



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

Harriett Baldwin, MP
Chair of the Treasury Committee
via email

7 August 2023

Dear Harriett,

Treasury Committee Report – Tax Simplification

I want to thank you and the Treasury Committee for your considered report on tax simplification and for your continued interest on this topic, ensuring a rigorous and constructive Debate during the passage of Finance (No.2) Act 2023.

Your report rightly highlights the impact of unnecessary complexity in the tax system as a barrier to economic growth. Tax simplification is a key objective for the tax system: the Government wants the tax system to be simple, fair and to support growth and the Chancellor and I remain deeply committed to simplifying the tax system.

The report also states the importance of the Chancellor taking personal responsibility for simplifying the tax system. In March, the Chancellor set out to the Treasury Committee his commitment to simplifying the tax system, and that he is taking personal responsibility for this work. The Chancellor has set a clear mandate to his officials to focus both on the simplicity of new tax policy design and on simplifying the existing tax rules and administration, asking for tax simplification to be considered ahead of every fiscal event.

At Spring Budget, the Chancellor announced the first steps of this work, including a range of improvements to make it easier for businesses – especially small businesses – to interact with the tax system. The Government is listening to businesses and has responded by announcing a systematic review of tax guidance and forms for small business to make it easier for them to interact with the tax system as they set up and grow. Learning from real world experience, HMRC has now identified over 700 pain points for small businesses and is already fast-tracking improvements to VAT and Self Assessment guidance. The Government is considering every avenue to further simplify tax for business: Budget announced a consultation on expanding the cash basis, a simplified way for over four million sole traders to calculate and pay their income tax.

It was announced at Spring Budget that the Government is simplifying the customs import and exports processes. This includes opportunities to streamline customs declaration requirements and engaging with traders on plans to rationalise and digitise HMRC's authorisation processes. From April 2023, the Government permanently set the Annual Investment Allowance at £1 million, which provides 100% first-year relief for plant and machinery investments, simplifying the tax treatment of capital expenditure for 99%

of businesses. Larger businesses making investments above this £1 million level will benefit from full expensing for the next three years, simplifying claims and investment decisions.

The Government made further progress at the recent Tax Administration and Maintenance Day, announcing a range of consultations on reforms to simplify and modernise the tax administration and customs system, including on smarter use of information and data and stamp taxes on shares.

Your report also notes the importance of public scrutiny on the Government's performance on simplification. The Government already publishes a range of metrics to measure the 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 surveys, which measure taxpayers' overall experience of interacting with HMRC. HMRC also already reports annually on its objective to make it easy to get tax right.

As I set out at Public Bill Committee, the Government is now considering how to develop a suite of metrics to measure progress on simplification and improving the customer experience, working with businesses and representative bodies, to ensure measures reflect the real-world experience of taxpayers, and will set out further detail later this year.

In light of your report's recommendation that the Government should report annually on steps taken to simplify the tax system, as I announced during the Report Stage Debate, I will write to the Treasury Committee every tax year to provide an overarching summary of the Government's progress on simplification.

I hope this will reassure you and Treasury Committee colleagues of our ongoing commitment to tax simplification and the Government's continued openness to external challenge.

I look forward to our ongoing engagement as the Government continues to deliver on its ambition for a simplified tax system.

Yours ever,

A handwritten signature in blue ink that reads "Victoria Atkins". The signature is written in a cursive, flowing style.

VICTORIA ATKINS MP