

Office of Tax Simplification Board Meeting

31 January 2013

Present

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

Secretary

Jeremy Sherwood

The Chairman welcomed Indra Morris to her first OTS Board meeting and congratulated her on her appointment as HM Treasury's Director General for Tax and Welfare.

1. Minutes of the last meeting

The minutes of the 6 December 2012 meeting were formally agreed.

2. Action points from previous meeting

All action points were covered in the main agenda items.

3. Reception of reports published in January 2013

Michael Jack and John Whiting had presented the findings of the OTS reports into unapproved share schemes and pensioner taxation to David Gauke, the Exchequer Secretary to HM Treasury. The Minister welcomed the reports and would carefully consider the proposals in them, with the Government's initial response expected at the Budget on March 20th. There had also been a meeting with Danny Alexander, the Chief Secretary to HM Treasury. Michael Jack and John Whiting had given him an update on the work of the OTS so far, and had briefly discussed the new OTS review into employee benefits and expenses.

4. External reaction to the OTS

The external response to the two OTS reports had been positive. There had been some very complimentary reactions from the employee ownership sector on the unapproved share schemes review, whilst the national media had focused on the pensioner review. Although most of the headlines had been around the OTS proposals to abolish the 10% savings rate, there had been a lot of interest in the administrative reforms proposed. There was wide support for the introduction of a form "DWP 60", an annual statement of the amount of taxable state pension received each year. The media had also welcomed the proposal for a composite form P2 coding notice to replace the plethora of individual coding notices received by pensioners. Comments on the recommendation to abolish the 10% savings rate had tended to miss the OTS's suggestion of a compensating increase in the ISA limit. It was noted that bodies such as LITRG had welcomed this and other aspects of the OTS report.

The Board discussed one or two negative comments about the OTS made in the context of the recent flurry of interest in tax complexity and tax avoidance, especially by multinational companies. The impression was that some people thought the role of the OTS was to propose (and even effect) a radical overhaul of the tax system and were disappointed that this was not happening. Michael Jack and John Whiting had mentioned this at their recent meetings with Treasury Ministers. All felt it reflected a lack of understanding of the role of the OTS. The OTS had been set up with a clear remit to carry out simplification reviews into specific areas agreed with Ministers. Its reports to date had made some radical policy proposals, such as the merger of tax and national insurance, and a cash basis for small businesses. But the experience so far was that some of the biggest practical simplifications could be achieved by administrative changes to the interface between HMRC and taxpayers, which could be much improved. Ministers were keen for the OTS to explore these areas further. There is a need for expectation management, which may have implications for Ministers.

Teresa Graham felt that the OTS project analysing the reasons for tax complexity had the potential to lead to some general principles for a simpler tax system. This could be a very useful outcome of the work of the OTS. In the meantime it would be instructive to look back at the simplification recommendations the OTS had made so far, and see how many were being implemented and with what effect. The OTS could also engage more with other groups interested in tax simplification, such as the accountancy bodies and business organisations such as the CBI.

Edward Troup agreed that the OTS should have a role in going back over its completed reports and following up the commitments that had been made by Ministers and HMRC. Given the timing of the political cycle, it was unlikely that radical simplifications proposed by the OTS could be implemented before the next election, but the legacy of ideas could well find their way into proposals for the next government. The OTS should also continue to engage with Treasury Ministers and tax policy makers, helping to raise the profile of tax simplification and help develop a more strategic approach to it.

Indra Morris felt that the OTS had a number of choices about how it should best influence policy making within the current set up. It already provided a useful challenge to tax policy makers. Tax simplification was not as easy as some commentators thought.

John Whiting thought that some commentators had lost sight of the fact that the OTS only made recommendations and it was up to the Government to decide whether to implement them.

Adam Broke pointed out that the OTS had been set up largely in response to a groundswell of opinion from the tax profession, and it was important to continue to work closely with the professional tax and accountancy bodies in making the case for practical simplifications. Most tax experienced tax experts realised that it was unrealistic to expect that you could rip up the tax system and start again.

Summing up the discussion, Michael Jack thought it was important that the OTS should continue to challenge tax policy makers in a constructive and informed way, with creative thinking based on its approach grounded in practical experience of the tax system. The OTS project on tax complexity should not just be an academic exercise but should lead to practical outcomes, and could provide an important permanent legacy of the OTS. The OTS had

achieved a great deal with a very small number of people, and its recommendations were starting to lead to real simplifications for taxpayers.

5. Next projects

John Whiting gave an update on the new project into employee benefits and expenses, due to start after the Budget. The OTS had advertised for external secondees to join the team, and was carrying out initial scoping work for the project with HMRC and HM Treasury experts. The team was also looking into a possible project on partnership taxation, and had asked to speak to some HMRC frontline staff about their experiences of the most complex areas of partnership taxation.

6. AOB

- Finance and staffing: Jeremy Sherwood reported that the OTS was forecasting a small underspend on its 2012/13 Budget. In her new role as the formal HM Treasury accounting officer for the OTS, Indra Morris asked for a meeting with the Secretary to discuss and agree the OTS budget for 2013/14.
- Date of next meetings: The Secretary circulated a list of dates for the OTS Board meetings in 2013. The next meeting would be on 19 March at 9am.

Jeremy Sherwood
OTS Secretariat