

Explanatory Note

Clauses 83, 84, 85, 86, 87, 88 and Schedule: Office of Tax Simplification

Summary

1. This clause and Schedule provides for the permanent establishment of the Office of Tax Simplification (OTS) in statute, sets out its functions and makes certain provisions for its governance and operation. The clause and Schedule take effect from a Treasury appointed day.

Details of the clause and Schedule

Clause

2. Section 1(1) establishes the OTS in statute.
3. Section 1(2) introduces Schedule 1 which sets out various provisions for the governance and operation of the OTS.
4. Section 2(1) sets out that the function of the OTS is to advise the Chancellor on simplifying the tax system, either at the Chancellor's request or of its own accord.
5. Section 2(2) provides that the tax system means those taxes (including the legislation for administering those taxes) for which HM Revenue and Customs are responsible for, including duties and national insurance contributions.
6. Section 2(3) ensures that any references in Sections 2 and 3 to simplification of the tax system includes improving the efficiency of the administration of relevant taxes.
7. Section 3(1) specifies that the Chancellor can instruct the OTS to carry out a review to provide advice on simplifying any aspect of the tax system.
8. Sections 3(2) and (3) require the OTS to report to the Chancellor on the results of its review and make any recommendations it considers appropriate.
9. Sections 3(4) and (5) require the Chancellor to publish the OTS report, provide a copy of it to Parliament, and publish a government response.
10. Sections 4(1), (2), (3) and (4) require the OTS to provide the Chancellor with, and publish, an annual report about its work as soon as reasonably possible after the end of every financial year, and that the Chancellor has to provide a copy of this report to Parliament.
11. Section 4(5) specifies that a financial year for the purposes of the OTS annual report begins

with the day that this section comes into effect and ends on the following 31 March. Successive financial years then begin on 1 April ending 12 months later on the following 31 March.

12. Section 5(1) provides for the Treasury to review the effectiveness of the work of the OTS. These reviews must be conducted before the end of a specified review period.
13. Section 5(2) specifies this review period. The first review must be conducted before the end of a 5 year period beginning with the day that this section takes effect. The following reviews must be conducted before the end of a 5 year period beginning with the day on which the previous review was completed.
14. Section 5(3) requires the Treasury to publish a report of each such review.
15. Section 6 provides for this legislation establishing the OTS (Sections 1 to 5 and Schedule 1) to take effect from an appointed day set out by the Treasury in regulations.

Schedule 1: Office of Tax Simplification

16. Paragraph 1 makes provision about the membership of the OTS. The OTS will not have more than 8 members. These members must include the chair and a tax director and representatives of the Treasury and HM Revenue and Customs. The chair nominates any additional members. All members are appointed by the Chancellor, however, the Chancellor needs to be satisfied that the tax director has the necessary qualifications and experience for the post (which will, given the nature of the OTS's functions, include tax qualifications and experience). The Chancellor is required to consult the chair prior to the appointment of the tax director.
17. Paragraph 2 contains further provision about membership of the OTS. The terms of the appointment of OTS members are subject to the provisions of sub-paragraph (2). No appointment can be for longer than 5 years, but when members leave the OTS, they can be re-appointed.
18. Paragraph 3 makes provision about the appointment of initial members of the OTS, specifically the chair and tax director. Where the current chair and tax director of the non-statutory OTS are appointed chair and tax director respectively of the statutory OTS, the durations of their appointment begins with the date of their appointment to that non-statutory body. The Chancellor does not need to consult the chair about the appointment of the tax director if that person is the current tax director of the non-statutory OTS.
19. Paragraph 4 specifies that OTS members can leave at any time during their period of appointment by writing to the Chancellor to resign from their post.
20. Paragraph 5 permits the Chancellor to terminate the appointment of an OTS member by giving the member written notice. In the case of the chair, tax director or OTS members nominated by the chair, paragraphs 5(2) and (3) set out the conditions under which the Chancellor can terminate these appointments.
21. Paragraph 6 inserts provision for the Treasury to decide on the remuneration and allowances that it may pay to each member of the OTS.
22. Paragraph 7 makes provision for the Treasury to provide the OTS with any staff, offices and other services and facilities that the Treasury may decide is necessary for the proper performance of the OTS' work.

23. Paragraphs 8, 9 and 10 insert provisions that permit the OTS to establish its own internal governance and controls, as well as operating procedures and process that it may decide is necessary for the proper performance of its work. A vacancy in the membership of the OTS or a defect in the appointment of a member will not affect the validity of the work of the OTS.
24. Paragraph 11 permits the Treasury to provide the OTS with a budget that it considers appropriate for funding the work of the OTS, subject to any conditions that it may determine.
25. Paragraphs 12, 13, 14 and 15 insert provisions to bring the OTS within the scope of the House of Commons Disqualification Act 1975, the Northern Ireland Assembly Disqualification Act 1975, Freedom of Information Act 2000 and the public sector equality duty established by section 149 of the Equality Act 2010.

Background note

26. The OTS was established as a temporary, non-statutory office of the Treasury in July 2010 to provide independent advice to the government on simplifying the UK tax system.
27. At the Summer Budget on 8 July 2015, the Chancellor announced the government's intention to introduce legislation in 2016 to put the OTS on a permanent, statutory footing with an expanded role and capacity.
28. If you have any questions about this change, or comments on the legislation, please contact Matthew Henty on 020 7270 4997 (email: Matthew.Henty@hmtreasury.gsi.gov.uk).