

Office of Tax Simplification Interim Framework Document

1. Introduction

This framework document has been drawn up by HM Treasury (HMT), HM Revenue & Customs (HMRC) and the Office of Tax Simplification (OTS). It sets out the framework within which the OTS will operate – it does not convey any legal powers or responsibilities.

The OTS was established on a temporary basis as an independent Office of the Treasury on 20 July 2010 to advise the Chancellor on delivering a simpler tax system, providing independent advice on options for addressing existing complexity in the tax system. The OTS was made a permanent independent office of the Treasury on 21 July 2015, to be placed on a statutory basis in Finance Bill 2016.

This interim framework document sets out the details of the OTS' operation until the OTS is put on a statutory basis in Finance Bill 2016, at which point it will be revised in the light of the statute.

2. Function and responsibilities of the OTS

The aim of the OTS is to provide independent advice to the Chancellor on simplifying the UK tax system, with the objective of reducing compliance burdens on both businesses and individual taxpayers. To do this, the OTS will:

- provide the Government with independent advice on where there are areas of complexity within the UK tax system with the potential for simplification; and
- conduct enquiries into complex areas of the tax system, to collect evidence and advise the Government on options for reform to simplify the UK tax system and improve its efficiency for the benefit of all its users.

The OTS will publish individual reports on its enquiries that set out evidence it has collected, including on the views of interested parties, its analysis of potential options, and proposals for simplification. Reports will be addressed to the Chancellor and the Financial Secretary to the Treasury and will be published.

The Chancellor will lay the OTS's reports before Parliament, and Board members may be required to give evidence before the relevant Parliamentary committees on the contents of these reports.

3. Scope of the OTS's remit

The OTS's remit covers all UK taxes and duties administered by HMRC, including those paid and collected by businesses and individuals, but not tax credits or taxes administered by bodies other than HMRC. In conducting its enquiries the OTS may consider tax law, the policy underlying this, and HMRC's administration of the tax system. In carrying out its work,

the OTS will have regard to all those affected by the tax system: individual and business taxpayers (all sizes of business), agents, and HMRC.

While the principal focus of the OTS is on simplifying the tax system, in providing advice it will also consider the potential impact of options it puts forward on the Government's other objectives for the tax system. Where the OTS's recommendations have revenue implications, assessments of these impacts will be included wherever possible.

The OTS's areas of work are approved by the Chancellor and will be outlined in terms of reference for each enquiry, published on the OTS website. Any specific parameters for the work will be set out in the terms of reference. The OTS Board will put forward proposals to the Chancellor on areas of work the Office could take forward.

The OTS can respond formally to HMRC and HMT consultations that result from OTS recommendations.

4. Accountability

The OTS is an independent Office of the Treasury located within the Treasury in London.

The Chancellor is ultimately responsible for the OTS and accounts to Parliament for its management and performance, other than the contents of its reports. The Chancellor may delegate some or all of these responsibilities to the Financial Secretary to the Treasury. The OTS has an advisory role. Decisions on tax policy and legislation remain a matter for the Chancellor. HMT and HMRC will provide a written response to all OTS recommendations which the OTS will normally publish. Where the Chancellor takes forward recommendations or options set out in its reports this will be done through the normal Budget process.

The OTS will produce an annual report summarising its own finances, publications and work programme with a focus on its ultimate impact on taxpayers. As with all the OTS's reports, this annual report will be addressed to the Chancellor and Financial Secretary and will be published. The Chancellor will lay the report before Parliament and Board members may be required to give evidence before the relevant Parliamentary committees on the contents of the annual report.

5. Governance and structure

The OTS is led by a Board of up to eight members, supported in undertaking their duties by a secretariat of civil servants and private sector secondees¹.

The Board

The Chair and Tax Director are responsible to Ministers for the Office's work, including the content of its reports. Two other members of the Board – one each from the Treasury and HMRC will join the OTS's Board in addition to their existing responsibilities. Up to four further members with relevant knowledge or experience can be appointed to the Board.

The Board will:

- meet regularly throughout the year
- provide leadership and direction in order to take forward the strategic aims and objectives of the OTS

¹ The term 'secondees' in this agreement covers both people seconded by their firms to work for the OTS, whether paid or not, as well as people hired directly by the OTS, who will normally be paid.

- ensure the work programme is appropriately focused on the impact on the taxpayer and prioritised so as to maximise the value of its impact on tax simplification
- ensure the work of the OTS is aligned with other related bodies, in particular ABAB.

Secretariat

The Board is supported by a small secretariat of up to ten full time equivalents, including civil servants from the Treasury and HMRC and secondees from the private sector.

The responsibilities of the secretariat are to support the Board in undertaking its duties and to carry out the OTS's day-to-day work. This includes:

- supporting the Board in the conduct of the OTS's enquiries, including through gathering evidence, conducting analysis, leading engagement with interested parties and the Treasury and HMRC, and producing the OTS's reports;
- acting as the secretariat for the Board and Consultative Committee(s);
- responsibility for the day-to-day operation of the OTS, including its financial management and budgeting.

Consultative Committee(s)

For its major projects, the OTS will normally establish a Consultative Committee to support the Board in carrying out its responsibilities through enabling close consultation with interested parties in the OTS's work. The Committee(s) will be chaired by the Chair or Tax Director and include up to 10 members drawn from the tax and legal professions, business and other interested parties.

Representatives of HMT and HMRC will also attend Committee meetings and invitations will also be extended to other relevant departments.

6. Appointments

The Chancellor of the Exchequer is responsible for the appointment of the Chair and Tax Director (in consultation with the Chair) and ensuring that the Treasury and HMRC appoint appropriate senior executives to the Office's Board.

The Treasury Select Committee may choose to hold a post-appointment hearing with regard to the Chair and Tax Director.

Up to four further members of the Board will be nominated by the Chair after discussion with the Tax Director and appointed by the Chancellor of the Exchequer. One of these additional members should be the Chair of HMRC's Administrative Burdens Advisory Board (ABAB).

No Board member shall be paid for their duties as a Board member.

The Board is responsible for making appointments to the Consultative Committee(s).

7. Relationship with other bodies

Relationship with the Treasury and HMRC

The OTS conducts its business independently of the Treasury and forms its own judgements in providing advice. In practical matters the OTS will work closely with the Treasury and HMRC in carrying out its responsibilities.

The Treasury and HMRC will provide the OTS with access to the information, analysis and resources required for the OTS to undertake its responsibilities. The Treasury will also provide accommodation and corporate services to the OTS. The responsibilities of the Treasury and HMRC are set out through service level agreements.

The Treasury and HMRC Board members will have a particular responsibility for the smooth working of these relationships and for ensuring that the OTS has access to the necessary expertise within the Treasury and HMRC, including on policy costings.

Relationship with Parliament

The Chancellor accounts to Parliament for the management and performance of the Office, other than the contents of its reports.

The OTS is accountable to Parliament in carrying out its duties as set out in this Framework Document. The Chancellor will lay the OTS's reports before Parliament, and Board members may be required to give evidence before the relevant Parliamentary committees on the contents of the reports.

8. Budget and financial responsibilities

The OTS Board will continue to develop and update a budget to support the objectives of the OTS. As an Office of the Treasury, the OTS's budget will be agreed through the business planning process of the Treasury. In addition to an annual budget, the OTS will provide HMT with a projection of likely expenditure for the two following years, based on likely workloads.

The Treasury's Accounting Officer appoints the Treasury executive on the OTS's Board as the Accounting Officer of the OTS. The OTS will follow the principles, rules, guidance and advice in *Managing Public Money*.

9. Review arrangements

The OTS is a permanent Office of the Treasury, and will be established by statute in Finance Bill 2016, at which point this document will be reviewed.