

Office of Tax Simplification Board Meeting

12 May 2014

Present

Rt Hon Michael Jack – Chairman
John Whiting – Tax Director
Teresa Graham
Adam Broke
Indra Morris – HM Treasury
Marie-Claire Uhart – HM Revenue & Customs

Secretary

Jeremy Sherwood

Apologies

Edward Troup, HMRC

1. Minutes of the last meeting

The minutes of the 30 January 2014 meeting were formally agreed. The meeting planned for 11 March was cancelled.

2. Action points from meeting

OTS to discuss the complexity index with HMRC and private sector tax experts -
Meetings were being arranged.

OTS website – The Secretary had written to the Cabinet Office about improving the OTS website. As no reply had been received, the Board asked the secretary to set up a meeting.

Meeting with Chancellor – The Chairman reported back on a meeting he and John Whiting had had with the Chancellor in February. The Chancellor had praised the OTS for the good work it had done so far and encouraged the team to continue working on simplification projects right up until the 2015 Budget.

3. Budget 2014 and simplification

John Whiting reported back on the Budget announcements on tax simplification. It was particularly pleasing that the Chancellor had publicly thanked the OTS in his Budget speech, as this helped to raise the profile of the office and helped boost engagement from business and the tax profession. The Exchequer Secretary had written to the OTS on Budget day setting out his detailed response to the reviews of employee benefits and partnerships. His letter also mentioned simplifications to ISAs and the 10p savings rate prompted by the OTS pensioner tax review. The 2014 Finance Bill implemented many of the recommendations of the OTS share schemes review and the Exchequer Secretary had hosted a launch event for online filing of share scheme forms, a major administrative simplification catalysed by the OTS review. The Board also noted with approval the range of consultations planned which would take forward a good number of the OTS Employee Benefits recommendations.

John Whiting had responded to one or two tax commentators who had criticised the OTS in the media for not doing more to simplify the tax system, inviting them to engage with us in our reviews.

On a relatively small point, it was disappointing to see a clause in the Finance Bill (Clause 25, payments for private use of cars and vans) that seemed to be directly counter to a recommendation in the OTS review of employee benefits and expenses. John Whiting would raise the matter with HMRC.

The Chairman noted that some positive comments about the OTS had been made in the House of Commons Finance Bill Committee debates and asked the Secretary to publish relevant extracts of the debates on the OTS website or blog.

4. Update on current projects

John Whiting gave the Board an update on the OTS projects into partnership tax, employee benefits and UK tax competitiveness. The OTS team was starting to formulate proposals on accommodation benefits and termination payments, and expected to publish a report in July. The emerging proposals would be discussed at the next Board meeting. The Consultative Committee for the partnerships project was meeting on 19 May to take forward the next stage of that review. Again, a report was planned for July. The project on improving the competitiveness of the UK's tax administration was progressing well, and was currently in the evidence gathering stage. The final report was planned for late summer, probably September. The team was half way through a programme of around 50 meetings with businesses, tax experts and HMRC staff around the country. The OTS had visited Manchester Business School, where a class of tax students had done some very useful research analysing the competitiveness of other countries' business tax systems and comparing them to the UK's.

The complexity project was on track, with the final complexity index due to be published in the summer. The team was also investigating the link between tax avoidance and complexity, looking at the historical development of anti-avoidance legislation and case law.

5. Next projects

The Board discussed ideas for new projects to start in the summer. Whilst recognising that any new review was unlikely to result in legislation before the next general election, the Board felt it was important to scope out new projects that could be taken forward by the OTS or its successor in the next parliament. Following a detailed discussion the Board agreed to present two possible projects to Ministers for their views - employment status and tax penalties. Two other topics – VAT boundary issues and Trusts taxation – were also possible projects but less attractive. The Board asked the secretariat to discuss details and terms of reference for these with HM Treasury and HMRC officials. Michael Jack and John Whiting were meeting the Exchequer Secretary in early June, and would report back to the Board before finalising our plans. It was hoped an announcement on the future projects would follow shortly afterwards.

Alongside these projects, the OTS would also write a report evaluating its performance since 2010 setting out lessons learnt and suggestions on how best to take forward tax simplification

in the next parliament. This should include pointing out areas of the tax system that were a priority for simplification.

6. Any other business

Finance report – The Secretary gave a formal report on the 2013/14 financial outturn and the 2014/15 operating budget for the OTS. The Board approved the financial statements and complimented the secretariat on delivering so much within the tight resource constraints of the OTS.

Date of next meetings – meetings were planned for 9 July at 11:30am, 15 September at 2:30pm, 5 November at 2pm and 16 December at 2pm.

Jeremy Sherwood
OTS Secretariat