

Office of Tax Simplification Board Meeting

20 April 2012

Present

Rt Hon Michael Jack – Chairman
John Whiting – Tax Director
Teresa Graham
Edward Troup – HM Treasury
Dave Hartnett – HM Revenue & Customs

Apologies

Adam Broke

Secretary

Jeremy Sherwood

1. Minutes of the last meeting

The minutes of the 3 February 2012 meeting were formally agreed.

2. Action points from previous meeting

The Secretary would give a financial report later in the meeting.

3. Reaction to the recent OTS reports

The Board discussed the reactions of the Government, the public, the main interested parties and the media to the three OTS reports into employee share schemes, small business taxation and pensioners' taxation. Overall the reaction had been largely positive. The formal reaction from the Government to all three reports was expected shortly in a letter from Ministers. The public reaction had been largely focused on the pensioners' tax review, particularly after the Budget announcement to freeze the age related allowances. The share schemes report and small business reports had received less attention from the national media, with the bulk of the reaction being in the professional tax and accounting media.

Board members reported that their contacts in the tax and business worlds were very supportive of the recommendations, particularly in the small business review. A small number of accountants had expressed concerns over the proposal for receipts and payments accounting, especially in the context of the Government's decision to set the turnover ceiling at the VAT threshold, £77,000, rather than the £30,000 recommended in the report. Teresa Graham was particularly pleased with the tone and content of two of the documents issued by HMRC in response to the OTS proposals: "[Making tax easier, quicker and simpler for small business](#)" and "[Simpler income tax for the simplest small businesses](#)". However, she thought the [HMRC response](#) to the specific OTS recommendations for small business taxation was poorly drafted – it was difficult to see whether each recommendation had been agreed, agreed in part, or rejected.

4. Next steps on pensioners, share schemes and complexity projects

The consultative committees for the share schemes review and the pensioner tax review were both due to meet on Monday 23 April. Members would be asked for their views on how to proceed with the next stages of both reviews. For the review of pensioner taxation, it was likely that the OTS would focus on the high priorities identified in the first stage of the review. Subject to funding, there was a possibility of conducting further research into the views of pensioners themselves, probably looking at the impact of potential proposals for simplification. The second stage of the employee share schemes project would look at unapproved schemes and the first job would be to gather evidence of the types of schemes in use, who used them, for what reasons, and what the impact of the tax system was on these schemes.

The OTS was continuing to explore the underlying reasons for the complexity of the tax system and had recently published a detailed analysis of the length of tax legislation on its website following a shorter article in a recent edition of "Tax Journal". The OTS team would be testing a "usability" approach on one or two areas of the tax system such as leasing, and was planning to examine potential complexity measures that might be used to identify which parts of the tax code were more complex than others.

Following on from this update, the Board discussed the strategic work programme for the OTS over the rest of the Parliament, how best to focus its limited resources to make the biggest simplification impact, and what tools or principles it might develop to help avoid complexity in future. Teresa Graham thought it would be important for the OTS to look back and evaluate its effectiveness at some stage near the end of the current Parliament.

5. OTS budget and resources

The secretary gave a report on the OTS financial performance in 2011/12, and the expected budget for 2012/13. HM Treasury's finance team was not at this stage able to provide final figures for the OTS expenditure during 2011/12, but it was predicted to be within the £496K budget and the contingency had not been drawn upon. The Board discussed the draft 2012/13 budget, which was very similar to 2011/12 with the exception that there was no provision for a contingency. Treasury policy was now to hold contingency funds centrally where they could be accessed by a bidding process, rather than allocate them to individual teams in advance.

The OTS team was going through a period of change following the completion of the small business tax project and the first stages of the share schemes and pensioner projects. Angela Williams and Andy Richens had left the OTS team on 31 March, as had Caroline Turnbull-Hall and Geraldine Pamphlett. Tunde Ojetola had also returned to HMRC. A vacancy notice for new secondees had been placed on the OTS website, and a replacement for Tunde Ojetola was being recruited.

The Board also discussed the resource demand placed on HMRC and HM Treasury by the OTS reviews. HMRC teams had provided estimates of the time they had spent directly responding to the OTS reviews in 2011/12. The additional impact on HMRC and HM Treasury teams of the Chancellor's policy decisions implementing the OTS proposals had not been factored into the exercise. Although overall figures were not significant in the context of HMRC as a whole, the individuals involved were the most highly skilled specialists in their areas and their time was extremely valuable. Dave Hartnett said that although the resource

demand was in excess of initial predictions, he was satisfied that the demand on HMRC was manageable. Similarly, the demands on HM Treasury policy teams were not excessive. The Board asked the Secretariat to repeat the resource planning exercise for 2012/13, working closely with HMRC and HM Treasury teams.

6. AOB

OTS website

The Board discussed the case for a separate website for the OTS, as its web page was currently hosted by HM Treasury and there was no permanent link to it from the HM Treasury homepage. As most people probably used search engines to find the site, this should not matter in practice, and the Treasury's view was that it would be difficult to justify spending money on changing the current arrangement.

OTS Consultative Committee membership

The Board appointed the former OTS team members Andy Richens and Geraldine Pamphlett to sit on the employee share schemes Consultative Committee and Angela Williams to sit on the pensioners' Consultative Committee. There were likely to be some changes to the share schemes committee as the OTS moves into reviewing unapproved schemes.

Date of next meeting

The next meeting is on 21 May.