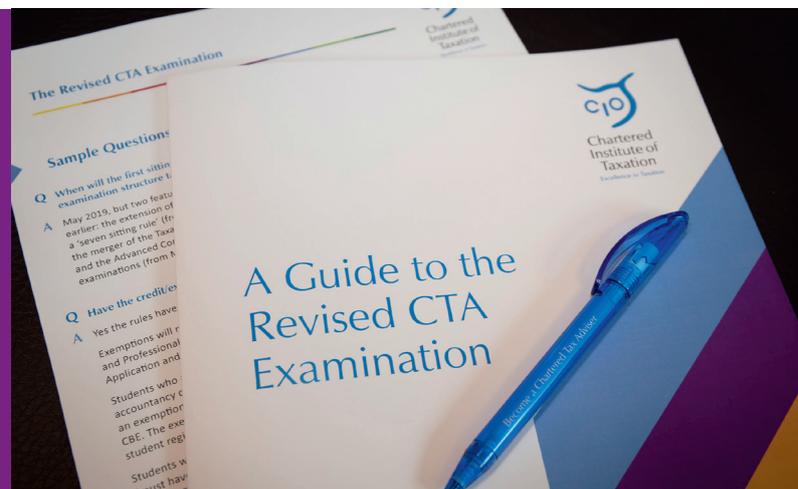


A team from CIOT and ATT promoted our qualifications at Civil Service Live, the government's annual, cross-department learning event

Modernising our Examinations

Report from the Examinations Committee

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.



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 appropriate scrutiny and governance of the results in line with the requirements of Council.

Following the exam results published in January 2018 538 students had completed the exam requirements and became entitled to membership of the CIOT as a result of the 2017 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

As a result of the extensive review of the examination structure undertaken by the Examination Review Sub-Committee, which will see the introduction of a revised exam structure in 2019, one early change came into effect on 1 November 2017. From that date the 'five sitting rule' for the validity of the CTA written examination passes was extended to a 'seven sitting rule'. This new rule was applied to all students who had a current pass and/or credit in any of the papers. The validity of the Computer Based Examinations (CBEs) will remain at nine sittings.

Further details regarding the review of the CTA qualification can be found on page 21 in the Education Committee Report.

Electronic Marking Platform (EMP)

The Education Team has been working with Secure & Confidential Documents Ltd (SCD) on the implementation of the EMP. This has allowed examiners to mark scripts on screen rather than marking paper scripts in the traditional way. SCD have been integral to the success of the scanning project which was a precursor to the EMP being developed. 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.

The first pilot of the EMP took place at the May 2017 exam session where two of the Awareness modules (and one ATT paper) were marked using the EMP. A larger pilot took place at the November 2017 session. This included all seven Awareness modules and two Advisory papers (with a small population of candidates).

The expanded pilot has been a success, with a significant number of examiners expressing their preference for onscreen marking over paper marking. Those examiners involved in the May 2017 diet were pleased with the system improvements that have taken place since then. However, there are lessons to be learnt ahead of the May 2018 exam session and ways to further improve the system, adding new features and improving the user functionality.

For the May 2018 session all the CTA papers will be marked onscreen with the exception of the Application and Interaction paper. This is due to the extensive changes that will be happening to this paper from 2019 (as part of the examination review changes).

Professional Responsibilities & Ethics

The fourth edition of the Professional Responsibilities & Ethics manual will be examinable from 1 March 2018. The decision to update this manual for a second consecutive year arose due to the important changes made to the Professional Rules and Practice Guidelines which all students must adhere to.

Tax Pathway

During the course of 2017 two 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. Students are able to transfer into the Tax Pathway from the traditional CTA and ATT routes providing they meet the requirements. There are 858 students now registered on the Tax Pathway.

Joint Programme with the ICAEW

2017 saw the seventh and final sitting of the Joint Programme Advisory paper, Taxation of Major Corporates, in its current format. This paper had been developed by ICAEW and CIOT in order that students can obtain both the ACA and CTA qualifications simultaneously. From the May 2018 session (as part of the examination review changes) the two Advisory papers, Taxation of Major Corporates and Advanced Corporation Tax, will merge and the renamed paper 'Taxation of Major Corporates' will be available to all CTA students (whether on the Joint Programme or not). The syllabi have been combined and amended slightly to take account of the minor differences between the two papers. The decision was made following consultation and agreement with the major users of the Joint Programme and the ICAEW.

As a result of exams taken in 2017 75 students successfully completed the ACA CTA Joint Programme and were eligible to become members of both institutes (subject to meeting the experience requirements).

Prize Winners

Prizes for outstanding performance in the CIOT's CTA and ADIT exams were handed out at the admission ceremonies in April and November.



At the April admission ceremony prize winners from the November 2016 CTA exam sitting and December 2016 ADIT sitting received their awards from then Institute President Bill Dodwell.

From left to right, front row: Hannah Barraclough (CTA John Wood Medal and Wolters Kluwer Prize), Naomi Wells (ADIT Heather Self Medal), Bill Dodwell (then CIOT President), Jessica King (CTA Avery Jones Medal) and Yijing Yang (ACA CTA Joint Programme Prizewinner – John Tiley Medal). Back row: Natasha Warren (CTA Spofforth Medal), Erlantz Carus (ADIT Worshipful Company of Tax Advisers Medal), Edward Symons (CTA Ian Walker Medal), Syed Shah (ADIT Wolters Kluwer Prize), Thomas Acland (CTA Institute Medal) and Mohammed Javid (CTA Gilbert Burr Medal and LexisNexis Prize).

Prize winners from these sittings not pictured are Fred Hill (ADIT Raymond Kelly Medal) and Andrew Lawrie (CTA Ronald Ison Medal).



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

From left to right, front row: Rebecca Knowles (ACA CTA Joint Programme Prizewinner, John Tiley Medal), Elliott Lomas (CTA Victor Durkacz Medal), Gemma Goldrein (CTA Ian Walker Medal), John Preston (CIOT President), Catherine Dukes (CTA Ronald Ison Medal and Croner-I prize), Philip Smith (CTA Institute Medal) and Lydia Carpenter (CTA LexisNexis Prize). Back row: Naomi Wells (ADIT IFA Prize), Emily Down (ADIT Raymond Kelly Medal), Kurt Farrugia (ADIT Heather Self Medal), Natasha Warren (CTA Avery Jones Medal), Eleanor Black (CTA Spofforth Medal) and Daniel Millichip (CTA John Wood Medal).

Prize winners from these sittings not pictured are Joseph Brough (CTA Gilbert Burr Medal), John Kagiri (ADIT Worshipful Company of Tax Advisers Medal) and Rory McGrath (ADIT Wolters Kluwer Prize).

Giving the unrepresented a voice

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

The Low Incomes Tax Reform Group's contribution to the Institute's public benefit role is to serve the unrepresented taxpaying population (those unable to afford a professional adviser) through enhancing the public understanding of tax, and by working to improve the tax system for those on low incomes.



A Future for the Low-Income Taxpayer

In March we produced *A future for the low-income taxpayer*, an updated version of our earlier *A manifesto for low-income taxpayers* (March 2015) which set out ideas for reforms to make tax easier for those without representatives. In the March 2017 report we were able to acknowledge that some of those ideas had indeed been implemented: the introduction of a composite PAYE code, the increase in the income limit for rent-a-room, and improved guidance on special relief. LITRG team members met with the Financial Secretary in October to talk about some of our recommendations, and we have also discussed them with representatives of the three largest opposition parties.



Making Tax Digital

We take a keen interest in the impact of Making Tax Digital on very small businesses, particularly those who for reasons of remoteness, age, disability or other reasons are unable to use computers or the internet. For them, thanks to work done by us and our supporters in previous years, the regulations now provide an exemption from electronic filing and record-keeping. Like others in the tax profession we welcomed the deferral to at least 2020 of digital reporting for taxes other than VAT. This will hopefully give HMRC time to develop free software for the smallest unrepresented businesses rather than relying on the commercial market to do so.

Bereaved partners

Autumn Budget 2017 implemented three long-standing LITRG recommendations which will make the tax system work better for those on low incomes. First, bereaved spouses and civil partners can now claim transferable marriage allowance for a year in which their deceased partner was alive, with possible backdating up to four years. Their inability to do so until then caused bafflement and resentment among bereaved people and their advisers, as our postbag showed.

Self-employed & pension contributions

Secondly, the abolition of Class 2 national insurance contributions was postponed by a year to April 2019 to enable further consultation about what alternative arrangements can be made for the self-employed on very low profits who wish to carry on saving towards their state pension. LITRG had expressed concern that the current proposal would mean that self-employed people with profits below the small profits threshold (currently £6,025) would have to pay Class 3 contributions, which are five times as much as Class 2 contributions, if they want to build up an entitlement to contributory benefits such as the state retirement pension.

Qualifying care relief

Thirdly, qualifying care relief was extended to carers for people who fund their own care. Until this proposed change, in order to be eligible for qualifying care relief, the provision of care must essentially (amongst other things) have been paid for by the local authority or an authorised scheme. Following the Budget announcement, the scope of qualifying care relief will be expanded so that it covers payments made from individuals who self-fund their shared lives scheme.

Universal credit & self-employed

In October we published *Self-employed claimants of universal credit: lifting the burdens* which attracted much attention, including a half-page trailer in the previous Sunday's Observer, a substantial quote by Baroness Donagh in a House of Lords debate on universal credit (see right), and a reference in a letter to the Secretary of State from the Chairman of the Work and Pensions Committee.

Consultations

The broad impact that tax and other matters within the purview of HMRC can have on our low-income constituency has led us to engage in a wide range of consultations issued by different departments, from informing the Labour Market Enforcement Strategy to the administration of free school meals in both England and Wales and Northern Ireland.

When responding to government consultations we are able to draw lessons for policy makers from actual case histories, owing to our good working relationship with the tax charities TaxAid and Tax Help for Older People, and from correspondence from users of our websites. These invaluable contacts with the real world of low-income taxpayers and tax credit claimants enable us to make representations with authority, and we are grateful to the tax charities for their willingness to share their experiences with us.

Online information

The main way we promote greater understanding of the tax system is through our suite of freely accessible websites aimed at taxpayers generally (www.litr.org.uk), advisers on tax credits, child benefit and universal credit (www.revenuebenefits.org.uk) and sites for disabled people and their carers (www.disabilitytaxguide.org.uk) and students (www.taxguideforstudents.org.uk). In 2017 those sites between them attracted over 4 million visitors compared with last year's equivalent figure of 3 million. We are told that they are bookmarked by many CIOT members who use them as a first port of call in research.

Following the general election we wrote to all MPs, newly elected and re-elected, informing them about our online resources. The idea for this came from the Financial Secretary in the last Parliament, who suggested to us at a meeting that the resources we had put together would be extremely helpful to MPs who often get questions on these issues from constituents, and that we should do more to publicise them.

People

In May 2017, after five years as Chairman of LITRG, Anthony Thomas handed the baton to Anne Fairpo. Anthony's work on LITRG, and other aspects of the CIOT, was rightly recognised in the Council Award given to him in January 2018. In May, the team was also joined by LITRG's first vice-chair, Chris Jones: we were saddened and shocked by Chris' passing in late November 2017 and LITRG will miss Chris' energy and enthusiasm.

LITRG in the political debate

We enjoy good relations with parliamentary committees. We again gave both written and oral evidence to the House of Lords Committee examining the Finance Bill, and Victoria Todd, senior technical manager, has become a firm favourite with the Work and Pensions Committee, appearing several times before them to discuss the transition from tax credits to universal credit for the self-employed. Our evidence is regularly cited in parliamentary debate.

"As is argued by the Low Incomes Tax Reform Group, the rules on errors in taxpayer documents seem to ignore the fact that low-income groups could now be caught in punitive anti-avoidance measures simply because they have no choice but to operate through an agency, or because they cannot afford accountancy advice"

Shadow Economic Secretary Jonathan Reynolds MP, Finance Bill second reading debate, 19/4/17

"the Low Incomes Tax Reform Group, also has concerns. It was set up by the Chartered Institute of Taxation to give "a voice to the unrepresented"

Shadow Chief Secretary Peter Dowd MP, Finance Bill standing committee debate on the money purchase annual allowance, 17/10/17

"The Low Incomes Tax Reform Group of the Chartered Institute of Taxation has suggested a number of measures that would help to mitigate the worst impacts of the current system, and I am grateful to [them] for their briefing and excellent report"

Baroness Donagh, House of Lords debate on universal credit, 16/11/17

"the clause was developed in response to concerns raised by the Low Incomes Tax Reform Group, a sign that the Government are willing to listen when concerns are raised"

Financial Secretary Mel Stride, introducing the Finance Bill clause extending marriage allowance to bereaved spouses, 9/1/18

LITRG in the media

LITRG's public profile continues to grow, with appearances in the press and media on both sides of the Scottish border, and on programmes such as Radio 4 Moneybox, You and Yours and even Rip-off Britain.

"The Low Incomes Tax Reform Group, a charity run by tax experts, has an excellent section on checking your Coding Notice at litr.org.uk"

Daily Mail, 13/3/17

"The Low Incomes Tax Reform Group charity has urged Taylor to recommend a comprehensive reassessment of the relationship between taxation and the growth of the gig economy."

The Guardian, 23/5/17

"the Low Incomes Tax Reform Group (LITRG), said the report [on Making Tax Digital] should act as a catalyst to hold up the scheme."

The Herald, 18/3/17

"The Low Incomes Tax Reform Group, a charity, has warned that scammers are sending "specifically crafted and targeted" emails that appear to be sent from HMRC..."

Financial Times, 16/2/17

"Robin Williamson of the Low Incomes Tax Reform Group, a lobby organisation, warned that problems may arise if you earn extra interest in a single year"

Sunday Times, 16/4/17

Engaging with our members

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

Membership and Branches Committee, and the Branch Network, provide a framework in which the Institute's members can develop and enhance their gold standard professional skills and operate within our ethical framework and professional standards so that the public can be assured that by using a Chartered Tax Adviser they are receiving a service appropriate to their needs.



2017 was an exciting year; we welcomed 635 new members, nearly 100 more than in 2016. We were delighted to welcome 200 of our new cohort to our three Admission Ceremonies at Drapers' Hall in the City of London.

The Committee's work this year has focused on support for new entrants to membership and the resources required by members as we move towards the full implementation of HMRC's "Making Tax Digital" programme.

Understanding how our members engage with their Institute has been a defining feature of our work in 2017 and plans are to continue to recognise the different ways in which members engage with us.

Engaging with our members – Digitally

Tax Adviser Magazine remains our principal member benefit and we are pleased that engagement with members through our taxadvisermagazine.com website is rising substantially. There has been a 53% increase in the number of users in the last 12 months. The total number of page views over the year increased by 48% on 2016, up to more than 560,000. The average time spent on a page is also rising and is now approaching three minutes. Having discovered our online resources more and more members return to visit us which is another very pleasing sign. 34% of visitors returned in 2017, up 4% on last year. The number of visitors to the website coming to us via search engines is up 64% on last year. The number coming to the site via email is smaller, but rising rapidly – year on year it rose by an enormous 372%! This is testament to how popular our monthly member emails promoting Tax Adviser are.

Engaging with our members – Face to Face

Although there has been a huge increase in digital learning we have found that many members regard the additional benefits of networking and social interaction as a key part of their professional lives.

The Institute's Head Office events team produced 36 events in 2017 attended by over four thousand delegates. Of these our three residential conferences hold a special place in the hearts of many members (over 400 attendees in 2017).

As ever, the content of our conferences is determined by our volunteers who sit on the Conferences Working Party, reporting into the Membership and Branches Committee. Feedback for the events is extremely positive and our events team are planning an expansion of the conference offering in the future with a view to targeting members in the first ten years of their careers. This particular group of members, 'New Tax Professionals' (or NTP'ers for short), are represented by the Joint New Tax Professionals Committee; events held by Head Office and across the Branch Network attracted 800 NTP'ers in 2017.

Engaging with our members – Ensuring Compliance with our Professional Standards

The CIOT Council approved the alignment of the Annual Return and the Annual Subscription in 2017. This means a more streamlined engagement with members when it comes to matters of compliance and subscription payments.

Changes to the CPD guidance for members which took effect in March 2017 means that all members, regardless of whether they work in tax, must declare that they comply with our ethical standards on an annual basis.

The membership and professional standards teams continue to work together to raise awareness amongst members and the public of changes to Professional Conduct in Relation to Taxation – to this end the team produced a short animation which can be found at www.tax.org.uk/ webinars. Members can find information in the members area of the CIOT website regarding their obligations.

Engaging with our members – the Branch Network



Current and former chairs of Sussex branch joined other members and guests on Brighton's seafront in June for a lunch to celebrate 40 years since the branch was founded



London branch proudly celebrated its diamond jubilee in 2017. The birthday dinner in June (pictured) was just one of 34 events hosted by the branch over the 2016-17 season.



The Northern Ireland branch, including chair Malachy McLernon (centre), were one of a number of branches to hold events to congratulate students on passing their CIOT and ATT exams



East Midlands branch had a record attendance at their February event on Making Tax Digital, with lead speaker Rebecca Benneyworth MBE. Rebecca was joined by Richard Wild (CIOT), Stephen Foulkes (branch chair) and Steve Reynard (Quickbooks) at an almost-as-well-attended update session in November.

Our 40 branches, spread throughout the UK and the world, provide opportunities for almost 300 members to volunteer and serve the tax community in their local area. Around 5,000 of our members engage with the Institute at branch level and we encourage more members and students to get involved. Our branches organise more than 300 events every year and, in line with the Institute's aims and objectives, all our branch events are open to members and non-members with almost 20% of attendees at branch events in 2017 being non-members.

The Institute thanks 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.

Over the last few years the Branch Network has been increasingly recruiting volunteers who are in the first 10 years of their career, members who are looking to learn the wider business and softer skills necessary in today's workplace for them to become well-rounded advisers. A number of our branches are leading the way in this and special mention should go to our Leeds Branch who on top of a technical programme also organised four social events, two student events, a newly qualified event and a soft skills event in 2017.

Also, our Northern Ireland and European Branches have developed exciting new relationships with the Irish Tax Institute and this has provided our members and non-members with a unique opportunity to engage, listen and learn with other Institutes and consider how we may be able to have a simpler, fairer and more equitable tax system for all.



The Merseyside branch annual dinner in February coincided with Storm Doris hitting the UK but that didn't downhearten the Merseyside branch committee (pictured) or prevent the long-running event from being a roaring success once again

Promoting Understanding of Tax

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



CIOT in the media

The CIOT, including its Low Incomes Tax Reform Group, was covered on 122 occasions in the mainstream media during 2017, in addition to hundreds of mentions in the tax and accountancy trade press. In addition to Tax Policy Director John Cullinane (the Institute's lead media spokesperson), a range of other CIOT spokespeople were quoted in the national media during the year, including John Preston, Bill Dodwell, Moira Kelly, Tina Riches, Glyn Fullelove, John Bunker, Colin Ben-Nathan, Emma Chamberlain and Ray McCann.

The year opened with some substantial coverage in The Times and Financial Times, in particular, around the launch of the Better Budgets report (see page 18-19). Other topics where the media sought out the CIOT's views included Making Tax Digital, Scottish income tax, the taxation of different forms of employment, the 'Paradise Papers', tax reform in the USA and, of course, Budget announcements and Finance Bills. For Autumn Budget 2017 CIOT partnered with Bloomberg BNA to enable articles by five of the Institute's spokespeople to be published on Bloomberg's platform and the CIOT's website within hours of the Budget. The Institute's submissions to government consultations on Scottish aviation tax, inheritance tax for non-doms and the Patient Capital Review also got national newspaper coverage. The CIOT's coverage in the Scottish media saw a particularly notable increase in 2017.

LITRG's media coverage tends to involve explaining the tax and tax credits systems for the benefit of those affected by it. In 2017 LITRG were widely reported on issues from class 2 NICs to coding notices. The Group's report on universal credit and the self-employed prompted an inside page lead story in The Observer in October. More information is available on pages 24-25 of this report.

Online information

In addition to the extensive information provided by LITRG for particular groups of taxpayers (see page 24) the CIOT publishes information regularly on its website blog to assist public and business understanding of current tax issues. In 2017 this included expert articles on recent developments in tackling tax avoidance and evasion, the challenges of digital reporting and planning for Brexit, as well as a question and answer briefing on issues raised by the 'Paradise Papers'. 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 run-up to the general election.



As the Scottish government looked to exercise more of its tax varying powers, the Scottish media has increasingly looked to CIOT spokespeople to explain the challenges and practicalities of tax devolution

Providing forums for debate

The CIOT's successful partnership with the Institute for Fiscal Studies (IFS) continued into a fifth year in 2017, with jointly-organised panel discussions taking place in London on tax simplification, inheritance tax and how different kinds of employment should be taxed. The tax simplification event featured the observations of John Whiting shortly after his retirement as Tax Director of the Office of Tax Simplification. That event was an alternative to the original plan for John to give the CTA Address, which had to be rethought after snap election 'purdah' prevented him from speaking during the election campaign (he remains an HMRC board member). In place of the planned simplification lecture the CTA Address was turned into a lively panel discussion on topical tax issues.

Once again CIOT and IFS held a topical panel debate at the political party conferences in the autumn, this time focusing on The Changing World of Work – How should government respond to the growth of self-employment and the gig economy? The Conservative Party event featured Employment Minister Damian Hinds who has since been promoted to Education Secretary. Shadow Chief Secretary Peter Dowd was a guest speaker at Labour, while Scottish Government Minister Jamie Hepburn spoke at the SNP. We have begun to put audio recordings of our RSA debates and party conference events on our website.

In December CIOT hosted a roundtable discussion with HMRC Chair Edward Troup ahead of his retirement from HMRC at the end of the year. The event provided an opportunity for Mr Troup (now Sir Edward) to set out his thoughts on how he saw HMRC and the tax profession developing in the future, and to get feedback from senior tax professionals. The previous month a LITRG roundtable had brought together academics, tax professionals and others to discuss 'fiscal welfare' (ie tax reliefs).



The panel for our Conservative conference debate – John Preston (CIOT, chair), Paul Johnson (IFS), Damian Hinds MP (then Minister for Employment), Claire Hooper (CIOT)



Our Labour conference panel: Helen Miller (IFS), Kate Bell (TUC), Vanessa Houlder (Financial Times, chair), Peter Dowd MP (Shadow Chief Secretary to the Treasury), John Cullinane (CIOT)

Informing the political debate

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 87 politicians across Westminster and the devolved institutions in 2017. This political engagement in 2017 included:

- Attendance by the then Financial Secretary, Jane Ellison, and Treasury Committee chair, Andrew Tyrie, at the launch of Better Budgets in January
- Meetings with Conservative, Labour, Lib Dem and SNP ministers, shadow ministers and advisers, as well as backbenchers and crossbench peers
- Tina Riches and Robin Williamson (LITRG) giving oral evidence on Making Tax Digital before the House of Lords Economic Affairs Committee in February
- Bruce Crawford MSP, Chair of the Scottish Parliament's Finance and Constitution Committee, speaking at our Joint Presidents' Lunch in Edinburgh in March
- Victoria Todd (LITRG) giving evidence to the Commons Work and Pensions Committee on self-employment and the gig economy (March) and the roll out of universal credit (November)
- Bill Dodwell and Ray McCann providing oral evidence to the Treasury Committee's enquiries into the March and November Budgets respectively
- John Cullinane giving evidence to the Scottish Parliament's Finance and Constitution Committee's enquiry into a Scottish approach to taxation in April
- Derek Mackay MSP, Cabinet Secretary for Finance and Constitution, addressing CIOT members at the annual Scotland conference in Stirling.
- Our successful parliamentary reception in July with guests including the Financial Secretary and Shadow Chief Secretary to the Treasury
- Two briefing sessions in December ahead of debate on the Taxation (Cross-Border Trade) Bill (a.k.a. the customs bill), attended by 12 MPs and peers

CIOT and LITRG were mentioned on 48 occasions in parliamentary debates and reports during 2017. These included:

- Extensive references to CIOT and LITRG evidence in the House of Commons Treasury Committee's January report on Making Tax Digital
- Our concerns on parliamentary scrutiny and agency workers being raised during truncated debate on the pre-election Finance Bill
- Our concerns on the Air Departure Tax (Scotland) Bill being raised at all three stages of debate in the Scottish Parliament, as well as in pre-legislative scrutiny
- LITRG concerns on tax refund companies being raised during debate on the Financial Guidance and Claims Bill in September
- Our representations on digital reporting, corporation tax complexity and new trading and property allowances being highlighted during debate on the autumn Finance Bill
- Our concerns about the clarity of the legislation and the paucity of scrutiny for consequential secondary legislation being raised during debate on the Taxation (Cross-Border Trade) Bill

Upholding Professional Standards

Report from the joint CIOT/ATT Professional Standards Committee

Under its Royal Charter the CIOT undertakes 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”.



A vital function of the CIOT is supporting members with guidance on their obligations, and publishing the underlying standards and guidance so that members and the public have a clear understanding of what is expected of a Chartered Tax Adviser. Much of the Professional Standards Committee’s focus is on providing this material.

Professional conduct

On 1 March 2017, the 2016 update of “Professional Conduct in Relation to Taxation” (PCRT) came into effect, introducing new standards for tax planning, aimed at balancing members’ duties to their clients and the wider public interest. This document is essential reading for all members working in the field of taxation.

A consistent approach on professional standards issues across the tax profession is important and where appropriate CIOT liaises with the other professional bodies and HMRC to inform best practice. PCRT is agreed and followed by seven professional bodies. The latest update of HMRC’s ‘standard for agents’ (published in Jan 2018) draws heavily on the latest update of PCRT when setting out what HMRC expects of all agents, including those not members of the PCRT bodies.

Criminal offences

Two new corporate criminal offences of failure to prevent the facilitation of tax evasion came into effect in September. Professional standards and technical staff drew up guidance for members to help them identify new and existing obligations and related penalties for non-compliance.

See page 34 for news of the CIOT’s work on professional standards through the CFE

Commerce and industry

As well as updating the core professional standards material such as Professional Rules and Practice Guidelines and engagement letters the Committee helps the Institute respond to changes in the legislation and to the needs of different sectors of the membership.

Historically much of the Institute’s guidance was focused on members working in public practice, often as a taxpayer’s agent. An important part of our membership actually works as the taxpayer themselves, though employment in commercial and industrial bodies. Following requests from members working in this sector for material which specifically addressed their working environment, a working party comprising volunteers from commerce and industry together with professional standards staff prepared guidance on the Senior Accounting Officer role. FAQs were also drawn up covering issues such as what to do if you find an irregularity in the company’s tax affairs.

Anti-Money Laundering (AML)

There was much activity in the AML sphere in 2017. The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 took effect in June. Professional Standards presented two seminars and a webinar for members outlining the changes.

One further significant change has been the introduction of the Office for Professional Body AML Supervisors (OPBAS) whose role is to oversee the work of professional body supervisors. The costs of OPBAS are borne by the professional bodies and CIOT has worked hard to try to ensure that these are allocated on a fair and reasonable basis and within manageable limits.

CIOT has also played its part in preparing the UK for the Mutual Evaluation Review of the UK’s AML compliance which will be undertaken by the inter-governmental Financial Action Task Force in March 2018.

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 are beneficial to all 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

A small change was made to the Taxation Disciplinary Scheme (TDS) Regulations during 2016 wherein the time in which a complaint has to be lodged with TDB has been extended from 12 to 24 months from when the incident became known to the Complainant (effective 1 January 2017).

The TDB has also entered into a Memorandum of Understanding with HMRC to enable the tax authority to make complaints to TDB on exactly the same footing as every other category of complainant. HMRC has not as yet referred any complaints.

The Articles of Association of the TDB Ltd, and the TDS, have been amended during the year to enable the TDB to appoint two additional lay directors in order to further enhance the independence of its regulatory and disciplinary functions, and also to extend the term of office of the present chairman by up to four years. The two new lay directors, Colin Wilby and Elizabeth Fullerton-Rome, were appointed in June. The chairman of the TDB, Des Hudson, was reappointed for a further four years from 1 November 2017. John Dewhurst, the CIOT representative on the TDB Board of directors, retired from the Board in May and has been replaced by John Whiting.

During 2017 it was identified that although updates and improvements are made to the TDB website on a continuous basis a more comprehensive review was appropriate and this will be undertaken during 2018. Additionally, in January 2018, all complaint related information and correspondence was moved from the CIOT/ATT server onto an independent server.

The rosters of the Investigation Committee (IC) and Disciplinary Tribunal (DT) panel members were combined during the year into one DT and IC panel from which members can be drawn to sit on either DT hearings or IC meetings. Also during the year a number of panel members completed their terms of appointment and seven new members were recruited.

Cases dealt with in 2017

During 2017 the TDB received 30 new complaints (up from 26 in 2016), 21 relating to CIOT members (22 in 2016) and dealt with the one complaint outstanding from 2015. Of the total of 30 registered complaints and the 12 still under

investigation from 2016, 4 cases arose from the failure of members to submit the required Anti-Money Laundering (AML) returns (3 involving CIOT members, 2 in 2016).

There is no discernible trend in the type of complaints referred to the TDB, they range from failure to deal with correspondence to conduct unbefitting a professional person.

During the year the Investigation Committee considered 4 complaints (3 involving a CIOT member). In one complaint the IC found no case to answer, in two cases referral was made to the DT and in the fourth case the IC found there was a case to answer but that it was of such a minor nature that it did not merit referral to DT. In relation to the IC decision of "no case to answer" the complainant lodged an appeal which was referred to an Independent Assessor who found in favour of the TDB.

From the total of 42 cases, 30 new (21 CIOT) in the year and the 12 brought forward from 2016 (11 CIOT), 27 were closed in the year. Of these, 4 cases were not pursued by the complainant, 2 cases were closed under Regulation 3.11*, 2 cases were closed under Regulation 3.5**, 13 complaints were withdrawn, in 4 cases the TDB had no jurisdiction and 2 cases were dealt with by the DT (see below).

During 2017, 2 cases were heard by Disciplinary Tribunals over two days of hearings, both cases involving CIOT members. A further case, involving a CIOT member, was awaiting hearing at the end of the year. Findings, in respect of cases heard by a DT in 2017, were made against both defendants, neither of whom sought to appeal.

At 31 December 2017 there were 15 cases open, one (CIOT) awaiting DT and 14 (11 CIOT) under investigation.

Not included in the above statistics is one complaint forwarded for investigation by TDB from the Irish Tax Institute under the agreement entered into with ITI in 2016.

Peter Douglas

Executive Director
Taxation Disciplinary Board

This is an edited version of the full TDB report for 2017, which can be viewed, along with the findings of individual hearings, at <https://www.tax-board.org.uk>

** Rule 3.11 states that if the Reviewer considers that the only complaints raised are breaches of a Participant's administrative requirements, rules or procedures, the Reviewer may impose a financial penalty on the Defendant to a maximum of £500 for each breach.*

*** Rule 3.5 states that if the Reviewer considers that the Complaint, inquiry or information is vexatious or of such a minor nature that, in his view, it would not if proved merit a sufficiently serious sanction to justify prosecution, the Reviewer may determine that no further action shall be taken.*

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.



2017 Results

The Finance and Operations Committee (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 the operating resources including IT, HR and property.

We are pleased to report an encouraging result for the year. The Institute achieved a net income of £274,000 after taking into account movement on investments, resulting in reserves held of £6,842,000. Total income amounted to £7,891,000, an increase over 2016 of 4.6%. Income continues to be generated primarily from Membership subscriptions of £5,071,000 (2016: £4,709,000) and Student registrations and examination fees of £1,650,000 (2016: £1,407,000).

Total expenditure amounted to £7,787,000, an increase over 2016 of 2.7%. 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 are 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 small increase over the year with net gains of £170,000 (2016: gains of £130,000). The F&OC considers investment performance at each meeting and holds regular discussions with the portfolio managers, Cornelian, and the strategic investment advisers, LJ Partnership. 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. 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 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 development plan.

As advised by the Institute's Portfolio Managers and Investment Advisers, no changes were made to investment strategy during the year. Council has not placed any restrictions on investments for environmental or ethical reasons but has determined that no direct investment in commercial property is to be made although investments in collective funds holding commercial property is permissible.

The F&OC also considers the CIOT reserve holdings of term deposits and the gilt portfolio.

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, 2017 should be £7,519,000, 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. During the year, Trustees agreed that it was appropriate for the reserves target to be reduced from twelve to nine months' operating costs; 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 up to 2024 to build up a property fund on expiry of the current lease and to cover the depreciation charge arising in future years on the capitalised expenditure incurred on the move to Artillery House. Further details are given on page 56.

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.

Branches

The CIOT/ATT Branches have had a reasonable year financially with a consolidated net surplus of £63,000 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) will provide the platform for this.

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 optimal support, control and best practice are achieved.

IT

Building on the foundations of several years preparation, we made substantial progress in 2017 towards the modernisation of our IT infrastructure and associated business processes. A new customer relationship management (CRM) system and Finance system, both using proven and market-leading Microsoft Dynamics products, were successfully installed in late 2017. The CRM system enables us to hold and maintain a 'single and secure view' of the information we hold on our students, members and stakeholders – whilst the integrated Finance system will deliver significant operating efficiencies and improve our financial controls.

The final part of the implementation will be the Education system, scheduled to go live in April 2018, which will move us away from old, inefficient and non-integrated operating systems. During 2018, we shall also be moving our email and other core systems into the 'cloud' to increase resilience and security and reduce our dependence on the systems located at Artillery House.

These IT developments will increase our resilience and capacity to deal with growth through modernising and standardising our core business processes. The next step, for which the planning work has already started in 2018, will be to improve our digital profile, enabling a greatly-enhanced engagement and communication with our membership.

F&OC recognises that IT expenditure is a significant cost in any organisation and that it is essential for CIOT's future development. The F&OC considers the development programme for IT based systems and the strengthening of the in-house IT team, and monitors the related budgets, costs and progress to update the relevant systems. During the year, in view of the enduring benefits arising from the new CRM system, F&OC and Trustees agreed that it was appropriate for this expenditure to be capitalized and amortised over five years.

HR

Staffing has been stable during the year. The CIOT continues to invest in staff and management development. The Annual Appraisal Process is being upgraded so as to ensure that staff achieve personal and departmental Key Performance Objectives which are aligned with those of the organisation.

Restricted Funds

Restricted Funds comprise income and expenditure in connection with the Low Incomes Tax Reform Group (LITRG) operated by the Institute. During 2016, HMRC withdrew the larger part of its grant funding for LITRG with the result that Restricted Funds were exhausted during 2017. The Institute will therefore in future be supporting 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 largely funded by CIOT, although representations continue to be made to HMRC to fully restore the grant.

Charity Commission

At every meeting, the F&OC 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 2017, 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 2018. We continue to look forward to 2018 with the usual cautious optimism.

Confédération Fiscale Européenne (CFE)

The CFE bring 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.



The CFE was founded in 1959 to represent the interests of professional tax advisory bodies throughout Europe. Together with the Tax Faculty of ICAEW, the CIOT represents the UK at the CFE.

CIOT has always been actively involved in the CFE, providing three former Presidents, the current First Vice President, Ian Hayes, and hosting the General Assembly, which will return to London in September 2018, following 2017's General Assembly in Bratislava. More can be found on the CFE website (www.cfe-eutax.org)

Participation in the CFE 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 CFE's work. The CFE's work 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 play an active part in the CFE's Professional Affairs Committee. They have given presentations on the new penalties regime and on Professional Conduct in Relation to Taxation and contributed to Opinion Statements on the mandatory automatic exchange of information in the field of taxation and on the outputs of the European Parliament's PANA (Panama Papers) committee.

The PAC annual conference was on tax digitalisation and had an excellent line up of speakers (including the CIOT's Head of Technical, Richard Wild). Of particular interest was the program developed by the University of Toronto which predicts with an accuracy rate of approximately 90% the likely outcome of tax cases, heralding new ways in which the standards of members' work might be judged. Already in use by the tax authority of one G8 country, this is a new dimension of the ever changing tax landscape.

Fiscal Affairs

This year's Spring Forum in Brussels considered the question "Do you have a taxable presence in a country? - The new

reality Permanent and Fixed (VAT Establishments in the post BEPS world").

Volunteers Jeremy Woolf and Gary Ashford attend the CFE Fiscal Committee on behalf of the CIOT. Following a joint meeting, the Fiscal Committee splits into meetings of the Direct Tax Fiscal Sub-Committee, which Gary Ashford attends, and the Indirect Tax Fiscal Sub-Committee, which Jeremy Woolf chairs.

Reports from CFE Fiscal Committee meetings provided by attendees (along with those from PAC and General Assembly) are generally included in the Technical Newsdesk section of Tax Adviser. Items of interest arising from the Fiscal Committee agenda and meetings are reported back to the International Taxes and EUHR Sub-Committees. The CFE is a standing item on the agenda of these CIOT sub-committees.

The aim when reviewing draft Opinion statements being prepared by the CFE is to identify key points that the CFE is proposing to make which the CIOT disagrees with and, if appropriate, to ensure that a difference of views as between member organisations of the CFE is reflected. For example, the CFE response on the CCCTB recorded that there was no unanimity of support for the European Commission's proposals within the CFE. The Opinion statement recorded that the CIOT (UK) was opposed to CCCTB, a position also made clear in the CIOT's own response to the European Commission's consultation.

Organisational matters

CIOT has supported the strengthening of the tax professional team in the CFE's head office in Brussels which has improved the flow of tax technical information within the organisation and in time it should help volunteers to make the best use of the time and skills which they donate.

CIOT representatives on the CFE's General Assembly during 2017 were Peter Fanning, Gary Ashford and Anthony Thomas. During the year, the General Assembly agreed, with CIOT's support, to develop the CFE's branding to include the strapline 'Tax Advisers Europe' which reflects the strength of the tax adviser brand and the English language within the tax profession in Europe.

Reference and Administrative Information

(as at 28 March 2018)

President

John Preston BSc FCA CTA (Fellow) (2012)

Deputy President

Ray McCann CTA (Fellow) ATT (2012)

Vice-President

Glyn Fullelove MA CTA (Fellow) ACA (2014)

Other Members of Council

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

Gary Ashford CTA (Fellow) ATT (2011)

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

Keith Bell CTA (Fellow) ATT (2008)

Susan Ball CTA (Fellow) ATT (2017)

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

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

Bill Dodwell* LLB LLM (Cantab) CTA (Fellow) ACA (2008)

Tracy Easman CTA (Fellow) ATT (Fellow)

John Endacott BSc CTA (Fellow) FCA (2016)

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

Alexander Garden CTA (Fellow) LLB (Hons) Scottish Solicitor TEP (2015)

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)

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

Mary Monfries BA CTA (Fellow) ACA (2018)

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

Amanda Pearson BSc CTA (Fellow) ACA (2014)

Peter Rayney CTA (Fellow) FCA TEP (2016)

Jonathan Riley CTA (Fellow) 2017

Jennie Rimmer LLB CTA (Fellow) (2014)

Mike Thexton MA CTA (Fellow) FCA (2016)

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 CBE



Left to right: Peter Fanning, John Preston, Rosalind Baxter, 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 FCA

Tax Policy Director

John Cullinane MA CTA (Fellow) FCA

Technical Director, Low Incomes Tax Reform Group

Robin Williamson MBE MA (Oxon) CTA (Fellow) Solicitor

Registered office

The Chartered Institute of Taxation

1st Floor

Artillery House

11-19 Artillery Row

London

SW1P 1RT

Reference and Administrative Information

(as at 28 March 2018)

Committees of Council and Sub-Committees

Officers Group

Chair | John Preston
Deputy Chair | Ray McCann
Vice-Chair | Glyn Fullelove

Membership & Branches Committee

Chair | Chris Brydone

Education Committee

Chair | Peter Rayney

Low Incomes Tax Reform Group

Chair | Anne Fairpo

Performance & Remuneration Committee

Chair | Vincent Oratore

Professional Standards Committee

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 | Adrian Rudd
Vice-Chair | Peter Dylewski

Scottish Technical Committee

Chair | Moira Kelly

CGT & Investment Income

Chair | Aparna Nathan
Vice-Chair | Natalie Miller

Corporate Taxes

Chair | Claire Hooper

Employment Taxes

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

EU & Human Rights

Chair | Jeremy Woolf

International Taxes

Chair | Joy Svasti-Salee

Management of Taxes

Chair | Chris Davidson
Vice-Chair | Stephen Barnfield

Owner Managed Business

Chair | Tina Riches
Vice-Chair | Pete Miller

Property Taxes

Chair | Brian Slater
Vice-Chair | Lakshmi Narain

Succession Taxes

Chair | John Bunker
Vice-Chair | Keith Gordon

Indirect Taxes

Chair | Alan McLintock
Vice-Chair | Linda Skilbeck

Working Together

Chair | Stephen Relf

Welsh Technical Committee

Chair | Lakshmi Narain

Connected Charity

The Association of Taxation Technicians
1st Floor
Artillery House
11-19 Artillery Row
London SW1P 1RT

Auditor

Buzzacott LLP
130 Wood Street
London EC2V 6DL

Investment Advisers

Cornelian Asset Managers Ltd
21 Charlotte Square
Edinburgh EH2 4DF

Strategic Investment Advisers

LJ Athene Investment Advisers Ltd
9 Clifford Street
London W1S 2FT

Solicitors

Maurice Turnor Gardner
201 Bishopsgate
London EC2M 3AB

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 29 Trustees at the close of 2017 (29 in 2016) 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 members of the Management Team 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).

In addition, a day-long meeting was entirely devoted to strategic discussion. Council papers comprising an agenda, formal Council Minutes together with briefing papers on specific Trustee matters and usually a technical discussion item are sent to all Council members in advance of each meeting.

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. In addition, one half day meeting was devoted to strategic matters.

Council members achieved an overall attendance rate of 85% (2016: 88%) at Council meetings and 86% (2016: 90%) 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.

Structure, governance and management

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 (and internal auditors where appropriate), 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.

CIOT Director of Finance and Operations, ATT Treasurer, CIOT Secretary and Director of Education, CIOT Chief Executive, the Tax Policy Director and the ATT Executive Director, attended meetings. During the period Ronnie Fell retired from the Committee and Ralph Pettengell was appointed in her place, CIOT Treasurer Gill Evans also retired from her role and Richard Geldard's term of office came to an end.

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 new Trailblazer Apprenticeship in Accountancy and Tax, the professional rules set out in Professional Conduct in Relation to Taxation, the government's proposals for tax administrations known as Making Tax Digital and proposed government policy titled Enablers' Legislation, Data Protection Act and GDPR, governance documents and the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), VAT Accounting (the consideration of a report by the auditors Buzzacott) and progress on the implementation of a CRM system, including the finance and membership 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) (b) 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 £18,280 VAT inclusive (£28,268 VAT inclusive in 2016).

Internal Controls

The respective responsibilities of the Council and Auditor in connection with the financial statements are explained on pages 41. The Council Statement on going concern is set out on page 47.

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 35).

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 is taking the necessary steps to ensure full compliance with the General Data Protection Regulation (GDPR), when this becomes effective 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 2017-18 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 84 (2016- 80).

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. 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.

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 2017 was 7,000kgs which equates to 83 trees.

Structure, governance and management

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 discuss 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 2017 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 to be launched in 2019 which follows 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 (page 21).

- Retention of members.

Mitigation includes leading the thinking on the key issues in tax which affect the public and the profession, for example, surveying our members to help inform our engagement with HMRC and continue to develop our ethical guidance.

- Core IT systems increasingly not fit for purpose.

Mitigation includes the replacement of IT infrastructure, a 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 is scheduled for implementation in the first half of 2018. The completion of these upgrades will both strengthen our system infrastructure and deliver significant operating efficiencies across the organisation.

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 19 March 2018.

By order of the Council

Rosalind Baxter
Secretary

Independent Auditor's Report

to the trustees of the Chartered Institute of Taxation

Opinion

We have audited the financial statements of the Chartered Institute of Taxation (the 'charity') for the year ended 31 December 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and notes to the financial statements.

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).

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2017 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 financial statements section of our report.

We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements 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 financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements 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 financial statements 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 financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 financial statements 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 financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements 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 financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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. We have nothing to report in this regard.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

Auditor's responsibilities for the audit of the financial statements

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

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

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

Financial Statements

Financial Statements

Statement of Financial Activities for the year ended 31 December 2017

	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total Funds 2017 £'000	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total Funds 2016 £'000
Income from:						
Charitable activities ^{2a}	7,693	36	7,729	7,292	77	7,369
Other trading activities ^{2b}	53		53	28		28
Investments ^{2c}	109		109	144		144
Total Income	7,855	36	7,891	7,464	77	7,541
Expenditure on:						
Raising funds ^{2d}	12		12	12		12
Charitable activities ^{2d}	7,688	87	7,775	7,427	144	7,571
Total expenditure	7,700	87	7,787	7,439	144	7,583
Operating gain/(loss)	155	(51)	104	25	(67)	(42)
Net gains on investments ⁶	170		170	130		130
Net income/(expenditure)	325	(51)	274	155	(67)	88
Net movement in funds	325	(51)	274	155	(67)	88
Reconciliation of funds						
Total funds brought forward at 1 January ¹³	6,517	51	6,568	6,362	118	6,480
Total funds carried forward 31 December ¹³	6,842		6,842	6,517	51	6,568

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 2017

	2017 £'000	2016 £'000
Fixed Assets		
Tangible assets ⁴	220	219
Intangible Assets ⁵	665	
Investments ⁶	5,345	5,222
Total Fixed Assets	6,230	5,441
Current Assets:		
Stock ⁷	56	51
Debtors ⁸	978	1,096
Cash at bank and in hand ⁹	2,432	2,755
Total Current Assets	3,466	3,902
Liabilities		
Creditors falling due within one year ¹⁰	(2,685)	(2,650)
Net Current Assets / (Liabilities)	781	1,252
Total assets less current liabilities	7,011	6,693
Creditors		
Amounts falling due after more than one year ¹¹	(169)	(125)
Net Assets	6,842	6,568
Funds of the charity		
Restricted ¹³		51
Unrestricted ¹³	6,842	6,517
Total Funds	6,842	6,568
Approved and authorised for issue by the Council on 19 March 2018 and signed on its behalf by:		
President		
Director of Finance & Operations		
Chief Executive		

Financial Statements

Statement of Cash Flows for the year end 31 December 2017

	2017 £'000	2016 £'000
Net cash provided by operating activities (Table A)	272	205
Cashflow from investing activities		
Dividends and interest from investments	109	144
Purchase of tangible fixed assets	(68)	(39)
Purchase of intangible fixed assets	(683)	
Proceeds from sale of investments	727	789
Purchase of investments	(680)	(750)
Movement on term deposits		33
Net cash provided by investing activities	(595)	177
(Increase)/Decrease in cash and cash equivalents in the year	(323)	382
Cash and cash equivalents at 1 January	2,755	2,373
Cash and cash equivalents at 31 December (Table B)	2,432	2,755
Table A		
Reconciliation of net income/expenditure to net cash flow from operating activities		
Net income as per the statement of Financial Activities	274	88
Adjustments for:		
Depreciation charge for the year	67	59
Amortisation charge for the year	18	
Loss on disposal of fixed assets		
Dividends and interest from investments	(109)	(144)
Gain on investments	(170)	(130)
(Increase)/decrease in stock	(5)	28
Decrease/(increase) in debtors	118	(105)
Increase in creditors	79	409
Net cash provided by operating activities	272	205
Table B		
Analysis of cash and cash equivalents		
Cash in hand	428	366
Notice deposits (less than 3 months)	2,004	2,389
Total cash and cash equivalents	2,432	2,755

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 Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted 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 2017 include the results of its Branches, which are not separate legal entities, for the year ended 30 June 2017.

The Association of Taxation Technicians of 1st Floor, Artillery House, 11-19 Artillery Row, London SW1P 1RT 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 and forecasts for 2018 and 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.

Notes on Financial Statements

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.

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 statement 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, 2017 include the results of its Branches, which are not separate legal entities, for the year ended June 30, 2017. Branch income and operating surplus for the year ended June 30, 2017 amounted to £431,458 and £63,780, 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 2017 the target for reserves was composed as follows:

	2017 £'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.	5,968
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 Artillery House. A Further £150,000 per annum is to be set aside for 10 years before the expiry of the current lease.	1,551
	7,519
Actual reserves at 31 December 2017 (excluding restricted funds)	6,842
Shortfall in target level of reserves	677

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 2017. 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 2024 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

	2017 £'000	2016 £'000
Membership Subscriptions	5,071	4,709
Chartered Tax Adviser registration fees and entrance fees	43	44
Student registrations and examination fees	1,650	1,407
Conference and Event fees	731	916
Sale of books and journal	78	107
Anti Money Laundering Fees	113	104
Grants receivable	36	77
Other sales	7	5
Total Income	7,729	7,369

The income from charitable activities was £7,728,206 (2016: £7,369,760) of which £7,691,956 was unrestricted (2016:£7,292,320)

Government grants received in the year amounted to £36,250 (2016: £77,400). 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 the charity directly benefited during the year.

2b. Income from Other Trading Activities

	2017 £'000	2016 £'000
Sponsorship	53	28

2c. Investment Income

	2017 £'000	2016 £'000
Dividend income	70	90
Other interest receivable	39	54
Investment Income	109	144

2d. Breakdown of expenditure

	Activities undertaken directly £'000	Support costs £'000	Grant funding of activities £'000	Total 2017 £'000	Total 2016 £'000
Charitable activities					
Grants payable		106	113	219	199
Education and student services	1,474	1,397		2,871	2,093
Members Services	1,254	1,188		2,442	2,946
Regulation and Compliance	91	87		178	171
Consultation and representation	956	906		1,862	1,919
LITRG Restricted Funds	87			87	144
LITRG Restricted Support Costs		48		48	99
LITRG Unrestricted costs	17	51		68	
	3,879	3,783	113	7,775	7,571
Raising Funds					
Investment management costs	12			12	12
	3,891	3,783	113	7,787	7,583
2016	4,373	3,092	118	7,583	7,583
Expenditure on charitable activities was £7,786,892 (2016: £7,583,000) of which £7,699,892 was unrestricted (2016: £7,498,000) and £87,000 was restricted (2016: £144,000)					
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 2017 £'000	Total 2016 £'000
Information technology				244	450
Staff costs				677	720
Operating costs				1,618	1,287
Governance costs comprising:					
Audit Remuneration				23	39
Legal and professional fees				152	139
Council meetings (inc. Council member's expenses)				64	80
Property				469	20
LITRG Support Costs				51	
Governance support				485	357
				3,783	3,092
Grants payable in respect of charitable activities					
				Total 2017 £'000	Total 2016 £'000
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					
Tax Advisers Benevolent Fund (registered Charity no. 1049658)				10	10
Tax Aid (registered Charity no. 10622852)				20	40
Tax Volunteers (registered Charity no. 1102276)				20	20
Grants payable to three University Students for original tax research (2016: three)				33	15
Grant for Journal of Tax				30	33
				113	118

Notes on Financial Statements

3. Net income/(expenditure) for the year

	2017 £'000	2016 £'000
This is stated after charging:		
Depreciation	67	58
Amortisation	18	
Fair value gains on investments	(170)	(130)
Operating lease rentals	333	333
Auditors' remuneration:	23	23

4. Tangible Fixed Assets

	Leasehold Improvements £'000	Office equipment £'000	Total Tangible Fixed Assets £'000
Cost at 1 January	215	563	778
Additions		68	68
Cost at 31 December 2017	215	631	846
Depreciation at 1 January	109	450	559
Change for the year	14	53	67
Depreciation at 31 December 2017	123	503	626
Net book value at 31 December 2017	92	128	220
Net book value at 31 December 2016	106	113	219

All tangible fixed assets are held for charitable purposes.

5. Intangible Assets

	CRM £'000	Total Intangible Assets £'000
Cost at 1 January		
Additions	683	683
Cost at 31 December 2017	683	683
Amortisation at 1 January		
Change for the year	18	18
Amortisation at 31 December 2017	18	18
Net book value at 31 December 2017	665	665
Net book value at 31 December 2016		

6. Fixed Asset Investments

	2017 £'000	2016 £'000
Fair value at 1 January	5,222	5,164
Correction to opening balance to reclassify cash held with investment manager		(39)
Additions at cost	680	750
Disposal proceeds	(727)	(799)
Net unrealised investment gains	196	165
Unrealised (loss) on gilts	(26)	(9)
Realised (loss)/gain on sale of investments		(10)
Fair value at 31 December	5,345	5,222
Historical cost	5,098	5,042
Holdings representing more than 5% of the investment portfolio valuation at 31 December 2017 were:		
2.15% and 0.125% index linked Treasury Gilt - 2024	490	491
1.78% index linked Treasury Gilt - 2022	380	399
Listed investments held at 31 December comprised of the following:		
Fixed interest	834	953
Listed UK equities	800	724
Listed International equities	656	490
Other Assets	387	368
Gilts	870	896
Term deposits and cash	1,798	1,791
	5,345	5,222

Notes on Financial Statements

7. Stock

	2017 £'000	2016 £'000
Publications and merchandise	56	51

8. Debtors

	2017 £'000	2016 £'000
Other debtors	325	244
The Association of Taxation Technicians	319	430
Prepayments and accrued income	334	422
	978	1,096

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

	2017 £'000	2016 £'000
Cash at bank	428	366
Cash on short-term deposit	2,004	2,389
	2,432	2,755

10. Creditors: Amounts falling due within one year

	2017 £'000	2016 £'000
Taxes and social security	116	142
Accruals	905	588
Deferred income	1,664	1,920
	2,685	2,650

Deferred income includes subscriptions, examination fees and conference fees paid in 2017 but relating to income and events in 2018.

Deferred Income

	2017 £'000	2016 £'000
Amount brought forward	1,920	1,386
Released in the year	(1,920)	(1,386)
Amounts deferred in the year	1,664	1,920
Amount carried forward	1,664	1,920

11. Creditors: Amounts falling due after one year

	2017 £'000	2016 £'000
Student registration fees:		
At 1 January	125	46
Fees received in advance	169	125
Release of income in year	(125)	(46)
At 31 December	169	125

12. Financial Instruments

The carrying amount of the charity's financial instruments at 31 December were:	2017 £'000	2016 £'000
Financial Assets		
Debt Instruments measured at amortised cost	644	674
Instruments measured at fair value through profit or loss	5,345	5,224
Amount carried forward	5,989	5,898
Financial Liabilities		
Measured at amortised cost	905	588
Amount carried forward	905	588

Notes on Financial Statements

13. Income Funds: Unrestricted

	At 01.01.17 £'000	Income and gains £'000	Expenditure	Transfer	At 31.12.17
Unrestricted					
General	5,116	8,025	(7,700)	(150)	5,291
Designated:					
Property	1,101			150	1,251
Disciplinary procedures	300				300
	6,517	8,025	(7,700)		6,842

The transfer of £150,000 from the General to the Property Fund is in accordance with the reserve policy.

Income Funds: Restricted

	At 01.01.17 £'000	Income £'000	Expenditure	At 31.12.17 £'000
Restricted	51	36	(87)	

Analysis of net assets between funds

	Unrestricted Fund £'000	Designated Funds £'000	Restricted Fund £'000	Total £'000
Tangible Fixed Assets	220			220
Intangible Fixed Assets	665			666
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	5,291	1,551		6,842

14. Capital Commitments

At 31 December 2017 there were no capital commitments contracted or authorised but not contracted (2016: none)

15 Financial Commitments

The Institute has annual commitments under its office lease as follows

	2017 £'000	2016 £'000
Amounts due:		
Within one year	333	333
Between one and five years	1,334	1,334
After five years	686	686
Total commitment	2,353	2,353

The Institute entered into a long term lease at 1st Floor, Artillery House, 11-19 Artillery Row, London SW1P 1RT in January 2009.

16. 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 £10,877 (2016: £5,201).

The Institute operates a defined contribution pension 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 £471,584 (2016: £411,805).

There were an outstanding pension contribution at year end for 2017 of £40,936 (2016: £40,016)

The average number of employees is 86 (2016:80) and the number whose salary and benefits in kind, including pension contributions fell within the following scales is as follows:

	2017	2016
£60,001 - £70,000	8	8
£70,001 - £80,000	2	1
£80,001 - £90,000	2	3
£90,001 - £100,000	1	1
£100,001 - £110,000	0	1
£110,001 - £120,000	2	1
£120,001 - £130,000	0	0
£130,001 - £140,000	0	0
£160,001 - £170,000	1	1
Total staff costs:	2017	2016
	£'000	£'000
Salaries	3,529	3,478
National Insurance	374	346
Pension costs	442	412
	4,345	4,236

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 2017 was £459,443 (2016:£463,000).

Notes on Financial Statements

17 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.

18 Related Party Transactions

Council members receive no remuneration for their services as Trustees. The Charter of the Institute was amended so that making reasonable payments to members of the Council (or to a firm or company employing a member or in which a member has an interest) in respect of services provided by them to the Institute or on its behalf in delivering lectures or writing articles on taxation matters could occur provided that not more than a minority of the total number of members of the Council for the time being may benefit in any calendar year.

Council members' remuneration for the year was £18,280 (2016: £28,268)

Details of the individual Council members' remuneration can be obtained on written request to the registered office on page X Council members' travelling expenses are reimbursed in respect of expenses incurred on Institute business. In the year ended 31 December 2017, 13 Council members claimed reimbursement of expenses aggregating to £40,470 (2016: 13 claimed a total of £39,932 for the year). Council members pay subscriptions on the same basis as other Members.

The Association of Taxation Technicians

The Association is a connected charity in that it has common, parallel or related objects and activities and unity of administration with the Institute. All employees, with the exception of the Chief Executive of the Institute who is employed by the Institute, are jointly employed by the Institute and the Association. Labour, operating and overhead costs borne by the Institute on behalf of the Association are charged to the Association on a quarterly basis using a simple and equitable formula agreed by both parties. At a meeting of the Officers of both parties it was agreed that the current formula would continue with a review annually.

The total allocation for the year is £1,335,547 (2016: £1,277,499) and the balance outstanding from the Association at the balance sheet date was £318,728 (2016: £430,393).

The Taxation Disciplinary Board

The Institute and the Association have an agreement with the Taxation Disciplinary Board; a company limited by guarantee managed by an independent board of directors. Neither the Institute nor the Association exercise any significant influence over the operating and financial policy of the Board whose object is to administer the Taxation Disciplinary Scheme.

The Institute's contribution to costs in the year was £91,136 (2016: £81,810). The amount due to the CIOT at the balance sheet date was £89,047 (2016: £87,985) included in debtors.

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 our humble Petition has been presented to Us by The Institute of Taxation (a company limited by guarantee and incorporated in Great Britain) ("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 grant a Charter with such provisions as that behalf 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 these Our Letters Patent and full powers enabling Us in that behalf of Our especial grace, certain knowledge and mere motion (as Us, Our Heirs and Successors will and ought to follow)

1. That 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 shall, 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 at its will 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 suits, and which shall have power to do all other matters and things incidental thereto appertaining to 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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