



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Kathryn Cearns and Bill Dodwell
Office of Tax Simplification
1 Horse Guards Road
London
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5th November 2019

Dear Kathryn, Bill,

Office of Tax Simplification report on simplifying everyday tax for smaller businesses

I am writing to thank you on behalf of the Chancellor and myself for your report on simplifying tax for small businesses published in May 2019. The Government is committed to ensuring the UK remains an attractive environment for business and entrepreneurship. Your wide-ranging report contains valuable insight into improving the tax environment in which small businesses operate.

I am pleased to announce the Government has accepted the majority of your core recommendations. The table attached sets out the Government's response to each of the recommendations, and officials will continue to update you on progress on your eighteen additional recommendations.

Thank you again for your work and that of your team in this area. I am sure you will continue to contribute to the simplification of the UK tax system.

A handwritten signature in black ink that reads 'Jesse Norman'.

JESSE NORMAN MP

ANNEX: GOVERNMENT'S RESPONSE TO THE OFFICE OF TAX SIMPLIFICATION'S REPORT ON SIMPLIFYING EVERYDAY TAX FOR SMALLER BUSINESSES

	Office of Tax Simplification Recommendation	Government response
1	The government should develop and offer small businesses a package of start-up guidance taking them step-by-step through the things they need to do at key stages in the business, with tax as a major (although not the only) focus.	Consider - The government recognises the importance of providing help to small businesses not just to meet their tax obligations but to grow and prosper. HMRC provides tailored support, including webinars and videos, alongside tax helplines and written guidance. Further progress can be made. The cross-government 'Start a Business' service community, a network of people across government who work to improve services for users, has published step-by-step guides to setting up a business. Work will continue to find the optimum way to improve guidance available to those starting out.
2	A strategic focus on the PAYE system should be an HMRC priority to ensure effective implementation of improvements and system changes.	Accept – HMRC is committed to improving PAYE and RTI, delivering cost savings and a better experience for customers, employers and agents. HMRC conducted a post-implementation review of RTI in 2017 and is in the process of implementing its findings. In addition, HMRC is now introducing a new regime ownership model which will give clear accountability for ensuring that changes to processes (including PAYE) are delivered, embedded, and evaluated on their effectiveness as well as considering opportunities for future improvements.
3	A fresh review of areas where the PAYE/RTI system should be improved should be carried out, possibly by the OTS.	Consider – HMRC will work with the OTS to consider the best time for a fresh review of PAYE, by the OTS or otherwise, alongside other priority areas for identifying improvements to the tax system.
4	HMRC should appoint a senior official to oversee and prioritise implementation of the Agent Strategy.	Accept – HMRC has appointed a senior official to oversee and provide leadership on the Agent Strategy.
5	HMRC should routinely build agent awareness and needs into system design and improvement and its related guidance.	Accept – A focus of the appointed official from recommendation four will be to ensure constructive engagement with the agent profession, to strengthen listening, and make sure the role and needs of agents are understood and incorporated into development of new systems.

6	HMRC should work with partners such as Companies House to develop digital options to help small companies prepare accounts and tax returns, including use of an optional accounts template that is simple to use and acceptable to HMRC and other departments.	Consider – HMRC officials are exploring with Companies House how best to achieve a simpler return process for businesses.
7	HMRC should simplify the corporation tax online return process as part of any future extension of Making Tax Digital to corporation tax, so that, as with the online income tax process, taxpayers only see the pages and information relevant to them and have pop-up information and help screens at key points.	Consider – HMRC will continue to take advantage of digital tools to reduce the complexity small businesses feel in preparing accounts and corporation tax returns. The OTS highlight the potential for simplification provided by any future extension of Making Tax Digital to corporation tax and this will be considered before implementation.
8	HMRC should explore ways to reduce the number of companies having to file two tax returns to cover first accounting periods that are very slightly longer than 12 months.	Consider – HMRC understands there is an issue when a company draws up a set of initial accounts that cover a period longer than a year. HMRC will consider if it is possible to mitigate this without causing wider difficulties to the CT system from changing the maximum length of a tax year.
9	HMRC should map major customer journeys for small businesses across tax regimes, to develop a programme of change to streamline the small business experience of the tax system.	Accept – The small business customer journeys HMRC has already mapped have resulted in a range of ideas in development to improve the experience of HMRC services. HMRC’s continuing programme of work will include mapping further small business journeys so that in time all major journeys will be covered.
10	HMRC should review tax payment processes across core taxes and regimes, with a view to aligning and streamlining them.	Accept – HMRC will align and streamline payment processes across different taxes. HMRC has made organisational changes that are supporting a programme of work to do this, working to a payment strategy delivering a consistent and straightforward set of HMRC payments processes.