Making things simpler

Personal tax



01 March 2020

The Office of Tax Simplification (OTS) celebrates its tenth anniversary later this year. The initial task of building the Office was taken on by its first Tax Director, John Whiting, supported by Michael Jack as chair. In 2015, the OTS was made an independent office of the Treasury and in 2016 was given statutory authority. The statute provides that the OTS shall have a majority of independent board members (four), as well as the chair and the tax director. The board is completed by senior officials from HM Treasury and HMRC.

Statutory authority coincided with the OTS getting a larger staff budget, so that it was no longer reliant on free secondments from large firms. The team is led by the Head of Office (David Halsey, who succeeded Jeremy Sherwood) and is made up of a

great mix of private and public sector policy advisers with a wide range of different experience. There are about 12 to 14 people in the team and as some work part time, we've got about nine full-time equivalents. Today, while the OTS may appoint individuals with specific expertise on particular projects, most are part of a permanent team.

I joined the OTS in July 2018, in response to an advert for four policy advisers. In January 2019, I was appointed Tax Director in succession to Paul Morton, after a public appointment process. One year in, it seemed a good time to talk about how the OTS works.

How reviews work in practice

Some of our reviews are commissioned by the chancellor and others are undertaken on our own initiative. However, in all cases, before any review is launched the OTS will debate the merits with Treasury and HMRC officials. The OTS is indeed independent of government but the most productive reviews are those where the review has been developed with the support of the exchequer departments. The OTS makes recommendations but decisions on tax policy remain very much the province of ministers, advised by the Treasury. Tax administration is entrusted by law to HMRC, which is generally supportive of our recommendations, but necessarily needs to fit change into other work.

Once the basic idea has been agreed, the OTS team will commonly draft a scoping document, taking account of feedback from Treasury and HMRC specialists to make sure that the review is properly focused. In all cases, the scoping document will be published on the OTS website – following a letter of instruction from the chancellor where relevant. The scoping document is then followed by a call for evidence and often a public survey.

Gathering evidence

From the start, the OTS made a big effort to seek ideas and feedback from as wide a range of taxpayers, advisers, business organisations and professional bodies as possible. It's vital to leave London! Local branches of the CIOT/ATT, and the accountancy bodies (the ICAEW, ICAS and CAI) and business organisations (such as the FSB) often facilitate meetings with the OTS team. Other bodies, such as the AAT and CBI, meet us in London, often inviting volunteers to travel to give their feedback. The tax charities and the Low Incomes Tax Reform Group give important

evidence often not available anywhere else.

Right at the start of any review, the OTS will set up a meeting with HMRC's data unit, KAI – Knowledge, Analysis and Intelligence. Good data is a vital part of any form of policy making. The OTS has several times published previously unpublished data – sometimes because it hadn't been gathered or compiled before. One of the best recent examples of this is the Inheritance Tax review, where KAI gathered data about a wide range of claims and exemptions. For example, there was no data gathered before about claims for taper relief, or for normal expenditure out of income. The data supports the recommendations in the review, as well as enabling others to develop their own policy ideas.

There are also a range of meetings with HMRC and Treasury operational and policy teams. They will be able to discuss the general issues they see, whether in non-statutory clearance applications or in compliance activities.

Traditionally, the OTS has formed a consultative committee for chancellor reviews. The committee is made up of a range of private sector experts, as well as specialists from HMRC and the Treasury. Sometimes an academic or an economist is invited to bring a broader perspective. The committee can typically act as a sounding board – although the final report remains that of the OTS.

Final recommendations

After the initial evidence gathering, debate continues to make sure that the final recommendations are sound and capable of implementation. It's important to make sure that avoidance gaps are not opened up, or that a proposal has an unexpected exchequer cost. There's no longer a requirement for a set of recommendations to be revenue neutral but naturally the impact on the public finances remains important. Finally, the report is published (and laid before Parliament by the chancellor, where commissioned by him). We will speak to journalists about the report, to help inform the wider public of the OTS' work. The chancellor is bound to respond to commissioned reports, although the question of adopting recommendations remains very much a matter for the government. The support of the advisory community in providing ideas and evidence makes a vital contribution to a simpler and better tax system.