



HM Treasury

Review of the Office of Tax Simplification Call for Evidence

May 2021

Review of the Office of Tax Simplification: Call for Evidence



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Chapter 1

Introduction

- 1.1 On 23rd March the Financial Secretary to the Treasury announced HM Treasury's first five-year review of the Office of Tax Simplification (OTS), the Chancellor's independent adviser on making the tax system simpler and easier to interact with for taxpayers.
- 1.2 This is an internal review conducted by HM Treasury. However, the review will engage with a variety of interested stakeholders, including individuals, businesses, tax professionals and academics via interviews and roundtables. It will also draw on the input of an advisory panel containing independent, external members.
- 1.3 HM Treasury is also keen to hear the views of any interested stakeholder who wishes to give evidence to the review by responding to this call for evidence. Information on how and when to submit a response to the call for evidence, including suggested questions to consider, is given below.
- 1.4 The outcomes of the review will be published in Autumn 2021.

Chapter 2

Call for Evidence

- 2.1 The OTS is the independent adviser to the government on simplifying the UK tax system.
- 2.2 It was [established on 20 July 2010](#) by the then Chancellor, George Osborne, and the then Exchequer Secretary, David Gauke, as part of the government's commitment to make the UK the most competitive country in the G20 and to reduce the complexity of the tax system. The role of the OTS was to identify areas where complexities in the tax system for both business and individuals could be reduced, drawing on external expertise from the tax and legal professions.
- 2.3 The OTS was then made a permanent independent office of HM Treasury on 21 July 2015, before being placed on a statutory basis in [Finance Act 2016](#).
- 2.4 Finance Act 2016 requires HM Treasury to conduct a review of the effectiveness of the OTS in performing its functions every five years. The first five-year period will end on 28th November 2021. Not only will the review examine the effectiveness of the OTS over the past five years, it will also consider what further steps should be taken to enhance the effectiveness of the OTS in future.
- 2.5 The published terms of reference for the review can be found [here](#).
- 2.6 In line with the terms of reference, HM Treasury welcome views on the following areas:
- The effectiveness of the OTS with consideration to:
 - the OTS's objectives and functions in Finance Act 2016 and the OTS Framework Document
 - the resourcing, funding and governance of the OTS
 - the OTS's relationships with HMRC and HMT
 - the OTS's work to date, including both Chancellor commissioned and own-initiative reports
 - the impact of the OTS's work on both the government's approach to simplification and on wider public debate

- Further steps which could be taken to enhance the effectiveness of the OTS in performing its functions as the Chancellor’s independent adviser on tax simplification.

The OTS’s objectives and functions

- 2.7 Finance Act 2016 and the OTS Framework Document outline the objectives and functions of the OTS as follows:
- To provide advice to the Chancellor of the Exchequer, on request or as the OTS considers appropriate, on the simplification of the tax system
 - At the request of the Chancellor of the Exchequer, to conduct a review of an aspect of the tax system for the purpose of identifying whether, and if so how, that aspect of the tax system could be simplified
- 2.8 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. This includes taxes paid and collected by businesses and individuals, but not tax credits or taxes administered by other bodies.
- 2.9 Simplification of the tax system includes improving the efficiency of its administration. In this context, the OTS is to:
- 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
 - engage in public consultation and encourage informed public debate, and
 - seek to reduce compliance burdens on businesses and individual taxpayers
- 2.10 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.
- 2.11 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.

Questions you may like to consider include:

- 1 What do you think the functions of the OTS should be? Why should they be a priority for government?
- 2 How have you understood the OTS to interpret their remit (or in other words define ‘tax simplification’) and does this match your own

interpretation of the OTS's remit and definition of 'tax simplification'? If not, how does this differ?

The resourcing, funding and governance of the OTS

- 2.12 The OTS is an independent office of the Treasury. It is led by a board comprising a Chair, Tax Director, representatives of HMT and HMRC, four independent members from relevant sectors, and up to two independent Observers. The Board is supported in undertaking their duties by the OTS Secretariat. More information on the governance of the OTS and the OTS Board and Secretariat can be found on the [OTS website](#).
- 2.13 The secretariat consists of up to 10 FTE technical and administrative staff, mainly recruited by the OTS from the private sector or from HMT and HMRC.

Questions you may like to consider include:

- 3 Do you think the OTS has the right breadth of expertise on its board? If not, what sectors need additional representation and why?

The OTS's relationships with HMRC and HMT

- 2.14 The OTS conducts its business independently of HMT and HMRC, forming its own judgements when providing advice. However, HMT and HMRC provide the OTS with access to the information, analysis and resources required for the OTS to undertake its responsibilities through service level agreements. This includes appropriate support under a Memorandum of Understanding with HMRC's Knowledge, Analysis and Intelligence Directorate (KAI) team in relation to impacts and policy costings. This puts the OTS in the beneficial position of being able to access and refer to previously unpublished KAI data in their work.
- 2.15 Under section 186 of Finance Act 2016 the Chancellor may ask the OTS to review and produce a report advising on how to simplify a particular area of the tax system. The Chancellor is legally required to produce and publish a response to these reports. An index of OTS reports and corresponding government responses can be found [here](#).

Questions you may like to consider include:

- 4 Given its role as the Chancellor's independent adviser on tax simplification, do you think the OTS is sufficiently independent from government?

The OTS's work to date

- 2.16 The OTS currently undertakes work based on a strategy of three principles:

- make recommendations which affect the greatest numbers of taxpayers on the largest number of occasions
- achieve 'quick wins' where possible to maintain momentum and deliver practical benefits for taxpayers, and
- Tackle the difficult areas where they can make a difference in the longer term

2.17 The OTS produces two types of reports: own initiative reports, and Chancellor commissioned reports. A comprehensive index of OTS reports can be found [here](#) with links to the reports themselves.

2.18 Changes to simplify the tax system are part of wider tax policy decisions and need to be considered alongside other objectives including encouraging growth and investment, tackling avoidance and evasion, and promoting fairness. At times simplification is in tension with these objectives, having the potential to create "losers" as well as "winners". Considering suggestions for simplification alongside other tax changes and policy objectives enables Ministers to make decisions based on the cumulative impact on individuals and businesses.

Questions you may like to consider include:

- 5 Can you give examples of OTS work which you felt was particularly successful, or alternatively, where you would have liked the OTS to have taken a different approach?
- 6 Does the OTS engage with, and consider the views of, an appropriate number and variety of stakeholders when conducting a review?
- 7 Who do you think OTS reports focus on recommending simplifications for? Who should the OTS focus on offering simplifications for?
- 8 To what extent should the OTS take account of wider policy objectives outside of simplification and the impacts of suggested changes on households and businesses, when making recommendations to government?

The impact of the OTS's work on both the government's approach to simplification and on wider public debate

Questions you may like to consider include:

- 9 Can you provide examples of where you think the work of the OTS has led to genuine improvements regarding simplification for taxpayers, and if so, for which groups of taxpayers?

- 10 How influential do you think the OTS is, including regarding:
- a) political decision-making
 - b) policy development
 - c) public debate in the media
 - d) academic or tax specialist debate.

Further steps which could be taken to enhance the effectiveness of the OTS

Questions you may like to consider include:

- 11 Are there any particular issues or areas of the tax system which the OTS have not considered, which should be examined by the OTS?
- 12 What other further steps, if any, could be taken to enhance the effectiveness of the OTS in performing its functions as the Chancellor's independent adviser on tax simplification?

Chapter 3

How to respond to the Call for Evidence

- 3.1 The call for evidence is open for eight weeks from 12th May 2021 to 6th July 2021. Please submit your responses by email to otsreview@hmtreasury.gov.uk

Guidance for responses

- Respondents should not feel obliged to answer all the questions raised in the Call for Evidence nor to follow any particular format.
- Please do not feel that you can only respond to the specific issues raised in the Call for Evidence: we are keen to encourage a broad discussion as to how we might strengthen the OTS's approach advising the Chancellor on tax simplification and are interested in hearing a variety of views.
- Whilst we are keen to receive formal responses to the Call for Evidence, we also intend to hold a series of interviews and roundtables where we can explore issues with stakeholders further. The Call for Evidence itself is only part of the consultative process.
- We do not expect all responses to be exhaustive: short, headline contributions will be welcome.

Confidentiality of responses

- 3.2 A list of respondents will be published, but individual contributions will not be published.

Useful links

Finance Act 2016 which put the OTS on a statutory footing in 2016 can be found at <https://www.legislation.gov.uk/ukpga/2016/24/part/12/enacted>

The current OTS Framework Document which 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, can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966779/OTS_Framework_Document_20210305.pdf

The OTS website containing information on the OTS's work and governance can be found at <https://www.gov.uk/government/organisations/office-of-tax-simplification>

A full index of previous OTS reports and corresponding government responses can be found at <https://www.gov.uk/government/publications/index-of-ots-reports-and-government-responses>

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This document can be downloaded from www.gov.uk

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