



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Harriett Baldwin, MP
Chair of the Treasury Committee
via email

20 March 2023

Dear Harriett,

Treasury Committee – Evidence from the Office of Tax Simplification

Thank you for your letter of 2 March regarding the closure of the Office of Tax Simplification (OTS) and the government's ongoing work to simplify the tax system.

Tax simplification is a key objective for the tax system: the government wants the tax system to be simple, fair and to support growth. Simplifying the tax system reduces the time and money businesses and individuals spend on tax administration and boosts productivity. When making decisions, the government also has to consider other objectives for the tax system, which include raising revenue, incentivising certain behaviours, or tackling avoidance and evasion. There sometimes are trade-offs between these objectives.

To your question on the rationale behind OTS closure. The OTS was established to provide independent advice to the government on tax simplification. I am very grateful for its advice and contributions to the debate on tax.

However, by virtue of being an independent body of the Treasury the OTS was not always able to weigh up the competing, legitimate objectives and priorities for tax policy that Ministers take into consideration, including delivery, fairness, impact on business and individuals, and costs to taxpayers. It is right to ensure that simplicity of policy and administrative design is brought more directly into policy making in the Treasury and HMRC, with my close oversight, supported by the Financial Secretary.

The closure of the OTS does not mean that simplifying tax is no longer a priority, or that the job is done. Rather, following the closure of the OTS officials in the Treasury and HMRC have been given a clear mandate to focus on simplicity in tax policy design. This work will be delivered through an existing strategic function working across the Treasury and HMRC, concentrating on looking at opportunities to simplify existing tax rules, as well as new policy and administrative changes. To ensure changes are as easy as possible to adjust to, new policy will undergo increased scrutiny for simplicity of design and ease

of the customer journey, building on the existing tax policy making process. This work will feed into the advice provided to Ministers in advance of fiscal events.

I recognise the OTS played a valuable role in engaging widely with stakeholders. This is why the government has increased direct engagement with business organisations and tax professionals to better understand where problems for businesses and individuals arise, building on existing HMRC evidence and insight, including annual customer surveys, external research programmes and HMRC statistical data. The government will continue this engagement to hear from a range of external perspectives.

At Spring Budget, I announced the first steps on this journey, acting on stakeholder feedback, by announcing a consultation to expand the cash basis, investing in improving HMRC guidance and key forms for small businesses and improving agent access to enable businesses' agents to payroll benefits in kind on behalf of employers. On capital allowances I announced full expensing from 1 April 2023 until 31 March 2026, simplifying claims and investment decisions. The Spring Budget also simplifies pension tax. Increasing the Annual Allowance and removing the Lifetime Allowance charge will reduce the number of taxpayers that need to report and pay pensions tax. Alongside this, the government is continuing to invest in modernising and simplifying HMRC's services for taxpayers, including through the development of a Single Customer Account so taxpayers can interact with all their tax information in one place.

On your final question on the metrics used to assess the government's performance, tax simplification is a broad and complex topic which can be challenging to measure and must be balanced against delivery of other government priorities. The government already publishes a range of metrics on customer experience of the tax system including in Tax Information and Impact Notes which set out the expected impacts of tax policy changes on individuals and businesses, and HMRC's annual customer experience surveys¹, which measure taxpayers' overall experience of interacting with HMRC. Due to the variety of taxpayers, there is no single indicator to measure tax simplification. The government is considering how best to measure its progress in this area.

Finally, I wanted to reiterate my appreciation for the OTS's work over the years. I look forward to being in front of your committee on 29 March to discuss the Spring Budget.

Best wishes,

A handwritten signature in blue ink that reads "Jeremy Hunt".

RT HON JEREMY HUNT MP
Chancellor of the Exchequer

¹ [HMRC's Individuals, Small Business and Agents customer survey](#), 2021; [The Mid-sized business customer survey 2021](#); [The Large Business Customer Survey 2021](#).