

Office of Tax Simplification Board Meeting

17 June 2013

Present

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

Secretary

Jeremy Sherwood

Apologies

Indra Morris – HM Treasury

The Chairman welcomed Cerys Morgan to the meeting, standing in for Indra Morris.

1. Minutes of the last meeting

The minutes of the 2 May meeting were formally agreed.

2. Action points from previous meeting

- The Chairman's letter to Margaret Hodge MP had been published on the OTS website. *[subsequent to the meeting, a reply has been received which will also be published]*
- The previous meeting notes mentioned a list of 200 simplification recommendations made by the OTS, including around twenty that had been accepted in principle but were awaiting further work by HM Revenue & Customs and HM Treasury. It was agreed that the OTS would give details of these recommendations to HM Treasury to follow up.
- John Whiting gave an update on the Government's implementation of the OTS recommendations for small businesses. The Finance Bill Standing Committee had passed the clauses on cash basis, flat rate expenses and disincorporation relief without amendment. Teresa Graham said that HMRC's Advisory Board on Administrative Burdens would be monitoring the take up and HMRC implementation of these new schemes. On simplified expenses, John Whiting thought that the £10 per week flat rate proposed for use of home was not generous enough, particularly as it covered home broadband and telephones as well as the normal utility bills. However, as Edward Troup pointed out, some people might be prepared to forgo some tax relief for the sake of simplicity and certainty, in effect setting a price for simplification. The rate of take up for the new scheme could provide interesting data on people's choices.
- The Government had published a consultation document following the OTS review of unapproved share schemes. Adam Broke and John Whiting expressed some

disappointment at the relatively minor nature of the changes being consulted on, although the Government was considering further the two key recommendations, a “safe haven” vehicle for unapproved share schemes, and a change to the timing of the tax charge on employees so it only arose if the shares became marketable. It would be important for the OTS to keep track of progress on these issues.

- John Whiting agreed to write a short article for the OTS blog about the OTS recommendations being implemented this year.

3. OTS simplification workshop in July

The OTS was planning a simplification workshop at No 11 Downing Street for mid-July, and John Whiting had circulated a suggested outline for the event. The aim would be to raise the profile of the work done so far by the OTS, and seek feedback from a small group of experts on tax simplification, focusing in particular on the OTS project into identifying and measuring tax complexity. The Board discussed the proposed event in detail and John Whiting agreed to circulate a revised paper.

4. Update on projects

The employee benefits and expenses project was progressing well, with the second meeting of the Consultative Committee having taken place earlier in the day. The OTS team had held around 30 meetings with employers, tax advisers and HMRC teams around the UK, and expected to hold around 20 more before drafting the interim report in July/August. Some common themes were clearly emerging, for example around the P11D process, the travel and subsistence rules and some problems with recruitment agencies paying artificially inflated travel expenses in place of salary to avoid national insurance. The team was also looking at the way the benefits rules had emerged over time, and how other countries taxed non-cash remuneration.

The partnerships project had not yet started due to delays in resourcing the team, and was now expected to start in August, but still aiming for an interim report by the end of December. There was a discussion of the recent Government consultation on partnerships and tax avoidance, which had been announced at the 2013 Budget. Edward Troup said that this consultation should not overlap with the OTS review.

The complexity project was focusing on the sub-project into tax definitions. Some initial analysis had been done into a small number of definitions, to see if there were any patterns to follow up. Alongside that, the job of listing all tax definitions had been started. A second draft of the OTS complexity index was being drawn up with a view to publishing the revised methodology over the summer.

5. Finances and staffing

Jeremy Sherwood had circulated the final OTS accounts for 2012/13 alongside the budget agreed by HM Treasury for 2013/14. The accounts would be formally signed off by Indra Morris, as accounting officer for the OTS.

Two civil servants had been recruited to replace Katya Williams and Mark Thompson, and were expected to join the OTS in July and August. Given the delay in replacing the staff who had left, the partnerships project would now start in August.

6. Any other business

- The next meeting would be on 19 September at 10:30am.

Jeremy Sherwood
OTS Secretariat