

Office of Tax Simplification

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Room G41
1 Horse Guards Road
London SW1A 2HQ

13 December 2016

Jane Ellison MP
Financial Secretary to the Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear Jane,

Thank you for your letter of 23 November, which accompanied the Chancellor's Autumn Statement. As is our normal practice, we are responding formally to set out how we plan to progress some of the matters discussed in your letter. We will be publishing this letter on our website.

We very much appreciate your vote of confidence in the OTS and the value you place on our work. Your endorsement of our aim of simplifying the tax system is gratifying and important.

Small Company Taxation

We have now completed our work in this area, at least for the present. In respect of our two recent reports:

- **SEPA:** we think we have set out a promising way forward. It is for others, particularly we suspect BEIS, to develop our outline further into a full proposal. We would be only too pleased to offer what support we can to your officials in this work. As you appreciate, we gathered input from a wide range of interested parties in paving the way for such an exercise.
- **Lookthrough:** as you appreciate, the aim of our work was to test this model and assess simplification benefits. Our conclusion was that these were not obvious but we think there is real merit in a wider strategic review of this whole area of taxation and we are encouraged by your endorsement of this, particularly – as you say – as the ways in which people work change. We would be pleased to engage with your officials' work in this area.

In passing, we would note that there are clear links to the issues we noted in our recently-published paper on the 'Gig' economy, and to the issues explored in the important cross-government working group on employment status which we have been pleased to participate in.

Corporation tax project

We are on track to publish our report prior to the Spring Budget. As with our Small Company taxation work, on some aspects we may well conclude that further work is called for. We are actively engaging with the Making Tax Digital (MTD) project to seek opportunities for simplifications to facilitate MTD.

Next reviews

We are pleased the Terms of Reference for our VAT and paper Stamp Duty reviews have now been published, as foreshadowed in the Autumn Statement and your letter. We plan to publish an interim report and call for evidence on VAT prior to the Spring Budget and a final report in the autumn; on Stamp Duty we will target a report in the summer.

Looking ahead

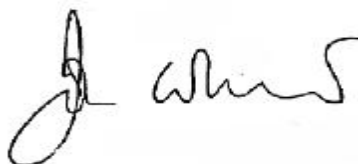
We are also looking further ahead at our programme of work, taking into account both the responses from our draft strategy document and the recently completed stakeholder consultation, and reflecting on our current operating model for reviews. We are already putting some of this into practice by responding to a number of HMRC/HMT consultations and through our contributions to the Making Tax Digital programme. We plan to generate further 'Focus' discussion documents, the first of which was our paper on the Gig economy.

The OTS is entering a new era. It now has its independent status and the new Tax Director will be joining in the New Year. Meanwhile the world of work is changing, with digitalisation in all its many forms bringing much direct and consequential change. The expectations of taxpayers are high, bringing challenges for us. The OTS will seek to fully play its part.

Yours sincerely



Angela Knight
Chair



John Whiting
Tax Director