

Office of Tax Simplification Board Meeting

9 February 2015

Present

Rt Hon Michael Jack – Chairman
John Whiting – Tax Director
Teresa Graham
Adam Broke
Edward Troup - HM Revenue & Customs
Matt Henty – HM Treasury
Mike Williams – HM Treasury

Secretary

Jeremy Sherwood

Apologies

Indra Morris, HM Treasury

The Chairman noted that Indra Morris had been appointed to a senior position in the Ministry of Justice and recorded the Board's thanks for her contribution to the OTS Board.

1. Minutes of the last meeting

The minutes of the 5 November 2014 meeting were formally agreed.

2. Action points from meeting

Consider next steps on UK competitiveness project - HMRC were taking forward the 50 or so OTS recommendations on improving the competitiveness of the UK tax administration that had been accepted or were under consideration. They had asked the OTS to prioritise the proposals so they could focus their resources where they would be of greatest benefit to businesses. The Board agreed to ask a small group of experts, including ABAB members to contribute to the prioritisation process.

Publish reports on penalties and partnerships – These reports had been published. John Whiting drew the Board's attention to a recent HMRC discussion paper on reforming tax penalties, partly prompted by the OTS review.

3. Autumn statement announcements

The Board noted the letter written to the OTS by David Gauke MP, Financial Secretary to HM Treasury, setting out in more detail the Government's responses to OTS reviews at the Autumn Statement. The OTS had responded formally to the FST's letter. Both letters are published on the OTS website.

4. Meeting with Financial Secretary on 12 January.

John Whiting and Jeremy Sherwood had met with David Gauke MP to discuss the emerging recommendations from the OTS project looking into employment status. The Minister was particularly interested in the work the OTS had done in researching how other countries approached the problem. One of the main differences between the UK and many other countries was the relatively large difference between the rates of tax and national insurance paid by the employed compared to the self-employed. This created an artificial incentive for people to be classed as self-employed rather than employed. The meeting also discussed the partnerships review and the OTS review of small business taxation.

5. Partnerships report

John Whiting reported back on the media reaction to the partnerships report. There had been a lot of detailed coverage in the tax press, but this was largely factual and there had been relatively little comment or opinion. The Board discussed how best to raise the profile of OTS simplification reports so as to create more of a public debate about tax simplification. One proposal was to hold “launch events”, or conferences to coincide with the publication of reports in future.

6. Employment status report

John Whiting presented the emerging proposals from the OTS report on employment status. A final draft had been circulated to HMRC and HM Treasury and the OTS Consultative Committee. The plan was to publish the report at the end of February. Its contents would make both administrative and policy proposals, as well as recognising the difficulty of finding a solution to the complexity of employment status issues. The problem was compounded by the cut across to employment law concepts, and EU law. The OTS had been liaising with the Department for Business, Innovation and Skills who were also carrying out a review into employment status, from the perspective of employment rights and deregulation.

The Board discussed the report’s overall approach and endorsed the direction the review was taking, aiming to improve certainty for businesses and workers. There were no easy answers, but there were some clear areas for further study and choices for the Government to make. The Board thought the report should ask for feedback, aiming to stimulate a public debate which would help inform the Government’s response.

7. OTS list of recommendations

HMRC had been working with the OTS to finalise a list of all the recommendations made so far in OTS reviews together with a brief progress update on each one that is being taken forward. The list had been updated after the Autumn Statement, but still needed to reflect the outcomes from the OTS review of tax competitiveness. The Board asked the secretary to

work with HMRC and HM Treasury to produce and publish as comprehensive a list as possible, by the end of March. Ideally, the list should also show which recommendations had already been implemented.

8. OTS evaluation

The Board discussed how well the OTS model had operated, and how best the tax simplification agenda could be served in future.

9. Financial report

Jeremy Sherwood gave a short financial report covering the OTS performance against its budget since July 2010. Overall, the budget for the office over the lifetime for the parliament was £2 million, of which £1.7 million was forecast to have been spent. The shortfall was largely due to some difficulties in recruiting people to the team. The Chairman recorded his thanks for the sound financial management, with no budgeting problems arising over the course of the OTS's work.

10. Any other business

Budget “purdah” – The pre-election “purdah” for government departments was expected to start on 30 March. From that date until the general election there would be a general prohibition on public servants holding public meetings with stakeholders, making policy announcements or publishing policy documents. This also applied to the OTS. However, the Tax Director suggested that time could be usefully spent going back over previous reviews and noting outstanding issues that could be returned to in future and further planned work on the complexity index could be pursued.

Date of next meeting – The next meeting is planned for Tuesday 14 April at 3pm.

Jeremy Sherwood

OTS Secretariat