Recent work with/regarding the Office of Tax Simplification

General Features

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The CIOT has responded to HM Treasury's review of the Office of Tax Simplification and held discussions with the Office of Tax Simplification regarding their scoping document on moving the tax year end date.

HM Treasury's review of the Office of Tax Simplification

On 23 March, the Financial Secretary to the Treasury announced HM Treasury's first five-year review of the Office of Tax Simplification (OTS) – the Chancellor's independent adviser on making the tax system simpler and easier to interact with for taxpayers. The OTS was established on 20 July 2010, made a permanent independent office of HM Treasury on 21 July 2015, and placed on a statutory basis in Finance Act 2016. Finance Act 2016 requires HM Treasury to conduct a review of the effectiveness of the OTS in performing its functions every five years, and the first five-year review period will end on 28 November 2021.

In our written submission (see www.tax.org.uk/ref808), we agreed that the remit and function of the OTS should be 'the simplification of the tax system', both in relation to its technical and practical aspects, and encompassing all taxes for which HMRC are responsible (including the devolved taxes they administer). We stated that the OTS should not be directly involved in government policy making decisions. Instead, it should sit separate from government to play a wider role in engaging with non-governmental stakeholders on the simplification agenda, but sufficiently integrated within government to be able to influence the tax policy making process and access HM Treasury's and HMRC's knowledge base. The OTS should continue its wide-ranging approach to obtaining opinion and input from tax professionals, professional bodies and taxpayers alike, and we commended the OTS for the efforts it goes to in order to gather evidence.
Unfortunately, we had to note that whilst the OTS has had some 'successes', since it

was formed the complexity of the tax system has continued to get progressively and significantly worse. Even if all the OTS's recommendations had been implemented, its effect would have been dwarfed by the torrent of new legislation and processes.

Looking ahead, we recommended the introduction of a formal framework for tax simplification, against which the OTS can score its recommendations and the government can assess potential policies. Indeed, an evaluation of the relative complexity of new proposals should be integrated into the Tax Consultation Framework, and the OTS should be sufficiently resourced to undertake an assessment of them. Adequate resourcing to undertake post-enactment reviews of new legislation was also suggested.

We also suggested that the government should be required to formally and fully respond to all OTS's reviews and recommendations (not just those reviews requested by the Chancellor) within a prescribed period.

The ATT and LITRG provided verbal feedback to HM Treasury's review.

Moving the UK's tax year end date

The OTS recently published a scoping document (see tinyurl.com/pv2nrecs) focusing on the implications of moving the UK's tax year end date from 5 April to 31 March. It also considered the broader issues, costs and benefits that would need to be considered if the end of the tax year was moved to 31 December.

We invited the OTS to the CIOT's Management of Taxes, Owner Managed Business and Employment Taxes July technical committee meetings to discuss its document with our volunteers and we incorporated what was discussed during those meetings into our response (see www.tax.org.uk/ref772) to HMRC's Call for Evidence on the Tax Administration Framework (written up elsewhere in this month's Technical Newsdesk).

It is our recommendation that the government reflect on the OTS's report when it is published and launch a formal consultation on moving the tax year either to 31 March or 31 December. Retaining a 5 April tax year end makes little sense in today's global world, where a significant number of overseas' jurisdictions use 31 December as their tax year end. 31 December is also likely to be more easily understood by taxpayers as it coincides with the calendar year. Whilst we note that changing the tax year to 31 March would probably be more straightforward than changing it to 31 December, it would not deal with the issues caused by using a different year end to

much of the rest of the world. However, changing the UK’s tax year should be a longer term plan – perhaps over four or five years – as there will be transitional rules to address, and taxpayers, businesses and HMRC will need time to prepare. In short, we think it would be a missed opportunity for the government not to seriously look at moving the UK’s tax year either to 31 December or 31 March as part of the ten year Tax Administration Framework review.