

# Introducing the Office of Tax Simplification

Newly-appointed tax director of the Office of Tax Simplification (OTS), and former PwC partner, John Whiting outlines how and why the OTS has been set up, its staffing and its initial projects of small business taxation and tax reliefs.

I've long argued that we need a simpler tax system in the UK. Many years ago, when president of the Chartered Institute of Taxation (CIOT), we put forward a number of 'quick wins' – ideas for specific quick and easy changes to the tax system (some were even adopted!). I've also argued for the establishment of a Tax Law Commission, to parallel the Law Commission, with a brief to review the UK's stock of tax law (the Law Commission's remit doesn't run as far as taxation).

I certainly haven't been the only person to suggest that we need to try and call a halt on what seemed to be the inexorable complexification (as George W Bush might have termed it) of the UK's system. The Tax Law Review Committee of the Institute for Fiscal Studies (IFS) put out an important report<sup>1</sup>, but probably the seminal moment was the publication of Lord Howe's July 2008 report<sup>2</sup> in the wake of the Forsyth committee's wider report<sup>3</sup> on the tax system. Geoffrey Howe led the way with his Hardman lecture in November 2000<sup>4</sup> but his 2008 report undoubtedly led the Conservatives to include the idea of an Office of Tax Simplification in their manifesto.

The Liberal Democrats had also registered concern over the complexity of the tax system when in opposition and so were presumably happy to support the idea. The OTS was referred to in the recent emergency Budget and on 20 July 2010, it was duly launched.

## So what is the Office of Tax Simplification?

The OTS has, as the name suggests, a brief to look at areas of the UK tax system and report on how it might be simplified. Its staffing has three components:

- The OTS board consists of the Chairman (Michael Jack) and Tax Director (me), together with Dave Hartnett (HMRC Permanent Secretary for Tax) and Edward Troup (Managing Director, Budget Tax & Welfare)
- A small full-time secretariat of HM Revenue & Customs (HMRC) and HM Treasury (HMT) people.
- A group of secondees from the private sector, including people seconded from the big accounting and law firms and a number of professional and industry bodies.

Michael Jack, previously both an MP and a Financial Secretary to the Treasury, is an ideal person to act as Chairman. He and I are both very much part-time, unpaid appointments – I am only signed up for a day a week – so I should stress that the OTS is a small unit! We will be able to draw on the wider expertise in HMRC/HMT as well as subject matter experts and HMRC's statistics team.

Those with experience of the tax system will no doubt expect to see a steering or consultative committee involved. The original plan was to have such a body to oversee the OTS's work but my inclination is to establish a consultative group for each of the OTS's projects.

## What are we going to do?

I'd better emphasise that I don't believe we can ever have a truly simple tax system in the UK. We live in an increasingly complex world and tax must reflect that, especially if we want a fair system – *simpliciter* against simplicity. But the system can be simpler – both administratively and technically. Above all, we can commit to doing things in an easier, more straightforward way. If the OTS can show that tax can be 'done' in a simpler way and that doing so will pay dividends, then that will surely carry over to the process for new legislation.

1. *Making Tax Law*, March 2003, available at <http://www.ifs.org.uk/comms/budd03.pdf>

2. *Making Taxes Simpler*, available at [http://conservativehome.blogs.com/torydiary/files/making\\_taxes\\_simpler.pdf](http://conservativehome.blogs.com/torydiary/files/making_taxes_simpler.pdf)

3. *Tax Matter – reforming the tax system*, October 2006, available at <http://www.conservatives.com/pdf/taxreformcommissionreport.pdf>

4. Howe, *Simplicity and Stability: The Politics of Tax Policy*, [2001] *British Tax Review* 113.

To me, tax is a tripartite arrangement and a simpler tax system will benefit:

- taxpayers, both business and individuals (especially the unrepresented)
- tax advisers, who – contrary to popular belief – don't like excessive complexity
- HMRC, and through them the Government, both of which need a simpler system to administer with fewer loopholes.

To start with we are tackling two areas, beginning with the taxation of small businesses. This review specifically includes IR35 intermediaries legislation and all those working in the area, as taxpayers or advisers, will identify with the need to simplify that system. I've had a number of suggestions already – with 'abolish IR35' an obvious way of winning in the popularity stakes. However, whatever IR35's failings, it was brought in to tackle some abuses; if it's abolished, do those abuses just come back? What I hope we'll be able to do is have a wide-ranging look at small business taxation. I don't want to just add another piece of sticking plaster to the system, even if it's one marked 'simple'.

The second project is to codify and evaluate the multiplicity of reliefs in the tax system. The 400+ reliefs are all undoubtedly helping someone (business or individual) but are they efficient and delivering value for money? I should underline that abolishing reliefs isn't the role of the OTS: decisions on actual changes are, ultimately, down to ministers. What we need to look at is whether the reliefs are working properly. Surveys have shown that many business tax reliefs aren't known about or claimed as widely as might be expected, so that does suggest a need for change.

It will probably be clear that I see that much of the OTS's work is to focus on the administrative burdens created by the tax system. Can we make it easier to comply? Can we cut the amount of time it all takes, so businesses can get on with what they really want to do and individuals can get on with life?

### ***Are we independent?***

So, realistically, how independent is the OTS from the Treasury? The team will be accommodated within the Treasury building and will be staffed, at least in part, by HMT and HMRC people – and we ultimately report to the Chancellor. Won't there be political interference?

There are good practical reasons why we will be in the Treasury building – there is space available and we will have a lot of the necessary experts. But I acknowledge the independence issue as something we will have to demonstrate; in part by getting 'out and about': I want to talk to a good number of CIOT branches, for example, to get their input and Michael is linking to businesses.

I'd also hope that my background shows that I have a good record of being independent, but the acid test will be what happens to the reports that we produce. I can't guarantee that David Gauke, Exchequer Secretary to the Treasury, and George Osborne will accept everything we suggest, but if we produce reports that are well-argued and well-founded, they should be prepared to take them forward.

### ***Conclusion***

I have long campaigned for a simpler tax system, so I'm delighted to be given the chance to take the OTS forward. I hope we can start to make a difference, but I can't guarantee we'll reduce the Yellow Book by a volume a year. Then again, we can dream!

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