



Law Society
of Scotland

Written evidence

Draft Finance Bill 2021-22

13 October 2021



Introduction

The Law Society of Scotland is the professional body for over 12,000 Scottish solicitors.

We are a regulator that sets and enforces standards for the solicitor profession which helps people in need and supports business in Scotland, the UK and overseas. We support solicitors and drive change to ensure Scotland has a strong, successful and diverse legal profession. We represent our members and wider society when speaking out on human rights and the rule of law. We also seek to influence changes to legislation and the operation of our justice system as part of our work towards a fairer and more just society.

Our Tax Law Sub-committee welcomes the opportunity to provide written evidence to the House of Lords Finance Bill Sub-committee on the draft Finance Bill 2021-22¹.

Response

Income tax basis period reform

We consider that adopting a tax-year basis for income tax is sensible in principle, will result in simplification for businesses in the long term and remove some of the distortions in the current system. However, in the short-term, there is likely to be impacts on the working capital of many businesses as a result of the change, with tax payments being accelerated, and there will be an ongoing administrative burden for those businesses that do not have an accounting period aligned with the financial or tax year as a result of the requirement for apportionment. This will result in businesses requiring to amend tax returns, in the case of partnerships, for both the partnership and individual partners.

We are supportive of the recent Government announcement that implementation of basis period reform will be delayed by 12 months, with the effect that the reform will not come into effect before April 2024. This will allow for further consideration of the detail of the scheme and give further time for affected businesses to prepare for the change.

We suggest that careful consideration will be required as to transitional provisions. The impact of these provisions will vary across businesses. In order to support businesses with the change and reduce the adverse impacts, we favour the provision of a reasonably period of at least five years for businesses to spread excess profits and pay-up accelerated tax which is due.

In relation to HMRC support, work will be needed so as to ensure that support is fully accessible to all businesses affected, and that the changes are well-publicised within the business community. It is hoped that

¹ <https://committees.parliament.uk/work/1491/draft-finance-bill-202122/>

a 12-month delay to the introduction of this reform will give more time for HMRC to step-up their support for businesses to make the change.

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