

Office of Tax Simplification Board Meeting

14 April 2015

Present

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

Secretary

Jeremy Sherwood

The Chairman welcomed James Bowler to his first OTS Board meeting. James had taken over from Indra Morris as Director General, Tax and Welfare at HM Treasury.

1. Minutes of the last meeting

The minutes of the 9 February 2015 meeting were formally agreed.

2. Action points from meeting

Extension to secondees contracts

The Treasury had agreed to extend the contracts for two secondees until 31 May to carry out work outstanding from recent OTS projects, take forward further work on the Complexity project and to help the Office consider possible subjects for future simplification reviews.

Updated list of tax reliefs

The OTS had published an updated list of tax reliefs at the end of March, following the 2015 Finance Act. One relief had been abolished (the £8,500 benefits threshold) and 17 added, giving a new total of 1,156.

Budget 2015

John Whiting reported on the good coverage given to the OTS in the Budget speech and Red Book. Michael Jack was pleased at the profile given to the OTS, which helped generate goodwill in the tax and business community and gave vital publicity to the office.

3. Employment status report

A summary of the media responses had been circulated to Board members. The Chairman was pleased that the report had not just been widely reported in the tax and employment

law media but had also generated some debate among expert commentators. There had also been some feedback and correspondence on the report, on the status of office holders and on tax evasion opportunities of people changing to self-employed status.

Adam Broke and Teresa Graham congratulated the OTS team on an excellent report with clear thinking and analysis of a very difficult subject, which would be immensely constructive for future policy decisions.

Edward Troup and James Bowler thought that it was very helpful for the challenges of employment status and tax to be set out for public debate. Quite a lot of further work would be needed if the employed/self-employed boundary is reviewed by the next government, including identifying possible winners and losers of any changes.

4. Update on projects

John Whiting reported on progress tying up some loose ends from recent projects. On the partnerships review, HMRC expected to publish an updated Statement of Practice D12 on capital gains tax for partnerships, following the OTS review. This was likely to be after the election and the OTS will work with HMRC to publicise the new Statement.

Following the UK Competitiveness review, HMRC had asked the OTS for its views on prioritising the recommendations. The team had carried out a prioritisation exercise and would share the results with HMRC shortly.

On the employee benefits review, the OTS was disappointed that its proposal for a trivial benefits exemption had been dropped from the 2015 Finance Bill during negotiations between political parties. Hopefully this matter will be revisited after the election.

5. OTS list of recommendations

A list of all 402 recommendations made by the OTS had been published at the end of March. The list showed whether each recommendation had been accepted, rejected or was under review. For each recommendation that had been accepted or was under review, HMRC had provided a brief progress update.

The overall picture was that 50% of the OTS recommendations had been accepted or partly accepted by Government. This was encouraging, and well above the success rate of any other group making tax policy proposals. On the other hand, the OTS's recommendations came from extensive evidence gathering among a wide range of interested parties, HMRC included, so a higher success rate than other groups should be expected. One comment was that if the acceptance rate was 100%, then the OTS might be accused of not being radical enough and just proposing ideas it knew the Government would accept. Some proposals had been rejected for political reasons – for example the proposal to abolish blind person's allowance would be controversial for any government, despite the fact that a low

proportion of those eligible claimed it. Other proposals had not been widely supported when the idea was put out for formal consultation, or for some, HMRC was worried about the avoidance risk. There were some rejected proposals which the OTS still thought had merit, and the Board suggested looking at some of these on a sample basis to see why they were rejected. Edward Troup also wanted to explore why some recommendations had not had a response from HMRC.

Teresa Graham said it was important to have transparency of the reasons why some OTS recommendations had been rejected, and this update was useful in that respect.

Adam Broke noted that the success rate for “big picture” recommendations was less than the rate for smaller, less significant recommendations. This was probably because the bigger changes proposed were more difficult to achieve politically.

6. OTS correspondence report

Sudesh Krishnan of the OTS team had analysed the numbers and themes of emails and letters sent to the OTS over the past 18 months. Michael Jack recorded the Board’s thanks, and noted that there were around 10 items a month on average. There was a steady trickle of contact from people wanting their own tax affairs sorted out, in addition to comments on OTS reviews and ideas for future tax simplifications.

Edward Troup said that HMRC had detailed analysis of the subjects raised in their correspondence from taxpayers and agents. This could help identify areas of the tax system with particular complexity that could benefit from a future OTS review, and HMRC would be happy to share details with the OTS.

7. Future of the OTS

The Board noted the different election manifestos and their possible implications for tax simplification and the future of the OTS after the election.

8. Any other business

Finance report – Although final figures had not yet been made available for 2014/15, it was clear that the OTS had operated well within its budget. This was largely due to staff shortages in the final 6 months. Michael Jack congratulated Jeremy Sherwood for controlling the budget successfully during the whole lifetime of the OTS.

Next meeting – this would depend on the outcome of the election and the next Government’s plans for the OTS but a provisional date would be arranged in early June.

Jeremy Sherwood

OTS Secretariat