

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

BACKGROUND

The Tax Law Rewrite Project

8. In December 1995 the Inland Revenue presented a report to Parliament on the scope for simplifying the United Kingdom tax system (*The Path to Tax Simplification*). The main recommendation was that United Kingdom direct tax legislation should be rewritten in clearer, simpler language.
9. This recommendation was welcomed, both in Parliament and in the tax community. In his November 1996 Budget statement the then Chancellor of the Exchequer (the Rt Hon Kenneth Clarke MP, QC) announced that the Inland Revenue would propose detailed arrangements for a major project to rewrite direct tax legislation in plainer language.
10. The project team was given the task of rewriting the United Kingdom's existing primary direct tax legislation. The aim is that the rewritten legislation should use simpler language and structure than previous tax legislation. The members of the project are from different backgrounds, including Inland Revenue employees, private sector tax professionals and parliamentary counsel including (as head of the drafting team) a senior member of the Parliamentary Counsel Office.

Steering Committee

11. The work of the project is overseen by a Steering Committee, chaired by Lord Howe of Aberavon CH, QC. The membership of the Steering Committee as at 31 October 2004 was:

the Rt Hon the Lord Howe of Aberavon CH, QC (Chairman)

Ian Barlow

Adam Broke

Ian Dewar

David Hartnett CB

the Rt Hon Michael Jack MP

Dr John Avery Jones CBE

Rachel Karp

the Rt Hon Lord Mustill

Eric Joyce MP

David Swaine

Consultative Committee

12. The work is also reviewed by a Consultative Committee, representing the accountancy and legal professions and the interests of taxpayers. The membership of the Consultative Committee as at 31 October 2004 was:

Robin Martin CB	Chairman
Graham Aaronson QC	Revenue Bar Association
Adam Broke	Special Committee of Tax Law Consultative Bodies
Derek Brownlow	Institute of Directors
Colin Campbell	Confederation of British Industry
Taha Dharsi	London Chamber of Commerce and Industry
Mary Fraser	Association of Chartered Certified Accountants
Malcolm Gammie QC	The Law Society of England and Wales
Terry Hopes	Institute of Chartered Accountants in England and Wales
Isobel d'Inverno	Law Society of Scotland
Keith Gordon	Chartered Institute of Taxation
Simon McKie	Institute of Chartered Accountants in England and Wales
Cunnie Rankin	Institute of Chartered Accountants of Scotland
Simon Sweetman	Federation of Small Businesses
Wreford Voge	Chartered Institute of Taxation
Professor David Williams	Office of the Social Security Commissioners
Mervyn Woods	Confederation of British Industry

Consultation

13. The work produced by the project has been subject to public consultation. This has allowed all interested parties an opportunity to comment on draft clauses. The consultation took the form of a series of Exposure Drafts which published clauses in draft. The relevant ones for this Act are numbers 1, 2, 4, 8, 10 and 13. They were published in July 1997, July 1998, March 1999, October 1999, May 2000 and March 2002 respectively. A draft Bill was published for consultation in March 2004.
14. In addition to formal consultation by way of Exposure Drafts and draft Bill the project also produced papers for the Committees which both informed the Committees and sought their views on particular issues. Draft clauses and explanatory notes were also posted on the Tax Law Rewrite website for comment.
15. Those who responded to one or more of the Exposure Drafts, to the draft Bill or to the draft clauses published on the website include:

Adam Broke & Co

*These notes refer to the Income Tax (Trading and Other Income)
Act 2005 (c.5) which received Royal Assent on 24 March 2005*

Association of Partnership Practitioners
Association of British Insurers
Association of Friendly Societies Taxation Sub-Committee
Association of Unit Trusts and Investment Funds
Bank of Scotland
Building Societies Association
British Bankers' Association
Cardiff Law School, Cardiff University
Chartered Institute of Taxation
City of London Law Society
City of Westminster & Holborn Law Society
Clark Whitehill
Clement Keys Chartered Accountant
Confederation of British Industry
Construction Industry Joint Taxation Committee
Consumers Association
County Land and Business Association
Covington & Burling
Daron H Gunson
David Brodie
David Southern
David Williams
Deloitte & Touche
Denton Wilde Sapte
Ernst & Young
Farrer & Co
F J Griffiths
Federation of Small Business
Hammond Suddards
Holborn Law Society
HSBC
Ian Hay Davidson
Institute of Chartered Accountants in England and Wales
Institute of Chartered Accountants of Scotland

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Institute of Directors
Institute of British Payroll Management
Institute of Payroll and Pensions Management
John Jeffrey-Cook
KPMG
Law Society of England and Wales
Law Society of Scotland
London Society of Chartered Accountants
Maurice Parry-Wingfield
Moore Stephens
Motion Picture Association
National Farmers' Union
Office of the Legislative Counsel, Northern Ireland
Pannell Kerr Forster
Plain Language Commission
Plain English Campaign
Ralph Newns
Special Committee of Tax Law Consultative Bodies
Society of Trust and Estate Practitioners
Tax Aid
Tax in Industry
Terry Harvey
Wedlake Bell McKean

Note: this table excludes those who asked for their responses to be treated in confidence.