



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

Rt Hon Michael Jack
Chairman
Office of Tax Simplification
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1 Horse Guards Road
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5 July 2011

Dear Michael

OFFICE OF TAX SIMPLIFICATION – WORK PROGRAMME 2011/12

Thank you for your letter of 14 June 2011 detailing your proposals for the OTS future work programme. I very much welcome these suggestions and the work you have put into the proposals. Having considered the areas you have presented, I would like the OTS to take forward reviews in the following areas.

Small business tax

Following your interim report in March, the Chancellor and I requested further investigation into ways to improve the administration of the tax system for small business – the terms of reference for this work were attached to my letter of 9 May.

I now look forward to further work by the OTS, in line with your proposals, on simplifying small business tax focussing specifically on



(i) alternative arrangements for taxing the smallest unincorporated businesses and (ii) investigating the case for a tax relief to make it easier for businesses to disincorporate. I would like the OTS to provide its final report on small business tax, covering all of the above areas, ahead of Budget 2012 for the Chancellor and I to consider.

Pensioner Taxation

In your letter you outline the OTS assessment of complexity in the tax system for pensioners and propose investigating policy changes to make tax more straightforward for the pensioner population.

Following your proposals, I would like the OTS to carry out a review which identifies and examines which parts of the tax system cause the most complexity for pensioners, looks at how this varies across the pensioner population, and proposes ways to make their tax affairs simpler. I look forward to an interim report on these issues ahead of the Budget 2012, and a final report with policy recommendations later in the year.

Employee Share Schemes

Finally, you propose a two stage project looking at complexity around employee share schemes – first looking at the four tax-advantaged or Government approved schemes and second looking more widely at non tax-advantaged share schemes. I would like the first part of this



project to look at where the four Government schemes are complex and place unnecessary administrative burdens on their users and to suggest ways they could be simplified. I would like this initial work to report ahead of Budget 2012. I look forward to discussing your proposals for stage two of the review on unapproved schemes early next year.

I am attaching detailed terms of reference for each of the above reviews to this letter.

Other work areas

In your letter you also propose investigating the taxation of employee benefits and expenses to find ways to simplify rules for employers and to review how well the existing rules meet current working patterns. I agree this would be worthwhile work. I also agree that it would be best taken forward once the consultation on Income Tax and NICs has progressed.

I also very much welcome the OTS's proposal to define and catalogue complexity in the tax system to inform the Office's work programme.

I look forward to discussing further your plans and initial thoughts in both these areas over the course of 2011/12.



Thank you again for your letter and in advance for the work the OTS will carry out over the course of this year.

Yours ever
David

David Gauke MP