

## Office of Tax Simplification Board Meeting

13 September 2012

### **Present**

Rt Hon Michael Jack – Chairman  
John Whiting – Tax Director  
Edward Troup – HM Revenue & Customs  
Mike Williams – HM Treasury  
Teresa Graham  
Adam Broke

### **Secretary**

Jeremy Sherwood

The Chairman welcomed Mike Williams to his first meeting as the HM Treasury member of the OTS Board, and welcomed Edward Troup to his first meeting in his new role as HMRC Assurance Commissioner and Second Permanent Secretary.

### **1. Minutes of the last meeting**

The minutes of the 12 July 2012 meeting were formally agreed.

### **2. Action points from previous meeting**

At the July Board meeting, the OTS team had been tasked with arranging meetings with HMRC frontline staff around the country to discuss their experience of tax complexity. Meetings had been held over the summer with HMRC teams in Birmingham, Bristol, East Kilbride and Newcastle, and the areas they identified as particularly complex would be taken into account alongside the views of tax advisers and others when considering the next OTS projects and when refining the OTS approach to measuring tax complexity.

In response to the Chairman's request at the previous Board meeting, Edward Troup confirmed that although his full range of duties had not yet been finalised, he expected to continue to be the HMRC representative on the OTS Board.

The Board discussed possible improvements to the OTS website, which was due to move to the new Government internet domain next year.

The Chairman asked the Secretary to prepare for the next Board meeting an analysis of correspondence received by the OTS, showing the simplification issues people were writing in about.

### **3. Update on projects**

#### Share schemes

An interim report on unapproved share schemes had been published on 1 August, setting out the areas of complexity identified during the evidence gathering phase of the project.

Responses were expected by the end of October and the final report with simplification proposals was expected in December or January.

The share schemes Consultative Committee had met on 12 September, and had set up three sub-groups to explore in more detail areas relating to policy issues, administrative issues, and issues specific to small companies. The OTS was meeting HMRC to discuss Form 42, the form used to return details of share schemes. The form had been identified by the OTS as still being a particular administrative burden for employers. Teresa Graham said that HMRC's Administrative Burdens Advisory Board had looked at the form in the past and suggested the OTS should check whether improvements had been made as a result. Adam Broke suggested that the drafting of the related anti-avoidance legislation should be looked at as part of the review.

### Pensioners

The Consultative Committee for the pensioners' taxation review was due to meet later on 13 September. Three sub-groups of the Committee had been working over the summer, looking at policy issues, administrative issues (especially PAYE forms and customer contact) and issues around PAYE and the state pension. HMRC had commissioned a piece of research into the experiences of pensioners, on behalf of the OTS. The research was intended to examine the tax complexities faced by pensioners who handled their tax affairs on their own or with the help of a friend or family member. The research project would report in November, and the OTS final report would be published in December or January.

### Complexity

The OTS team had refined their draft complexity index over the summer, speaking to academics, HMRC statisticians and HMRC frontline staff. John Whiting and the team had also held a seminar for around fifty HM Treasury tax policy staff, discussing the lessons the OTS had learnt so far about avoiding unnecessary tax complexity. These included avoiding unnecessary changes, consulting on new policies, aligning categories and faultlines with common sense distinctions, using existing definitions, and avoiding layer upon layer of detailed anti-avoidance rules.

The Board discussed the future direction and timetable for the project, and asked the OTS team to develop a more formal project plan. The aims were to develop and apply a methodology for measuring relative tax complexity (the complexity index), and also to set out some general principles to help policy makers avoid unnecessary complexity in future.

## **4. Next OTS projects**

The Board discussed a range of possible projects that could be taken on by the OTS in 2013, after it had completed its current work programme. Areas of particular complexity that had been highlighted in meetings with tax professionals, businesses and HMRC frontline staff included employee benefits and expenses, employment status, partnership taxation, trust taxation, some aspects of capital gains tax, and loan relationships. Some very recent tax legislation had been highlighted as particularly complex – for example disguised remuneration and the debt cap rules. However, the OTS felt it was too soon to consider simplification projects in these areas, as there was little experience of their application in practice so far.

The OTS had in the past considered carrying out some general overarching projects itself - identifying and aligning tax definitions, identifying out of date or inconsistent numerical thresholds and ceilings, and looking at the variety of rules for claims and elections. The Board agreed that these possible projects should all be considered.

Michael Jack and John Whiting would be meeting the Exchequer Secretary later on 13 September to update him on the OTS projects and to discuss possible areas for future reviews.

The Board asked the OTS team to explore the five or six most likely areas for future projects with HM Treasury and HMRC policy experts to identify possible simplification impacts in each area. The OTS would also seek the views of the group of experts who had contributed to the complexity project. The OTS would then formally propose its next projects to Ministers, aiming to reach agreement by Budget 2013.

## **5. AOB**

- HMT conflict of interest policy: HM Treasury had recently issued a revised conflict of interest policy and the Board asked the Secretary to discuss and agree with the Treasury how this could best be applied to the OTS, with its reliance on unpaid part-time private sector secondees who naturally had other work commitments.
- The Board had asked the Secretary to arrange presentations by experts on relevant subjects for future Board meetings, and several possibilities were discussed.
- The Board approved a change of membership for the Pensioners' Consultative Committee, with Malcolm Booth replacing Roger Turner, who was retiring.
- The next meeting date was being arranged for late October or early November.

Jeremy Sherwood  
OTS Secretariat