

International University of Malaya-Wales

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Taxation

Level 5

Identifying problems that currently exist in certain areas

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Table of Content

Student Feedback Form

1.0 Introduction

2.0 Housing Taxation

2.1 Council Tax

2.2 Stamp Duty Land Tax (SDLT)

3.0 Personal Taxation

3.1 Problems and Differences between Self-Employed Individuals and Employee

4.0 Environmental Tax

4.1 Problem with Environmental Tax

5.0 Conclusion

STUDENT FEEDBACK FORM

This section details the extent to which the assessment criteria are demonstrated by you, which in turn determines your mark. The marks available for each category of skill are shown. Lecturers will use the space provided to comment on the achievement of the task(s), including those areas in which you have performed well and areas that would benefit from development/improvement.

Generic Assessment Criteria	Marks available	Marks awarded
1. Engagement with Literature Skills	10	
2. Knowledge and Understanding Skills	20	
3. Cognitive and Intellectual Skills	20	
4. Practical Application Skills	20	
5. Transferable Skills for Life and Professional Practice (including 10 marks for participation)	30	

Assessment Mark (Assessment marks are subject to ratification at the Exam Board. These comments and marks are to give feedback on module work and are for guidance only until they are confirmed.)	Late Submission Penalties (tick if appropriate)		%
	Up to 1 week late (40% Max)		
	Over 1 week late (10%)		

1.0 Introduction

In the article that has been written by Isaac Delestre's claim that many parts of the British tax system require immediate repair has generated a great deal of discussion in recent years. The current tax system is extremely complicated and inefficient when it comes to personal taxation, environmental taxation, and housing taxation. The regressive impact and market distortion associated with housing taxation, especially council tax and Stamp Duty Land Tax (SDLT), are problems. Disparities between the self-assessment system for self-employed individuals and the PAYE system for employee are brought to light by personal taxation, particularly concerning the handling of National Insurance Contributions (NICs) (Anon,2024). Environmental taxation is criticized for its fragmented and insufficiently impactful policies, although they are crucial in light of the global climate issues. This research explores these three crucial areas, highlighting the pressing need for a thorough examination and reform while also exposing the issues that currently exist.

2.0 Housing Taxation

There are many problems with housing taxation, which includes council tax and Stamp Duty Land Tax (SDLT). Due to its regressive character and outdated property value ranges, council tax disproportionately affects households with lower incomes and varies greatly by location. Designed to be a progressive tax, the SDLT frequently causes market instability and affordability problems by distorting the property market. Concerning the article, the fact that both taxes parties raise fairness issues when it comes to individual of homeowner tax payments.

2.1 Council Tax

First, the council tax, which it is a UK local tax levied on domestic property paid by occupants or the property to the local authority (Razzaque, n.d.). Where the money is genuinely being collected as payment for the services the local government rendered. The funds raised will go towards road and street lighting maintenance as well as services like trash collection and cleaning.

The council tax is frequently criticized for being regressive, which means that low-income families pay a higher proportion of the tax than do high-income households. The problem of regressivity arises because council tax paid is determined by the property's estimated

value rather than the income of the occupants. As a result, comparing those in higher-value properties, and those in lower-value homes (often low-income families or individuals), pay a larger percentage of their income into the council tax. As then, for households who are already struggling financially, this unequal burden makes it harder for them to pay for other necessities like food, utilities, and medical care.

Since the valuation of property is the basis for calculating council tax, as then updating the value of the property is an important thing to do (Government Digital Service, 2011). But there is still an issue with the valuation system, the property value in 1991 in England and Scotland, and 2003 in Wales is still being utilized to calculate the value of council tax. The substantial changes in property market prices that have taken place since then are not reflected in these outdated appraisals. As an example where a house in Islington would cost about 90,000 (currently expected to have a value of 1.1M). Overtaxed properties are those that have depreciated or seen less value growth, while those that have increased greatly in value over the previous few decades are still undertaxed. Due to the outdated valuation system, householders with comparable economic status may have significantly differing council tax obligations as a result of this misalignment, which leads to systemic inequality. The tax system's inability to adapt to the modern market relies on a lack of periodic revaluation, inefficiencies, and perceived injustice result.

2.2 Stamp Duty Land Tax (SDLT)

When a buyer in England and Northern Ireland purchases land or property, whether it be freehold, leasehold, shared owner property, or otherwise, they are required to pay SDLT. Where equivalent Land and Building Transaction Tax applied to Scotland, Land Transaction Tax will apply to Wales. It differs from council tax in that It is a one-time payment given within 14 days of the completion of a person's land or property transaction. The land's price or the property's value will be used to determine the tax value, and an individual will be charged on a 'sliced basis' (Valcheva, 2024).

The burden of SDLT varies depending on the region and kind of property. For example, compared to identical homes in other locations, residences in London and the South East, where house prices are much higher, incur far higher SDLT taxes. People who move houses more frequently would pay more taxes, as was also indicated in the article. Due to this regional

difference, purchasers in affluent areas have to bear a significantly greater price burden. Furthermore, some property types, including large-family houses or high-value properties, may be disproportionately affected by SDLT, resulting in an unequal allocation of tax liabilities. When comparing job opportunities in London with those elsewhere, London jobs will naturally be better because it is the city. As such, an individual's desire to transfer and obtain better employment would be discouraged by the SDLT rate. The rules stated that individuals who relocate more frequently pay more; the more booming the city, the higher the SDLT rate.

Another significant issue with SDLT is affordability, particularly for first-time purchasers. For those making their first foray into the housing market, the increased expenses of SDLT may pose a serious financial challenge. Despite there are certain benefits applied to first-time purchasers, the entire cost of SDLT may still make properties unaffordable. First-time purchasers find it more difficult to afford a property because of the high SDLT rates, particularly in booming areas where most people want to locate. The high SDLT rates add to the already significant costs of buying a home, such as deposits, and mortgage fees.

3.0 Personal Taxation

In the UK, there are two main systems used to manage personal taxes: Pay As You Earn (PAYE) and Self-Assessment (Anon, 2024). For employed individuals, PAYE is a system where companies automatically deduct taxes from employees' salaries and send the money to HM Revenue and Customs (HMRC). Both income tax and National Insurance contributions are covered under this scheme. On the other hand, self-employed people, freelancers, and those with extra sources of income not covered by PAYE use the Self-Assessment system. Individuals who use Self-Assessment are in charge of computing their own National Insurance contributions and taxes to HMRC, typically via yearly tax return.

3.1 Problems and differences between Self-employed and employees with PT

As stated, when someone works as an employee or is truly self-employed, there are differences in the taxation treatment. The PAYE system automates tax deductions and calculations for working individuals. Employers directly deduct income tax from workers' salaries, streamlining the process and relieving workers of some administrative work. This strategy reduces the possibility of big, unforeseen tax payments by ensuring that taxes are paid

regularly throughout the year. This then leads to a lack of flexibility towards the employees, as it may be complicated when individuals encounter problems with overpaid or underpaid taxes caused by the incorrect tax code applied. Self-employed people, on the other hand, are responsible for handling their tax obligations through the Self-Assessment system. As a result, they must do their tax calculation, file yearly tax returns, and make lump sum payments. With that, it may be very time-consuming, as the calculation of tax may be very complicated as different ranges are applied (Anon, 2024).

The way National Insurance contributions are used is yet another important section in tax treatment. National Insurance is one of the taxes that individuals contribute for personal benefits and pensions. Whereas, from the article, we can see that in the current situation, citizens do not get good benefits from paying NIC. The high amount of income tax adding up NIC, has caused more financial stress towards individuals (Government Digital Service, 2012). Along with income tax, employers automatically deduct Class 1 National Insurance contributions from employed individuals. The smooth operation guarantees that National Insurance is paid on time and correctly every time. Conversely, self-employed people have to pay National Insurance contributions for both Class 2 and 4. Class 2 contributions are made at a fixed rate, whereas Class 4 is based on a proportion of their profit. This then further complicates the Self-Assessment process because the individuals must compute and pay these contributions directly.

Furthermore, compared to PAYE, there is an increased chance of tax evasion in the Self-Assessment system. Self-employed individuals are solely responsible for calculating their income and expenses, placing a heavy burden on honesty. Due to the possibility of inadvertent mistakes or purposeful evasion, this self-reporting system may complicate tax collection operations and result in notable disparities in tax revenues.

4.0 Environmental Taxation

The practice of environmental taxation entails the imposition of levies and regulations designed to encourage environmental sustainability and lessen adverse environmental effects. Important environmental levies include the vehicle excise duty, which is determined by a vehicle's emissions, and the carbon tax, which levies emitters for their carbon dioxide emissions. By limiting total emissions and permitting the selling of emission permits, policies like the Emissions Trading Scheme (ETS) also play a significant impact. With the help of the policies,

people and companies will be financially motivated to lessen their carbon footprint and develop a more sustainable economy.

4.1 Problem with Environmental Taxation

The absence of integration and consistency across different programs is a major issue with the way environmental taxes are currently implemented. Policies about environmental taxes are frequently created piecemeal, resulting in a disjointed strategy. The incoherence of the regulations hinders their overall efficacy by making it harder for individuals and enterprises to comprehend and adhere to them. For example, disparate taxes and incentives might apply to comparable industries or activities without obvious alignment, which would be confusing and inefficient. The anticipated environmental advantages may also be lessened in the absence of a coherent framework because individual actions might not be sufficient to bring about significant change.

The fact that present environmental tariffs frequently fall short of offering sufficient incentives to dramatically cut carbon emissions is another crucial problem. Although carbon taxes and other similar levies are intended to discourage excessive emissions, their rates are often too low to have a significant impact on the behavioral changes in cleaner technology. Due to the lack of effect these levies have, carbon emissions continue to be high and the shift to a low-carbon economy is happening more slowly than is required to achieve climate targets. Good environmental taxes should force companies and consumers to embrace more sustainable practices and aggressively reduce their carbon footprint by imposing fees that accurately reflect the harm that has been made to the environment.

Owing to the lack of consistency in laws and regulations, people or companies may exploit any gaps in the law to complete their tasks. Furthermore, the lack of a cohesive strategy for environmental taxation implies that the overall effect of these levies is less than the total of their parts, failing to generate a potent market signal that encourages significant investments in environmentally friendly activities.

5.0 Conclusion

Upon examining the 3 types of taxes, several important concerns become apparent. There are many difficulties with housing taxation, particularly with council tax and SDLT. Due to its

regressive nature and reliance on antiquated property valuation that does not accurately reflect the current market valuation, the council tax disproportionately affects low-income households and creates regional inequities. By grouping transactions around tax thresholds, the SDLT distorts the housing market and makes first-time purchasers' affordability problematic due to its uneven regional burdens. There are some significant issues with personal tax as well, including PAYE and Self-Assessment. The Self-Assessment system places a significant administrative burden on individuals, giving a higher possibility of tax evasion problems and potentially creating cash flow problems; while the PAYE system then made difficult for employees to amend when there is an error. The issue with environmental taxation is its lack of clarity and inadequate impact. The fragmented nature of environmental tax regulations undermines their effectiveness by causing confusion and inefficiencies due to inconsistent applicability across regions. The shift to a low-carbon economy is also frequently delayed by the inadequacy of the incentives currently in place for reducing carbon emissions.

It is critical to address these problems to have a more equitable and efficient tax system. This would entail making sure that tax loads are distributed equitably across all areas and income levels, updating and integrating tax systems to reflect contemporary economic realities, and offering clearer incentives for sustainable activities.

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