

# Office of Tax Simplification

**Minutes of employee benefits and expenses Consultative Committee  
14.00 – 16.00 on Thursday 19 September 2013 at 1 Horse Guards Road**

<b>Committee</b>	<b>OTS</b>
Rt Hon Michael Jack (Chair, OTS)	John Whiting
Andy Read (Balfour Beatty)	Jeremy Sherwood
Martyn Pattinson (HMRC)	Theresa Dendy
Steve Wade (KPMG)	Suzy Giele
Jackie McGeehan (HMRC)	Tracey Bowler
Lesley Agnew (HMRC)	Michael Wilson
John Hampton (BT/ CBI)	Jayesh Patel
John Mundy (HM Treasury)	
Peter Gravestock (Sole practitioner)	
Will Silsby (Association of Taxation Technicians)	
John Wilson (Beer and Pub Association)	
Simon Parsons (Ceridian UK Ltd/ British Computer Society)	
<b>Apologies</b>	
Andy Richens (Bishop Fleming)	
Anne Palmer (HMRC)	
Brigid Simmonds (Beer and Pub Association)	
Colin Ben-Nathan (KPMG/ CIOT)	
Duncan Weldon (TUC)	
Emanuel Meyer (Meyer Consultancy)	
Jackie Petherbridge (The Payroll Practice/ FSB)	
Tony Page (Telefonica)	
Trevor Blackmur (Association of Taxation Technicians)	

## **Summary of actions**

**ACTION FOR OTS:** Develop a practical priority list of quick wins (QWs) to work with HMRC on. These should be changes that can be implemented 'very quickly'.

**ACTION FOR OTS:** Liaise with the HMRC PT Change BPR Programme (Lesley Agnew's team) to develop medium term improvements (e.g. payrolling of BIKs, section 336 claims, form P11D regulation, etc.).

**ACTION FOR OTS:** Draft a reply to the Exchequer Secretary – setting out the intention to look first at the high and medium priority QWs whilst continuing to discuss low priority ones.

**ACTION FOR ALL:** Inform OTS before the end of September if after critical thought you feel any of the low priority QWs should and could be moved up the list.

ACTION FOR ALL: The big picture work-stream is an opportunity for members of the committee to suggest some of the bigger problems that need looking at.

ACTION FOR ALL: Contact the OTS secretariat by Tuesday 24th September to say which sub-committee(s) you would like to be involved in.

ACTION FOR OTS: Arrange next full Committee meeting in early November.

## 1. 'Quick Wins'

- The chair noted that the Exchequer Secretary to the Treasury (XST) is interested in both longer term and shorter term QWs; and how 'digitisation' can help to make tax simpler.
- Committee members were critical of the prioritised list of QWs circulated beforehand – because some high demand changes were categorised as 'low priority' due to longer implementation times, whereas most 'high priority' changes were seen as small improvements to existing practice. There was a general view that the 'high priority' QWs wouldn't result in much change.
- There is a presentational risk associated with recommending such small improvements. Committee members noted that any publication of QWs should make clear that more high impact recommendations are to follow.
- Committee members commented that updating booklet 490 and improving guidance on temporary workplaces for projects were classified as a 'medium' priority, but that both are needed. However, it was also pointed out that these are dependent on other changes and would be large pieces of work.
- OTS staff noted that the project should be aiming for interim improvements because it's unlikely that legislative change will be possible during the current parliament. For instance, making a list of items that can be included in a dispensation easier to locate on the HMRC website.
- ACTION FOR OTS: Develop a practical priority list of 'QWs' to work with HMRC on. These should be changes that can be implemented 'very quickly'.
- ACTION FOR OTS: Liaise with the HMRC PT Change BPR Programme (Lesley Agnew's team) to develop medium term improvements (e.g. payrolling of BIKs, section 336 claims, P11Ds regulation, etc.).
- This combination of QWs and ideas should be something that Treasury Ministers will want to sign up for. This might involve re-negotiating with HMRC the stance on QWs currently classified as 'low priority' due to late delivery. For instance, by exploring if some changes could be phased in.
- Committee members highlighted that allowing dispensations to be made for a tax year by 6 July the following year is definitely a quick win. It was noted that a dispensation should be granted to the start of the tax year during which the application was made. So if HMRC grants a dispensation in June 2014, provided it was applied for by 5 April 2014, the dispensation will apply from 6 April 2013.
- Abolishing the requirement to retain fuel VAT receipts for expenses claims where only a mileage rate has been claimed should be a quick win.

- The OTS will be drafting a reply to the Exchequer Secretary – setting out the intention to look first at the high and medium priority QWs whilst continuing to discuss the low priority ones.
- ACTION FOR ALL: Inform OTS before the end of September if after critical thought you feel any of the low priority QWs should and could be moved up the list.

## **2. Travel & Subsistence**

- Michael Wilson (leading this work-stream) explained that the OTS would like to work with the committee to develop and add to some early ideas.
- Areas identified as being in need of improvement include employees that don't have a permanent workplace, how to account for the rise in home-working, and defining temporary workplaces. It was suggested that rules such as the '24 month rule' are no longer fit for purpose and some of these areas will require starting from scratch.
- A more fundamental question to address is 'What should qualify for a tax relief?'
- Any recommendations would need to be 'fit for purpose' for a wide range of people – from an MD of a small company to an employee of a multinational. For companies, 'accountability' will also be a concern.

## **3. HMRC Administration**

- Suzy Giele summarised a number of issues to address. Including incorrect usage of P11Ds instead of P9Ds, and complications by retaining the £8,500 'higher paid' threshold.
- Suzy also floated the idea of having an overall exemption amount.
- Committee members cited HMRC call centres as being a particular issue, especially with regards to changing tax codes even when there is overwhelming evidence to suggest employee tax codes are incorrect.
- A longer term ambition should be to allow employers to be more involved in changing employee tax codes.

## **4. Big picture issues**

- Tracey Bowler explained that the broad plan was to look at issues such as IT-NICs alignment and differentiation between employment and self-employment in the context of employee benefits and expenses.
- Many of the little issues are a consequence of the 'big picture issues', and such longer term improvements would still be worth pursuing even if legislative change is unlikely during the current parliament.
- Furthermore, this work-stream will develop the paper produced by Emanuel Meyer and Peter Gravestock and Chapter 1 of the interim report, and will also look at accommodation benefits and termination payments.

- ACTION FOR ALL: The big picture work-stream is an opportunity for members of the committee to suggest some of the bigger problems that need looking at.

## **5. Next steps and AOB**

- There will be two sub-committees (one for each priority area): 1) Travel & subsistence (chaired by Michael Wilson, supported by Tracey Bowler); and 2) HMRC administration (chaired by Theresa Dendy, supported by Suzy Giele). These sub-committees will work up ideas over the next two months.
- The next main committee will meet again in early November to consider and discuss what proposals the sub-committees have come up with, and then the OTS team will start writing final reports – one for HMRC administration and one for travel and subsistence expenses. We aim to publish both reports in mid-December.
- ACTION FOR ALL: Contact the OTS secretariat to say which sub-committee(s) you would like to be involved in.
- ACTION FOR OTS: Arrange next full Committee meeting in early November.
- Note: The Construction Industry Scheme (CIS) is not within the scope of the review.