



5 April 2023

Rt Hon Victoria Atkins MP
Financial Secretary to the Treasury
HM Treasury
London
SW1A 2HQ

Via email: Action.FST@hmtreasury.gov.uk

Dear Minister,

Tax simplification

During his 'Growth Plan' statement on 23 September 2022, the then Chancellor of the Exchequer, Kwasi Kwarteng, announced the abolition of the Office of Tax Simplification (OTS), with the intention instead to "embed tax simplification into the heart of Government". He added that he "mandated every one of my tax officials to focus on simplifying our tax code".

The abolition of the OTS is one of the few announcements made by the previous chancellor that hasn't subsequently been reversed, and indeed it was confirmed in last month's Budget. The House of Commons Treasury Committee wrote to the Chancellor in an effort to identify the reasons for this,¹ and we were interested to see his response, published last week.²

We regret the decision to abolish the OTS. In our view the OTS achieved a significant amount during its 12 years of existence and, with greater ministerial support for its proposals, could have achieved still more.

However we welcome the Chancellor's assurance to the Committee that the closure of OTS does not mean that simplifying tax is no longer a priority, and confirming that officials in the Treasury and HMRC have been given a clear mandate to focus on simplicity in tax policy and administrative design.

We are keen to ensure that tax simplification is indeed embedded as promised and we offer our support to help Treasury and HMRC officials achieve simplification.

There are several processes which we think the government should introduce in order to deliver on its promises, and demonstrate its commitment to tax simplification:

¹ <https://committees.parliament.uk/publications/34334/documents/189101/default/>

² <https://committees.parliament.uk/publications/34633/documents/190670/default/>

1. Identify the characteristics of tax simplification

Tax simplification can mean different things to different people. Our view is that simplification should include a simplification of processes, aimed at making it easier and cheaper for taxpayers, HMRC and tax agents to manage the tax system. It could also make it easier for taxpayers to understand their business and family choices. Simplification should be a principle to aid design, implementation and administration. However, while there might be reasonable exceptions, it would be expected that overall, steps taken to achieve this would achieve a reduction in the length of the tax code and improved legislation generally.

It is important that the government sets out what it means by tax simplification, so it is clear to officials and external stakeholders what the government is seeking to achieve. It can also act as a yardstick against which its actions can be measured. We would welcome the opportunity to help identify these characteristics or develop a definition. The OTS identified a working summary of simplification in its recent 'Review of Simplification' report,³ and there is a great deal of work which can be readily built upon.

2. Ensure someone is accountable for delivery of tax simplification

Successive governments have introduced additional taxes and new obligations for existing taxes, with no-one seemingly accountable for the increased complexity brought by those decisions. Even during the existence of the OTS, the tax code has increased in complexity much more than it would have been simplified if all the OTS' recommendations had been accepted and implemented.

If the government is to simplify the tax system, someone needs to be accountable for its delivery. We welcome the Chancellor's comments in his letter of 20 March 2023 that he will oversee simplification supported by you, as Financial Secretary to the Treasury. We consider that an accountability mechanism needs to be devised, including directly before parliament, perhaps at the Treasury Committee, so that progress can be monitored and scrutiny applied.

3. Include simplification declarations in tax information and impact notes

Tax information and impact notes (TIINs) are intended to give a clear explanation of a policy's objective, together with details of the tax impact on the Exchequer, the economy, individuals, businesses, civil society organisations and any equality or other specific area of impact. They also contain a declaration, typically by the Financial Secretary, that they have read the TIIN and are satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.

We consider that TIINs should be expanded to include an assessment of how the measure compares against the characteristics of simplification and, where it does not contribute towards simplification, an appropriate explanation is required. We recognise that certain measures (eg rate and threshold changes) may warrant a more straight-forward assessment than, say, an entirely new tax. We also recognise the importance of achieving policy objectives.

4. Gaining external input to policy design and implementation

Tax is rightly the responsibility of the government and specifically the Chancellor and tax ministers, supported by the Treasury and by HMRC. The challenge is that there is limited scope for external input to the design and workability aspects of policy decision making. Finding new ways to gather that input would be beneficial.

The tax system contains many examples of legislation and obligations which are overly complex, because the tax policy-making process set out in 2010 and continued by subsequent administrations was not fully respected, and

³ Paragraph 1.37, <https://www.gov.uk/government/publications/ots-review-of-tax-simplification>

consultation took place too late in the process (if at all).⁴ Proper consultation can tease out particular pain points and provide opportunities to overcome them, while also delivering the policy intent.

We encourage the government to endorse and re-commit to the tax policy making process, consulting on new policies at stage 1 (setting out objectives and identifying options), with tax simplification considerations being a mandatory part of the process. Where exceptional circumstances prevent the full consultation cycle being respected, a Ministerial Statement should explain why that is the case, and what the government is doing to replace the intelligence foregone as a result.

5. Seek feedback from a broad range of stakeholders

One of the strengths of the OTS was its willingness and ability to engage with a wide variety of groups affected by the tax system. That key benefit will be lost if the OTS is disbanded. We support evidence-based policy making, and remain willing to help the government obtain 'grass roots' feedback.

However, while professional bodies and other representative groups reach out to their members for feedback (such as through surveys or direct engagement), it is often difficult to obtain feedback from individual businesses and personal taxpayers. Consideration should be given to identifying new ways of seeking this direct input.

Taxpayers are likely to be reluctant to participate in research undertaken directly by HMRC or HM Treasury, and so the government will need to increase its use of third-party researchers (such as Kantar Public and IFF Research as now) to obtain input from those affected. Tax charities and industry groups can also provide useful input. It is vital that policy-making includes the objective assessment that only external stakeholders can bring, and we remain willing to support the government obtain the feedback it needs.

6. Ensure HMRC and Treasury engagement groups include tax simplification as a standing objective

Professional bodies such as ourselves, and other stakeholders, have extensive interaction with HMRC and the Treasury through a variety of engagement groups. These range from long-standing forums such as the Compliance Reform Forum, to short term ones such as around the COVID employment schemes. We recently calculated that we are involved in over 60 engagement groups, mainly with HMRC.

We recommend that tax simplification forms part of the remit of each of these engagement groups. This will help support embedding the mandate of tax simplification across HMRC and the Treasury, rather than it being the responsibility of what currently appears to be a small team.

7. Increase awareness and improve guidance

Taxpayers should be informed of their obligations and entitlements, and have easy access to guidance which is sufficient to enable them to be understood.

However, many taxpayers are simply unaware of their obligations. And if they look on GOV.UK, the guidance can be hard to find, inaccurate, and difficult to follow, with the navigation between high-level guidance and more detailed explanations (eg in HMRC's manuals) often proving difficult. While our engagement with HMRC, such as through the Guidance Strategy Forum, has delivered some improvements, the operational constraints of GOV.UK set by the Government Digital Service (such as the seeming preclusion of diagrams and PDFs) mean that tax rules and obligations are difficult to describe. We think that standards need to be designed specifically for taxation, recognising the range of different users.

⁴ The High Income Child Benefit Charge, and 30/60 day CGT reporting are just two examples.

We are pleased that the government is to undertake a systematic review of HMRC guidance and key forms for small businesses,⁵ and we look forward to participating in the review. We also believe that more can be done to inform people of their obligations and entitlements, particularly in emerging areas such as the digital economy and hobby businesses, and again we are willing to work with HMRC on this.

8. Allow time for development and integration of systems

Changes to taxes go way beyond updating words in legislation, and frequently involve the development of new processes and digital systems to enable compliance. Too often recently, tax changes have resulted in new, stand-alone systems (such as the CGT property reporting service) which do not communicate with existing systems (such as Self-Assessment). They also require separate credentials and agent authorisation processes. All this results in confusion and duplication of effort. Similarly, new services are often introduced with less functionality than those they replace, either because insufficient time has been allowed for their development, or the importance of the existing functionality has not been recognised.

We consider that any tax changes should be capable of being accommodated within HMRC's existing systems and processes, and sufficient time permitted for design and testing before the policy is implemented. It is vital that consideration of how a policy will be implemented takes place at an early stage in the policy-making process, to avoid confusion and complexity when the obligations go 'live'. Further, there should be a commitment that any change to existing processes should deliver, as a minimum, the existing functionality. Anything else is a retrograde step.

Ideally, HMRC should have a ten-year plan for adopting new, more flexible and modern technology for managing the nation's tax system.

9. Adopt a consistent approach across tax regimes

Across the tax regimes, many of the rules and processes for doing ostensibly the same things, are different. For instance, the rules for checking returns, assessing tax due, and resolving disputes are not consistent. This causes complexity not only for taxpayers and their agents, but for HMRC, too, and leads to increased litigation.

We welcome that HMRC, as part of its review of the Tax Administration Framework, is starting to look at such matters, and some policies (eg penalty reform) will align existing disparate rules. But we would specifically encourage the government to focus on bringing consistency across the tax system, and consult on where that might be achieved.

We will be publishing this letter, and your response, on our websites.

We would be happy to meet with you to discuss our concerns further and look forward to your response.

Yours sincerely

[by email]

Jane Ashton



Chief Executive Officer, Association of Taxation Technicians

⁵ Box 3.C Tax simplification and paragraph 4.92, 'Spring Budget 2023'.

John Cullinane



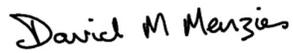
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