

# Office of Tax Simplification

**Rt Hon Michael Jack  
Chairman  
John Whiting  
Tax Director**

Office of Tax Simplification  
G41  
1 Horse Guards Road  
London SW1A 2HQ  
020 7270 6190

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**David Gauke MP  
Exchequer Secretary to the Treasury**

**cc Chancellor  
Economic Secretary  
OTS Board  
Ajit Philipose HMRC  
Simon Pemble HMT**

Dear David,

## **Office of Tax Simplification – projects for 2013**

1. Following our recent meeting, the OTS has been refining our list of possible future project areas for simplification reviews. We now have firm proposals for our next projects which we hope you will be able to support with a view to making at least an initial announcement at the end of January 2013. As you know, our work on pensioner taxation and share schemes will complete in January so we will then be ready to embark on new projects.
2. As a result of consultations and meetings of our Board, we plan to focus initially on one major topic area in 2013, though it is possible we will add a second project during the year. That project would be on **employee benefits and expenses, potentially including termination payments**

3. In addition to this major project, we will be continuing our work on our **complexity project**, with papers planned on **tax thresholds, definitions and drafting styles**.
4. The proposed project on employee benefits and expenses is potentially a very large one and we would prefer not to rule anything out at this stage. We envisage there being three stages to the work:
  - a. initial scoping, leading to a report on problem areas in practice;
  - b. study of a significant area, for example travel and subsistence expenses, with a view to developing recommendations for simplification; and
  - c. study of further areas of the benefits code, informed by the work to date but which might be areas such as accommodation or car benefits, to develop proposals for modernisation/simplification.
5. It is clear from our consultations and previous reviews (particularly our small business work) that there would be considerable support for a project looking at employment status. This would be another large project, place a large demand on HMRC resources and would also need considerable linking to other departments such as DWP. However, given the size of the employee benefits and expenses project and the need for the recent changes to IR35 to bed in we do not feel the OTS should not look at employment status at this time. In any event, we will probably wish to return to this subject in 2014.
6. We therefore plan to do further scoping work on two other topics and will probably propose one or both of these as formal projects later in 2013:
  - a. **partnership taxation**; and

**b. HMRC penalties and related administrative issues such as 'discovery'.**

7. Our list reflects projects which we believe will deliver a real simplification dividend when judged against the following criteria:
  - benefit a significant number of taxpayers;
  - tackle legislative complexity; and
  - simplify and streamline administration.
8. They also rank amongst the most complex areas raised in discussions with businesses, agents and front-line HMRC staff as well as on the complexity index the OTS has developed this year and which we plan to publish in the near future.
9. I would confirm that in arriving at our proposals we have had constructive input from both HM Treasury and HMRC.
10. We have developed outline project plans and timescales and would be happy to share these with you.
11. We hope you will feel able to concur with our proposals.

Yours sincerely,



Rt Hon Michael Jack



John Whiting