



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

Rt. Hon. Michael Jack & John Whiting
Office of Tax Simplification
1 Horse Guards Road
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Dear Michael & John

OFFICE OF TAX SIMPLIFICATION – RECENT REPORTS AND WORK PROGRAMME FOR 2013

I am writing to provide the Government's response to the OTS reports on pensioner taxation and "unapproved" share schemes, to highlight the implementation plans for some of the OTS's earlier recommendations, and to agree your proposals for the OTS's work programme for this year.

Report on pensioner taxation

Since publication of your interim and final reports, good progress has already been made. HMRC are taking forward work to improve pensioners' experience of the tax system and as a result of the review have forged close links with the Department for Work and Pensions (DWP). This means that Government communications to pensioners will have an increased focus on tax, and will help to raise awareness of the way that pensioners



and pension income are taxed. The Government also announced a consultation today on the impact of abolishing MIRAS relief. A full update on these developments and on how the Government is responding to your recommendations is at annex A.

Thank you again for your work in this area. I hope that in the longer term the Government can use the research and advice that the OTS has provided to transform the way that pensioners experience and interact with our tax system.

Report on non-tax advantaged employee share schemes

I would also like to thank you for your report and recommendations on non-tax advantaged (or 'unapproved') employee share schemes.

The Government will consult on several of your recommendations shortly, for example aligning the tax treatment of international assignees with that for general earnings, before deciding whether to proceed in Finance Bill 2014.

I have asked HMRC to do further work in other areas, including on your proposals on the 'marketable security' and to explore with you whether it is possible to design a new employee shareholding vehicle that addresses abuse risks and does not create significant additional Exchequer costs. I will consider several of your other recommendations (including on the



PAYE deadline) once RTI has been fully implemented. A more detailed response is at annex B.

Implementation of earlier recommendations

The Budget today confirmed that the simpler income tax (cash basis and simplified expenses), disincorporation relief and a package of simplification measures for tax-advantaged employee share schemes will be implemented this year. These measures will be part of Finance Bill 2013, with Budget committing a further £60 million a year to these priorities. The simpler income tax and simplified expenses proposals have been amended through the consultation, and I would like to thank you and the report authors for their active and continued engagement in that process.

Work programme for 2013

Autumn Statement 2012 announced that the OTS would review employee benefits and expenses, and I understand this review will begin shortly. You have also proposed that the OTS review the taxation of partnerships, and this was announced today. The agreed terms of reference are at annex C.

The OTS will carry out an initial review by autumn 2013 to identify the main areas of complexity and recommend priority areas for a more detailed review leading to specific recommendations. I look forward to discussing the OTS's initial findings and your proposals on where to focus the review for the second stage.



As ever, I am very grateful for the work the OTS is doing to further the simplification of the tax system. In particular, I would like to thank those from the tax and accountancy professions who have given their time to work with the OTS to review different parts of the tax system. The importance and value of this work is widely recognised, and will become more so as the earliest work of the OTS comes to fruition in 2013.

I look forward to your next reports.

Yours ever
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David Gauke MP