

Office Of Tax Simplification Framework Document

1. Introduction

This framework document has been drawn up by the Treasury, HM Revenue & Customs (HMRC) and the Office of Tax Simplification (the Office). It sets out the framework within which the Office will operate – it does not convey any legal powers or responsibilities.

The Office has been established as an independent Office of the Treasury on 20 July 2010 to advise the Chancellor on delivering a simpler tax system, providing independent advice on options for addressing existing complexity in the tax system.

2. Function and responsibilities of the Office

The aim of the Office is to provide independent advice to the Chancellor on simplifying the UK tax system, with the objective of reducing compliance burdens on both businesses and individual taxpayers. To do this, the Office will:

- provide the Government with independent advice on where there are areas of complexity within the UK tax system with the potential for simplification; and
- conduct inquiries into complex areas of the tax system, to collect evidence and advise the Government on options for reform.

The Office will publish individual reports on its inquiries that set out evidence it has collected, including on the views of interested parties, its analysis of potential options, and proposals for simplification. The Board members will meet the Chancellor or the Exchequer Secretary to the Treasury following publication of each report to discuss its findings.

The Chancellor will lay the Office's reports before Parliament, and Board members may be required to give evidence before the relevant Parliamentary committees on the contents of these reports.

3. Scope of the Office's remit

The Office's remit covers all UK taxes and duties administered by HMRC, including those paid and collected by businesses and individuals, but not tax credits or taxes administered by bodies other than HMRC. In conducting its inquiries the Office may consider tax law, the policy underlying this, and HMRC's administration of the tax system.

While the Office's principal focus is on simplifying the tax system, in providing advice it will also consider the potential impact of options it puts forward on the Government's other objectives for the tax system. Where the Office's recommendations have revenue implications this will include details of these impacts.

The Office's areas of work are approved by the Chancellor and will be outlined in a terms of reference for each inquiry, published on the Office's website. Any specific parameters for each inquiry it takes forward will be set out in the terms of reference. While the Chancellor is ultimately responsible for approving the Office's areas of work, the Board is expected to put forward proposals to the Chancellor on areas of work the Office could take forward.

4. Accountability

The Office is an independent Office of the Treasury located within the Treasury in London.

The Chancellor is ultimately responsible for the Office and accounts to Parliament for its management and performance, other than the contents of its reports. The Chancellor may delegate some or all of these responsibilities to the Exchequer Secretary to the Treasury.

The Office has an advisory role. Decisions on tax policy and legislation remain a matter for the Chancellor. Where the Chancellor wishes to take forward options set out in its reports this will be done through the normal Budget process.

5. Governance and structure

The Office is led by a Board of four members, supported in undertaking their duties by a secretariat of civil servants and private sector secondees.

The Board

The Chair and Tax Director (both non-executive appointments) are responsible to Ministers for the Office's work, including the content of its reports. The other two members of the Board – one each from the Treasury and HMRC – are senior full-time executives of the Treasury and HMRC who will join the Office's Board in addition to their existing responsibilities.

The Board will meet regularly throughout the year and is responsible for taking forward the strategic aims and objectives of the Office.

The Board, or its members, may be required to appear before the relevant Parliamentary committees to discuss the contents of the Office's reports.

The Chair and Tax Director will work for the Office on a part-time basis. The Tax Director will be paid an honorarium in recognition of their contribution to Government policy making. The Chair will not receive remuneration. Both will be entitled to claim for expenses incurred in carrying out their duties.

Secretariat

The Board is supported by a small secretariat of around six people or full time equivalents, including civil servants from the Treasury and HMRC and secondees from the private sector.

The responsibilities of the secretariat are to support the Board in undertaking their duties and to carry out the Office's day-to-day work. This includes:

- supporting the Board in the conduct of the Office's inquiries, including through gathering evidence, conducting analysis, leading engagement with interested parties and the Treasury and HMRC, and producing the Office's reports;
- acting as the secretariat for the Board and Consultative Committee(s); and
- responsibility for the day-to-day operation of the Office, including its financial management and budgeting.

Consultative Committee(s)

One or more Consultative Committees will be constituted to support the Board in carrying out its responsibilities through enabling close consultation with interested parties in the Office's work. The Committee(s) will be chaired by the Tax Director and include around 6-10 members drawn from the tax and legal professions, business and other interested parties. Representatives of the Treasury and HMRC will also attend Committee meetings.

An immediate task of the Office will be to decide, in conjunction with an informal group of potential Committee members, whether there should be a single Consultative Committee to steer the work of the Office or whether an individual Committee for each of the Office's inquiries is preferable. Any Committee(s) constituted will meet regularly throughout the year or inquiry and minutes of Committee meetings will be published on the Office's website.

6. Appointments

The Chancellor is responsible for the appointment of the Chair and Tax Director and ensuring that the Treasury and HMRC appoint appropriate senior executives to the Office's Board.

The Chair and Tax Director will initially be appointed on an interim basis to take forward the Office's work in its first year. Permanent appointments will be made through an open recruitment process, in line with Cabinet Office guidance, during 2011.

The Board is responsible for making appointments to the Consultative Committee(s).

7. Relationship with other bodies

Relationship with the Treasury and HMRC

The Office conducts its business independently of the Treasury and forms its own judgements in providing advice. In practical matters the Office will work closely with the Treasury and HMRC is carrying out its responsibilities.

The Treasury and HMRC will provide the Office with access to the information, analysis and resources required for the Office to undertake its responsibilities. The Treasury will also provide accommodation and corporate services to the Office. The responsibilities of the Treasury and HMRC are set out through service level agreements.

The Treasury and HMRC Board members will have a particular responsibility for the smooth working of these relationships and for ensuring that the Office has access to the necessary expertise within the Treasury and HMRC, including on policy costings.

Relationship with Parliament

The Chancellor accounts to Parliament for the management and performance of the Office, other than the contents of its reports.

The Office is accountable to Parliament in carrying out its duties as set out in this Framework Document. The Chancellor will lay the Office's reports before Parliament, and Board members may be required to give evidence before the relevant Parliamentary committees on the contents of the reports.

8. Management and financial responsibilities

The Treasury's Accounting Officer appoints the Treasury executive on the Office's Board as the Additional Accounting Officer of the Office. The Office will follow the principles, rules, guidance and advice in *Managing Public Money*.

9. Review arrangements

The Office will initially be established for the lifetime of the current Parliament, at which point it will be reviewed.