

Office of Tax Simplification

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Cc: Chancellor of the Exchequer
Chief Secretary to the Treasury
Exchequer Secretary to the Treasury

1st May 2013

**Re: Public Accounts Committee report – Tax avoidance: the role of large
accountancy firms**



Last week, when your Committee's report on Tax Avoidance issues was published I was delighted to hear in its media coverage that the role of tax simplification was also included. However, my delight soon evaporated when I read the terms under which the report referred to the work of the Office of Tax Simplification.

The report gives the impression that in the two and half years that we have been in existence the only work we have done is to issue one report on tax reliefs. However as you will see from the list below that is far from the case.

List of reports published to date:

- Tax reliefs (2010 & 2011)
- Small business, including IR 35 (2011)
- Small business: improvements to HMRC administration (2012)
- Disincorporation relief (2012)

- A simpler system for small business (cash accounting) (2012)
- Tax-advantaged share schemes (2012)
- Pensioner taxation (2012 & 2013)
- Unapproved share schemes (2013)

In addition to this we have also been engaged in a study to help determine what causes tax complexity to occur. That work has itself generated a number of papers.

We do publish all of our reports and copies of these are sent directly to a number of MPs who take an interest in our work, as well as to your Committee and the Treasury Committee. To that end I would be most grateful for your confirmation that these reports were actually received by your Committee.

Our recommendations have been taken seriously by the Government and, for example, the current Finance Bill includes provisions effecting changes to tax-advantaged share schemes, introducing a disincorporation relief, the implementation of a form of cash accounting and simplified expenses. Our recommendation for a combination of PAYE and NICs is the subject of consultation. As part of our work we monitor closely the recommendations which Government chooses to adopt.

Our latest projects have seen us start work on a major review of employee benefits and expenses and partnership taxation.

All of our work to date has been achieved on a very limited budget. In terms of staffing we have a typical strength of a maximum of six full-time equivalents. I know my Tax Director, John Whiting, has discussed our staffing with you in the past and you appreciate that our complement includes civil servants as well as private sector secondees contributing on a part-time basis (not full-time, as the report implies).

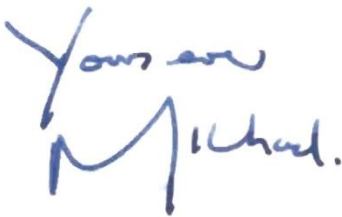
The value of this way of working means that we can produce our findings quickly as well as ensure that our recommendations are well founded in the real world by virtue of the experience of our secondees.

The report suggests we are The Treasury's Office of Tax Simplification. Strictly speaking this is not so. We are independent of HM Treasury and in effect responsible to Parliament for the way we carry out our role. We receive excellent support from both HM Treasury and HMRC in carrying out our work. In addition, our system of Consultative Committees, countrywide meetings and workshops together with the written submissions we receive mean that we can "punch above our weight" in comparison to the complement of staff who work in our office.

We very much welcome the support you have given to the subject of tax simplification. I do hope that this letter will have been helpful in giving you a fuller and more accurate impression of what we do and the way we work.

Both I and John Whiting would be more than happy to come and brief both you and the Committee on our work and future programme of activity to ensure that you have up to date information upon which to base any future observations about the subject of tax simplification.

I am copying this letter to the Chancellor and the Exchequer Secretary to whom our reports are formally delivered, and also the Chief Secretary to the Treasury. I also propose to publish this letter on our website.

A handwritten signature in blue ink that reads "Yours ever" on the top line and "Michael." on the bottom line.

Rt. Hon. Michael Jack
Chairman, Office of Tax Simplification