

[News story: OTS's first review of VAT triggers debate](#)

The Office of Tax Simplification (OTS) report, published today, offers a range of proposals for simplifying the tax.

This first [report on VAT](#) from the OTS contains 23 recommendations for simplifying the tax. Its lead recommendation on the future level and design of the VAT threshold is already prompting debate.

The 8 core recommendations are:

- the government should examine the current approach to the level and design of the VAT registration threshold, with a view to setting out a future direction of travel for the threshold, including consideration of the potential benefits of a smoothing mechanism
- HMRC should maintain a programme for further improving the clarity of its guidance and its responsiveness to requests for rulings in areas of uncertainty
- HMRC should consider ways of reducing the uncertainty and administrative costs for business relating to potential penalties when inaccuracies are voluntarily disclosed
- HM Treasury and HMRC should undertake a comprehensive review of the reduced rate, zero-rate and exemption schedules, working with the support of the OTS
- The government should consider increasing the partial exemption de minimis limits in line with inflation, and explore alternative ways of removing the need for businesses incurring insignificant amounts of input tax to carry out partial exemption calculations
- HMRC should consider further ways to simplify partial exemption calculations and to improve the process of making and agreeing special method applications
- the government should consider whether capital goods scheme categories other than for land and property are needed, and review the land and property threshold
- HMRC should review the current requirements for record keeping and the audit trail for options to tax, and the extent to which this might be handled on-line.

To help illustrate some of the issues highlighted by the report, both generally and for small business, the OTS has published two pictograms today.

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A [press release](#) about the report was published on Friday.