HM Revenue & Customs

May 2014 Bulletin
(amended July 2014)

HMRC fast facts

Record revenues for the UK

This Government inherited the largest deficit in peacetime history. We have made it our job to restore the nation's fiscal credibility by reducing the deficit in a fair and sustainable way. This means making sure that everyone - individuals and companies alike - makes their fair contribution by paying the right amount of tax.

The majority of taxpayers are honest in their dealings with HMRC. They pay the right amount of tax at the right time. However, a persistent minority continue to seek out unacceptable ways to reduce or delay paying what they owe. This increases the burden on the rest of society and creates an unfair playing field for those who stick to the rules.

Since 2010, we have been determined to support HMRC in tackling tax avoidance, evasion and fraud. We have legislated to close a range of loopholes, introduced the General Anti-Abuse Rule, and invested nearly £1 billion in HMRC's compliance activities.

In the Budget earlier this year, we set out our accelerated payments measure which will transform the economics of tax avoidance, helping to ensure that there is no longer a cashflow advantage in attempting to frustrate HMRC's efforts to collect the tax due.

In 2010, we set HMRC ambitious targets to increase its yield and to make it more difficult for those seeking to dodge their responsibilities. This document sets out HMRC's work on tackling avoidance, evasion and fraud, and makes it clear HMRC is successfully meeting these challenges and is set to continue to improve its performance. In particular, its yield for 2013-14 is at a record £23.9 billion - an improvement of £7 billion from this government's actions.

David Gauke
Exchequer Secretary to the Treasury

Record revenues for the UK

£23.9 billion

HMRC brought in a record amount of additional tax revenue in 2013-14.

HMRC is an effective, efficient and impartial tax and payments authority. We collect the money that pays for the UK's public services and helps families and individuals with targeted financial support. HMRC helps the honest majority to get their tax right and makes it hard for the dishonest minority to cheat the system.

The vast majority of the UK's businesses and individuals are honest and pay their share towards funding public services. But a small minority deliberately seek to evade or avoid paying what is due, while continuing to benefit from those public services.

We aim to make it easier for the honest majority to get their tax right and harder for the dishonest minority to cheat the system.

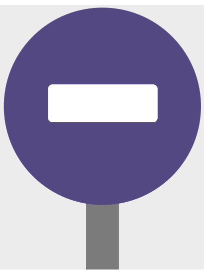
Our approach to compliance is simple:

Promote

Voluntary compliance

Prevent

Non-compliance



Respond

Firmly to those who seek to cheat the system

We tailor our approach according to risk and customer behaviours, making the most of new technology, intelligence and analytics. We make sure that people are paying the tax due, when it is due, levelling the playing field for those who do play by the rules.

Tackling tax avoidance is a priority for HMRC and we target those who persist in trying to avoid paying the tax they owe through artificial arrangements. We are changing the economics of tax avoidance, so it doesn't pay to enter avoidance schemes.

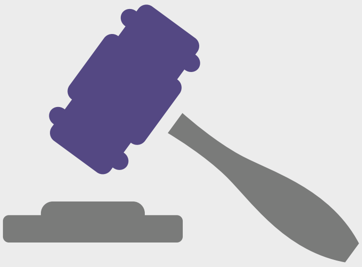
We are tackling non-compliance across the board, because creating a level tax playing field is about fairness. This document outlines our actions and achievements across our compliance and avoidance activity and highlights the key next steps in our journey. It allows people to judge for themselves HMRC's progress in tackling tax risk and bringing in the money that funds the UK's public services.

Cracking down on avoidance

Tackling tax avoidance is a top priority for HMRC, with increased pressure being put on tax avoiders to close the £4 billion avoidance tax gap. The Government has strengthened tax law and HMRC has had a series of important litigation successes.

42 changes to tax law

Since March 2010, the Government has introduced 42 changes to tax law, to close down avoidance loopholes and make strategic changes to prevent and deter tax avoidance.



80% of avoidance cases won

HMRC wins about 80 per cent of the avoidance cases heard in court. Between April 2010 and March 2014 we won 94 avoidance cases in tribunals and courts. In 2013-14 alone our 30 wins protected £2.7 billion.

116 reduced to 28

The Government's crack down on tax avoidance has reduced by more than 75 per cent the number of new marketed tax avoidance schemes registered under DOTAS (Disclosure of Tax Avoidance Schemes). In 2009-10 there were 116 schemes registered and in 2013-14 this reduced to 28.

General Anti-Abuse Rule

In 2013 the Government introduced the General Anti-Abuse Rule (GAAR) to tackle abusive tax avoidance schemes that might otherwise succeed under existing legislation. Between 2014-15 and 2017-18 the GAAR is expected to protect £235 million in revenues.

Disguised remuneration

In 2011 the Government legislated against disguised remuneration schemes, to stop employers using third-party arrangements, such as trusts, to avoid, reduce or defer income tax liabilities on rewards to employees or to avoid restrictions on tax relief. This was costing £750 million a year and by closing this loophole we will protect almost £3.8 billion in tax revenues between 2011-12 and 2015-16.

Low Value Consignment Relief

In 2012 the Government abolished Low Value Consignment Relief (LVCR) from the Channel Islands, stopping retailers avoiding the payment of VAT on goods being supplied from the Channel Islands to UK customers. This has led to a 200 per cent increase in import VAT from the Channel Islands, worth £95 million a year, or £490 million between 2011-12 and 2015-16.

Corporation Tax: losses

In 2013, the Government closed loopholes to stop groups of companies unfairly gaining Corporation Tax relief by buying losses from outside the group. By closing these loopholes we will raise almost £1.2 billion in tax revenues between 2013-14 and 2017-18.

Pension scheme deficits

In 2012 the Government legislated to stop large employers from making excessive tax deductions above their employer contributions for their pension scheme deficits. This is expected to raise £2.25 billion in additional tax revenues between 2012-13 and 2016-17.

Stamp Duty Land Tax avoidance

Since March 2010, the Government has introduced a series of improvements to combat attempted avoidance of Stamp Duty Land Tax (SDLT) on residential property. Around £79 million was raised in 2013-14 from challenging SDLT avoidance. This includes £22 million under retrospective legislation. Thanks to these improvements, attempted SDLT avoidance has greatly reduced and around £35 million more tax per year has been protected.

Tackling rule breakers

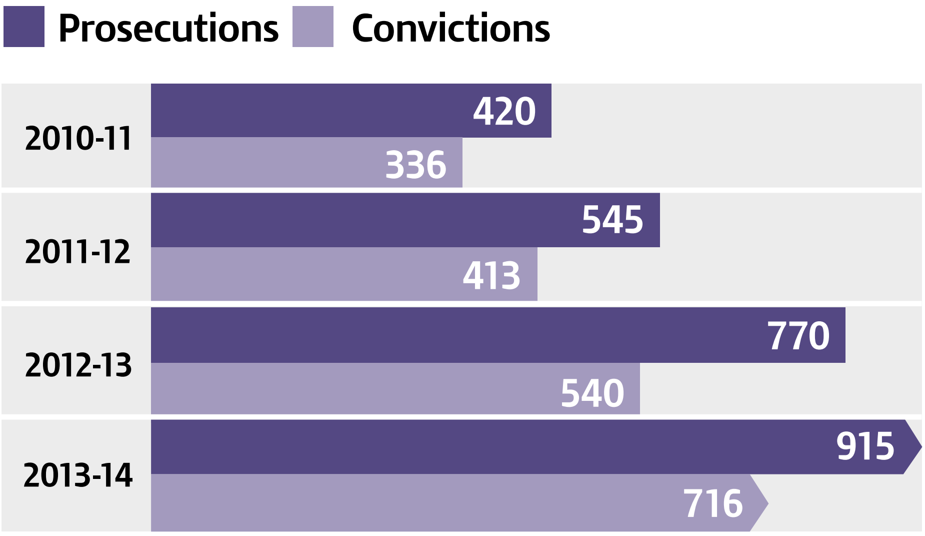
We have a range of tools that we use to tackle the persistent minority that seek to evade or avoid paying what is due.

2,650 prosecutions

From April 2010 to March 2014, we have prosecuted 2,650 individuals for tax crimes, including very high profile barristers, accountants and lawyers.

Sentences totalling 2,700 years

Between April 2010 and March 2014, the number of prosecutions has increased and we have secured a collective total of 2,700 years of custodial sentences.



Financial penalties

Since April 2011, we have issued over 11,500 financial penalties to deliberate tax evaders.

Deliberate defaulters programme

Since February 2013, we have been publishing the names of people who have deliberately defaulted on at least £25,000 of tax. We have publicly named over 60 individuals for deliberately defaulting a total of £9.5 million in unpaid tax.

Managing serious defaulters

Since 2010, we have placed 5,200 individuals and businesses on our managing serious defaulters programme, closely monitoring known rule breakers for up to five years.

£4.1 billion

Since April 2010, we have prevented the loss of £4.1 billion in revenue as a result of our criminal investigations.

Tackling offshore evasion

New legislation will prevent non-domiciles artificially splitting a single employment to keep a portion of their income unfairly outside the scope of UK tax.

56,000

56,000 people have come forward through our disclosure facilities, disclosing over £1.3 billion in tax liabilities.

£11 million

£11 million – the biggest single settlement through the Liechtenstein Disclosure Facility.

27,000

HMRC has contacted over 27,000 people about their offshore accounts since January 2013.

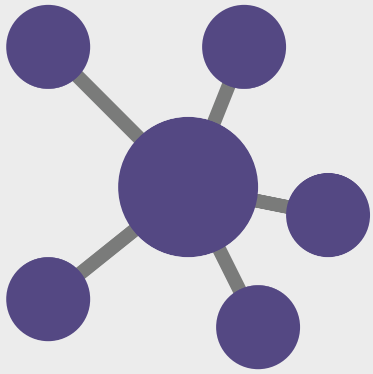
Campaigns

Our campaigns persuade specific trades and professions, via letters, advertising and social media, to settle their taxes voluntarily. So far we have raised a total of £267 million since we launched our first campaign in January 2010. We have run 13 nationwide campaigns across a wide variety of sectors - from plumbers and electricians to private tutors, online traders, landlords, doctors and dentists.

Public awareness

We use high-profile billboard, poster, digital and radio advertising campaigns to reinforce the message that we are closing in on undeclared income.

We are taking greater steps to publicise our operational work so we can influence and deter those who might be tempted to break the rules. Our three year advertising campaign uses locations such as billboards, posters on telephone kiosks and radio adverts to repeatedly reinforce the message that we are closing in on undeclared income. We also want to reassure taxpayers who declare all their income and pay the tax they owe that we are serious about cracking down on evasion - creating a level playing field for everyone.



Connecting things

Our award winning data analysis system, Connect, enables us to map an individual's unique financial fingerprint and identify discrepancies between what we know and what they're declaring. Connect has helped us to secure £3 billion of additional tax revenue from our £80 million investment since 2008 - a 37.5 to 1 return on investment.

Taskforces are specialist teams that undertake intensive bursts of activity in specific high-risk trade sectors and locations in the UK

Taskforces

High-risk corporates programmes

HMRC has a programme to target large businesses that represent an ongoing and significant risk. A taskforce of specialists is assembled to deal with the risk and engage at corporate Board level to persuade the customer to change the behaviours generating those risks. Working with over 45 businesses, this has brought in more than £10.5 billion since 2010.

High-risk sector taskforces

Taskforces are aimed at high-risk sectors, such as illegal alcohol and tobacco sales, migrant workers and hidden wealth. So far we have brought in £156 million in revenue from 70 Taskforces in targeted geographical areas in the UK since May 2011.

Helping those who want to comply

We provide support and education to help individuals and businesses, including tailored e-learning packages, products and seminars.

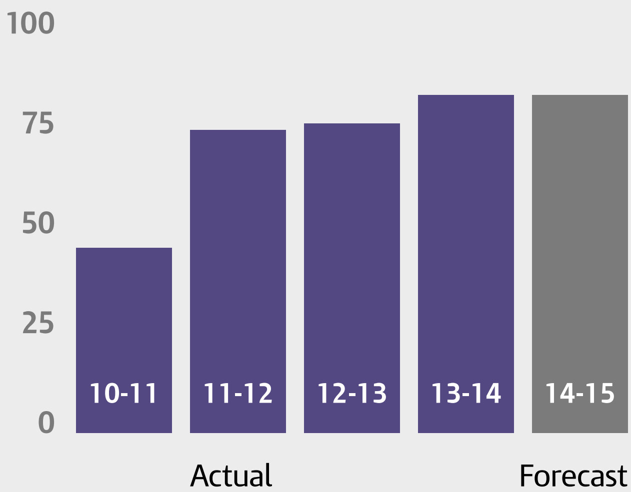
Time To Pay

For many SMEs non payment of tax is not a deliberate choice, it's a short-term cashflow problem. We actively support SMEs in these circumstances with Time To Pay arrangements. More than 90 per cent of debt in Time To Pay arrangements is recovered. A harder line could push small businesses and individuals into insolvency, which could lead to less debt being recovered.

Helping more customers get it right first time

We have improved our phone handling performance from 48 per cent in 2010-11 to 79 per cent in 2013-14, which is the best performance ever recorded by HMRC.

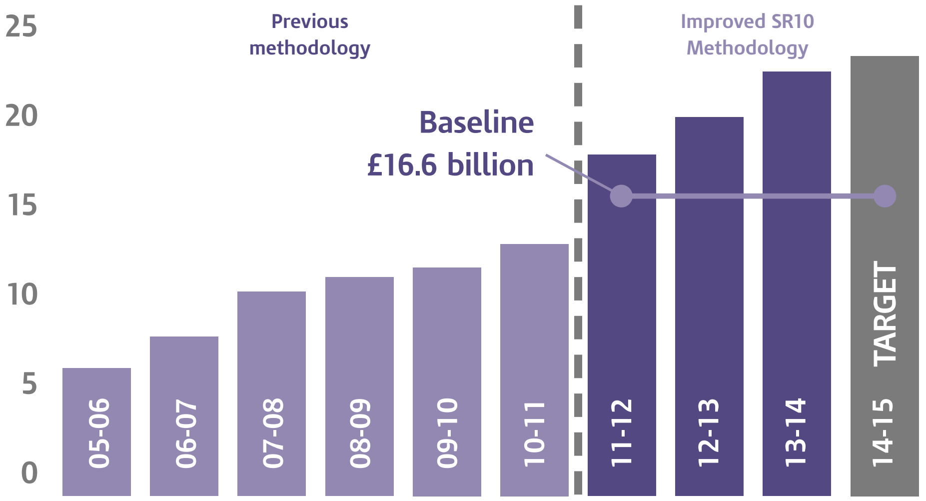
Call handling (per cent)



A record year: £23.9 billion

2013/14 was also a record year for compliance activities which resulted in £23.9 billion additional tax revenues. We have improved our performance by £7 billion across the Spending Review 2010 period. In total HMRC expects to secure £100 billion from its compliance activities from May 2010 to March 2015.

Compliance tax revenues (£billion)



Our methodology for measuring compliance yield is updated to reflect the latest evidence of the impact of our compliance work - targets are adjusted in line with this. Previous outturns are therefore not directly comparable with figures from 2011-12 onwards, where we have been using an improved methodology - see HMRC Annual Report for full details.

Large business

£31 billion

We have recovered £31 billion from large businesses since April 2010.

The wealthy

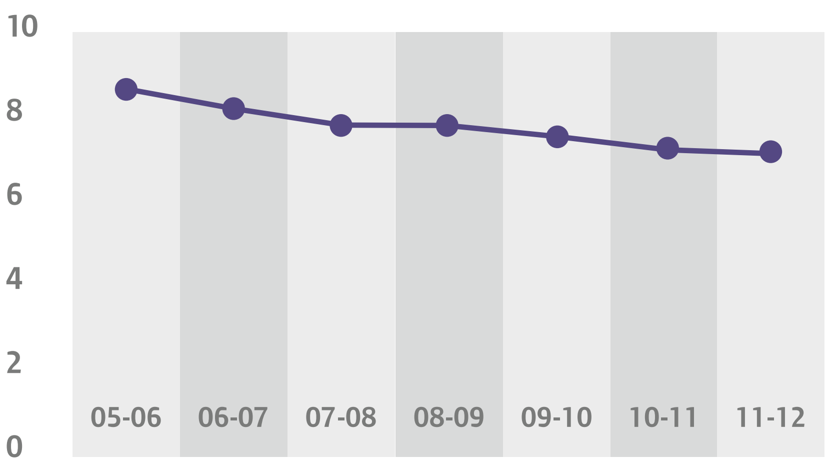
£853 million

From April 2010, the High Net Worth Unit has secured more than £853 million additional tax revenues from the UK's 6,000 wealthiest individuals - who each have a net worth of £20 million or more.

Reducing the Tax Gap

The difference between what is due and what is collected is called the tax gap. The percentage tax gap has reduced steadily from 8.3 per cent in 2005-06 to 7 per cent in 2011-12. The latest tax gap estimate of £35 billion is £7 billion lower than it would have been if the percentage tax gap had remained at the 2005-06 level of 8.3 per cent.

Tax gap (per cent)



Cutting our costs

Between April 2011 and the end of March 2014, HMRC achieved £775 million of sustainable cost savings. This is more than £52 million above target, putting us on track to deliver our target of just under £1.2 billion of savings between April 2010 and March 2016.

Case studies: Examples of our success

£5 million

In 2013 a former president of the Association of Taxation Technicians (ATT) was jailed for eight and half years for a £5 million pension scheme tax fraud.

£600,000

In 2013 a barrister was convicted for a £600,000 VAT fraud.

£2.8 million

In 2013 the members of a gang found guilty of making a film solely as a £2.8 million tax scam were jailed for 22 years. This was the first prosecution for film tax relief fraud.

A gentleman's agreement

Roy Faichney, a professional tax advisor and Managing Director of Vantis Tax Ltd, had a 'gentleman's agreement' with his deputy, David Perrin, to share the £4.5 million profit from a fraudulent tax avoidance scheme. They would purchase shares worth a few pence, donate them to charity and then claim back £70 million in tax relief. Faichney was jailed for four years and Perrin for 18 months. The sentencing judge said: "If you ever had a moral compass, you lost it."

Working Wheels

NT Advisors' 'Working Wheels' avoidance scheme involved 450 celebrities, fund managers and other high earners claiming that they were second-hand car dealers in their spare time between 2006 and 2008. The First Tier Tribunal dismissed the highly artificial scheme outright and said it showed that their aim was to make it appear, "as though by magic", that they had incurred vast fees in order to borrow modest amounts of money they did not need in order to invest it in a "trade" they had no desire to pursue. This decision will protect £290 million. This case, along with another recent win, brings the total number of consecutive wins by HMRC against NT Advisors to five.

Cut it out

In 2011, we introduced legislation to stop businesses gaining a significant financial advantage by artificially splitting what would have been a single taxable supply of services into two separate supplies, for example a VAT zero-rated supply of printed matter such as books used in training courses. Since then, all known schemes have been closed, protecting more than £100 million and no new cases have been identified.

We are going further

We're making sure avoidance doesn't pay by changing the economics of avoidance to target those who persist in trying to avoid paying the tax they owe.

Tackling high-risk promoters

New powers will give us early warnings about new products and will help us to identify high-risk promoters.

Follower penalties

New legislation will incentivise avoidance scheme users to settle when the scheme they are using is shown to fail in other litigation. Once there has been a relevant judicial ruling, a taxpayer will face a possible penalty if they do not reach agreement with HMRC.

Accelerated payment

A ground-breaking new power - the accelerated payment regime - will require certain taxpayers involved in marketed avoidance schemes to pay HMRC the tax in dispute upfront. This will bring bring forward around £4.9 billion of tax between 2014-15 and 2018-19.

Tackling offshore avoidance

New legislation will prevent non-domiciles artificially splitting a single employment to keep a portion of their income unfairly outside the scope of UK tax.

Tackling employment tax avoidance

New powers will prevent employees and employment intermediaries using contrived contracts to avoid paying employment taxes.