



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Michael Jack & John Whiting
Office of Tax Simplification
1 Horse Guards Road
London SW1A 2HQ

5 December 2013

Dear Michael & John

UPDATE ON OFFICE OF TAX SIMPLIFICATION REVIEWS

As you know, the Chancellor made several announcements in the Autumn Statement related to the work of the Office of Tax Simplification. I am writing to set out more detail on each, and to update you on the Government's progress in implementing your recommendations.

OTS review of competitiveness of UK tax administration

The Chancellor has asked the Office of Tax Simplification to carry out a review of what the Government can do to further improve the competitiveness of UK tax administration, with particular regard to the World Bank's 'Doing Business' report. This follows from the Prime Minister's aim that the UK should rank in the top five countries in the world to do business within three years. I would be grateful if you could report by summer 2014, building on the work you have already done in your reports on the taxation of small businesses. Our agreed terms of reference are attached for publication.



Review of Employee Benefits and Expenses

Further to our last meeting, I am pleased to report that HMRC are progressing many of the priority areas of work that you identified in the Review of Employee Benefits and Expenses. As you know, HMRC has now implemented four of your 'quick wins' and will deliver nine more in January, by updating its guidance and online content. HMRC is considering ten more for implementation before this parliament ends. All are detailed in the annex to this letter.

Employee share schemes

Autumn Statement confirmed that the Government will act on five recommendations on non-tax advantaged employee share schemes. Next week we will publish draft legislation, where appropriate, for Finance Bill 2014 to implement these and your earlier recommendations for online filing of share scheme returns and self certification of tax advantaged schemes. I believe that the changes we are making in this area represent the most significant package of reform to the tax rules for employee share schemes for many years. I am grateful for the work done by the OTS to help simplify this complex area of the tax code, and would like to take this opportunity to thank the secondees, businesses, and advisors who contributed their expertise to develop these proposals.

Work is continuing on other recommendations. I recognise that an employee shareholding vehicle is a key proposal of your review, and I know that the OTS and HMRC are discussing how to take forward further consideration of this idea, alongside changes that are designed to support employee ownership.



Small Business Tax

The Government remains committed to deliver material change in the relationship between HMRC and small business. Following the OTS's recommendations in your review of small business tax administration, HMRC published *Making tax easier, quicker and simpler for small business* and set targets to reduce tax administration costs to business by £250m by March 2015. Today HMRC published a new document, *Supporting Small Business* setting out HMRC's progress against those commitments, and further improvements that will be delivered over the next 18 months. This document reflects HMRC's commitment to deliver OTS recommendations and support small business. It reflects my ambition to ensure that 'doing tax' really is as easy, quick and simple as possible.

I look forward to reading your reports on partnerships, and employee benefits and expenses, and discussing the OTS work programme for 2014. OTS evidence is essential to build the consensus needed to drive the simplification of the tax system. Finally, I would like to thank you and your team, for your work on these reviews. I am confident your recommendations will deliver real simplifications that improve businesses' and individuals' experience of the tax system.

Yours ever
David

David Gauke MP

Annex: Review of Employee Benefits and Expenses

Quick Win	Timeframe	Detail
7	implemented	Reimbursement of car fuel where the employee contributes
23	implemented	Improved employer guidance for both termination payments and form P45
29	implemented	A facility to re-submit benefits forms (PD11 and PD11b) online
43	implemented	A link to HMRC's website guidance when new employers first register
14	Jan 2014	Better guidance on what qualifies for subsistence expenses
32	Jan 2014	Better guidance on what qualifies as allowable expenses
34	Jan 2014	Improvements in web-site cross referencing; keeping 'what's new 'up to date
35	Jan 2014	Simplify rules by providing a list of standard items and conditions that always qualify for dispensation
37	Jan 2014	Make clear that overseas and non-domiciled employees can be included within a PAYE Settlement Agreement.
38	Jan 2014	Publicise the online dispensation process for all employers
39	Jan 2014	Employers will be able to make adjustments Online up to 6 July after the end of the tax year to account for re-imbursments by employees of fuel used for private motoring in a company car.
40	Jan 2014	Improve guidance on the availability of PAYE Settlement Agreements and dispensations
42	Jan 2014	Employers will be able to use form P46 when a car is replaced
2	This Parliament	Review the list of employments where accommodation is customary
11	This Parliament	Publish a list of benefits (and value limits) HMRC consider to be trivial
16	This Parliament	Update booklet 490 to fit modern working patterns
17	This Parliament	Publish guidance on temporary workplace rules for phased projects
19, 28, 30	This Parliament	Streamlining guidance and improving (PD11) forms used to notify employee benefits
27	This Parliament	Improve HMRC officers' communication with employees and employers public
31	This Parliament	Allow voluntary notification of in-year changes to benefits
41	This Parliament	Redesign the form (P87) to claim expenses

