



FINANCE BILL 2014: CLAUSE 12: RECOMMENDED MEDICAL TREATMENT

ICAEW welcomes the opportunity to comment on the [Finance Bill](#) published on 27 March.

This briefing has been prepared on behalf of ICAEW by the Tax Faculty. Internationally recognised as a source of expertise, the Faculty is a leading authority on taxation. It is responsible for making submissions to tax authorities on behalf of ICAEW and does this with support from over 130 volunteers, many of whom are well-known names in the tax world. Appendix 1 sets out the ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark proposals for changes to the tax system.

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SUMMARY OF MAIN POINTS

1. The exemption limit of £500 for employer payments towards the cost of recommended medical treatment is too low, and, coupled with the abolition of the statutory sick pay percentage threshold scheme, discriminates against small businesses. Payments qualifying for the new exemption should be allowed without limit.

WHAT CLAUSE IS INTENDED TO DO

2. This clause provides for a new exemption from income tax where an employer meets the cost of recommended medical treatment provided to an employee to assist them to return to work after a period of absence due to ill-health or injury, subject to an annual cap of £500. It is part of a package of measures which include the setting up of a new Health & Work Service and abolition of the facility whereby the State helps small businesses by contributing towards the cost of statutory sick pay (the SSP percentage threshold scheme).

WHAT ICAEW IS CONCERNED ABOUT

3. We are concerned that the recommended medical treatment exemption will have an annual cap of only £500 per employee.
4. Given the cost of medical treatment, we fear that the low limit, whilst useful as far as it goes, will render the measure nugatory.
5. The existence of a limit will make the provision more difficult for employers to monitor where several payments are made in respect of an individual employee.
6. The combination of the abolition in April 2014 of the statutory sick pay percentage threshold scheme and the low medical treatment exemption will hit small businesses especially hard.

RECOMMENDATIONS

7. Employers pay for such treatment only if they consider that it is of benefit to their business. We therefore feel that payments qualifying for the new exemption should be allowable without limit.
8. Alternatively, if there is to be a limit, then, to ease compliance and therefore better align with our Tenets 3 and 4 (tax should be simple and easy to collect) in Appendix 1, the limit in new section 320C(2) ITEPA 2003 should be set at a figure that is likely in most cases to cover the reasonable costs of such treatment.

PROPOSED AMENDMENT

9. We propose the following amendment:

Clause 12(2), page 9, lines 38-39 –

Delete sub-section (2) of new section 320C.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see icaew.com/en/technical/tax/tax-faculty/-/media/Files/Technical/Tax/Tax%20news/TaxGuides/TAXGUIDE-4-99-Towards-a-Better-tax-system.ashx)