Tax simplification

General Features



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An update on latest activities with ministers and HMRC.

As reported in the May edition of Technical Newsdesk (‘Tax simplification’, tinyurl.com/5464kktw), the CIOT, ATT and LITRG, along with ICAEW and ICAS, wrote to the Financial Secretary to the Treasury (FST) Victoria Atkins MP proposing a series of actions that ministers and HMRC should take if they are serious about delivering a simpler tax system.

On 10 May, we met with the FST to discuss the letter. It was a positive meeting, with a commitment by the FST to future engagement with us on this issue. She expressed particular interest in our recommendation to increase awareness of, and improve, GOV.UK guidance and noted our suggestion to include simplification declarations in tax information and impact notes.

We shared with her some areas of difficulty at a high level: complicated processes giving rise to issues such as refund agencies; challenges around producing adequate guidance and raising awareness/educating taxpayers; tax often being considered

without thinking about the interaction with universal credit; and rogue R&D agents and the current consideration of merging the R&D schemes.

We did not get a clear definition of simplification from the FST but understand that HMRC and HM Treasury are undertaking work on what simplification would mean in developing policies, and that it is likely to cover both systems and processes, as well as both future and existing legislative policy. We are meeting with HMRC officials to take forward the conversation with the FST and to progress the simplification agenda in early July, and the subject remains a discussion topic in much of our ongoing engagement with HMRC.

We also discussed our disappointment at the closure of the Office of Tax Simplification (OTS). The FST supported the decision to close the OTS but stressed that this does not mean that she does not recognise the importance of simplicity. She pointed to the three criteria to be considered in all policy making in HM Treasury and HMRC, and which featured in the Tax Administration and Maintenance Day announcements: fairer; simpler; and supporting growth. But she then explained the tensions between fair and simple, and that on balance sometimes the former would win. She used the example of needing the small profits rate and marginal relief for smaller businesses, which add complexity but reduce the tax burden on those unable to absorb the 25% corporation tax rate.

The CIOT also provided a briefing to the Public Bill Committee considering the Finance Bill (see tinyurl.com/3efvhn6k). In this, we expressed regret at the government's decision to abolish the OTS, and hoped that even at that late stage the OTS could be saved. We encouraged members of the committee to vote to retain it. We feel that retention of the OTS, especially if it is strengthened, would send out a strong message of the government's commitment to simplification, whereas abolishing it sends the opposite message.

The debate provided an opportunity to press the government on how they will deliver their promise to 'embed tax simplification into the institutions of government'. We strongly welcomed New Clause 1, tabled by members of the Treasury Committee, which would have required HM Treasury to report annually to the Treasury Committee on tax simplification if the OTS is abolished.

The Public Bill Committee debate took place on 18 May, and a liveblog of discussions can be found at tinyurl.com/5um6dmcd. But the clause to abolish the OTS was

agreed, and the amendments and new clauses associated with its abolition were defeated.

The FST was very interested in Making Tax Digital (MTD), referencing the review for those earning up to £30,000. When thinking about MTD, the FST has in mind a taxpayer from her own constituency – the Mablethorpe garage owner – and how small businesses would cope. We reiterated some of the challenges of MTD, including multiple agents, quarterly reporting (especially in conjunction with universal credit reporting), complex rules, difficulties in producing guidance, and availability of software. We are now engaging further on MTD through our responses to the Public Accounts Committee's inquiry into the progress of MTD (see tinyurl.com/mrn7hesr) and regular meetings with HMRC, as well as our survey of members (see box opposite).

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