

24 October 2022

Rt. Hon. Jeremy Hunt MP, Chancellor of the Exchequer  
HM Treasury  
London  
SW1A 2HQ

Dear Chancellor,

#### **OFFICE OF TAX SIMPLIFICATION**

May I on behalf of the Chartered Institute of Taxation congratulate you on your appointment.

The CIOT is a charity and the leading professional body in the UK solely concerned with taxation. We have worked constructively with your predecessors and we continue to offer you, your ministerial colleagues and your officials our support and assistance in developing the UK tax system. Our Low Incomes Tax Reform Group is especially active in trying to make the tax system more responsive to the needs of low income workers, pensioners and other potentially vulnerable groups of taxpayers.

We wrote to your predecessor and the Economic Secretary on 20 September identifying three pressing issues around the administration of the tax system which deserve to be treated as priorities. These are:

- (1) Prioritising investment in HMRC to improve performance
- (2) Reviewing the timetable for Making Tax Digital
- (3) Simplifying the tax system

We believe that unless these are addressed the tax system will become less efficient, harder to comply with and less effective in both raising revenue and supporting taxpayers.

In this letter we would like to follow up on the third of these points – tax simplification.

In *The Growth Plan* your predecessor announced the Government's intention to abolish the Office of Tax Simplification (OTS).

We think this unwise and ask that you reconsider this decision.

The OTS has achieved a great deal since it was established in 2010. Its first report led to the abolition of more than 40 tax reliefs. Cash basis reporting has made compliance simpler for more than a million small unincorporated businesses. There have been useful reforms to employee expenses and inheritance tax reporting, among other areas. Almost every Finance Act of the last decade has had measures in it which owe their genesis to the OTS, and which have made navigating the tax system easier for one group or another.

A criticism that has been levelled at the OTS is that it has failed to prevent the tax system getting more complicated during the 12 years since George Osborne and David Gauke set it up. But this is to misunderstand the relationship between the OTS and HM Treasury/HMRC. The role of the OTS is to examine parts of the tax system – sometimes at the request of ministers, sometimes on its own initiative – and to produce recommendations on how they might be simplified. That the OTS's most ambitious suggestions have been ignored – for example, two reports in 2016 making the case for closer alignment of national insurance with income tax - is down to the decisions of ministers rather than the OTS.

The Government's argument appears to be that it is abolishing the OTS because tax simplification is so important that it wishes to bring it 'in house'.

With respect this seems to us a flawed argument. There are a number of reasons why, if the Government are serious about tax simplification, having an arms-length body such as the OTS makes sense, alongside 'embedding it' in the machinery of the Treasury and HMRC -

- (1) With the challenges the Treasury and HMRC have had to deal with in recent times and delivering against a background of constant tax policy change (even before the last month), it is surely the case that these departments have focuses more central to their work and will (understandably) never prioritise simplification without a structural source of independent challenge. (I note that the OTS itself gave guidance in its recent report on simplification as to how to 'embed' it within Treasury/HMRC policy making, so this is clearly not an either/or.)
- (2) The OTS can be a useful way for government to gauge opinion on reform of parts of the tax system, without setting hares running that the government is immediately about to make a particular change. Depending on reaction this can be seen as either helping to prepare the ground for future reform, or saving the government from a policy change they will come to regret.
- (3) The OTS has a very impressive record on effective consultation, reaching out proactively to meet with affected groups around the country to identify burdensome complexity in the tax system. This work will be missed. Do HMRC and the Treasury really have the capacity to take it on?
- (4) The OTS is a crucial interface between HMRC/Treasury and external experts in the private sector, professional bodies and academia. If the tax simplification conversation is conducted entirely in-house without engaging external expertise this risks a retreat into institutional or political group-think, with potentially damaging results.

If the OTS is felt to have been insufficiently effective so far, there are a range of ways in which it could be strengthened. It could be given a greater role in scrutiny of new proposals. It could take on post-enactment review of new legislation. Reforms such as these would genuinely help embed tax simplification across government.

In addition, a decision to retain the OTS, especially if it is strengthened, will send out a strong message of the Government's commitment to simplification, whereas abolishing it sends the opposite message.

We are in agreement, I think, that simplification of the tax system should be a priority. As well as being too complicated for taxpayers to understand and comply with, the current complexity makes the system harder to digitalise, and more challenging for HMRC to administer effectively.

In our view the OTS has a key role to play, alongside renewed ministerial commitment and focus from Treasury/HMRC officials, in delivering the ambitious tax simplification programme that the UK needs. With this in mind, we hope that you will review your predecessor's decision and retain the OTS.

We would welcome the opportunity to meet with you and/or the Economic Secretary to discuss this issue, as well as the other issues raised in our previous letter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Susan Ball', with a small blue circular stamp or mark to the left.

Susan Ball  
CIOT President

CC Richard Fuller MP, Economic Secretary to the Treasury