

## Office of Tax Simplification Framework Document

### 1. Introduction

The Office of Tax Simplification (OTS) was established on a temporary basis as an independent Office of the Treasury (HMT) on 20 July 2010 to advise the Chancellor on delivering a simpler tax system.

The OTS was made a permanent independent office of HMT on 21 July 2015, and is being placed on a statutory basis in Finance Bill 2016.

This framework document has been drawn up by HMT, HM Revenue & Customs (HMRC) and the OTS. It sets out some key aspects of how the OTS will operate within the framework provided by the legislation in sections 172 to 177 of, and Schedule 25 to, Finance Bill 2016. It does not convey any legal powers or responsibilities.

This framework document supersedes the interim framework document<sup>1</sup> which set out the details of the OTS's operation prior to its being put on a statutory basis.

### 2. Function and responsibilities of the OTS

The function of the OTS (see section 173(1)) is to provide advice to the Chancellor on the simplification of the tax system, either at the Chancellor's request or of its own accord.

The tax system means the law relating to, and the administration of, taxes HMRC are responsible for, including direct and indirect taxes, duties and national insurance contributions (see section 173(2)). This includes taxes paid and collected by businesses and individuals, but not tax credits or taxes administered by other bodies.

Simplification of the tax system includes improving the efficiency of its administration (see section 173(3)).

In this context, the OTS will in particular:

- identify complex areas with potential to be simplified, and consider options for reform;
- carry out its own research, collect and analyse relevant data and evidence from a wide variety of stakeholders and liaise with HMT and HMRC;
- engage in public consultation and encourage informed public debate; and
- seek to reduce compliance burdens on businesses and individual taxpayers.

The OTS will also liaise with other relevant government departments (in particular the Department of Business Innovation and Skills and the Department of Work and Pensions) and relevant linked bodies (for example the Better Regulation Executive, the Regulatory Policy Committee and the Social Security Advisory Committee).

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<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/447063/OTS\\_interim\\_framework\\_agreement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/447063/OTS_interim_framework_agreement.pdf)

### **3. Scope of the OTS's remit**

In conducting its work the OTS may consider the substance of tax law and HMRC's administration of the tax system. It will also have regard to all those affected by the tax system: individual and business taxpayers (all sizes of business), agents, and HMRC.

While the focus of the OTS is on simplifying the tax system, in providing advice it will consider the potential impact of options it puts forward on the Government's other objectives for the tax system. In particular, where the OTS's recommendations have revenue implications, it will make an initial assessment of the nature and scale of those impacts.

In relation to a section 174 review, terms of reference will be published on the OTS website which will include any specific parameters for the review.

The OTS's reports on such reviews will set out evidence it has collected (including on the views of interested parties), its analysis of potential options and recommendations. These reports will be published (as will the Chancellor's response) as set out in section 174.

If Treasury Ministers have specifically endorsed other work that the OTS is to carry out, the OTS will make this clear on its website.

The OTS may publish material relating to this or other aspects of its work.

The OTS has a role to play in the tax policy making process to support consideration of simplification issues. In particular, where OTS recommendations are taken forward, HMRC and HMT will discuss the recommendations and their underlying rationale with the OTS and seek to involve the OTS in developing the approach taken to their implementation.

The OTS may also respond formally to HMRC and HMT consultations in order to bring out simplification aspects.

### **4. Accountability**

The OTS is an independent Office of HMT located in 1 Horse Guards Road 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. Where the Chancellor takes forward recommendations or options set out in its reports this will be done through the normal Budget process.

The OTS publishes reports on the results of its section 174 reviews in accordance with the provisions of that section, which in turn provides for such reports and the Chancellor's response to be laid before Parliament.

The OTS will publish any formal responses it makes to HMRC or HMT consultations, and will publish other material relating to its work when it considers it appropriate.

The OTS will produce an annual report in accordance with section 175. The first such report will cover the period to 31 March 2017.

The OTS is subject to 5-yearly reviews under section 176.

## **5. Governance and structure**

The OTS is led by a Board of up to eight members, supported in undertaking their duties by a Secretariat.

### *The Board*

The Chair and Tax Director are responsible for the Office's work, including the content of its reports.

The OTS Board will:

- meet regularly throughout the year, normally bi-monthly;
- provide leadership and direction to take forward OTS strategic aims and objectives;
- ensure the work programme is appropriately focused on the impact to the taxpayer and prioritised to maximise the value of its impact; and
- ensure the work of the OTS is aligned with other related bodies, in particular ABAB.

### *The Secretariat*

The Board is supported by a secretariat of up to ten full time equivalents. These include some on secondment from HMT and HMRC, others recruited directly by the OTS with recent or contemporary private sector experience and some seconded by their firms to the OTS.

The responsibilities of the secretariat are to support the Board in undertaking their 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 HMT and HMRC, and producing the OTS's reports;
- acting as the secretariat for the Board and Consultative Committee(s); and
- responsibility for the day-to-day operation of the OTS, including its financial management and budgeting.

### *Consultative Committee(s)*

For its section 174 reviews, the OTS will normally establish a Consultative Committee to facilitate close consultation with interested parties in the OTS's work and provide input and challenge to the review process and recommendations. Such Committees will be chaired by the 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 Government Departments.

## **6. Appointments**

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

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.

One of these additional members should act as the Senior Independent Director (SID).

One of the additional members (who may, but need not, also be the SID) should be the Chair of HMRC's Administrative Burdens Advisory Board (ABAB).

It is not envisaged that any Board member other than the Chair or Tax Director shall be paid for their duties as a Board member.

The Board is responsible for making appointments to Consultative Committees.

## **7. Relationship with other bodies**

### *Relationship with HMT and HMRC*

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

HMT will provide general accommodation and corporate services to the OTS, under a service level agreement.

HMT and HMRC will also provide the OTS with access to the information, analysis and resources required for the OTS to undertake its responsibilities through service level agreements. This will include appropriate support from HMRC's Knowledge, Analysis and Intelligence Directorate (KAI) team in relation to impacts and policy costings, in particular in relation to section 174 reviews.

HMT 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 facilities and expertise in an accessible and timely manner.

### *Relationship with Parliament*

The Chancellor accounts to Parliament for the management and performance of the Office, other than the contents of its reports. The Chancellor will lay the OTS's reports before Parliament as set out in the legislation.

The OTS is accountable to Parliament in relation to its work:

- The Treasury Select Committee (TSC) may choose to hold a post-appointment hearing with regard to the Chair and Tax Director.
- The Chair and/or Tax Director may be invited to give evidence to the TSC or other Parliamentary Committees on the contents of its reports or any another aspect of the Office's work.

## **8. Budget and financial responsibilities**

As an Office of the Treasury, the OTS's budget will be agreed through HMT's business planning process. The Treasury's Accounting Officer will appoint the HMT 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**

This document will be reviewed in conjunction with the 5-yearly review process provided for in section 176 or at any other time considered appropriate.