

Office of Tax Simplification framework document

1. Introduction

The Office of Tax Simplification (OTS) was established on a temporary basis as an independent Office of HM Treasury (HMT) on 20 July 2010 to advise the Chancellor on delivering a simpler tax system.

The OTS was made a permanent independent office of HMT on 21 July 2015 and placed on a statutory basis in Finance Act 2016, the relevant provisions of which came into effect on 28 November 2016 under Statutory Instrument 2016/113.

This framework document has been drawn up by HMT, HM Revenue & Customs (HMRC) and the OTS. It sets out some key aspects of how the OTS operates within the framework provided by the legislation in sections 184 to 189 of, and Schedule 25 to, Finance Act 2016. It does not convey any legal powers or responsibilities.

This framework document supersedes the previous framework document¹ which set out the details of the OTS's operation at the time it was being put on a statutory basis.

2. Function and responsibilities of the OTS

The function of the OTS (see section 185(1)) is to provide advice to the Chancellor on the simplification of the tax system, either at the Chancellor's request or of its own accord.

The tax system means the law relating to, and the administration of, taxes HMRC are responsible for, including direct and indirect taxes, duties and national insurance contributions (see section 185(2)). This includes taxes paid and collected by businesses and individuals, but not tax credits or taxes administered by other bodies.

Simplification of the tax system includes improving the efficiency of its administration (see section 185(3)).

In this context, the OTS will in particular:

- identify complex areas with potential to be simplified, and consider options for reform;
- carry out its own research, collect and analyse relevant data and evidence from a wide variety of stakeholders and liaise with HMT and HMRC;

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/522874/20160512_ots_draft_revised_framework_document.pdf

- engage in public consultation and encourage informed public debate; and
- seek to reduce compliance burdens on businesses and individual taxpayers.

The OTS will also liaise with other relevant government departments (in particular the Department of Business, Energy and Industrial Strategy and the Department of Work and Pensions) and relevant linked bodies (for example the Better Regulation Executive, the Regulatory Policy Committee and the Social Security Advisory Committee).

3. Scope of the OTS's remit

In conducting its work the OTS may consider the substance of tax law and HMRC's administration of the tax system. It will also have regard to all those affected by the tax system: individual and business taxpayers (all sizes of business), agents, and HMRC.

While the focus of the OTS is on simplifying the tax system, in providing advice it will consider the potential impact of options it puts forward on the Government's other objectives for the tax system. In particular, where the OTS's recommendations have revenue implications, it will make an initial assessment of the nature and scale of those impacts.

In relation to a section 186 review, a scoping document will be published on the OTS website which will include any specific parameters or terms of reference for the review.

The OTS's reports on such reviews will set out evidence it has collected (including on the views of interested parties), its analysis of potential options and recommendations. These reports will be published (as will the Chancellor's response) as set out in section 186.

If Treasury Ministers have specifically endorsed other work that the OTS is to carry out, the OTS will make this clear on its website.

The OTS may publish material relating to this or other aspects of its work.

The OTS has a role to play in the tax policy making process to support consideration of simplification issues. In particular, where OTS recommendations are taken forward, HMRC and HMT will discuss the recommendations and their underlying rationale with the OTS and seek to involve the OTS in developing the approach taken to their implementation.

The OTS may also respond formally to HMRC and HMT consultations in order to bring out simplification aspects.

4. Accountability

The OTS is an independent Office of HMT located in 1 Horse Guards Road in London.

The Chancellor is ultimately responsible for the OTS 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 Financial Secretary to the Treasury.

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

The OTS publishes reports on the results of its section 186 reviews in accordance with the provisions of that section, which in turn provides for such reports and the Chancellor's response to be laid before Parliament.

The OTS will publish any formal responses it makes to HMRC or HMT consultations, and will publish other material relating to its work when it considers it appropriate.

The OTS will produce an annual report in accordance with section 187.

The OTS is subject to 5-yearly reviews under section 188.

5. Governance and structure

The OTS is led by a Board of up to eight members, supported in undertaking their duties by a Secretariat.

The Board

The Chair and Tax Director are responsible for the Office's work, including the content of its reports.

The OTS Board will:

- meet regularly throughout the year, normally bi-monthly;
- provide leadership and direction to take forward OTS strategic aims and objectives;
- ensure the work programme is appropriately focused on the impact to the taxpayer and prioritised to maximise the value of its impact; and
- ensure the work of the OTS is aligned with other related bodies, in particular ABAB.

Observers

The Chair may, in consultation with the Financial Secretary to the Treasury appoint up to two unpaid observers who would be entitled to attend Board meetings.

Observers may be appointed for a term of up to two years, subject to reappointment.

The Secretariat

The Board is supported by a secretariat of up to ten full time equivalents. These include some drawn from HMT and HMRC, and others recruited directly by the OTS

with recent or contemporary private sector experience or seconded to the OTS.

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

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

Consultative Committee(s)

For its section 186 reviews, the OTS will normally establish a Consultative Committee, chaired by the Tax Director, to facilitate close consultation with interested parties in the OTS's work and provide input and challenge to the review process and recommendations.

Consultative Committees will be made up of around 10 unpaid members drawn from the tax and legal professions, business and other interested parties.

Representatives of HMT and HMRC will also attend Committee meetings. Invitations may also be extended to representatives of other relevant Government Departments.

6. Appointments

The Chancellor is responsible for the appointment of the Chair and Tax Director (in consultation with the Chair) and for appointing senior HMT and HMRC executives to the Office's Board.

Up to four additional members of the Board will be nominated by the Chair after discussion with the Tax Director and appointed by the Chancellor.

The Chair of HMRC's Administrative Burdens Advisory Board (ABAB) will either be one of the additional members or an observer.

The Chair, Tax Director and additional members of the Board will receive payment for their duties as Board members. The performance of independent Board members and of the Tax Director will be appraised annually by the Chair. The Chair will meet annually with the Financial Secretary of the Treasury to discuss their objectives for the OTS and the OTS's performance over the year.

The Tax Director is responsible for making appointments to Consultative Committees, in consultation with the Board.

7. Relationship with other bodies

Relationship with HMT and HMRC

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

HMT will provide general accommodation and corporate services to the OTS, under a service level agreement.

HMT and HMRC will also provide the OTS with access to the information, analysis and resources required for the OTS to undertake its responsibilities through service level agreements. This will include appropriate support under a Memorandum of Understanding with HMRC's Knowledge, Analysis and Intelligence Directorate (KAI) team in relation to impacts and policy costings, in particular in relation to section 186 reviews.

HMT and HMRC Board members will have a particular responsibility for the smooth working of these relationships and for ensuring that the OTS has access to the necessary facilities and expertise in an accessible and timely manner.

Relationship with Parliament

The Chancellor accounts to Parliament for the management and performance of the Office, other than the contents of its reports. The Chancellor will lay the OTS's reports before Parliament as set out in the legislation.

The OTS is accountable to Parliament in relation to its work:

- The Treasury Select Committee (TSC) may choose to hold a post-appointment hearing with regard to the Chair and Tax Director.
- The Chair and/or Tax Director may be invited to give evidence to the TSC or other Parliamentary Committees on the contents of its reports or any another aspect of the Office's work.

8. Budget and financial responsibilities

As an Office of the Treasury, the OTS's budget will be agreed through HMT's business planning process. The Treasury's Accounting Officer will appoint the HMT executive on the OTS's Board as the Accounting Officer of the OTS.

The OTS will follow the principles, rules, guidance and advice in *Managing Public Money*.

9. Review arrangements

This document will be reviewed in conjunction with the 5-yearly review process provided for in section 188 or at any other time considered appropriate.