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**Consultation Response:**

Review of the Office of Tax Simplification Call for Evidence

**To:** HM Treasury

**By:** The Intergenerational Foundation

**Date:** 29 June 2021

The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

**Introduction:**

The Intergenerational Foundation (IF) is glad to have the opportunity to respond to a review of the Office of Tax Simplification (OTS). As an organisation set up to protect the rights of younger and future generations, our work focuses on understanding inequalities between the generations and how they have changed over time. Our research demonstrates that too often government policy advantages older generations by maintaining the status quo of taxation and spending decisions. We believe the OTS could play a vital role in reducing intergenerational unfairness. The following questions raised in the consultation document are answered:

**Question 1. What do you think the functions of the OTS should be? Why should they be a priority for government?**

The function of the OTS should be to recommend to governments of the day the introduction/reform to and/or the removal of, outdated, irrational, and/or expensive taxation schemes, loopholes, and red tape, which are too often opaque. The OTS should do the above on behalf of all generations of older, younger and future taxpayers in order to maintain a taxation system that is intergenerationally equitable. Unfortunately, our current taxation system is increasingly intergenerationally unfair to younger and future generations.

We would urge the OTS to undertake an intergenerational fairness audit of the entire tax system in order to better understand how the taxation system impacts younger generations across the many areas of their lives.

IF’s position is that the current taxation system penalises younger generations as so much of the tax burden is raised though income tax and so little in raised through the taxation of wealth. For example, whereas young people pay their rent to largely older landlords out of after-tax earnings, homeowners face no taxation on the gain in the value of their homes.

**Question 3. Do you think the OTS has the right breadth of expertise on its board? If not, what sectors need additional representation and why?**

Organisational board members tend to have similar educations, backgrounds, careers, and even to belong to similar age groups. This can lead to “unconscious bias” which serves the interests of people present over those not present. The OTS should ensure that board members more equitably represent the interests of different age groups and generations in order to ensure that intergenerational fairness is considered in policy recommendations. This could be achieved by the introduction of organisational board members who represent the interests of younger and future generations.

**Question 4. Given its role as the Chancellor’s independent adviser on tax simplification, do you think the OTS is sufficiently independent from government?**

The OTS has not yet proved to the Intergenerational Foundation its independence from government. For example, the Intergenerational Foundation has fed into, and supports the work of the All Party Parliamentary Group on Inheritance and Intergenerational Fairness, which has provided sensible solutions to the OTS on how to more equitably tax gifts and inheritance tax.[[1]](#footnote-1) It is yet to be seen whether the OTS is independent enough from government to forge ahead and recommend the removal the many archaic tax structures, loopholes and exemptions around gifts and inheritance taxation that could help to improve intergenerational fairness.

**Question 6. Does the OTS engage with, and consider the views of, an appropriate number and variety of stakeholders when conducting a review?**

We are not aware of any intergenerational fairness work undertaken by the OTS and would urge it to consult with organisations such as the Intergenerational Foundation, that represent the interests of younger and future generations, in order to better understand the falling prospects of younger generations. Too often, silo thinking within government departments prevents a more holistic assessment of the effects of taxation on different age groups. For example, recent young graduates currently face marginal tax rates of 41% (9% “grad tax”, 12% national insurance and 12% income tax) when they earn above the threshold of repayment, which is conveniently close to the average annual age. A pending decision by the Department for Education on reducing the threshold of student loan repayment will further impact younger generations at a time when they can least afford it while also confronted with fiscal drag and high inflation, eroding whatever savings they are able to amass.

**Question 8. To what extent should the OTS take account of wider policy objectives outside of simplification and the impacts of suggested changes on households and businesses, when making recommendations to government?**

The OTS should take account of the effect of taxation on younger and future generations and this is now more urgent due to the £400 billion of government spending on COVID-19 combined with the economic scarring facing younger generations from the loss of income and livelihoods during the pandemic.

**11. Are there any particular issues or areas of the tax system which the OTS have not considered, which should be examined by the OTS?**

As outlined throughout this consultation response, the Intergenerational Foundation would press for the OTS to undertake an intergenerational fairness audit of the entire tax system so that younger and future generations are not left over-burdened by borrowing and spending decisions made today.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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1. Society of Trust and Estate Practitioners (2020) Reform of Inheritance Tax:

   [https://www.step.org/system/files/media/files/2020-05/STEPReform\_of\_inheritance\_tax\_report\_012020.pdf](file:///Users/liz/Desktop/Society%20of%20Trust%20and%20Estate%20Practitioners) [↑](#footnote-ref-1)