

Office of Tax Simplification Board Meeting

5 November 2012

Present

Rt Hon Michael Jack – Chairman
John Whiting – Tax Director
Mike Williams – HM Treasury
Sue Walton – HM Revenue & Customs
Teresa Graham
Adam Broke

Secretary

Jeremy Sherwood

Apologies

Edward Troup

The Chairman welcomed Sue Walton who was standing in for Edward Troup who was attending the House of Commons Public Accounts Committee. Mike Williams confirmed that Indra Morris, HM Treasury's new Director General for Tax and Welfare, would be attending OTS Board meetings from January 2013 but that he would remain the HM Treasury accounting officer for the OTS.

1. Minutes of the last meeting

The minutes of the 13 September 2012 meeting were formally agreed.

2. Action points from previous meeting

OTS Correspondence - the Board discussed a short paper summarising the content of emails and letters sent to the OTS recently. There were 94 items since March 2012, although the monthly numbers had halved in the last 3 months, probably as no OTS reports had been published since 1 August. Around half of the correspondence was about general tax issues, including ideas for flat taxes. The other half was mostly correspondence about specific OTS reviews. All items received a reply, on average within 7 days. The Board agreed that the OTS was handling the correspondence properly.

HM Treasury conflicts of interest policy - the OTS was considering this policy on a case by case basis for its private sector secondees, and no problems were arising in practice.

3. Options for evaluation of OTS

Beatrice Parrish and Phillipe Guiblin of HMRC's Knowledge, Analysis and Intelligence Directorate gave a presentation on possible options for evaluating the work of the OTS. Teresa Graham suggested that the National Audit Office could have a role in this, and John Whiting would raise this with them at a meeting that had been arranged to discuss regulatory simplification generally. The Board asked the Secretary to explore the feasibility of obtaining funding for an external evaluation of the OTS. The work was likely to be in two stages – an initial scoping exercise to determine the questions to ask, and a second more detailed stage to

collect and analyse evidence. The outcome should be published in good time to inform decisions about how to take tax simplification work forward after the next election, scheduled for 2015.

4. Update on projects

Complexity project

Jeremy Sherwood explained the planned timing for the different strands of the complexity project. The overall aim was to identify and analyse the main factors that lead to tax complexity and develop a methodology for measuring relative complexity. This would hopefully lead to some general principles that could help future legislators and policy makers to minimise unnecessary complexity in the tax system.

The OTS team expected to publish by the end of 2012 a paper on the complexity index and a paper listing and analysing monetary tax thresholds and ceilings. In 2013, it expected to publish a paper listing and analysing tax definitions, and (possibly) a paper on drafting style.

The Chairman asked members of the Board to give advice and oversight to the different strands of the complexity review. Teresa Graham volunteered to oversee the tax thresholds project and work on drafting style, and Adam Broke agreed to oversee the work on tax definitions.

Share schemes

John Whiting gave an update on the share schemes project. A number of detailed and very helpful responses had been received to the OTS interim report on unapproved share schemes published on 1 August. Work was now starting on analysing these responses and working up possible policy and administrative simplification proposals, to be considered by the project's Consultative Committee at its next meeting. The OTS team was also visiting share valuation experts from the private sector and HMRC to discuss the complexity of valuing unquoted shares.

Pensioners

The Consultative Committee for the pensioners' taxation review was due to meet in the week after the Board meeting, and would consider the early results of a piece of external research into pensioner tax issues commissioned by HMRC and the OTS. The OTS team was also starting work on drawing together the evidence and analysis of problem areas gathered so far with a view to formulating specific simplification proposals.

Both the pensioner and share schemes final reports were still on track to be published in January 2013 and the OTS team would present the emerging simplification proposals for discussion at the next Board meeting.

5. Next OTS projects

The Board discussed a shortlist of possible projects that could be taken on by the OTS in 2013. The short list had been developed from a long list of possible projects, following discussions with HM Treasury and HMRC and consideration of the views of a group of tax

experts consulted by the OTS. The Board decided to propose as its first priority a project into employee benefits and expenses. The next priority area for simplification was considered to be employment status, particularly the boundary between employment and self-employment. However, whilst minded to propose a project in this area, the Board recognised that the OTS had already touched upon the issue in its small business review, in its recommendations on simplifying IR35 and there were complex interactions with non-tax law. The Board asked the OTS team to continue discussions with HMRC, HM Treasury and other interested parties to scope out in more detail what a simplification review of employment status might involve, and a final decision whether to propose one would be made at the next Board meeting.

If a project on employment status was not feasible, then the Board favoured proposing a simplification project into HMRC powers, especially penalties, or a project into partnership taxation. The OTS would write formally to the Exchequer Secretary to the Treasury proposing its next projects, and expected an announcement by Budget 2013. A number of the other possible projects on the long list could be taken up in future years.

6. AOB

- OTS resources – John Whiting updated the Board on the OTS staffing and reminded them that the amount of work the Office could do depended on its ability to attract sufficient good quality private sector secondees, most of whom had to be unpaid given the OTS’s budget. So far this had not been a problem, but the flow of people interested in working for the OTS for free could not be taken for granted.

- Date of next meeting - Thursday 6 December at 9:30am.

Jeremy Sherwood
OTS Secretariat