



Chartered
Institute of
Taxation
Excellence in Taxation

Annual Report and Financial Statements

2015

The Chartered Institute of Taxation

The Professional Body for Chartered Tax Advisers • Registered as a Charity in England and Wales No. 1037771

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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 2015. 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 (FRS 102) effective 1 January 2015.

President's Statement

We are in the midst of a period of great change in tax administration, as government seeks to harness technology to increase compliance and reduce burdens on taxpayer and HMRC alike. The most eye-catching government announcement of 2015 was 'the end of the tax return'. While many of the details remain absent – and a fair amount of scepticism is due in particular over the claim that quarterly reporting will be less onerous than an annual return – it is clear that the Government's ambitions in this area are big and their commitment is firm. The message is clear: digitalisation of tax administration is here, it is underway and it will have far-reaching implications for the tax profession and our clients.

The role of CIOT in this change is three-fold. First we work with government to shape it, so that it delivers a service that works for taxpayers and their agents. Second we work for greater public education on tax matters, so that taxpayers understand what is happening and what HMRC expect of them. Third we work with our members to keep them informed and to help them prosper in this new environment. All three of these have been at the front of the Institute's thinking in 2015.

In meetings with both ministers and officials we have pressed the issue of agent access to the new digital tax accounts. Given the complexity of the tax system we have warned that any delay in granting

access to taxpayers' agents could make it harder for taxpayers, however willing, to comply with their obligations. In press statements and briefings for parliamentarians we have offered support for what the Government are trying to achieve (we know most people would rather manage their taxes online) while posing the questions that need answering around reporting burdens, data security and provision for those who lack the capacity to connect to the new digital world as seamlessly as the Government appear to expect. As an 'honest friend' of HMRC we have also warned the tax authority that they need the trust of taxpayers in order to deliver the digital agenda and that will not happen unless improvements to service levels are achieved.

It is crucial that voices and views from members in all parts of the profession are heard as we feed into the Making Tax Digital project. To manage our input we have set up a new Digitalisation and Agent Strategy Working Group, bringing together a broad cross-section of our members. Along with other Officers I continue to seek the opinions of members as I attend branch events across the country. I have been especially keen to get the views of our younger members, something we did at our Generation Y 'world café' event in December when Council members got together with around forty of our members under the age of 35 for a brainstorming discussion.

While the Government's promise of 'revolutionary simplification' of tax collection has been met with healthy scepticism by most of the tax profession it is clear that the digitalisation process will present us with challenges and change the way many of us work. There will inevitably be less processing data from one system into another and more providing of proactive advice on an ongoing basis on the options open to clients to secure the tax reliefs and deductions they are entitled to. As our members seek to add value to their clients so we recognise the Institute must seek to add ever greater value to our members' work. In 2015 we sought to do this by

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improving online access to Tax Adviser, by continuing our ever-popular webinars and by improving our offering on specialist areas of tax through the launch of new, regular 'tax voice' briefings.

Public education on taxation continues to be at the heart of what the Institute does. Central to this is the work of our Low Incomes Tax Reform Group who continued to achieve great things in 2015 (see pages 26-28). The award of an MBE to the LITRG's Technical Director, Robin Williamson, in the Queen's birthday honours was indicative of the Group's influence and the esteem within which it is held, as well as a thoroughly deserved personal accolade for Robin. LITRG are also leading on the project to improve and expand tax education in schools, which was piloted in 2015. In the same arena I am delighted that CIOT has been able to sponsor and get generally involved in the Debating Matters debating competition for sixth formers. As I write I am waiting with anticipation to see how the regional finalists get on with a debate on tax competition between states which we have helped put together.

Partnerships with other organisations, inside and outside tax, are increasingly central to how we work and enabling us to reach new audiences. For Debating Matters we have worked with its organisers, the Institute for Ideas. Our joint events with the Institute for Fiscal Studies continued through 2015, enabling us to bring together economists, tax advisers, policy-makers and wider opinion formers for two debates at the Royal Society for the Arts in London as well as events at the party conferences which smashed previous attendance records. As we move into 2016 we are in talks with the Institute for Government to see if we can bring together our tax expertise and their deep understanding of the inner workings of government, to advocate improvements to how tax policy-making works. Watch this space!

Partnerships are at the core of our education team's work too. Our partnership with ICAEW to deliver a Joint Programme, enabling students to achieve

the CTA and ACA at the same time, delivered its first 'graduate' in 2015. The corporate tax route, developed in partnership with business, has now been joined by a new specialism in Owner-Managed and Private Businesses. We continue to work with ACCA on the marketing of our international qualification, ADIT, which goes from strength to strength; its graduates and students are now represented in more than half the nations of the world. Shortly before Christmas we joined with colleagues in the Irish and Australian tax institutes to publish guidance for any other tax institutes seeking a licence to grant the CTA designation. This continues our work to develop international standards for tax excellence. And to the particular credit of my predecessor, Anne Fairpo, as well as the other tax academics involved, we have partnered with the University of Exeter Business School to support the launch of a new Journal of Tax Administration, demonstrating once again our commitment to supporting tax research and study.

The drawing up of professional standards has long been an area where the UK's tax and accountancy professional bodies have worked together. As well as publishing an updated Professional Conduct in Relation to Taxation in the spring of 2015 we and the other bodies have been grappling with the challenge laid down by the Chancellor and then Chief Secretary in March, to 'maximise our role' in setting standards around the facilitation and promotion of avoidance. Framing something which responds to the Government's desire for firm action while not preventing taxpayers from getting full and frank advice on their tax affairs within the law will not be easy. But it is important we and other bodies work constructively with government on this area which continues to be an area of public and political interest. As Des Hudson, former chief executive of the Law Society, said in his CTA Address in May on the nature of professionalism, "being a professional, in tax as elsewhere, is about more than being an expert guide, a professional must act in a way that maintains society's confidence and respect."

And finally, I would like to offer thanks to all those who make the Institute the (growing and prospering) success that it is. First, our staff at Artillery House and elsewhere, ably led by Peter Fanning. We welcomed two new arrivals to our senior management – former President John Cullinane joined the staff in September 2015 as our new Tax Policy Director, replacing Patrick Stevens, and Paul Davies joined us in January 2016, replacing Mary Foley, as Director of Operations. We wish both Mary and Patrick well in their retirements. Second, I offer thanks to all of you who work as volunteers for the Institute, running our many committees and branches (including the new Middle East and North Africa branch!). It may be a cliché but that doesn't stop it being true – we really couldn't do it without you. I would particularly like to thank my colleagues in the Officers Group and on Council. I welcome Alexander Garden and Paula Tallon, who both joined Council in 2015. And I thank Natalie Miller and Yvette Nunn, who will retire from Council in May 2016, for all that they have contributed.

Chief Executive's Report

CIOT ended the year with a membership of 17,657, an increase of 1.69% on 2014. In addition over 97% of those who were members in 2014 and could renew their membership, did so in 2015.

Student registrations for the CTA were 1,762, up by 11% on the previous year. The corresponding figures for the Association of Taxation Technicians (ATT) was 1,670 and 13%. Registrations for ADIT were at the same level as last year. 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.

This year I would like to draw attention to the efforts of our Business Development team who supported Education to promote and market the CIOT and ADIT, and of course the ATT, for example, through maintaining a regular dialogue with the training departments and others directly involved in recruiting and supporting students. Meetings with all top 20 employers of our students were facilitated during the year. And over 5,500 items (brochures, flyers, pens, etc.) have been distributed to over 60 schools, colleges, universities and careers events across the UK (including Northern Ireland) since 2014. Volunteer members, and some staff, have supported or presented at 62 schools, career events and inductions across the UK since 2014.

The results are that numbers of students enrolling in the ACA CTA joint programme with the ICAEW increased. There are now 256 registered on the programme and during 2015 the first member who had completed the ACA CTA joint programme examination requirements became a member of the CIOT. An Owner-Managed Businesses (OMB) route was launched at a joint event managed by the Business Development team with the ICAEW on 10 November 2015. The OMB route, which may be marketed as a Private Business route, joins the Taxation of Major Corporates and the Indirect Taxes routes, all of which are targeted at segments of the tax services industry.

In addition, Business Development have helped us understand our community better. As a result for example, we are better able to tailor our invitations to events. Examples include support for ATT/CIOT Branches to ensure those invited to the Joint Presidents' Lunches in Edinburgh and Cardiff are amongst the accounting, legal, commerce and industry, and academic leaders in tax in Scotland and Wales; or working with the External Relations team Business Development helped to ensure that those invited to the CIOT Parliamentary Reception in June

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are amongst leaders in tax in the leading firms or companies. This is a material task as over 1,000 roles and names need to be continually updated.

Just before Christmas, CIOT, the Irish Tax Institute and the Tax Institute of Australia published the CTA Benchmark documents on their websites. This is an important step in developing the CTA as an international standard for the tax profession.

Following the precedent of previous years, CIOT and the Institute for Fiscal Studies (IFS) jointly hosted packed events at the autumn conferences of each the Conservative, Labour and Scottish National Parties. In November, CIOT hosted a debate on the making of tax policy between members of a panel chaired by Paul Johnson, Director of the IFS, and including Rupert Harrison (former Chief of Staff to George Osborne), Jill Rutter (former senior Treasury civil servant, now at the Institute for Government) and Stewart Wood (Labour peer and former adviser to Gordon Brown). An earlier event in June explored the question: "Five years to change tax for the better: what should the new government's priorities be?"

During the year our joint venture with the University of Exeter yielded the first edition of the Journal of Tax Administration (www.jota.website) with the second edition early in January 2016. Further editions are in development.

Patrick Stevens retired for the second time after serving as CIOT's Tax Policy Director following his retirement from practice. We are indebted to Patrick for his contribution to the Institute's work, in particular his major role in ensuring that the CIOT continued to contribute to the national conversation about tax. Patrick is succeeded by John Cullinane, also a former president of the Institute. The timing of John's arrival coincided with beginning of the work by CIOT, ATT, AAT, ICAEW, ICAS, and STEP to develop a joint response to the so-called 19 March Challenge by the Government to the professional

bodies to stop their members promoting tax avoidance.

LITRG continues to put the case for those taxpayers unrepresented by tax professionals.

In a joint project with the Worshipful Company of Tax Advisers, CIOT has been developing an oral history of a life in tax by recording the thoughts of leading members of the profession. There are now eight videos hosted on the Worshipful Company of Tax Advisers website with contributions from Bruce Sutherland, Richard Mannion, John Andrews, Leonard Beighton, Nigel Eastaway, Erica Stary, John Kimmer and John Avery Jones. Each of these eminent members is in conversation with John Whiting who has been both tireless and generous delivering this project.

In another joint enterprise with the Worshipful Company, Chris Jones presented Honorary Fellowship of the Institute to both the former Lord Mayor of London, Dame Fiona Woolf, and Nicholas Woolf at the Anthony Thomas' Master's Installation Dinner in the City of London.

2015 saw a step change in our online capabilities. The centrepiece was the re-launch of the online version of our journal, Tax Adviser at www.taxadvisermagazine.com. Under the editorship of Chris Mattos CTA, the guiding aim of Tax Adviser and Tax Adviser Online is to 'help tax professionals do their job'. Viewers of Tax Adviser Online will see the Indirect Voice as the first of the Tax Voice series which brings together specialist content published by Tax Adviser Online which is not available through the paper journal.

In addition to our Tax Adviser Online project, CIOT's own website has been upgraded and re-launched along with those of LITRG, our sister organisation the ATT and the Tax Disciplinary Board.

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The Institute is strong – 2015 delivered a financial surplus and our investments continue to respond to the rises in markets.

Retirees from Council in May 2016 are Natalie Miller and Yvette Nunn. Their contribution has been absolutely immense over so many years and they will be very much missed.

Council's work was supported by Sam Younger CBE who served as Council's Lay Interest Observer and Gill Evans who is our first employed Treasurer.

Finally, my sincere thanks to the Institute's Presidents, Anne Fairpo and Chris Jones, the Institute's Council and the Institute's staff for their support during the year.

Peter Fanning
Chief Executive

Public Benefit

The Council has considered the guidance published by the Charity Commission and concluded that the Charity's core activities satisfactorily address the principles of identifiable public benefit and demonstrates that the charity has fulfilled the public benefit requirement under Section 17 of the Charities Act 2011.

The activities described in the committee reports on pages 9-28 illustrate how the CIOT acts solely in the furtherance of its charitable objects for the benefit of the public and aims to deliver excellence in taxation by advancing or enhancing knowledge and understanding in tax education and other core functions of professional regulation.

Notable examples from 2015 are the Low Incomes Tax Reform Group leading on the project to improve and expand tax education in schools, which was piloted in 2015, the Institute sponsoring and getting involved in judging the Debating Matters

debating tax competition for sixth formers and partnering with the University of Exeter Business School to support the launch of a new Journal of Tax Administration, demonstrating once again our commitment to supporting tax research and study.

Report to Council from the Lay Public Interest Council Observer

Introduction

After an open selection process I was appointed in January 2015. My predecessor had stood down in August 2014 and had presented his final report to Council in October 2013. In that report, he observed that "my task has been very straightforward as the CIOT is a well run professional body that is in vigorous good health and takes its corporate and statutory responsibilities very seriously". That assessment equally describes my first year in the role. I have been impressed both by the seriousness with which the Institute at all levels takes its public benefit responsibilities and by the conscientiousness of its adherence to the principles of good governance. What follow accordingly are some observations which, insofar as they carry recommendations with them, do so in a way that I hope is helpful to the Institute rather than reflecting criticism or any sense that there are problems which urgently need to be addressed.

Public Benefit

There is a real and unavoidable tension that needs to be recognised and managed between CIOT's public benefit obligation as a charity and its responsibilities as a professional body to its membership. My concern in raising this is not that I believe the tension risks being unmanageable. Far from it. A healthy professional organisation embodying high standards in everything it does provides a powerful platform for delivering public benefit. Also, the public benefit requirements of being a charity strengthen CIOT by pushing it to ensure that the positions it takes reflect a wider

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public interest rather than a “trade union” interest on behalf of its members.

However, it is important that where there is a possible tension it is recognised, rather than there being an implicit assumption that the interest of CIOT as a professional membership body is at all times co-terminous with the public interest and public benefit. In the recent intense debates over Professional Conduct in relation to tax avoidance and the “19 March Challenge”, the Institute has been excellent in focusing its attention on how its own Code needs to be developed to ensure that tax advisers operate in the public interest (not the government interest) for public benefit. It is important that the same clarity is applied in other key areas of debate, for example over what the Institute’s view should be of any proposed statutory regulation of the industry or how it should approach HMRC’s digital agenda, where the public interest may not be the same as that of the membership.

Governance

The Institute clearly takes good governance - including meeting the requirements of charity law - very seriously. Potential conflicts of interest are scrupulously managed; Council members are palpably conscientious about their governance responsibilities; the Secretary ensures that Council members are aware of and up-to-date about their obligations. This commitment has also been clearly exemplified in the discussions about whether the current Council should remain as the trustee body or whether there should be smaller group with these responsibilities. The decision taken not to change the formal governance arrangements is a perfectly sound one in governance terms. No single model is best and the current CIOT arrangements are well within the range of those that can work effectively.

The challenge to the Institute is to ensure not just that the governance arrangements are sound, but that they add value and that the relationship

between governance and management is more than the sum of its parts. CIOT is a significant organisation. It needs full-time professional management if it is to meet its objectives. At the same time its Council and the many sub-committees are made up of tax experts who are giving their time voluntarily. The ability of the organisation to be effective depends on both these elements and, more particularly, on a shared sense of joint enterprise between them. Above all, the success of any governance arrangements depends on the behaviours and relationships of the key players. In most charities, the key relationship between the Chair and Chief Executive is one that involves the same two people over a number of years. This presents a particular challenge for CIOT, since both the President and the make-up of the Officers’ Group change every year.

I include two other thoughts about governance that Council might wish to consider. First, Council needs to ensure that it allows enough time and space for full discussion of key strategic challenges and that routine business and matters of detail do not crowd out the important strategic issues. This is a major challenge for all organisations. In recent meetings the salience of the issues raised by the government’s challenge to the profession on tax avoidance has ensured that Council discussions have been not only full but also impressive in quality and range and also have ensured that everyone has the opportunity to contribute. Going forward, I hope Council will find ways to identify the key emerging issues and to ensure that they are equally fully exposed in a timely manner.

Second, in most major charities, the Trustee Board will include some who are expert on the specific area of charitable activity (e.g. mental health, international development etc), and others who have skills and experience from elsewhere that can be helpful (marketing, legal, media etc); and sub-committees will typically have the same sort of mix. I wonder whether the Institute should consider the possible benefits of injecting elements of outside

expertise onto either Council, or its Committees, or both? I can't help feeling that the Institute's standing and importance are such that it could attract active participation in its work from people in other fields with relevant expertise on a pro bono basis.

Sam Younger CBE
23 December 2015

Objectives and aims

The charitable aims of the Institute are:

1. to advance public education in, and promote the study of the administration and practice of taxation and the principles of economic and political science in relation to taxation.
2. (i) to prevent crime and

(ii) 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.

To achieve these aims it:

- makes recommendations to improve or simplify tax law and practice;
- maintains and publishes standards of professional conduct for Chartered Tax Advisers;
- runs residential conferences and one-day courses;
- publishes the monthly journal, Tax Adviser;

- issues annotated copies of Finance Acts and other Acts;
- runs through its Branches, technical meetings and social activities;
- supervises members for compliance with anti-money laundering regulations;
- holds examinations in the UK and throughout the world;
- encourages the preparation of dissertations and research on taxation topics;
- funds the Taxation Disciplinary Board, an independent body which investigates complaints and takes robust disciplinary action against members and students who breach professional rules; and
- supports other tax charities.

Activities

Technical

The CIOT's work continues to be driven by our public benefit objectives.

These include:

- a simpler, more workable tax system for the majority of taxpayers, with more certainty and reduced administrative burdens as a result;
- the interests of both represented and unrepresented taxpayers considered; and
- UK taxpayer interests represented at both UK, EU and OECD levels.

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The Technical Committee and its Sub-Committees, together with technical staff, have experienced an even busier year, in part because of the changes to the legislative timetable brought about by the General Election.

Tax evasion

Finance Act 2015 saw the introduction of further penalties for offshore tax evasion and these were followed by consultations on several new powers to target offshore evaders, including further civil penalties and a new strict liability offence which will require no proof that the taxpayer deliberately intended to evade tax. The CIOT has always said that it supports HMRC's efforts to tackle tax evasion and agrees that the Government should be putting resources into combatting and investigating it. However, we remain opposed in principle to the creation of a strict liability offence, although we were pleased to note that the draft legislation published in December 2015 did take into account two of our suggestions - that the statutory minimum threshold of tax evaded should be increased to £25,000 from £5,000, and that income and gains reportable under the Common Reporting Standard should be excluded from the offence.

The Government also consulted on introducing civil sanctions for enablers of offshore evasion and a new corporate criminal offence of failure to prevent the facilitation of tax evasion. If, as it seems, both proposals are to go ahead, it is our view that clear guidance will need to be provided to help give certainty to organisations, who will include many of our members, over how the proposals will work and what they must do to ensure compliance.

Tax avoidance

Tax avoidance continues to be front-page news and this year saw the Government consult on introducing measures to target 'serial avoiders' and the introduction of a General Anti-Abuse Rule (GAAR) penalty to supplement the extensive anti-

avoidance powers it already has. We continue to be a key contributor to the debate, making our views known to Government and HMRC at meetings and through formal submissions, and to the public by engaging with the media through press releases and briefings.

Tax administration

Following consultation in 2014, legislation was introduced in Finance (No. 2) Act 2015 giving new powers to HMRC to recover debts due to it directly from the bank and building society accounts of debtors ('Enforcement by Deduction from Accounts' previously known as Direct Recovery of Debts (DRD)). Enabling HMRC to take money directly out of bank accounts without specific court approval is, in our view, disproportionate. We continued to focus our efforts on arguing for improvements to the proposals. During the passage of the Finance Bill through Parliament, CIOT, ATT and LITRG worked with HMRC to explore whether the primary legislation could be amended to incorporate further safeguards for vulnerable taxpayers and this culminated in Government amendments 11 and 12 being tabled to insert a new paragraph 4A into Schedule 8. We see this as evidence that HMRC are committed to ensuring that vulnerable taxpayers are identified very early on and excluded from the DRD process.

2015 also saw HMRC consulting on how they might change the way that penalties are applied across all taxes as they move to deliver more digital services. We expect further consultation during 2016 as the Making Tax Digital project progresses.

The Agent Online Self-Serve (AOSS) project has continued to expand and by the end of 2015 more than 900 agents were using the private beta service for PAYE liabilities and payments. It is expected that more agents will be able to join in 2016 as the service is opened up. Longer term, the service will provide a new process for agent authorisation. This is the replacement for 64-8 authorisation and

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HMRC's aim is for this authorisation to be available only on a digital platform. We would urge members to volunteer for testing as it is likely to need a considerable amount of feedback from agents to get this right.

International

During the first half of the year, the CIOT continued to be fully involved in contributing to the ongoing work around the G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan, and submitted responses to OECD consultations on Action 3 (Controlled foreign company rules), Action 4 (Interest Deductibility), Action 7 (Permanent Establishments), Action 8 (Hard to Value Intangibles), Action 12 (Mandatory Disclosure Rules) and Action 14 (Dispute Resolution). We also attended HMT's Digital Economy Stakeholder Group meetings.

Following the release of the final package of measures under the BEPS Project by the OECD on 5 October 2015, the focus has changed to considering measures being proposed by the UK Government for implementation in the UK. These include changes to the Patent Box regime and further consultations on proposed rules to counteract hybrid mismatch arrangements and deductibility of the corporate interest expense.

We also met with a delegation from the British Embassy in Brazil and the Brazilian National Confederation of Industry to discuss the potential impacts of the BEPS Project on the international tax system and, at the end of the year, submitted comments on the Examination of the OECD'S BEPS recommendations to the G20 being conducted by the All Party Parliamentary Group on Responsible Tax.

In December, the CIOT engaged with the EU Commission's consultation on a Combined Consolidated Corporate Tax Base, leading to a detailed submission in early 2016.

Corporate

Following the continued work of members of the Corporate Tax Sub-Committee with HMRC on the ongoing consultation on *Modernisation of Corporate Debt and Derivatives*, measures on aspects of these regimes were introduced in both of the Finance Acts of 2015.

During the Summer we were engaged with the consultation on *Improving Large Business Tax Compliance* and were pleased to see that, following this consultation, as part of the Autumn Statement and documents published with the draft Finance Bill clauses in December 2015, the Government signalled some changes to the proposals. In particular we welcome the more collaborative framework for improving large business tax compliance and the dropping of proposals for a code of behaviour for large companies.

The CIOT continues to be represented on HMRC forums dealing with corporate taxes, including the Tax and Accounting Working Group and the Research & Development (R&D) Consultative Committee. Membership of these forums enables us to raise specific issues with HMRC as and when they arise and seek to resolve these for members. For example, we are currently considering the treatment of reimbursed employment expenses for the purposes of R&D tax credits.

Capital Gains Tax and Investment Income

Following the Summer Budget announcements on the proposed changes to the taxation of non-UK domiciled individuals, the government published a consultation on reform. In addition to the formal response to the consultation, CIOT representatives attended the series of stakeholder events held by HM Treasury and HMRC to inform and develop the Government's proposals. The engagement in this area will continue into 2016. Other areas of focus were the treatment of loan collateral for non-domiciliaries who use the remittance basis and

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the operation of Business Investment Relief. In the case of the latter, the CIOT has made a number of proactive submissions to analyse elements of the relief that dissuade investors from taking advantage of it. We therefore welcomed the announcement that the Government will consult on how to change the relief to encourage greater use of the relief in accordance with the Government's policy.

We made extensive submissions to HMRC setting out members' concerns about changes to Entrepreneurs' Relief (ER) enacted in Finance Act 2015. As the unintended consequences of the changes became more apparent, HMRC opened up discussions with stakeholders led by the CIOT together with the ICAEW, to seek possible legislative solutions.

The CIOT made submissions in the appeal to the Upper Tribunal in the case of *Lobler v HMRC* [2015] UKUT 152 (TCC). The CIOT's involvement was against a background of a number of First-tier Tribunal decisions where the tax regime governing the partial surrender of life insurance policies in Chapter 9 of Part 4 of ITTOIA 2005 was subject to severe judicial criticism because of the inequitable nature of the regime. In the *Lobler* case, the Upper Tribunal in effect allowed rectification of the taxpayer's partial surrender (such that the taxpayer was treated as though he opted instead for full surrender) in order to remedy the unfair tax charge incurred by the taxpayer. Following the decision, the CIOT has engaged informally with professional bodies representing the life insurance industry, other representative tax bodies and with HMRC to discuss possible options for legislative reform.

Property Taxes

2015 has been another year of change for the taxation of residential property. We made a number of representations to HMRC and HM Treasury as a result.

On 1 April the de minimis limit for liability to the Annual Tax on Enveloped Dwellings (ATED) dropped to £1,000,000, thereby bringing a significant number of additional residential properties into the tax. That prompted a campaign for a simpler ATED return for those property businesses with a significant number of properties exempt from paying ATED under the rental exemption. A new much simpler return is now being introduced for those properties.

The withdrawal of the renewals basis of allowances for white goods, carpets etc. installed in unfurnished or partly furnished residential rental properties had prompted earlier submissions by the CIOT. This year the Sub-Committee responded to the consultation on a new re-vamped relief for replacing furnishings in rented residential properties.

The Chancellor made the surprise announcement in the Summer Budget that tax relief is to be restricted from April 2017 for finance costs incurred in residential property letting businesses. The CIOT attended a number of stakeholder workshops on this change and made detailed submissions on its implementation particularly in respect of trusts and estates in administration.

Whilst it might be hoped that 2016 is a year more of consolidation for property taxes and less of upheaval the further announcements of higher rates for SDLT on purchases of additional residential properties from April 2016 and the acceleration of CGT payments in April 2019 may suggest otherwise.

Succession Taxes

Having contributed to the consultations on an IHT exemption for emergency service personnel it was gratifying that the version enacted by Finance Act 2015 extended the exemption to include the estates of humanitarian aid workers. Finance (No.2) Act 2015 saw the programme which began innocuously in 2012 as "Simplifying Trust Charges" end with a much less disruptive, and more targeted, anti-avoidance provision which removes the advantages

of pilot trusts. When the Residence Nil Rate Band was announced, we pointed out the complexities that personal representatives and their advisers would face in negotiating this dense legislation; on the related “downsizing” provisions, our focus was on the practical aspects of record keeping, and the difficulties facing personal representatives to substantiate a claim, possibly many years after the event. We contributed to the consultation on Deeds of Variation, concluding that they are practical devices that bring a sensible measure of compassion into the tax system at a difficult time, and the Autumn Statement indicated no further action would be currently undertaken. Finally, we made a strong response to draft DOTAS IHT hallmark regulations, which were drawn so widely that even a Potentially Exempt Transfer could be reportable.

EU and HR

We continue our work to ensure, so far as possible, that UK law complies with EU law and this has informed a number of submissions on a range of topics. Representatives of the CIOT met with representatives of the EU Commission early in 2015 to discuss topical tax issues. We were also represented on the EU’s *Expert Group on Cross-Border Tax Problems of Individuals*.

Employment Taxes Sub-Committee

We submitted over a dozen responses to public consultations, also participating in a large number of meetings and workshops on the numerous consultations, as well as attending meetings of various HMRC employment tax-related forums. The areas responded to include: the Construction Industry Scheme (CIS), employee benefits-in-kind and expenses (including payrolling, removal of the £8,500 threshold and replacing the dispensation regime), termination payments, HM Treasury’s review of travel and subsistence, restrictions on travel and subsistence relief for workers engaged by employment intermediaries, IR35, the apprenticeship levy, the NIC employment allowance,

pensions flexibility, the future of tax relief on pension contributions, sporting testimonials and the Scottish Rate of income tax (SRIT). We also continue to raise with HMRC practical and technical points raised by CIOT members on an equally wide range of subjects; for example, the Employment Intermediaries reporting rules, PAYE disputed charges and unallocated or mis-allocated payments, and Short Term Business Visitors (STBVs) (which has led to HMRC introducing new arrangements for STBVs).

Indirect Tax

During the year we initiated moves toward greater engagement with tax bodies and policymakers. Meetings with HMRC’s Indirect Tax Directorate and HM Treasury followed resulting in closer contact and better understanding of the different perspectives of the key issues we all face. At the request of HMRC, we have taken a more proactive role in the Joint VAT Consultative Committee by proactively suggesting issues of concern to help support a more taxpayer-led agenda.

Increasing our engagement at an International level has seen us become more involved with the OECD and the European Commission as well as continued representation at the CFE and the Commission’s VAT Expert Group

Proactive submissions to HMRC have resulted in proposals to restrict the deduction of UK VAT attributable to foreign branches following the Credit Lyonnais judgment being withdrawn and revised, and more satisfactory legislation introduced. We also made strong submissions to HMRC concerning UK legislation implementing the Mini-One-Stop-Shop measures without which smaller businesses undertaking cross-border trade may have been adversely affected. We have increased our involvement in environmental taxes calling for a ‘roadmap’ for environmental tax policy following a shift in direction on how climate change objectives are to be achieved.

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Greater involvement with HMRC on Excise duties has seen substantial progress concerning certain procedural problems with authorisation of traders.

Owner Managed Businesses

Our members in small and medium sized practices contributed to a number of consultations, from the Office of Tax Simplification's Small Company Taxation Simplification Review to responding to HMRC's proposals to extend the averaging period for farmers from 2 to 5 years. With regard to the latter, it was pleasing to note that the CIOT's proposal that 2 year averaging be retained as an option alongside a new alternative 5 year averaging option had been accepted by HMRC. In October, we welcomed HMRC's decision to wind down their Business Record Check programme. HMRC acknowledged that the initiative had not proved a cost-effective way of improving record keeping by small businesses. In our view an educative approach from HMRC is a more sensible way forward. It clearly remains crucial for businesses of all sizes to keep records up to date and in good order. This is likely to become even more important as HMRC bring in digital tax accounts, which may require businesses to submit data more frequently. At the end of 2015, Andrew Gotch stood down as Chair of the OMB Technical Sub-Committee after over 5 years at the helm, during which we benefited from his wealth of experience working in the OMB sector. We are fortunate that Andrew will remain a member of the Sub-Committee. He is succeeded by Tina Riches.

Making Tax Digital

At the Budget in March 2015 the Chancellor announced 'The End of the Tax Return' and the start of a 'Making Tax Easier' project. By the end of 2015, the project had become 'Making Tax Digital' and HMRC published the Making Tax Digital Roadmap. It was also announced that the Government would consult on options to simplify the payment of taxes, align payment arrangements and bring payment dates closer to the time of the activity or transactions generating the tax liability.

By April 2016, every individual taxpayer should have access to their own digital Personal Tax Account, which is designed to bring together information about a taxpayer's affairs in one place. Pre-population of the Personal Tax Account with data that HMRC already hold, such as pay, tax and P11D details, will also begin from April 2016.

The Digital Tax Account for Business is intended to be rolled out between April 2018 and April 2020. HMRC's proposal is that quarterly reporting using accounting software that can interact with HMRC's systems will be compulsory for unincorporated businesses, landlords and companies. The details of how this will work will be consulted on, both informally and formally and HMRC will be working closely with representative bodies and other stakeholders.

Making Tax Digital is a huge project that is going to bring in fundamental changes to the tax system and how both taxpayers and agents interact with it. It increases the importance of the CIOT's objective of a simpler, more workable tax system. Maintaining and synchronising agent access will also be key to the success of the project. Recognising the importance of all this, the CIOT has set up a dedicated working group 'Digitalisation and Agent Strategy' led by Adrian Rudd to focus on these areas.

Devolution

The CIOT contributed to a number of meetings, consultations and calls for evidence concerning the devolution of tax powers. The Scottish Technical Sub-Committee has made a number of submissions, including in relation to the Scotland Bill 2015, which follows the Smith Commission recommendations. We also contributed to the Commission on Local Tax Reform's consideration of alternatives to council tax for Scotland. Representatives of the CIOT have attended a number of meetings with the Scottish Government, Revenue Scotland, HMRC and the Scotland Office during the year, including working groups for the devolved taxes, like Land and Buildings

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Transaction Tax, stakeholder forums for the future devolution of air passenger duty and stakeholder meetings for the Scottish Rate of Income Tax. We have also given evidence to the Finance Committee of the Scottish Parliament on Scotland's revised fiscal framework and the Scottish Rate of Income Tax. In Wales, the White Paper on tax collection and management was followed by a Bill which was referred to the Finance Committee of the National Assembly for Wales. They considered 16 responses, including one from the CIOT. Following 10 evidence sessions and 12 stakeholder events, at which we were represented, the Finance Committee made 29 recommendations. The Bill now proceeds to Stage 2 and is expected to become law in Spring 2016. We continue to be involved in the various advisory groups to the Welsh Assembly Government as regards both the land transaction tax and the landfill disposal tax. In Northern Ireland, the CIOT submitted comments on the Corporation Tax (Northern Ireland) Bill, which provides for the devolution of the rate-setting power for corporation tax to the Northern Ireland Assembly.

Working Together – goes digital

During 2015 Working Together (WT) moved from face-to-face meetings at 49 local WT groups around the country to a digital platform. There are now 10 regional groups around the country and the intention is that each will take it in turn to host a digital meeting open to all agents across the UK. The idea is a rolling programme of monthly meetings led by the eight HMRC specialist agent managers, assisted by professional body leads for the 10 regions. An agent digest will record issues raised by members and these will be updated and circulated to participants before and after each meeting. The issues overview group (IOG) will monitor this agent digest to establish the issues that will need to be logged on to the current issues register quarterly.

The first digital WT meeting was held on 24 September 2015. Feedback from agents has so far been mixed with complaints that the presentations are too scripted and that there has not been enough

time to discuss open issues. In addition, all the professional bodies have found it difficult to recruit sufficient agent leads for each region and at the time of writing it has been suggested that a solution to this may be for the IOG to host the meetings instead. We will continue to work with the other professional bodies and HMRC to try to improve the quality of the digital format.

We have also been without an HMRC WT secondee since autumn 2014 and at the time of writing we are talking to HMRC about whether funding can be made available for a secondee position.

Our year in numbers

187 formal submissions made to HMRC, representing 143 from CIOT and 44 from LITRG.

Over 160 meetings with HMRC / HM Treasury officials.

25 mentions for CIOT or LITRG in Parliamentary debates.

85 appearances in mainstream media outlets.

And finally...

The technical work of the CIOT could not take place without the input from many of our volunteers in practice, commerce and industry and Government. I would like to thank all of them and the staff for their hard work over the last year in helping the CIOT improve the tax system. If you would like to contribute then do get in touch with us via technical@tax.org.uk

Bill Dodwell

Chair, Technical Committee

Member Services

The Membership and Branches Committee is concerned primarily with Members' Services,

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which takes the newly qualified member through their career as a Chartered Tax Adviser and into retirement.

Our remit is that Members should, throughout their lifetime, develop and enhance their professional skills and operate within an ethical framework which is beyond question at the highest level, in order that the public can be assured that by using a Chartered Tax Adviser they are receiving a service appropriate to their needs.

Members' conferences and branch events provide a platform for Continuing Professional Development ("CPD"), alongside in-house training and conferences promoted by other organisations. Such events provide valuable networking opportunities as well as maintaining and honing technical skills. The Tony Arnold Library offers an additional technical resource.

Monitoring of CPD and, where appropriate, Anti-Money Laundering compliance contribute further to assure the public that the advice they receive is of a high standard.

I was appointed the Chair in May 2015. My thanks to Keith Bell who steered the Committee admirably during his two year term. The Committee oversees the work of Member Services, which broadly covers the 4 areas and set out below.

I would like to thank my fellow Committee members for their valued contribution over the last 12 months.

I would welcome Members' thoughts and suggestions, favourable and unfavourable, regarding membership matters and potential members' services.

Thank you also to all the staff at Head Office for their continuing support which they always deliver with efficiency and good humour.

Membership

Ensuring the successful transition from student to Member is a key area for the Committee, and in 2015 the Committee were delighted to welcome 561 new, successful candidates into Membership. 92 new members attended Admission Ceremonies at Drapers' Hall in the City of London in 2015. The President also presented certificates to 28 men and women who had completed over 50 years of membership. The CIOT has a grand total 17,657 members ensuring it remains a force to be reckoned with in the tax world.

The monthly Tax Adviser journal provides Members with technical news and views from the CIOT and the wider tax policy community. The content is always focussed to help Members do their jobs. 2015 saw the relaunch of Tax Adviser Magazine online, providing the CIOT with a nimble platform for delivery of more technical content to Members.

The weekly email service, 'News for CTAs' is delivered to all members via email and is an excellent digest for busy professionals. Members receive a copy of the annotated Finance Act on an annual basis. The Tony Arnold Library, the UK Tax Repository is another resource available to members.

Events

The Conferences Working Party report to the Membership and Branches Committee who in turn report to Council. On behalf of the Working Party, Office Holders, Technical Committees and Branches, the Events team organised 30 CIOT events and registered over 3,000 delegates during 2015. Events included Conferences, Admission Ceremonies, Receptions and Luncheons. The three residential conference for members were held in March, September and November at Queens' College, Cambridge, the University of Warwick and Stirling Court Hotel in Scotland respectively. These conferences represent an excellent way for

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Members to gain their continuous professional development and network with colleagues and friends. The CIOT holds two admission ceremonies each year for new Members and their families, both of which are held at Drapers' Hall. The achievements of the new CTA Members are celebrated and Members who have reached 50 years of membership are also in attendance.

Compliance

An important function of the Committee is the oversight role of the administration of compliance on behalf of Professional Standards; providing reports on The Annual Return, Members' Continuing Professional Development, compliance with our regulations on Professional Indemnity Insurance and the 2007 Anti-Money Laundering Regulations. Significant progress on reporting for these areas has been made in 2015. Our monitoring through the Annual Return process and from random checks on CPD compliance provides the general public with an assurance that by engaging a Chartered Tax Adviser they can expect a highly professional service from an adviser whose technical skills and legal obligations are fully up-to-date.

Branch Network

The Joint Branches sub-Committee, chaired by Andrew McKenzie-Smart, reports to Membership and Branches Committee. 2015 saw the arrival of the CIOT's 40th Branch in the Middle East and North Africa ("MENA"). Conferences were held for Members in MENA and Hong Kong in 2015 with plans to continue to expand events for members in the future. The UK network remains strong, delivering technical excellence at affordable prices for members throughout the UK. Notable in 2015 was the inclusion of Gen Y events in Sheffield and a tranche of soft skills courses aimed at younger members in Leeds. The East Midlands Branch extended a webinar pilot that begun in 2014 for the whole of their new programme to assist the

Membership and Branches Committee with research to support Branch strategy for the future.

Chris Brydone

Chair, Membership and Branches Committee

Branches

Public Benefit of the Branches

One of the CIOT's primary objectives is to provide Chartered Tax Advisers with the technical skills and support they require to do their job, thereby ensuring that the public benefits from tax advice of a high quality. The branch network also has a responsibility at a local level to meet that objective, and to raise public awareness of the workings of the tax system. All members of the public with an interest in tax matters are warmly welcomed at any of the branch meetings.

Continuing Professional Development

The engaging, cost effective meetings and events offered by the branch network deliver Continuing Professional Development of the highest level of technical excellence. The full programme for the 2015-16 season was distributed with the August 2015 issue of Tax Adviser. Detailed information about all branch events can be found at www.tax.org.uk/branches where there is also the ability to book online for all branch events. We were very pleased to begin a pilot of Webinars with the East Midlands branch for their entire programme, this initiative was borne out of last year's trials with Severn Valley. The webinar pilots are just one strand of our commitment to ensure an inclusive approach to the delivery of CPD for Members throughout the UK and beyond.

Following on from our piloted email marketing campaigns with the South London and Surrey Branch last year, this year has seen a sustained campaign of marketing for many Branch events across the national network.

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Branch Development and Governance

The CIOT continues to assist the branches by providing active leadership and support. April 2015 saw the launch of the Institute's 40th branch in the Middle East and North Africa. An annual conference was held in Dubai and attended by over 100 tax professionals from the Region.

Branch Committee Members are welcomed to an annual Conference and two more Forum events that provide support and networking opportunities as well as the chance to meet Office Holders and Head Office staff. We have held induction sessions for new Branch Committee Members in 2015, receiving positive feedback from participants. We have been pleased with the results of 1 to 1 training with Committee members in relation to the Online Event Booking system and will continue to offer this and other training opportunities in future.

Looking ahead, we are recognising the significant changes planned to UK and International tax reporting and providing the Branches with the opportunity to consider how best to provide support for members in their area. Next year's conference begins with a debate with our national network representatives to discuss branch strategy, including relevant plenary sessions and breakout groups to discuss a variety of related areas.

Branches Sub-Committee

The Sub-Committee has met twice in 2015. It provides leadership on branch development and develops policy on strategic matters. Issues debated during the year have included "the perception of conflicts of interest", "guidance on sponsorship" and "how to ensure we engage with all sectors of the membership, including those members in Commerce and Industry."

Thank you

I am very grateful to all those who have served the branch network, both at national, international and local level as well as everyone who has contributed to the work of the branches during the last year.

The branches network owes a huge debt to the generosity of the volunteers on the branch committees, and equally importantly, their employers and I thank you all for your support.

My thanks are also due to Emma Barklamb, Sue Fraser and Anna Jones and the team at Head Office for their support and advice.

Andrew McKenzie-Smart
Chair, Branches Network and
Branches Sub-Committee

Communications & Brand Management

In 2015 the Communications & Brand Management Committee worked to continue to ensure that the messages the CIOT delivers to its members, students and the public remain relevant and consistent. The Committee contributes to the public benefit remit of the organisation by supporting our objectives of promoting good practice in the tax profession and better public understanding of tax, as well as working for a better, more efficient tax system. Our Committee membership is enriched by drawing upon the expertise of Members from a broad range of other committees including Education and supported by the IT team.

Websites

The Committee is involved with the Institute's evolving web presence and has been conscious to ensure that the constituent users of its website - students, employers, advisers and the media - are faced with a platform which is intuitive and offers a broad depth of easily accessible technical and non-technical knowledge. As the CIOT, ATT

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and LITRG websites develop, the IT team will be critical in driving these projects forward as the Communications and Brand Management Committee highlights the importance of conducting ongoing behavioural assessments to establish that needs are being met; in this regard the Committee is very much aware that 'one size does not fit all'. On the technological front, the new websites are to be optimised for a range of electronic devices, will feature all of the content from the printed journal Tax Adviser and will initially be free to view. The changes should allow the title to target the more niche areas of taxation which would not appear in the paper version. The Committee will remain deeply engaged in efforts to ensure that the title will become a key vehicle for communication with our Members.

Branding

Branding is another key feature of the Committee's remit and in this area we are working hard to ensure that we have specific branding guidelines to share with external bodies when required. Among Members and others, there is a growing demand for 'off the shelf' CIOT branded items so we have prioritised the need to establish logo guidelines as soon as possible. More broadly, the Committee is considering potential changes to the logo itself, alternatives will be discussed at upcoming meetings and we will carefully consider which design best suits the organisation and most accurately encapsulates its values.

External Relations

External communication is a key aspect of the CIOT's work. Besides making experts available to media outlets, we promote public understanding of the tax system by providing background explanation of tax issues to journalists and by publicising our opinions on current tax matters. During 2015 CIOT and LITRG issued 80 press releases and we were quoted or interviewed 85 times by 'mainstream' media outlets (that is, beyond the specialist business and tax trade

press). Technical submissions which were covered by press and broadcasters ranged from those on reforming the energy efficiency tax landscape to the role of employment intermediaries. Other topics where our comments were covered by the media included efforts to tackle BEPS and concerns about the impact of a new strict liability offence for those with undeclared offshore income and assets.

Promoting forums for tax debate is an area of particular focus. In 2015 CIOT continued our successful partnership with the Institute for Fiscal Studies, holding events at three of the political party conferences on the theme 'Is the Tax System Fair?' as well as panel discussions in London on what the new Government's priorities should be and the role of political considerations in the making of tax policy.

Work continues on our project to improve and expand tax education in schools, which was piloted in 2015. Additionally the Institute is one of the sponsors of the 2015-16 Debating Matters competition for sixth formers organised by the Institute of Ideas. In spring 2016 the event's regional finals will include teams arguing for and against the motion: 'It is wrong for countries to offer tax incentives to attract investment'. CIOT representatives will be among the judges.

Business Development and Marketing

Business Development and Marketing is another key aspect of the work of the Institute to promote the Institute (and Association) and to increase membership by attracting students to the CTA and ADIT qualifications. This is done through strategies and tactics across the marketing mix. Irene Redman, working together with other internal and external teams, leads on the planning and implementation. Notable highlights include:

Key client and account management – ensuring regular communication with employers, from heads of tax, influencers in tax and including training departments and student recruitment.

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Targeting - enhancing the initiatives and events targeting key segments of the tax services industry amongst the accounting, legal, commerce and industry, and academic leaders in tax in Scotland, Wales and across the UK.

Scottish Award – CIOT sponsored Tax Team of the Year Award at the Scottish Business and Finance Awards attended by some of the top heads of tax in industry and commerce across Scotland.

Career resources and volunteer members – over 5,500 resources of brochures, flyers, freebies, etc. have been distributed to over 60 schools, colleges, universities and careers events across the UK (including Northern Ireland) since the initiative was launched in 2014. Volunteer members, and some staff, have supported or presented at many of these events.

Student videos – videos highlighting the value of a career in taxation and the variety of paths to and through an exciting career were filmed with current students, new Members and myself. These videos can be found on the students' page of the CIOT website and on YouTube.

OMB Joint Programme – new ACA CTA Specialism Launched, in close collaboration with the ICAEW at an event in November and this was communicated to key employers and both the ICAEW and CIOT contacts.

ADIT – ADIT marketing continues to be anchored by the International Fiscal Association (IFA) Annual Congress, held this year in Basle, Switzerland.

ADIT Academic Board – The appointment of renowned international tax experts Partho Shome and Luís Schoueri will raise the ADIT profile across the Indian and Brazilian taxation industry, respectively.

ACCA CPD – close collaboration with ACCA on a CPD marketing campaign to promote ADIT to accounting qualification holders.

Chris Jones

Chair, Communications and Brand Management Committee

Education

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 2015, there were over 3,400 students registered for the CTA qualification, representing an increase of 18% on student registrations compared to the previous year. In addition, over 500 students registered for the ADIT qualification.

The Education Committee has responsibility for several Sub-Committees and working parties, namely: CTA Examination Review Sub-Committee; ADIT Sub-Committee; ADIT Examination Sub-Committee; Grants Sub-Committee; Recognition of EU Professional Qualifications Sub-Committee; Fellowship Working Party and the Student Training Conferences Working Party.

Membership of all of these is comprised of highly dedicated and passionate members without whom this organisation would not be able to function and to whom I express my sincere gratitude.

Joint Programme with the ICAEW

This unique pathway enables students to achieve two prestigious qualifications – the ICAEW Chartered Accountancy qualification, the ACA, and the Chartered Tax Adviser qualification, the CTA. Those

who successfully complete the Joint Programme will be eligible to apply for membership of both ICAEW and CIOT, provided they have met the membership criteria of both bodies.

The aim of the Joint Programme is to recognise that a more streamlined approach to obtaining both qualifications can be key for both students and firms. It also gives an increasingly flexible choice of which areas of taxation to specialise in, which is vital for some of our students who need this from an earlier time in their career than ever before.

In 2015 the Joint Programme was extended to include a third option, the Owner Managed Business (OMB) route, on top of the existing Taxation of Major Corporates (TOMC) and Indirect Tax routes. This will use the existing OMB CTA advisory paper and students can register now to sit it as their first CTA paper under the Joint Programme in May 2016. There are a suite of papers available to choose as the option paper under this route, including two ADIT papers.

The third and fourth sittings for the two existing routes took place in July and November 2015 and the results of these can be found in the Examinations section.

Computer Based Exams (CBEs)

During the course of the year the decision was made that, from March 2016, the existing E-Assessments in Law and Professional Responsibilities and Ethics will be renamed Computer Based Examinations (CBEs). Each year the CIOT reviews these examinations and the annual review resulted in a decision to make a structural change to the number of questions asked and consequently the pass mark. This is part of the ongoing evolution of the examination structure.

Support for tax academia

Tax academia play a critical role in tax education, both in nurturing tax experts of the future and in furthering our understanding of the impacts of tax.

A crucial step was taken for the first time in 2015, whereby the CIOT pro-actively issued its first call for research on the topic of "Tax Literacy". The CIOT has previously only awarded grants on the basis of applications being made from the academic world, but as tax becomes increasingly challenging and part of the mainstream economic discussion, it was decided that there will always be certain areas crucial to the debate whereby high level analytical research should be sought out. The initial ideas were developed by the Grants Sub-Committee, who continue to provide the crucial skills required to ensure that key topics are given the necessary focus.

The CIOT continues to support quality research applications, with an independent applicant being awarded funding over two years to conduct their research proposal "An Oral History of Tax Policy Making". Without this support, crucial knowledge relating to the history of making of the UK tax system may never be centrally recorded.

A contribution of £5,000 was made to the Tax Research Network (a network formed of active and would-be tax researchers and teachers) to assist with their annual conference which was held at the University of Hull. A request for funding for the inaugural annual Tax Policy Conference in April 2016 at the Centre for Tax Law at the University of Cambridge was also approved.

The CIOT looks forward to continuing to build links with tax academia in years to come.

Supporting students

One-day student training days were as usual held in the Spring and Autumn. Spring days were held in Manchester, Leeds and London and Autumn days in Glasgow, London and Leeds.

The training days focus on helping students to prepare for the examinations and I would like to thank the Student Training Conferences Working Party and all the lecturers for their ongoing support.

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Much work has been done to promote tax as a career, including through publication of the annual Inside Careers Guide to the Tax Profession. In addition, volunteers from various branches attended a number of undergraduate careers fairs to talk about the CTA qualification and the career options available in our profession.

Working Party on Tax Professionalism in Commerce & Industry

Thanks to the time and dedication of those that have volunteered for this Working Party, led by Council Member Glyn Fullelove, the CIOT is exploring support for individuals that have, in the main, made the transition from working in practice, where they are surrounded by fellow tax professionals, to working in Commerce & Industry. The CIOT recognises that this is an area where additional support may be of assistance, reflecting the different skills required other than tax technical expertise. Progress is ongoing to develop a skills programme that it is hoped will involve working with a Business School to bring it to fruition.

External relations

We have had over 30 meetings this year with employers in the accounting, legal, and business and commerce sectors both in the UK and overseas; our increased dialogue has been welcomed. Feedback from employers has been positive, with all constructive criticism offered being used to improve our educational remit.

Review of the CTA examination structure

At the end of 2015, Council decided now is the appropriate time to undertake a root and branch review of the current CTA examination structure. This will be led by the Examination Review Sub-Committee and will involve canvassing opinions from the different stakeholders involved with the CTA and in the field of education. In a world where the pace of change in tax only seems to be increasing, we must continue to

strive to meet as far as possible the diverse needs of the profession.

Fellowship

In 2015 five individuals successfully presented a body of work or dissertation to the high standard required to achieve Fellowship.

2015 also saw the first tax student start their MSc by Research (Taxation) degree at Birmingham University, after the CIOT entered into a Memorandum of Understanding in 2014 in relation to this degree programme. CTA Associates who wish to pursue a Master's degree programme in taxation can also seek Fellowship of the Institute, by submitting their completed thesis for assessment by both the University and the Institute.

The Advanced Diploma in International Taxation (ADIT)

ADIT continues to develop into an internationally recognised qualification. There are now more than 2,000 registered ADIT students with over 500 new registrations this year. After the 2015 examinations, 418 individuals from 106 different countries and territories have now completed the qualification: 345 ADIT Graduates and 73 International Tax Affiliates. My grateful thanks go to members of the ADIT Sub-Committee and the Chairman Jim Robertson, to members of the ADIT Examination Sub-Committee and the Chairman David Salter, and to members of the ADIT Academic Board, for their commitment to the success of the qualification over the course of the year.

We are continuing to build on this success. The new ADIT qualification structure enables students to select any two option papers alongside the mandatory Paper 1 exam, and aligns Papers 2 and 3 to ensure comparability of rigour between all ADIT exam options and combinations, and provide greater flexibility.

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We continue to lead the way in examination technology, with a majority of ADIT examination centres now selecting the electronic distribution system for receipt of exam papers, rather than the CIOT sending them hard copies.

ADIT was promoted in 2015 at the Annual Congress of the International Fiscal Association (IFA) in Basel, the IFA USA Branch Annual Conference in Washington DC, the Tax Executive Institute (TEI) Houston Chapter's Tax School, and the Foundation for International Taxation (FIT) Jubilee Conference in Mumbai, India. ADIT was also promoted at several conferences in the UK, and at both King's College London and Queen Mary University of London.

Education Team

Finally, I would like to extend my gratitude to the Education Team at our Head Office in Artillery House. They always give excellent, professional support, which is provided with good humour to both the students and Committee members alike.

Alexandra Galloway
Chair, Education Committee

Examinations and Prizes

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. Candidates are also examined in Law and in Professional Responsibilities & Ethics. We are delighted that 477 students completed the exam requirements and became entitled to membership of the CIOT as a result of the 2015 examinations. It was very pleasing to see the highest number of examination entries for the November 2015 session since 2011.

We 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 which interests them most.

Committee structure

The Examination Committee is responsible for the running and administration of the Institute's CTA examinations. These examinations are run twice a year in May and November. The examinations in Law and Professional Responsibilities & Ethics are conducted via E-Assessments which are available throughout the year at various test centres around the UK.

Thanks are also, as ever, due to the large group of examiners ably led by the Chief Examiner, Nick Lloyd. I would also like to express my gratitude to Alexandra Galloway, the Chairman of Education Committee.

The Education Team continue to cope with the demanding pressures of the examination administration as well as the large numbers who enter for each examination session. The team comprises: Rosalind Baxter, Jude Maidment, Andy Brodrick, Lisa Roberts, Gavin Thai-Low, Vicki Crane, Rory Clarke, Beth Blake, Rhiannon Pardoe and Zeena Patel. I am very grateful to all of them for their extremely hard and dedicated work.

Joint Programme with the ICAEW and CIOT

2015 saw the third and fourth sittings of the Joint Programme Advisory paper, Taxation of Major Corporates. This paper has been developed by the ICAEW and CIOT in order that students may obtain both the ACA (ICAEW) and CTA (CIOT) qualifications simultaneously. At the third sitting in July 2015, 21 candidates attempted the paper with a pass rate of 76%. The November 2015 session saw a record number of examination entries with 82 students sitting the paper. Student registrations for the Joint Programme have been encouraging.

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2015 also saw the first student to complete both qualifications and thus become the first person to successfully complete the ACA CTA Joint Programme.

Online registration

The end of 2015 saw the launch of the revised online student registration system, which is more intuitive and will improve the user experience.

During 2015 the required pre-examination registration period of six months was reduced to four months. This was partly due to the fact that the examination structure is now modular, but also to increase flexibility for students and their employers.

E-Assessments

Professional Responsibilities & Ethics and Law/ re-named Computer Based Exams (from March 2016)

The current manual for the E-Assessment on Professional Responsibilities & Ethics will continue to be examinable until the end of February 2017 when it will be updated. The manual for Law has been updated extensively and was examinable from 1 March 2016.

Scanning project

The Head Office Team have been working with a scanning firm with a view to implementing a process whereby all examination answer scripts will be scanned in the future. The project will start with a pilot in the May 2016 examinations. Scanning scripts will provide added security to the process.

John Preston

Chair, Examination Committee

Examination Prizes

The Chartered Tax Adviser Examination – May 2015

The Institute Medal for the best overall performance attempting the Awareness Paper and two Advisory Papers (all at the same sitting).

Daniel Pople (*Deloitte LLP, Bristol*)

The Gilbert Burr Medal for the Advisory Paper on Taxation of Owner-Managed Businesses.

Ian Kent (*Crowe Clark Whitehill LLP, Maidstone*)

The Spofforth Medal for the Advisory Paper on Inheritance Tax, Trusts & Estates.

Fiona Louise Walker-Buckton (*PEM, Cambridge*)

The Ronald Ison Medal for the Advisory Paper on Taxation of Individuals.

Elizabeth Anne Fisher (*Mitchells Accountants, Chesterfield*)

The Victor Durkacz Medal for the Advisory Paper on VAT on UK Domestic Transactions, IPT & SDLT.

Natasha Siddiqi (*EY, London*)

The John Wood Medal for the Advisory Paper on Advanced Corporation Tax.

Laura Wycherley (*Grant Thornton UK LLP, Manchester*)

The Ian Walker Medal for the Awareness Paper.

James Pestell (*BDO, London*)

The Avery Jones Medal for the Application and Interaction Paper.

Stephanie Court (*HSBC, Southampton*)

The LexisNexis Prize for the highest total marks in two Advisory Papers (taken at the same sitting).

Daniel Pople (*Deloitte LLP, Bristol*)

The CCH Prize for the highest distinction mark.

Elizabeth Anne Fisher (*Mitchells Accountants, Chesterfield*)

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The Chartered Tax Adviser Examination
– November 2015

The Institute Medal for the best overall performance attempting the Awareness Paper and two Advisory Papers (all at the same sitting).
Harriet Revington (*Squire Patton Boggs, London*)

The Gilbert Burr Medal for the Advisory Paper on Taxation of Owner-Managed Businesses.
Peter David Mills (*Menzies LLP, Leatherhead*)

The Spofforth Medal for the Advisory Paper on Inheritance Tax, Trusts & Estates.
Christopher Beeston (*Geens Ltd, Stoke-on-Trent*)

The Ronald Ison Medal for the Advisory Paper on Taxation of Individuals.
Sharlene Botterill (*RSM, Newcastle upon Tyne*)

The Wreford Voge Medal for the Advisory paper on VAT on Cross-Border Transactions & Customs Duties.
Jack Sims (*BDO, Leeds*)

The John Wood Medal for the Advisory Paper on Advanced Corporation Tax.
Stuart Christopher Pibworth (*Sidley Austin LLP, London*)

The Ian Walker Medal for the Awareness Paper.
Laura Wycherley (*Grant Thornton UK LLP, Manchester*) and
David Oliver (*Crowe Clark Whitehill LLP, Reading*)

The Avery Jones Medal for the Application and Interaction Paper.
Sebastian Paul Yoe (*Deloitte, London*)

The LexisNexis Prize for the highest total marks in two Advisory Papers (taken at the same sitting).
Tesonía Munder (*Dixon Wilson Chartered Accountants, London*)

The Wolters Kluwer Prize for the highest distinction mark.
Christopher Beeston (*Geens Ltd, Stoke-on-Trent*)

The Advanced Diploma in International Taxation
– June 2015

The Heather Self Medal for the highest marks in Paper 1 – Principles of International Taxation.
Fred Hill (*EY, Reading*)

The International Fiscal Association Prize for the highest marks in Paper 2 – Advanced International Taxation (Jurisdiction): United States Option
Amy Sheehan (*EY, Cork*)

The Raymond Kelly Medal for the highest marks in Paper 2 – Advanced International Taxation (Jurisdiction): United Kingdom Option
Kathleen Meg Swanson (*Mayer Brown International LLP, London*)

The Worshipful Company of Tax Advisers Medal for the highest marks in Paper 3 – Advanced International Taxation (Thematic): Upstream Oil and Gas Option
Angus Stuart (*Clearwater International Ltd, Hong Kong*)

The CCH Prize for the highest marks in Paper 3 – Advanced International Taxation (Thematic): Transfer Pricing Option
Richard Ian Harries (*Deloitte, Leeds*)

The Advanced Diploma in International Taxation
– December 2015

The Heather Self Medal for the highest marks in Paper 1 – Principles of International Taxation.
Anne Margaret Gormley (*Office of the Revenue Commissioners, Dublin*) and **Yulia Logunova** (*Rakuten Europe, Luxembourg*)

The Raymond Kelly Medal for the highest marks in Paper 2 – Advanced International Taxation (Jurisdiction): United Kingdom Option
Robert Bruce Mitchell Black (*HMRC, Warrington*)

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The Wolters Kluwer Prize for the highest marks in Paper 3 – Advanced International Taxation (Thematic): Transfer Pricing Option

Yulia Logunova (*Rakuten Europe, Luxembourg*)

The Worshipful Company of Tax Advisers Medal for the highest marks in Paper 3 – Advanced International Taxation (Thematic): EU Direct Tax Option

Charlotte Beattie (*Deloitte, London*)

Low Incomes Tax Reform Group

The remit of the Low Incomes Tax Reform Group (LITRG) is to provide a representative voice for the unrepresented taxpayer or tax credit claimant on a low income. We do this through our campaigning and by providing the most comprehensive primary source of information and guidance on tax, national insurance contributions and tax credits via our four very successful websites.

During 2015 we have faced new challenges as HMRC move at an astonishing pace into the digital world. Whilst supporting the Government in its ambition to exploit digital technology, it is important that we also are a voice for those who are digitally excluded or who lack the confidence to deal with HMRC online to ensure they are not left behind. Their numbers are huge and it is incumbent upon Government not to forget these in their rush to the digital world.

In our own online world, we have continued to develop and grow our four websites by adding new educational materials and tools to help people understand the increasingly complex tax and related welfare systems. This part of our work has taken on a much greater prominence since the transition of HMRC and other Government websites to GOV.UK as this has not been easy to navigate for our vulnerable population.

Too often tax and related welfare laws together with the administrative systems are not designed with the low-income user in mind and this often makes

their life difficult. We continue to campaign robustly in favour of measures that we believe will benefit our constituents as well as putting forward our own ideas for improving the system.

In June 2015 I was delighted to see that our technical director, Robin Williamson was awarded the MBE for his outstanding work for the vulnerable taxpayers. This was well deserved and all at LITRG are proud of Robin's commitment to working for a better tax and benefits system.

It continues to be a huge privilege for me to work with Robin and our totally committed team of volunteers and staff. They all work enormously hard and I am grateful to them for their personal encouragement and support. Now looking forward to the challenges facing us in 2016!

LITRG Manifesto

In March 2015 we published the first LITRG manifesto for low income taxpayers. Central to our work is developing and putting forward our own ideas for improving the tax system for our constituents. As we headed towards the prospect of a new Parliament we outlined 19 recommendations that would make the tax and tax credit systems work better for those on low incomes. By the end of 2015, some of these recommendations were adopted (either in full or in part) by Government developing a unified Notice of Coding and simplified assessment proposals in the Finance Bill, and announcing an increase in rent-a-room relief from April 2016. This last change is something LITRG has campaigned for over a number of years.

Pensioners

We have expressed our ongoing concerns about the need for adequate individual guidance on income tax consequences of choices pensioners make under the new flexible pension rules. In June 2015 David Williams, a recently retired Upper Tribunal Judge, attended the LITRG meeting to discuss

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these pension changes; this was well received and generated helpful discussion. Following that discussion we have (among other things) submitted written evidence to a Work and Pensions Committee inquiry into pension freedom guidance and advice, written to Ministers as well as issuing press releases and our own guidance.

Disabled people and carers

Early in 2015 we met with DWP to discuss the tax implications of their Access to Work scheme and as a result we were able to contribute to their staff guidance. Our Disability Tax Guide website (www.disabilitytaxguide.org.uk) has continued to grow in visitor numbers and more importantly the number of people using our unique payroll tool has grown month on month. We have been invited to sit on a group with the Pensions Regulator following discussions with them about auto-enrolment. We also published our own factsheets and guidance for those affected by auto-enrolment.

Students

Our student website (www.taxguideforstudents.org.uk), which was endorsed by the main student advisory bodies has proved popular in its first full year with one million visitors. We have continued to work on the teaching module entitled “Where’s my payslip?”, a guide to PAYE and employee tax for school-age students, and have updated it for the current tax year.

Low-income workers

We believe it is impossible to get a proper picture of the financial dynamics of a low-income household without taking account of tax, national insurance and welfare, especially now when a growing number of new policies have implications for all three. In May 2015 we launched the Couples and Taxation (CAT) report (funded by CIOT council). A positive report appeared in the money section of the Financial Times after publication and a copy has been placed on an

internal parliamentary website. We are taking this work forward with a round-table that is due to be held in 2016 to discuss the issues further.

Following discussions with HMRC, several LITRG comments were taken on board in the new composite P2 coding notice. Most importantly for our constituents it includes HMRC’s phone number.

Tax Credits

We raised a number of concerns about the 2014 tax credit renewal notes sent to over 6 million tax credit claimants. HMRC took these concerns seriously and following a number of meetings with LITRG and other representative bodies the notes were completely rewritten. The finished product was a great improvement on the previous version. We also produced a number of briefings that were quoted in both the House of Commons and House of Lords during the debates about proposed cuts to tax credits. As is well known, the Chancellor reversed those proposals in the Autumn Statement.

Direct recovery of debts

LITRG were particularly concerned about HMRC’s direct recovery of debt powers in relation to vulnerable taxpayers and tax credit claimants. In October 2015, following discussions between HMRC and LITRG, CIOT and ATT, the Government introduced an amendment to the Finance Bill to help protect vulnerable taxpayers. The amendment was a significant step forward in protecting vulnerable taxpayers and we have continued to work with HMRC on the implementation and guidance.

Devolved taxation

LITRG takes a close interest in the implications for low income taxpayers of devolution of income tax powers within the UK, and we are particularly concerned that attention is paid to the interaction with welfare benefits. We have published guidance about the new Scottish Rate of Income Tax (SRIT)

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and voiced concerns over letters HMRC sent to potential Scottish rate taxpayers. As well as responding to several consultations and evidence calls by the Scottish Parliament, Joanne Walker (LITRG Technical Officer) represented LITRG at an oral evidence session arranged by the Commission on Local Tax Reform. We have similarly continued to work on devolved tax issues in relation to Wales. Claire Thackaberry, LITRG Technical Officer, gave evidence to the Welsh Finance Committee on the Tax Collection and Management (Wales) Bill.

LITRG online

Our four websites (including the main www.litrg.org.uk) have gone from strength to strength in 2015. The LITRG site has always complemented HMRC's own tax and tax credit material, however since the move to GOV.UK, more and more people have turned to LITRG for information and guidance on tax and tax credit matters. We received around 2.75 million visitors to our sites in 2015, a phenomenal increase on our 2014 figures. This was against a background of some disruption after our website host went into administration resulting in some downtime for the LITRG website. We are now the primary provider of tax material online and we have worked through 2015 to continue to grow our body of education material including the introduction of an armed forces section, guidance on the new Scottish Rate of Income Tax, guidance on auto-enrolment for those employing their own personal assistant and new material on childcare schemes that is in its final development stages.

Into 2016

2016 is already shaping up to be a challenging year for LITRG. Our HMRC funding comes to an end in April 2016. HMRC are moving forward at great speed with their digital plans and we will continue to ensure that we give a voice to those who are in danger of being left behind. We will continue to focus on our excellent websites, ensuring that they

remain the most comprehensive sources of tax and tax credit material on the web.

Anthony Thomas

Chair, Low Incomes Tax Reform Group

Professional Standards

When Oscar Wilde said "There is only one thing in life worse than being talked about, and that is not being talked about" he probably did not have tax or ethics in mind, although few would have predicted the extent to which tax has become an ethical issue for the media. Unfortunately the reporting does not always show the benefit of an understanding of the complexities of tax law, and so can reflect badly, and at times unfairly, on the tax profession.

It is therefore more than ever important that our members are seen to be upholding high professional standards.

Professional Standards

Members are required to observe robust codes of conduct which include Professional Conduct in Relation to Taxation (PCRT) and Professional Rules and Practice Guidelines (PRPG). These are designed to set out clearly the standards expected of a member and to give the public and clients the confidence that by using the services of a CTA they will be working with someone who is up to date with their technical knowledge and who will provide their advice and conduct their practice in a professional manner.

In March 2015 the government issued a challenge to the professional bodies involved in the writing of PCRT. This asked

"the regulatory bodies who police professional standards to take on a greater lead and responsibility in setting and enforcing clear professional standards around the facilitation and promotion of avoidance"

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The CIOT along with the other 6 professional bodies have been discussing their response with HMRC and are working closely to reach an acceptable response to this challenge for all involved. This is no small task, but the importance of our standards is recognised by a wide audience, with an increasing number of professional bodies outside the PCRT group also adopting the guidance as suitable professional standards for their members.

Anti-money laundering (AML)

In addition to the more routine elements of the AML monitoring role, the CIOT, along with the other AML Supervisors assisted with the National Risk Assessment. It was therefore disappointing to see the report published in October 2015 which identified the accountancy and legal sectors as being high risk for money laundering and terrorist financing. Both sectors have fed back to HM Treasury, the Home Office and HMRC (all of whom were involved in drafting the report) their concerns about the conclusions reached and drawn attention to several areas where the data was misinterpreted or based on a misunderstanding of the work in those sectors. In particular the report made insufficient distinction between firms supervised by a professional body and accountable to that body's ethical code and those supervised for AML compliance only, by the default supervisor, HMRC. We will be liaising with all the relevant Government departments on the action plan resulting from this report in early 2016 to ensure that the details of the plan are based on a thorough analysis of the situation.

The 4th AML Directive was agreed in May 2015 and member states have until June 2017 to implement it.

Reviews and updates

It is important that the guidance provided for members (and their clients) is kept up to date. This year the Continuing Professional Development rules, Professional Indemnity rules and Engagement

Letters have all been under review in 2015 and following the updated PCRT issued in May 2015 work has already started on updating PRPG. The updated documents should be available during 2016.

CFE

The CFE continues to provide a very valuable resource for keeping up to date with developments in Europe and for sharing ideas with fellow tax professionals in other member states. The Professional Affairs Committee's annual conference was on "Big Data – a threat to taxpayer's rights" had a wide range of excellent speakers and was very informative. The resounding message from the experts was that people are "willing to pay their fair share of tax ... provided their neighbour does so as well!"

The conference also saw the launch of the Model Taxpayer charter which was developed by CFE, AOCTA and STEP. It features a helpful Ten Commandments style summary of a Taxpayer's Rights and a Taxpayer's Responsibilities.

The Committee

The Committee is very fortunate to have such a well-informed, lively, diverse, and committed membership who willingly give of their time to participate in the many working parties. Tracy Easman took over as chair of the Committee from Ray McCann and Alistair Cliff became the vice-chair. Abigail Day stood down from the Committee and we thank her for her contribution to the Committee for many years.

Staff

The Professional Standards Team was delighted to welcome Jane Mellor as a Professional Standards Officer.

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I know that due to the work and commitment from the joint Professional Standards Team of Heather Brehcist, Charlotte Ali and Jane Mellor and this Committee, we are all better equipped to deal with the difficulties our industry is faced with. The guidance produced helps to ensure that we are able to meet the high standards expected of us as Members of the CIOT.

Tracy Easman

Chair, Professional Standards

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 fulltime and part-time roles in the year was 80 (2014 - 73).

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 (see pages 67-74). 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 35,500 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. 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. On-line and face-to-face training on diversity was provided for staff in 2015.

Organisations Relevant to the Institute

Taxation Disciplinary Board – Enforcing Standards

In 2001 the CIOT and the ATT established the Taxation Disciplinary Board (TDB) as an independent body to handle complaints about alleged breaches

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of professional rules of conduct by members and students of the two bodies. The Institute of Indirect Taxation (IIT) was a member of the Board from February 2011 until its merger with the CIOT in July 2012.

Public interest

The Board is responsible for administering the Taxation Disciplinary Scheme, which sets out the principles and powers which underlie the participants' complaints and disciplinary procedures. One of the key principles underlying the Scheme is that of fairness – fairness to both the public and to the profession. They are not mutually exclusive. We aim to process cases as efficiently and promptly as possible in a manner that is proportionate, transparent and effective. We are focussed on our public duty to address both the incompetent adviser and the oppressive complainant. Members who conduct themselves in a professional manner are unlikely to face disciplinary proceedings. However, the disciplinary procedures exist to protect the public and members of the participating bodies. By enhancing the standing and reputation of the tax profession, they can only be beneficial to all its members. We are concerned to ensure that the TDB remains at the forefront of best regulatory practice and therefore better serves the public interest on behalf of an open and aware profession that commands widespread public confidence.

Structure of TDB

Overall responsibility for the Taxation Disciplinary Scheme rests with the Directors of the Board. The Chairman of the Board is a joint appointee of the CIOT and the ATT. Des Hudson, the former Chief Executive of the Law Society, was appointed as the Chairman in November 2009. The other two Directors, John Dewhurst and Larry Darby, are individual appointments of the two participating bodies. The committees and tribunals appointed by the Board are drawn from panels of lay persons, including lawyers (who are not tax professionals),

and professional members who have no current involvement with the standards setting of the two participants. All are appointed through a process of open recruitment. The Board employs a part-time Executive Director, who has day to day responsibility for the processing of complaints and the smooth running of the Board. Neville Nagler retired from this role early in 2015, and has been replaced by Peter Douglas, who was previously the Secretary to the Disciplinary Tribunal.

Complaints and disciplinary procedures

Under the Scheme, the Board deals with complaints alleging breaches of professional standards and guidance (as set out in the Professional Rules and Practice Guidelines of the CIOT and ATT), the provision of inadequate professional service, and conduct unbecoming a professional person. The initial handling of complaints is carried out by the Executive Director, who may reject a complaint if it appears frivolous, vexatious, more than a year old or outside the jurisdiction of the Scheme, subject to a right of appeal to an independent assessor. If the complaint involves a breach of the participants' administrative rules, the Board may impose a limited financial penalty, but a member who objects is entitled to request a full hearing by a Disciplinary Tribunal.

The majority of valid complaints are referred to an Investigation Committee to consider whether there is a prima facie case to answer. If the Committee decides that a prima facie case has not been made out or that the matter is too minor to warrant referral to a Disciplinary Tribunal, the complainant has a right of appeal to an assessor, who may reject the appeal or require a new Investigation Committee to reconsider it. All other cases are referred to a Disciplinary Tribunal.

If the public interest appears to require more urgent action, for example where a case alleges criminal behaviour or dishonesty but where the complexity of the case requires a full and lengthy investigation

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of all the issues, the Board has in place powers to impose an interim order. Although it has not yet proved necessary to use such powers, they allow the Board to take urgent action in a case where the Investigation Committee has found that there is prima facie evidence and considers that the member poses a risk to the public such that it is in the public interest or necessary for the protection of the public to suspend his membership of the ATT or CIOT, pending the full hearing of disciplinary charges by a Disciplinary Tribunal.

The Disciplinary Tribunal is composed of three members, who include a legally-qualified chairman, a lay member and a professional member. The Tribunal hears the evidence and listens to any witnesses. If the Tribunal finds the case against the member proven, it may impose a relevant sanction, ranging from a warning through to expulsion. It will normally award costs against a defendant against whom it has made a finding and order that its finding be published. Following a finding by a Disciplinary Tribunal, both the defendant and the Board may seek to appeal. If the appeal meets the specified criteria, the case will go to an Appeal Tribunal, which has a similar composition to a Disciplinary Tribunal.

Recent changes

In January 2014 the Board introduced some amendments to the Regulations which govern the TDB's procedures. The principal change was to introduce a simplified procedure for presenting cases to the Disciplinary Tribunal where the defendant accepts the charges. This will avoid the need for a barrister in such cases and should reduce the level of costs awarded against such defendants. Another change designed to avoid defendants ending up with heavy costs is to allow the Interim Orders Panel to make an interim costs order in a case where it has already made an interim order. The third change allows the TDB to publish the full written decisions of tribunals, suitably redacted to avoid naming complainants or other third parties.

Summaries of decisions are still published on the TDB website and in Tax Adviser, but the full report is now accessible via a hyperlink.

Cases dealt with in 2015

The Scheme provides for the fair and independent investigation of every complaint referred to the Board and fair treatment for any member against whom a complaint is made. During 2015 the Board received 44 new complaints and dealt with 19 complaints outstanding from 2013 and 2014. (37 of these cases related to CIOT members.) Of this total of 44 complaints, 17 cases arose from the failure of members to submit the required AML returns (6 involving CIOT members). During the year the Investigation Committee considered 14 complaints (8 involving CIOT members), whilst 1 was dealt with by a financial penalty (CIOT member). Of the remainder, 12 fell outside the scope of the TDB's regulations, 27 (15 involving CIOT members) were withdrawn or not pursued by the complainant, whilst 9 cases were still under investigation at the end of the year (8 involving CIOT members).

The number of disciplinary cases involving members of the two bodies remains small. During 2015, 5 cases were heard by Disciplinary Tribunals (2 involving CIOT members), whilst a further 7 cases, including 3 re AML, (4 involving a CIOT member) were outstanding at the end of the year. Findings were made against all the defendants, none of whom sought to appeal.

In addition one Appeal against a decision of the Special Admissions Panel of ATT was heard by the Board of the Taxation Disciplinary Board.

Peter Douglas
Executive Director
Taxation Disciplinary Board

Confédération Fiscale Européenne (CFE)

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.

The key objectives of the CFE are to promote the interests of tax professionals, to exchange information about national tax law and practice, to contribute to the development of tax law at a European level by interaction both with the European Commission and the OECD and to maintain relations with any relevant authority where there is an international issue at stake. Where this may be with a national European authority such connection is through the relevant member associations.

2015 was a very active year for CFE with two General Assemblies, the Spring Forum which addressed the issue of Tax Risk and Governance in a post BEPS world and the Autumn PAC Conference in Amsterdam covering Taxpayer's rights and the threats posed by Big Data and digitisation.

The two committees of CFE, Fiscal and Professional, continued their work examining and making representations on key fiscal proposals, maintaining dialogue with the Commission, OECD and UN Fiscal Committee and issuing informed commentary on major CJEU tax case decisions through the CJEU Task Force.

The CFE strives to maintain its position as the pre-eminent European Tax body and a primary point of consultation for the Commission and OECD tax executives on matters of tax law and practice.

The CFE is represented directly on the EU VAT Forum, the VAT Expert Group of the EU VAT and Customs Union and the EU Platform for Tax Good Governance.

Over the year without doubt the major item of technical involvement continued to be the BEPS debate and CFE have been forefront in its

contribution to this which can be seen in the specific commentaries on BEPS actions included in the publications issued during the year.

Work on the definitive version of the Taxpayer Charter is complete with a dedicated website, www.taxpayercharter.com, and agreement with publishers for final print in place. It was formally introduced at the PAC Conference in Amsterdam.

Production of this document has taken many years and the input from contributors too numerous to mention. Its value, though, can be seen in the fact that already reference to it is occurring in Australia, Canada and the United States.

More detailed information in respect of the commentaries, releases and in many instances pdf downloads may be found on the CFE website www.cfe-eutax.org.

The CIOT representative on the CFE General Assembly and Council is Gary Ashford supported by Anthony Thomas and Peter Fanning. Rupert Shiers represents the CIOT on direct tax matters and Jeremy Woolf on indirect tax at the Fiscal Committee. Jeremy is the alternate member of the VAT Expert Group. John Roberts, Heather Brehcist and Gary Ashford are the CIOT representatives on the Professional Affairs Committee.

CIOT is one of the key members of CFE as its members have been and are strongly involved in all its activities. Ian Hayes, a CIOT Council member sits on the Executive Board as an elected Vice President. Stephen Coleclough, who sat on the Board as Secretary General, resigned.

The next CFE Forum "Rebuilding the international tax system: How to square the circle?" will be held on 21 April 2016 in Brussels. This forum will look at the problems of implementation posed by the finalisation of BEPS. Full details are on the website www.cfe-eutax.org.

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The Worshipful Company of Tax Advisers

The Worshipful Company of Tax Advisers (WCTA) was initially founded as a City Guild in 1995 by some leading CIOT members. It became the 107th livery company of the City of London in 2005 and was granted a Royal Charter in 2009. WCTA plays a full role in the City of London, is a member of the Financial Services Group of Livery Companies and provides tax briefings for the Lord Mayor's overseas visits to assist with discussions with overseas business people, officials and government ministers. WCTA's primary aims are to:

- enhance the standing of the profession of tax adviser in the City of London;
- support the Lord Mayor and the City of London Corporation;
- support and fund charitable and benevolent causes; and
- promote fellowship among tax advisers.

Members are all current or former tax advisers (including Chartered Tax Advisers), accountants, lawyers and tax officials.

WCTA is the corporate trustee of The Tax Advisers Benevolent Fund (registered charity 1049658) of which details are given below and The Tax Advisers Charitable Trust (registered charity 1064392) which supports a variety of charities including tax charities.

Enquiries regarding membership of the Worshipful Company of Tax Advisers should be addressed to The Clerk, 191 West End Road, Ruislip, HA4 6LD or clerk@taxadvisers.org.uk

Website: www.taxadvisers.org.uk

The Tax Advisers Benevolent Fund

The Tax Advisers Benevolent Fund (TABF) has been providing financial assistance and advice to CIOT and ATT Members and former Members and their dependants in need since it was established in 1995. TABF also provides grants for CIOT and ATT students who can demonstrate a need for financial assistance towards training to become Chartered Tax Advisers and Taxation Technicians and a commitment to undertake a course of preparation to sit the exams.

TABF is entirely dependent on donations and volunteer administration and members can help TABF to achieve its charitable objects by:

- making members and students aware of our existence and the work we do;
- making a one-off or regular donation by
- gift aid, cheque, online by BT MyDonate, or bank transfer;
- leaving a legacy; and
- becoming a volunteer.

Enquiries regarding support for the charities and applications for assistance from the Benevolent Fund should be addressed to the Almoner, Tax Advisers Benevolent Fund at 1st Floor, Artillery House, 11-19 Artillery Row, London SW1P 1RT or almoner@tabf.org.uk

Tax Volunteers (Tax Help)

Tax Volunteers, which was conceived by the Institute's Low Incomes Tax Reform Group; operates independently of the Institute; and was incorporated on 10 September 2003 as a private company limited by guarantee (registered charity nos. 1102276 in England and Wales and SC045819 in Scotland).

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Older people face many challenges in their later lives and it is often a time of major transitions, such as retirement, failing health or reduced mental faculties and mobility and, sadly, bereavement. Dealing with the demands of an increasingly complex, opaque and remote tax system against this background often creates confusion and distress.

The Tax Help service is delivered through a central team of tax advisers who take calls and enquiries and follow them through to resolution either from the Bridport head office, or a UK-wide network of some 450 tax volunteers recruited from the professional tax sector who visit clients at their homes, or see them at a convenient local centre.

In addition, Tax Help offers constructive consultation with HMRC on a wide range of issues and tax education activities which includes training sessions and public events on planning for retirement.

Enquiries regarding support for the charity should be addressed to The Chief Executive, Tax Volunteers, Pineapple Business Park, Salway Ash, Bridport, Dorset DT1 1UT.

Website: www.taxvol.org.uk

TaxAid UK

TaxAid UK is totally independent of the Institute and was incorporated on 21 May 1997 (registered charity no. 1062852). It aims to resolve tax problems that people on low incomes cannot solve alone through a national helpline and through face to face services in London and major cities in England. The charity's website is designed to make tax comprehensible for those tax payers on low incomes who struggle to understand their obligations under the tax system.

TaxAid trains front-line money and debt advisers in the voluntary sector and supports them via a dedicated helpline. It also meets with Government

and HMRC formally and informally at consultations about tax issues with affect low income earners.

Enquiries regarding support for the charity should be addressed to The Secretary and Director, TaxAid, Room 304, Linton House, 164-180 Union Street, London SE1 0LH.

Website: www.taxaid.org.uk

Bridge the Gap – 'The tax profession's safety net'

During the year Tax Volunteers and TaxAid launched a joint campaign to raise £250,000 a year for the next five years with the objective of helping thousands of people who can't afford to pay for tax advice to:

- have their tax affairs brought up to date;
- pay only the right amount of tax; and
- how to manage their tax affairs in the future.

On 2 February 2016 it was announced that Tax Help and TaxAid have appointed a joint Chief Executive to work closer together and enable them to build on their combined strengths to better serve their vulnerable clients and contain running costs.

Enquiries regarding support for this joint initiative should be addressed to Bridge the Gap, Room 304, Linton House, 164-180 Union Street, London SE1 0LH.

Website: www.bridge-the-gap.org.uk

Financial Review

It is with great pleasure that I present my Annual Report on behalf of the Finance and General Purposes Committee (F&GPC). It was indeed an honour to join the Institute in August 2015 when

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I succeeded Nick Goulding as CIOT Treasurer and Chairman of the F&GPC.

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 F&GPC is a delegated Committee of the CIOT Council, chaired by the Treasurer, with a remit to ensure that this objective is met. It advises the Executive and reports to Council on all matters relating to financial policy and the financial arrangements and on matters relating to the operating resources including IT, HR and property.

2015 Results

I am pleased to report most satisfactory results for the year. Overall the Institute achieved a net income of £29,000 after taking into account movement on investments, bringing its total reserves to £6,514,000. Total income amounted to £7,491,000, an increase over 2014 of 3.2%. Income continues to be generated primarily from Membership subscriptions which increased by 1.2% to £4,705,000 and Student registrations and examination fees which increased by 2.1% to £1,343,000.

Total expenditure amounted to £7,422,000, an increase over 2014 of 6.6%. The Institute shares staff and other back office resources with The Association of Taxation Technicians (ATT) which enables both organisations to benefit from economies of scale. Overheads are subject to strict control and monitoring against budgets which have been scrutinised carefully by F&GPC before approval. Apart from general inflationary increases in costs the main expenditure increases have occurred in IT resources, including the implementation of the new members' website and increasing demands on technology.

Costs continued to be closely controlled throughout the year, which resulted in results exceeding the budget approved by Council.

Investments

The CIOT investment portfolio continued to result in a small increase over the year, despite problems in market fluctuations, with net losses of £40,000. The F&GPC considers investment performance at each meeting and holds discussions with the portfolio managers, Cornelian, and the strategic investment advisers, LJ Athene.

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.

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

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investments in collective funds holding commercial property is permissible.

The F&GPC also considers the CIOT reserve holdings of term deposits and the index linked gilt portfolio, with the intention of providing funds to cover potential future expenditure on the expiry of the Artillery House lease in 2024. In line with the investment policy, the holdings of index linked gilts have continued to be increased by £100k annually.

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 shall be £7,335,000 (2014 £6,100,000) and is composed as follows:

- twelve 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. This calculation includes all recurring, predictable expenses such as salaries and benefits, occupancy, office and professional services plus an amount for any unforeseen expenditure; and
- two designated funds have been set up on specific projects which were:

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 63.

Trustees keep the Institute's overall financial position under regular review through F&GPC and Officers Group and retain the power to reallocate these designated funds within unrestricted funds, unless and until, expended.

The Institute's assets are held in bank deposits, a managed portfolio and gilts. The value and liquidity of the securities are monitored regularly by F&GPC. A proportion of reserves are maintained in readily realisable form.

Branches

The CIOT/ATT Branches have had a reasonable year financially with a consolidated net surplus of £57,000 before central costs. Branches have continued their important role for members and have attracted good delegate numbers at their meetings resulting from the purpose-built events booking system implemented last year.

Controls

During the course of the year, we consulted with our auditors in respect of improving our internal month-end procedures.

A comprehensive business process review was undertaken by external consultants during 2014 and CIOT management continue to implement the recommendations on an on-going basis and

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to update working practices to sustain continuing improvement.

IT

The F&GPC continues to review the CIOT's development programme for IT based systems and to monitor the related budgets, costs and progress to update systems. The CIOT strategy continues to be the eventual replacement of legacy systems, all of which are now in need of updating. F&GPC recognise that the cost of these improvements and replacements, whilst significant, is essential for the development of CIOT and to enable IT delivery which meets Members' and students' expectations and needs.

HR

Staffing has been reasonably stable during the year with some continued growth in the IT Team to meet the increasing demands on technology to support the business. There has been investment in staff and management development to reflect training and development needs for all concerned.

Charity Commission

The F&GPC has continued to consider the implications for CIOT of new recommendations and guidance issued by the Charity Commission and, in particular, has adopted the new SORP and FRS102 requirements within the 2015 annual report and financial statements.

The Future

The Institute continues to be prudent when preparing its budgets, with an anticipated small operating surplus for the year 2016.

Costs will continue to be tightly monitored as will the trends in new Member and student numbers which have a direct effect on annual operating results. Following trends in recent years, we

continue to look forward with confidence about 2016 with cautious optimism.

Thank you

I would like to express my sincere thanks to Nick Goulding, my predecessor, and other members of the F&GPC, Anthony Thomas, Stephen Foulkes and Graham Batty for their commitment, enthusiasm and valued support and advice.

On behalf of the F&GPC, I would like to thank Steve Hines, former Head of Finance, for his 20 years of commitment and support to the Institute and the Committee.

I should like to record my thanks and appreciation to Peter Fanning CEO, Paul Davies, Director of Finance and Operations and to the Finance Team at Artillery House for their continued hard work and valued contribution.

Gill Evans
Treasurer

Plans for the future

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; and
- 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.

Key plans for 2016 are:

- Commence a complete review of the CTA examination structure to ensure it continues to meet the needs of the profession and the public. The structure last changed substantially in 2009;
- To align standards across the ADIT option papers as part of the ADIT development plan which includes an ambition to develop an ADIT route to membership of CIOT;
- Market the Owner Managed Business specialism as part of the joint programme with the ICAEW;
- Working with other professional bodies, deliver a comprehensive response to the government's 'Challenge' to the professional bodies to take 'on a greater lead and responsibility in setting and enforcing clear professional standards around the facilitation and promotion of avoidance';
- To enhance technical support for members ('helping them to do their jobs') by channelling existing technical work-streams for their benefit for delivery through 'Tax Adviser Online';
- To further embed operational risk management across the entire management team; and
- To plan and prepare for roll out of integrated performance measures for all staff starting 2017.

Reference and Administrative details

Council Members

President

Chris Jones BA (Hons) CTA (Fellow) ATT (2004)

Deputy President

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

Vice-President

John Preston BSc FCA CTA (Fellow) (2012)

Gary Ashford CTA (Fellow) ATT (2011)

Roger Barnard LLM CTA (Fellow) FCA (2005)

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

Keith Bell CTA (Fellow) ATT (2008)

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

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

Stephen Coleclough* LLB (Hons) CTA (Fellow) FIIT FInstCPD FRSA Solicitor ATT TEP (2000) (*resigned April 2015*)

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

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

Glyn Fullelove MA CTA (Fellow) ACA (2014)

Alexandra Galloway MA CTA (Fellow) (2014)

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

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

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 (Hons) CTA (Fellow) Solicitor (2011)

Ray McCann CTA (Fellow) ATT (2012)

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

Natalie Miller BA (Hons) CTA (Fellow) ATT (Fellow) (2004)

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Jenny Nelder BA (Hons) CTA (Fellow) FCA (2005)
Yvette Nunn CTA (Fellow) ATT (Fellow) MAAT (2004)
Amanda Pearson BSc CTA (Fellow) ACA (2014)
Jennie Rimmer LLB CTA (Fellow) (2014)
Paula Tallon CTA (Fellow) FCA ADIT (2015)
Anthony Thomas* CTA (Fellow) FCCA ATT (Fellow) (2003)
John Voyez BSc FIIT CTA (Fellow) FMAAT (2013)

Year of appointment to Council shown in brackets.

* indicates Past President

Management Team

Chief Executive

Peter Fanning MSc BSc

Secretary and Director of Education

Rosalind Baxter BA (Hons) 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 MA (Oxon) CTA (Fellow) Solicitor

Consultant

Jonathan Crump FCA

Registered office

The Chartered Institute of Taxation
1st Floor
Artillery House
11-19 Artillery Row
London SW1P 1RT

Connected Charity

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

Auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Marlborough House
Victoria Road South
Chelmsford CM1 1LN

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 of good governance set out in the Charity Commission guidance 'Hallmarks of an effective charity' and Good Governance - Code for the Voluntary and Community Sector. These principles of effective governance and leadership are: understanding the role and responsibilities of Council; ensuring delivery of the Institute's aims; working effectively, both individually and collectively; exercising effective control; acting with integrity; and being open and accountable.

Council

The Council comprised 29 Trustees at the close of 2015 (31 in 2014) 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 Treasurer also attends. 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 five 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). One day-long meeting was entirely devoted to strategic planning. Council papers comprising an agenda, formal Council and Standing Committee 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 five times in the year to deal with day-to-day executive matters which include reports from Institute executives and staff remuneration with reference to annual performance. Council members achieved an overall attendance rate of 89% (2014: 87%) at Council meetings and 88% (2014: 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. Membership of the Committees is set out on pages 67 to 74.

Election to Council

Election to Council is by the Members of the Institute at the Annual General Meeting. The Council

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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 Cross-Cutting Committee which brings together the Chairmen of all the Standing Committees of the Institute and acts as a Nomination Committee once a year for this purpose.

Audit Committee

The Audit Committee is a joint committee of the Institute and the ATT and it has a separate budget for expenditure. Its six members (listed on page 68) including the Chairman are appointed by Institute and Association Councils from their memberships and comprise: a serving member of each Council, a nominee from each of the Institute and the Association and two other members. The Institute and Association Treasurers, the Chief Executive of the Institute and the Executive Director of the Association attend all meetings. Members of the Committee receive no remuneration for their services although travel expenses are reimbursed; are independent of the Council; have accountancy and taxation qualifications; and recent and relevant experience. The Committee acts as a catalyst in relation to matters affecting the Institute's financial controls, reporting requirements and risk management strategy and is authorised to seek any information it requires from members of the Councils of the Institute or the Association, external auditor and employees. In this role it

reviews financial control policies and their practical implementation; the changes in the external environment and the procedures used to respond to them; and the management of any prospective risk. It has specific responsibility for the relationship with the external auditor, and makes a recommendation to the Council on their appointment, reappointment and removal. It met three times during the year and requests and receives reports from management, external professional advisers and also from the external auditor on the audit. The Chairman or his deputy attends the external audit scope and audit closure meetings and the Committee reviewed the auditor's forensic analysis of the audit process in the year. The Audit Committee considers annually a wide range of audit related subjects and reports annually directly to Council. The most significant matter reviewed during the year was the positioning of the Institute and the Association for the future and the risks posed by those strategic issues. Reputational risk is at the forefront of the Committee's mind particularly in relation to HMRC's tax agent strategy; the CIOT/ICAEW Joint Programme; and the role of the Taxation Disciplinary Board.

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 £17,081 VAT inclusive (£16,589 in 2014).

Internal Controls

The respective responsibilities of the Council and Auditor in connection with the financial statements

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are explained on pages 44-46. The Council Statement on going concern is set out on page 51.

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 40). An annual letter of assurance is signed by Institute executives with responsibility for the preparation of financial statements and the adequacy of systems of internal financial, compliance and non-financial controls. 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 financial statements 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.

An independent business process review of the Institute's operations took place in 2014 and a number of projects are now underway to streamline processes for the journey from student to Member of the Institute.

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.

Remuneration and Performance Committee

The terms of reference of the Remuneration and Performance Committee were revised in the year to clarify certain responsibilities and reflect the fact that it is now a joint committee of the Institute and the ATT. 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 in the year to recommend the annual salary review for 2015-2016 to monitor the objectives for 2016 for the Chief Executive and senior staff (which were agreed in conjunction with the Chief Executive and the President); and to progress the revision of the policy on executive remuneration and performance. The Committee reports directly to the Audit Committee and the Chairman attends Officers Group and Council once per year.

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;

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- 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 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 so engendered.
- 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 2015 and sets the framework for the Institute's strategy for the coming period. 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.
- Retention of members.

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 the incoming resources and application of resources of the charity 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 the Charities SORP;
- 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 websites. 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 15 March 2016.

By order of the Council

Rosalind Baxter
Secretary

Independent Auditor's Report

We have audited the financial statements of the Chartered Institute of Taxation for the year ended 31 December 2015 on pages 47 to 66. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Council Members' responsibilities set out on pages 44-45 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2015 and of its incoming resources and application of resources 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.

Emphasis of Matter

In forming our opinion, which is not modified, we have considered the disclosure in note 1 concerning the charity's adoption of the Charities SORP (FRS 102) issued in July 2014, rather than applying the Charities 2005 SORP which has been withdrawn but is still referred to in the extant Charities (Accounts and Reports) Regulations 2008. This departure has been necessary for the financial statements to show a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for accounting periods beginning on or after 1 January 2015.

Matters on which we are required to report by exception

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

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept sufficient accounting records; 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.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Date: 21 March 2016

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Financial Statements

Statement of Financial Activities for the year ended 31 December 2015

	Unrestricted Funds 2015 £'000	Restricted Funds 2015 £'000	Total Funds 2015 £'000	Unrestricted Funds 2014 £'000	Restricted Funds 2014 £'000	Total Funds 2014 £'000
Income:						
Charitable activities ^{2a}	7,115	203	7,318	6,912	176	7,088
Income from other trading activities ^{2b}	44		44	43		43
Investment income ^{2c}	129		129	131		131
Total income	7,288	203	7,491	7,086	176	7,262
Expenditure:						
Cost of raising funds ^{2d}	15		15	18		18
Expenditure on charitable activities ^{2d}	7,230	177	7,407	6,778	168	6,946
Total expenditure	7,245	177	7,422	6,796	168	6,964
Operating Gain	43	26	69	290	8	298
Net (losses)/gains on investments ³	(40)		(40)	25		25
Net income	3	26	29	315	8	323
Loss on foreign exchange				(2)		(2)
Net movement in funds	3	26	29	313	8	321
Reconciliation of funds						
Total funds brought forward at 1 January ¹²	6,393	92	6,485	6,080	84	6,164
Total funds carried forward 31 December ¹²	6,396	118	6,514	6,393	92	6,485

The above results are derived from continuing activities and all gains and losses recognised in the year are included above. The notes on pages 50 to 66 form part of these financial statements.

Financial Statements

Balance Sheet as at 31 December 2015

	2015 £'000	2014 £'000
Fixed Assets:		
Tangible assets ⁴	239	176
Investments ⁵	5,164	4,710
Total Fixed Assets	5,403	4,886
Current Assets		
Stock ⁶	79	77
Debtors ⁷	1,025	697
Cash at bank and in hand ⁸	2,373	2,379
Total Current Assets	3,477	3,153
Liabilities		
Creditors falling due within one year	(2,320)	(1,508)
Net Current Assets/(Liabilities)	1,157	1,645
Total assets less current liabilities	6,560	6,531
Creditors falling due after more than one year ¹⁰	(46)	(46)
Net Assets	6,514	6,485
Funds of the charity:		
Restricted ¹²	118	92
Unrestricted ¹²	6,396	6,393
Total Funds	6,514	6,485

Approved and authorised for issue by the Council on 15 March 2016 and signed on its behalf by:

Chris Jones President

Gill Evans Treasurer

Peter Fanning Chief Executive

Financial Statements

Statement of Cash Flows for the year end 31 December 2015

	2015 £'000	2014 £'000
Net cash provided by/(used in) operating activities	474	(510)
Cash flows from investing activities		
Dividends and interest from investments	129	131
Purchase of tangible fixed assets	(115)	(45)
Proceeds from sale of investments	(494)	50
Net cash provided by investing activities	(480)	136
(Decrease) in cash and cash equivalents in the year	(6)	(374)
Cash and cash equivalents at 1 January	2,379	2,753
Cash and cash equivalents at 31 December	2,373	2,379
Table A		
Reconciliation of net income/expenditure to net cash flow from operating activities		
Net income as per the Statement of Financial Activities	29	323
Adjustments for:		
Add back:		
Depreciation charge for the year	42	38
Loss on disposal of fixed assets	10	
Deduct:		
Dividend and interest from investment	(129)	(131)
Loss/(gain) on investments	40	(25)
(Increase) in stock	(2)	(35)
(Increase) in debtors	(328)	(15)
Increase/(decrease) in creditors	812	(665)
Net cash provided by/(used in) operating activities	474	(510)
Table B		
Analysis of cash and cash equivalents		
Cash in hand	101	212
Notice deposits (less than 3 months)	2,272	2,167
Total cash and cash equivalents	2,373	2,379

Notes to 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 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 2015 include the results of its Branches, which are not separate legal entities, for the year ended 30 June 2015.

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 17.

The Institute and the University of Exeter formed and became sole members of a company limited by guarantee, The Journal of Tax Administration Company Limited, in February 2014. Accounts for the company have been prepared for the period ending January 31, 2015. Payments made by the Institute to that company have been included as grants payable in the SOFA.

In the opinion of the trustees, there were no judgements made that have a significant effect on the amounts recognised in the financial statements nor any key assumptions or estimates made which might cause a material adjustment to the carrying amount of assets and liabilities within the next reporting period.

Notes to Financial Statements

First time adoption of FRS 102 and the Charities SORP FRS 102/Reconciliation with previous GAAP

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. The transition date was 1 January 2014.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from entitlement of the employees of the charity to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was due but not taken. The initial liability was for £25,000. Investment gains have been reclassified and now form part of net income. In addition, governance costs are now included within support costs and allocated to activities.

Reconciliation of funds and balances	1 Jan 2014 £'000	31 Dec £'000
Fund balances as previously stated	6,164	6,485
Short-term compensated absences	(25)	(25)
Fund balances as restated	6,139	6,460

Reconciliation of Net Movement in Income	31 Dec £'000
Net movement in net income as previously stated	290
Short-term compensated absences	(25)
Reclassification of Investment gains	25
Net movement in funds as restated	290

The trustees have also taken advantage of the following exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS':

The trustees have elected to continue to recognise any residual benefit or cost associated with lease incentives on the same basis as that applied under previous UK GAAP.

Going Concern

As detailed in the Council Member's 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 2016 and 2017 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.

Notes to Financial Statements

Income Recognition

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

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

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

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

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

Expenditure Recognition

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

Cost of 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.

Other expenditure represents those items not falling into any other heading.

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

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 and governance costs. 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.

Notes to Financial Statements

Reserves

In 2015 the target for reserves was composed as follows:

	2015 £'000
12 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.	6,025
To cover (i) the unpredictable future costs of investigations 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.	1,310
	7,335
Actual reserves at 31 December 2015 (excluding restricted funds)	6,416
Shortfall in target level of reserves	919

Tangible Fixed Assets and Depreciation

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 is 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%

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.

Notes to Financial Statements

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 instruments 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.

Fixed Asset Investments

Investments have been valued at fair value at 31 December 2015. 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 in the Statement of Financial Activities.

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.

Notes to Financial Statements

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.

Donated services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time is not recognised and refer to the trustee's annual report for more information about their contribution.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services of facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Transition to FRS 102

The opening fund balances at the date of transition have been restated (see Reconciliation with previous GAAP accounting policy) due to a liability for holiday pay but no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 January 2014.

Notes to Financial Statements

2. Analysis of incoming resources and resources expended

2a. Income from Charitable Activities

	2015 £'000	2014 £'000
Membership subscriptions	4,705	4,649
Chartered Tax Adviser registration fees and entrance fees	46	46
Student registrations and examination fees	1,343	1,310
Conference and event fees	786	691
Sale of books and journal	133	114
Anti-Money Laundering fees	98	95
Grants receivable	203	176
Other sales	4	7
	7,318	7,088

The income from charitable activities was £7,318,000 (2014: £7,088,000) of which £7,115,000 was unrestricted (2014: £6,912,000) and £203,000 restricted (2014: £176,000).

Government grants received in the year amounted to £183,000 (2014: £176,000) and are detailed in note 12. There were no unfulfilled conditions or other contingencies attaching to grants that were recognised in income nor any other forms of government assistance from which the charity directly benefited during the year.

2b. Income from Other Trading Activities

	2015 £'000	2014 £'000
Sponsorship	44	43

2c. Income from Investments

	2015 £'000	2014 £'000
Dividend income	95	102
Deposit account interest	34	29
	129	131

Notes to Financial Statements

2d. Breakdown of costs of resources expended

	Activities undertaken directly £'000	Support costs £'000	Grant funding of activities £'000	Total 2015 £'000	Total 2014 £'000
Charitable activities					
Grants Payable		45	87	132	72
Education and student services	1,412	944		2,356	2,415
Membership services	2,000	1,337		3,337	2,836
Regulation and compliance	101	68		169	47
Consultation and representation	670	448		1,118	1,266
LITRG Restricted Funds	177			177	168
LITRG Restricted Support Costs		118		118	142
	4,360	2,960	87	7,407	6,946
Raising funds					
Investment management costs	15			15	18
	4,375	2,960	87	7,422	6,964
2014	3,747	3,145	72	6,964	6,964

Expenditure on charitable activities was £7,407,000 (2014: £6,946,000) of which £7,230,000 was unrestricted (2014: £6,778,000) and £177,000 was restricted (2014: £168,000)

Notes to Financial Statements

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 2015 £'000	Total 2014 £'000
Information technology	565	526
Staff costs	636	996
Operating costs	1,106	1,074
Governance costs comprising:		
Auditors Remuneration	29	20
Legal and professional fees	129	228
Council meetings (inc. Council members' expenses)	106	104
Property	20	21
Governance support	369	176
	2,960	3,145

Grants payable in respect of charitable activities

	Total 2015 £'000	Total 2014 £'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)	22	2
Tax Volunteers (registered Charity no. 1102276)	22	22
Grants payable to three University Students for original tax research (2014: three)	13	5
Grant to Low Income Tax Reform Group	20	-
Grant for Journal of Tax	-	33
	87	72

Notes to Financial Statements

3. Net income/(expenditure) for the year

	Total 2015 £'000	Total 2014 £'000
This is stated after charging:		
Depreciation	42	38
Fair value (gains)/losses on investments	40	(25)
Operating lease rentals	333	325
Auditors Remuneration:		
Audit Fees for current year	24	20
Audit Fees for prior year	5	
	444	358

4. Tangible Fixed Assets – charity

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost at 1 January	215	449	664
Additions		115	115
Disposal		(40)	(40)
Cost at 31 December	215	524	739
Depreciation at 1 January	81	407	488
Charge for the year	14	28	42
Disposal		(30)	(30)
Depreciation at 31 December	95	405	500
Net book value at 31 December 2015	120	119	239
Net book value at 31 December 2014	134	42	176

All tangible fixed assets are held for charitable purposes.

Notes to Financial Statements

5. Fixed Asset Investments

	2015 £'000	2014 £'000
Fair value at 1 January	4,710	4,737
Term deposits/(withdrawals)	469	(52)
Unrealised (loss)/gain on investment assets	(11)	21
Unrealised (loss)/gain on gilts	(29)	4
Realised gain on the sale of investments	25	
Fair value at 31 December	5,164	4,710
Historical cost	5,006	4,499
There was no single investment representing more than 5% of the portfolio valuation at 31 December 2015 with the exception of:		
2.15% index linked Treasury Gilt - 2024	462	471
1.78% index linked Treasury Gilt - 2022	437	458
Listed investments held at 31 December comprised of the following:		
Fixed interest	879	670
Listed UK equities	784	957
Listed International equities	367	378
Other assets	411	171
Gilts	899	929
Term deposits and cash	1,824	1,605
	5,164	4,710

6. Stock

	2015 £'000	2014 £'000
Publications and merchandise	79	77

Notes to Financial Statements

7. Debtors

	2015 £'000	2014 £'000
Other debtors	315	191
The Association of Taxation Technicians	269	254
Prepayments and accrued income	441	252
	1,025	697

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

	2015 £'000	2014 £'000
Cash at bank	101	212
Cash on short-term deposit	2,272	2,167
	2,373	2,379

9. Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Taxes and social security	122	81
Trade Creditors and Accruals	812	420
Deferred income (fees and subscriptions received in advance)	1,386	1,007
	2,320	1,508

Deferred income includes subscriptions, examination fees and conference fees paid in 2015 but relating to income and events in 2016.

Deferred Income

	2015 £'000	2014 £'000
Amount brought forward	1,007	1,343
Released in the year	(1,007)	(1,343)
Amounts deferred in the year	1,386	1,007
Amount carried forward	1,386	1,007

Notes to Financial Statements

10. Creditors: Amounts falling due after one year

	2015 £'000	2014 £'000
Student registration fees:		
At 1 January	46	46
Fees received in advance	209	194
Release of income in year	(209)	(194)
	46	46

11. Financial Instruments

The carrying amount of the charity's financial instruments at 31 December were:

	2015 £'000	2014 £'000
Financial Assets		
Debt Instruments measured at amortised cost	584	445
Instruments measured at fair value through profit or loss	5,164	4,710
Amount carried forward	5,748	5,155
Financial Liabilities		
Measured at amortised cost	812	420
Amount carried forward	812	420

Notes to Financial Statements

12. Income Funds: Unrestricted

	Movement in funds				At 31.12.15 £'000
	At 01.01.15 £'000	Incoming resources £'000	Resources Expended £'000	Transfer £'000	
Unrestricted					
General	5,191	7,288	7,285	(108)	5,086
Designated:					
Property	902			108	1,010
Disciplinary procedures	300				300
	6,393	7,288	7,285	0	6,396

The transfer of £108,000 from the General to the Property Fund comprises a transfer of £150,000 to the Property Fund in accordance with the reserve policy and transfer of £42,000 from the Property Fund to the General Fund relating to the depreciation on capitalised expenditure. Please see the accounting policy for more information.

Income Funds: Restricted

	Movement in funds			
	At 01.01.15 £'000	Incoming Resource £'000	Outgoing Resources £'000	At 31.12.15 £'000
HMRC	92	203	(177)	118

Grants received from HMRC amounted to £183,000 and relate to four LITRG projects; a joint website benefit/tax credits website, tax help for migrants, tax help for disabled people and tax help for students. The agreement with HMRC ends in 2016. In addition, CIOT Council awarded £20,000 to support LITRG activities.

Analysis of net assets between funds

	Unrestricted Fund £'000	Designated Funds £'000	Restricted Fund £'000	Total £'000
Tangible Fixed Assets	239			239
Investments	5,164			5,164
Cash on short-term deposit and at bank	945	1,310	118	2,373
Other net current (liabilities)	(1,216)			(1,216)
Creditors falling due after more than one year	(46)			(46)
Total	5,086	1,310	118	6,514

Notes to Financial Statements

13. Capital Commitments

At 31 December 2015 there were no capital commitments contracted or authorised but not contracted (2014: none).

14. Financial Commitments

The Institute has annual commitments under its office lease as follows:

	2015 £'000	2014 £'000
Amounts due:		
Within one year	333	333
Between one and five years	1,334	1,334
After five years	1,019	1,352
Total commitment	2,686	3,019

The Institute entered into a long term lease at 1st Floor, Artillery House, 11-19 Artillery Row, London SW1P 1RT in January 2009. The lease has an element of a rent free period which was spread over 5 years to the date of the first rent review in 2014.

Other financial commitments

The Institute has a commitment under an agreement with the University of Exeter to make two payments of £33,000 to the Journal of Tax Administration Limited in the period to 2016.

15. 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 £7,500 (2014: £7,500).

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 £372,176 (2014: £356,379).

There was an outstanding pension contribution at year end for 2015 of £32,000 (2014: £Nil).

Notes to Financial Statements

The average number of employees is 80 (2014 - 73) and the number whose salary and benefits in kind, including pension contributions and termination payments, fell within the following scales is as follows:

	2015	2014
£60,001 - £70,000	4	4
£70,001 - £80,000	2	2
£80,001 - £90,000	1	4
£100,001 - £110,000	3	3
£160,001 - £170,000	1	1

Total staff costs:

	2015 £'000	2014 £'000
Salaries	2,928	2,963
National Insurance	322	309
Pension costs	404	356
Other staff costs	0	10
	3,654	3,638

16. 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 35,500 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.

Notes to Financial Statements

17. 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 £17,082 (2014: £16,590). Details of the individual Council members remuneration can be obtained on written request to the registered office on page 5. Council members' travelling expenses are reimbursed in respect of expenses incurred on Institute business.

In the year ended 31 December 2015, 18 Council members claimed reimbursement of expenses aggregating to £36,464 (2014: 21 claimed a total of £63,000 for the year).

Council members pay subscriptions on the same basis as other Members.

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The key management personnel of the Chartered Institute of Tax comprises [titles of key personnel]. The total employee benefits and remuneration of the key management personnel during the year was £453,000 (2014: £438,000).

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 £1,038,000 (2014: £1,019,000) and the balance outstanding from the Association at the balance sheet date was £269,000 (2014: £254,000) included in Debtors.

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 £86,000 (2014: £91,000). The amount due to CIOT from TDB at the balance sheet date was £86,418 (2014: £75,723) included in Debtors.

Committees of Council Volunteers 2015-2016

Officers Group

Chris Jones (Chair)
Bill Dodwell (Deputy Chair)
John Preston (Vice-Chair)
Michael Steed (ATT matters only)
Anne Fairpo

Membership & Branches Committee

Chris Brydone (Chair)
Keith Bell
Derek Carr
Chris Lallemand
Helen McGhee
Andrew McKenzie-Smart
Malachy McLernon
Jenny Nelder
Yvette Nunn
Clifford Rodgers
Paula Tallon
David Treitel

Education Committee

Alex Galloway (Chair)
Philip Baker
Daniel Lyons
Anne Fairpo
Roger Barnard
John Beattie
Adeline Chan
Kenneth Crofton Martin
Chris Jones
Barry Jefferd
Pete Miller
Steve Nash[◊]
John Preston
Philip Ridgway
Penelope Tuck
Nicki Shilston

[◊] = Ex-Officio

Low Incomes Tax Reform Group

Anthony Thomas (Chair)
Barbara Abraham
John Andrews
Alan Barton
Leonard Beighton
Larry Darby
Nigel Eastaway
Andrew Flint
Eile Gibson
Andrew Goodall
Martin Hodgson
Francesca Lagerberg
Bianca Marsden
Patrick Millard
Gary Millner
Caroline Miskin
Sam Mitha
Jane Moore
Caroline Phillips
Philip Ridgway
Clive Tulloch
Sally West
Sharron West
John Whiting

Performance & Remuneration Committee

Vincent Oratore (Chair)
Nigel Eastaway
David Stedman
Anne Fairpo
Natalie Miller
Rakesh Shaunak

Professional Standards Committee

Tracy Easman (Chair)
Alistair Cliff (Vice-chair)
Gary Ashford
Rosemary Blundell
Ruth Cook
Matt Coward
Abigail Day
Karen Eckstein

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Ian Hayes
Jean Jesty
Ray McCann
Lisa Macpherson
Colin Murrell
Amanda Pearson
Tina Riches
Ilana Rinkoff
John Roberts
David Stedman
Richard Todd
Anthony Thomas⁹
Rosalind Upton
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Keith Bell
Nic Byrne

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John Barnes
Jeremy Coker (ATT matters only)
Kenneth Crofton Martin
Anne Fairpo
Kim Harmer
Mike Thexton

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Ronnie Fell
Richard Geldard
Ian Menzies-Conacher
Peter Newsam
John Roberts

Finance & General Purposes Committee

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Stephen Foulkes

Nick Goulding
Anthony Thomas
Graham Batty (ATT representative)

Cross-Cutting Committee

Chris Jones (Chair)
Chris Brydone
Bill Dodwell
Alex Galloway
John Preston
Rakesh Shaunak
Anthony Thomas

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David Bradshaw
Chris Brydone
Rebecca Cave
Sally Cox
Ronnie Fell
Stephen Foulkes
Alexander Garden
Malachy McLernon
Joanne Routier
Jeffrey Smith

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Kenneth Crofton Martin
Natalie Miller
Donald Pearce-Crump
John Preston

Tax Adviser Sub-Committee

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Chris Jones
Tanya Hiscock
Yvette Nunn

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Steve Dale (Vice-Chair)
Trudy Armstrong
Philip Baker
Marissa Hall
Conrad Law
Nisha Modha
Martin Powell
Abbas Sadak
Jeff VanderWolk
Bertil Weigend

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Ariel Bergmann
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Richard Cullen
Elaine Doyle
Christiana HJI Panayi
Tony Jackson
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Bernard Schneider
Joy Svasti-Salee
Michael Walpole

Technical Committee and its Sub-Committees

Technical Committee

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Peter Dylewski (Vice-Chair)
Paul Aplin (ICAEW)
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Andrew Hubbard
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Vincent Oratore
Elspeth Orcharton (ICAS)
Jonathan Preshaw
Brian Slater
Anthony Thomas^o
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David Bowes
Emma Chamberlain
Giles Clarke
Nick Dunnell

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Martyn Gowar
David Hughes
Alex McDougall*
Simon McKie
Mark McLaughlin
Natalie Miller
Lakshmi Narain
Graham Poles
Daniel Sladen
Graeme Stenson
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Michael Collin
Victor Dauppe
Bill Dodwell
Pauline Finney
Malcolm Gammie
Philip Gillett
Clair Hooper
Bill Ismail
Rebecca Knight
Morag Loader
John Messore
Rebecca Murray
Lakshmi Narain
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Graham Farquhar
Lesley Fidler
Andrew Gotch
Mark Groom
David Heaton
Sue Illingworth
Alan Judes
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EU & Human Rights

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