

Office of Tax Simplification

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David Gauke MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
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Dear David

Update on Tax simplification measures

Thank you for your letter of 25 November to the OTS, which accompanied the Autumn Statement announcements. At the recent OTS Board meeting it was agreed that we should formally respond to your letter, as is our normal practice.

Future of the OTS

We were very pleased to see the publication of the draft legislation on the OTS along with the other draft Finance Bill measures. As I think you know, I, latterly together with David Halsey (who joins the OTS in the New Year as our new Head of Office) have been involved in discussions on the formulation of the legislation. Our view is that the draft legislation is positive and effective in setting up and giving proper direction and powers to what I have termed 'OTS Mk 2'. We await with interest the comments of stakeholders.

Employment Status

It was very pleasing to the OTS to see in your letter the acceptance of so many of our recommendations on Employment Status. The commitment to a cross-government working group on employment status is particularly significant and we have already heard from a number of stakeholders who very much welcome it. We hope the OTS will be involved in the group when it is established.

We note the rejection of recommendation 25 (increasing transparency around employers' NICs). It is likely that this issue will surface again in some way in our current project on income tax & NICs (IT/NICs) closer alignment.

Employee benefits and expenses

It is good to see the continuing progress in effecting out recommendations on Employee Benefits and Expenses and the Class 2/Class 4 NICs consultation (again something that is likely to feature in our IT/NICs project).

We note the Call for Evidence on Accommodation Benefit. As we said in our report, this is a sensitive and complex area so it is understandable that the Government is proceeding in this way. However,

we have already heard from some who contributed to our work to the effect that they have already given their views, so we will liaise with the HMRC team to ensure that they:

- have a full list of those whom we met with and gathered evidence from;
- are fully aware of that evidence;
- appreciate that evidence and how we arrived at our recommendations.

Autumn statement announcements on cost reduction

We are naturally very interested in the target set by the Autumn Statement of an annual reduction in the cost to business of tax administration of £400m by the end of this spending review period. The OTS recommendations that we have made and which are still under consideration, together with those we will make in our future reports should help in the achievement of that target.

Our current projects

We are working hard at our two current projects, on IT/NICs closer alignment and Small Company taxation. We are confident of publishing reports at the beginning of March 2016, though the timetable to do so is challenging. I look forward to updating you on our progress in the New Year. The announcements about 'Making tax digital' is something we will be considering in the context of our small companies project.

Yours sincerely



John Whiting
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