Andy Stewardson
HM Revenue and Customs
Room 3C/06
100 Parliament Street
London
SW1A 2BQ

18th September, 2015

Dear Mr Stewardson

Deduction of income tax from savings income: implementation of the Personal Savings Allowance

I am pleased to attach TISA's response to this important consultation.

TISA welcomes the introduction of the Personal Savings Allowance. We believe this will simplify the tax affairs of millions of people, reduce cost and complexity from firms and cut the cost of tax compliance for HMRC.

It seems right to us that income from savings, made from after tax income, should not be taxed twice. We look forward to seeing the limit raised, to keep millions of basic rate and non taxpayers from having to worry about the modest income from savings being taxed, or, in the case of non taxpayers, having to complete confusing forms to avoid paying a tax for which they have no liability in the first place. This can be seen in the income tax deducted but not reclaimed by non taxpayers. It cannot be right that people with insufficient income to pay tax are suffering tax because of the current system.

There are risks of non compliance. But these can be overstated. Most higher rate or additional rate taxpayers will be subject to self assessment. The changes may mean that they have a slightly larger tax liability than if the present system was retained, but we do not consider that this is a significant risk to the Exchequer.

TISA favours a move to gross payment across the board (Option 2).

Our preferred option is Option 2, gross payment across the board. This option:

- Is simple;
- Treats all interest income consistently, regardless of the source of that interest;
- Results in the greatest number of taxpayers paying the correct of amount of tax without the need for further action;
- Avoids those with modest incomes suffering a tax burden over and above their true tax liability;

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- Gives scope for the abolition of the ISA10 procedure, with associated administrative savings;
- Should significantly reduce the number of companies required to complete a quarterly Form CT61.
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The only individuals then required to take any action in order to pay the correct amount of tax would be:

- Basic rate taxpayers with over £1,000 of Savings Income (likely to be few in number);
- Higher rate taxpayers with over £500 of Savings Income (who are already required to declare and pay further tax on such income);
- Additional rate taxpayers (the majority of whom are probably already completing Self Assessment Tax Returns).

In particular, non-taxpayers and most basic rate taxpayers would have no further action to take.
We accept that there is some increased risk of tax leakage in such a gross payment world. However, there will also be significant administrative savings for HM Revenue & Customs (fewer tax reclaims, less ISA administration, fewer CT61 Returns, no need to audit interest payers) and those budgetary savings could be re-directed towards policing the system.

In the longer term, we should like to see the scope of PSA extended to include annual payments and royalties and any other regular payments made by intermediaries to customers.

If you have any questions on this, please let me know

Yours sincerely

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