

## OTS Small Business Tax Review

### *Improving small business' experience of the tax system*

The Office for Tax Simplification's interim report on Small Business Taxation highlighted a number of areas where the administration of the tax system could be improved to benefit small business. In particular to provide clearer communications and greater certainty

Small businesses play an important role in the British economy, and the Government wants to make it as easy as possible for them to comply with their tax obligations and minimise the administrative cost and burden of doing so.

As part of the second stage of the Small Business Tax Review, the Government is asking the Office for Tax Simplification to take forward this part of its work and produce a further report that:

- Examines and presents small businesses' experience of tax administration and their interaction with HMRC at key stages of their annual cycle, together with specific consideration of the issues involved in starting a new business.
- Documents the areas businesses find most problematic and frustrating, including an assessment of the time and costs involved
- Considers the barriers that prevent them from getting certainty in their tax affairs
- Develops a range of specific interventions to address these problems
- Considers all relevant taxes within this project

Reflecting the operational impact of any recommendations, and HMRC's shared interest in improving the administration of the tax system for small business, OTS will work closely with HMRC in developing its evidence base and recommendations. It is envisaged that OTS will commission a survey or external research to support this work, and will meet with small business and their advisers directly.

In particular, the project will focus on:

- Both the smallest businesses (particularly the unincorporated and those not represented by agents) and larger ones represented by agents, to see if different solutions are indicated.
- The end to end journey of businesses interaction with the tax system, sources of complexity and how the taxpayer experience can be made more simple
- HMRC's channels of communications with these taxpayers and their agents where they are used

- The clarity of information received by taxpayers and whether further steps could be taken to provide greater certainty
- Where there are specific points in HMRC's processes that are a source of common error or concern, and how these can best be tackled.
- The burdens associated with providing HMRC with the information required under the law

This project will form part of the OTS's final stage work on small business taxation. Recommendations will be set out in a report submitted to the Chancellor of the Exchequer ahead of Budget 2012.

These recommendations should be focussed on the administration of the tax system and should have regard to:

- HMRC's existing programmes of work to improve tax administration
- risk of non-compliance and avoidance opportunities
- requirements placed on small businesses by other parts of government and any scope to align reporting requirements
- the Spending Review resource constraints on HMRC

The evidence to support the recommendations should be quantified as far as possible, and based on:

- a wide range of survey evidence, modelling and tax payer data
- a framework and criteria for deciding how to evaluate problems and solutions
- critical analysis of feedback from tax payers and stakeholders
- comparisons with overseas tax systems
- recognition that different parts of this business population are affected in different ways