



HM Revenue
& Customs

How we resolve Tax Disputes

The Tax Assurance Commissioner's Annual Report 2014-15

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Edward Troup
Tax Assurance Commissioner and second Permanent Secretary

Foreword

This is my third annual report on how we resolve tax disputes under civil law procedures within HM Revenue and Customs (HMRC). We continue to embed and refine the strengthened governance processes we put in place to provide assurance that all disputes, large or small, are resolved in a consistent and even-handed way.

In February 2015, the National Audit Office (NAO) published a [report](#)¹ which showed that since 2010 HMRC has responded positively to the recommendations from the Public Accounts Committee (PAC) in areas where the Committee has pressed for change. In the report the NAO acknowledged that HMRC has made important changes that have substantially improved accountability and transparency for how we resolve large tax disputes. These changes include the enhanced dispute governance processes that were introduced in 2012 such as the new role of Tax Assurance Commissioner responsible for seeing that tax disputes are resolved appropriately, greater transparency about our processes and a strengthened decision-making model for our largest and most sensitive disputes.

In 2014-15 the cross-HMRC Tax Disputes Resolution Board (TDRB) and the Commissioners have made decisions in more cases than last year. In addition our business-level governance boards have seen a steady flow of cases, and the Commissioners have considered a sample of these cases to assure themselves about the effectiveness of these governance arrangements. Our governance boards that consider points affecting multiple taxpayers have agreed handling strategies for a range of issues including some of the published statements setting out HMRC's approach, and the Commissioners considered an issue about the operation of HMRC's disclosure facilities.

However, our largest and most sensitive disputes and issues are just part of the bigger picture. We have also been working hard to enhance the assurance of decisions taken in our smaller, less sensitive tax disputes.

¹ The NAO's report "Increasing the effectiveness of tax collection: a stocktake of progress since 2010" was published on 6 February 2015 and is available here: <http://www.nao.org.uk/report/increasing-the-effectiveness-of-tax-collection-a-stocktake-of-progress-since-2010/>

I am satisfied that all of our civil tax disputes are resolved in accordance with the published Litigation and Settlement Strategy (LSS)², which sets out how we secure the tax that is due under the current law as efficiently as possible. Decisions are made in the course of our civil tax disputes within the governance framework explained in our published Code of governance for resolving tax disputes³, which was refreshed in July 2014. This means that HMRC treats taxpayers fairly and even-handedly – no matter what the size or complexity of the taxpayer or their affairs. Where tax disputes do arise, we aim to work collaboratively with taxpayers and their agents to resolve disputes as cost-effectively as possible.

Each year HMRC carries out a systematic review of a sample of settled civil cases from across HMRC to check that appropriate governance and assurance processes have been followed, identifying opportunities for improvement and learning points. This year's review highlighted continued areas for improvement, and business areas have worked with our Internal Audit team to understand the risks and to change processes to strengthen the governance around decisions taken in tax disputes. Throughout this year the quality assurance teams in HMRC's lines of business have continued to build capability and worked closely with operational compliance areas to implement process and governance improvements – see Chapter 5 for further information.

I continue to be impressed with the professionalism and skill of our staff who work to resolve disputes and bring the right tax into the Exchequer. Commissioners' meetings demonstrate for me at first-hand the quality of the work that our people do when it comes to resolving tax disputes, be they tax professionals, legal professionals, accountants, policy professionals or the many other professionals that support tax dispute resolution.

Edward Troup
Tax Assurance Commissioner and second Permanent Secretary

² HMRC's Litigation and Settlement Strategy and guidance is available here: <https://www.gov.uk/government/publications/litigation-and-settlement-strategy-lss>
³ HMRC's Code of governance for resolving tax disputes is available by visiting: <https://www.gov.uk/government/publications/resolving-tax-disputes>



John Whiting
Chair, HMRC Audit and Risk Committee

Audit and Risk Committee statement

The Audit and Risk Committee is chaired by John Whiting (Non-Executive Board Member).

Other members are Paul Smith, Leslie Ferrar and Mervyn Walker (all Non-Executives). Lin Homer (Chief Executive), Simon Bowles (Chief Finance Officer, who retired in March 2015), Ian Haldenby (Head of Internal Audit), Justin Holliday (Interim Chief Finance Officer) and representatives from the HMRC audit team at the National Audit Office are standing invitees.

The Audit and Risk Committee takes a close interest in HMRC's governance and assurance processes for tax disputes and their development and implementation. We have received regular updates, enabling us to provide oversight to the work that HMRC continues to carry out in this important area.

As set out in last year's Tax Assurance Commissioner's report, an enhanced programme of Internal Audit work was planned for 2014-15. The aim has been to provide additional assurance around the processes used and to identify how these could be enhanced. We have received regular reports on this work and have also made various enquiries of our own. All of this has confirmed to us that HMRC's strengthened governance arrangements have become established and are being operated appropriately.

Although the procedures are operating satisfactorily, we think, and we know HMRC accept, that there will always be scope to improve procedures to give the best possible assurance to HMRC's many stakeholders. Consequently we will be asking Internal Audit to continue its programme of work on dispute resolution and we will continue to take a close interest in the area.

We have seen this report in draft during its preparation. It is not our function to audit the report, but we have had the opportunity to comment on the drafts and challenge the information presented. We believe that the report is a fair report on, and representation of, HMRC's governance and assurance of its dispute resolution procedures and in particular the procedures around its largest and most sensitive tax disputes.

Chapter 1: Introduction

HMRC strives to help all taxpayers get things right, but we know there will always be some differences of opinion about the tax due. Where tax disputes arise in cases worked under civil procedures, HMRC's published Litigation and Settlement Strategy (LSS) sets out our policy on how they should be handled and the basis on which they should be resolved. The LSS applies to all tax regimes and business areas within the department where cases are worked under civil processes.⁴

The vast majority of tax disputes HMRC has with customers are resolved by agreement, following discussions between ourselves and the taxpayer. However, where collaborative working indicates that there is no prospect of settling by agreement tax disputes move towards litigation.

The governance arrangements discussed in this report fall into two strands – cases relevant to specific taxpayers (see Chapter 2) and issues that affect multiple taxpayers (see Chapter 3).

In terms of the governance of HMRC's largest and most sensitive cases this year, we have seen a steady flow of cases to the Tax Disputes Resolution Board (TDRB) and the Commissioners. There has also been a consistent stream of risks referred to the business-level case boards which consider the next tier of significant and sensitive cases. These boards broadened in scope at the start of the year and are now established business as usual.

Where taxpayers disagree with an appealable decision made by HMRC they can ask us to review the decision or make an appeal to an independent tax tribunal, or take both actions. Chapter 4 provides further information about internal reviews and appeals.

Chapter 5 sets out the results of this year's review of settled cases – a systematic annual review of a sample of settled cases from across the department which checks that the governance and assurance processes appropriate to the case were followed.

Types of dispute

There is huge variation in the nature of tax disputes. This depends on a variety of factors including the type and amount of tax at stake, the complexity of the underlying transactions and where the counterparties to those transactions are based, and whether the taxpayer has tried to hide their actions. Examples of the types of dispute we resolve each year and how we resolve them can be found in Annex 1.

Resolution through collaboration

The LSS makes clear that HMRC should – wherever possible – handle disputes non-confrontationally and by working collaboratively with the taxpayer, no matter what the size or complexity of the risk or point at issue, to resolve them effectively and efficiently for taxpayers and HMRC.

⁴ HMRC considers a range of interventions to address customer behaviours and adopts the appropriate response in individual cases and categories of cases. Civil interventions are often the most cost effective means of securing the tax due, but HMRC carries out criminal investigations where a strong deterrent message is needed or where the conduct involved is such that only a criminal sanction is appropriate. This report does not cover criminal investigations or prosecutions.

Through openness and early dialogue, we seek to be transparent with our taxpayers and develop a relationship where there is a positive joint commitment to work together constructively. From the beginning of a compliance check we tell taxpayers what we are checking and why we need the information we do. We are open about emerging risks and keep taxpayers updated on our progress, as well as informed of what our expectations of them are.

This does not mean that we work with all taxpayers in the same way. For our largest and most complex customers, we invest resource in sustained, on-going engagement as the best way to manage tax risk. For other customers we need far less day-to-day contact. However, at the point where we identify a risk that requires us to make enquiries or when a dispute arises, the collaborative principles that we work to are the same – a non-confrontational approach, where we are transparent with the taxpayer and they are transparent with us, enabling the parties to resolve the dispute as quickly and efficiently as possible.

Where there are a number of risks in a case, we may use a structured, accelerated approach to rapidly progress substantial disputes, which relies on significant commitment from both HMRC and the taxpayer to make progress.

These collaborative methods rely on cooperation and commitment from the taxpayer and their agent, if they have one. Where taxpayers will not cooperate with our enquiries we will use more formal methods, such as information powers, to move the case forward and ascertain the correct tax position. And, we will progress towards litigation if we cannot reach a satisfactory agreement to resolve the dispute in line with the LSS.

In the minority of cases where our collaborative approach has not led to a resolution, it may be appropriate to consider using alternative dispute resolution (ADR)⁵ methods – especially when the taxpayer is an individual or small or medium enterprise (SME).

ADR involves either mediation⁶ or a facilitated discussion between the parties to resolve the dispute in a way that secures the tax that is due under the current law. ADR can be particularly useful in long-running disputes, where positions on both sides may have become entrenched, or progress has stalled. ADR can help narrow down the areas of disagreement, clarifying technical points or helping to manage the process of getting additional information so that both parties can agree on key facts. The involvement of a trained facilitator can change the focus, moving on from past sticking points to help identify outcomes that would move the case forward towards resolution.

If ADR cannot help to resolve the dispute in accordance with the LSS then the case will proceed towards litigation. Even if the ADR process cannot find a resolution, a better understanding of why litigation is the only way to resolve the dispute may emerge and help both parties come to a tribunal hearing more quickly.

Following successful pilots, during 2014-15 HMRC expanded its use of ADR tools and worked to embed them within operational compliance teams. We now have over 50 internally trained facilitators and externally accredited mediators – most of whom are trained tax professionals. Our experienced facilitators consider and evaluate all the requests HMRC receives for ADR.

When we do use ADR in more complex cases – including those involving issues which cut across several customers – the customer can choose to work with an externally trained HMRC mediator, use a 'joint facilitation' model or have an external, independent mediator. Joint facilitation is where HMRC and the customer each put up a facilitator who work together.

The statistics in Annex 4 show the number of requests evaluated, taken forward, and resolved to agreement or removal from ADR in 2014-15.

5 Further information about how to request ADR is available by visiting <https://www.gov.uk/tax-disputes-alternative-dispute-resolution-adr>

6 "Mediation is a flexible process conducted confidentially in which a neutral person actively assists parties in working towards a negotiated agreement of a dispute or difference, with the parties in ultimate control of the decision to settle and the terms of resolution." Centre for Effective Dispute Resolution (CEDR) definition.

Governance of new powers

As the dispute resolution landscape changes, for example when Parliament introduces new powers, HMRC develops and strengthens governance processes to ensure disputes continue to be resolved even-handedly and appropriately.

Among the new powers which have been recently introduced are Accelerated Payment notices (APNs). During 2014-15 we started issuing APNs to users of tax avoidance schemes and arrangements, requiring disputed tax to be paid upfront. We have also started issuing Follower Notices⁷ which are designed to improve the rate at which tax avoidance cases are resolved where the point at issue has, in HMRC's view, already been decided in another taxpayer's case. HMRC's Annual Report contains further details about our operational deployment of these powers.

In a similar vein, we expect that from next year HMRC will report on the operation of the new Direct Recovery of Debts power, which will allow the department to recover debts from customers' bank and building society accounts, including Individual Savings Accounts (ISAs).

⁷ HMRC's guidance on both Follower notices and accelerated payments is available here:
<https://www.gov.uk/government/publications/follower-notices-and-accelerated-payments>

Chapter 2: HMRC case governance 2014-15

Tax disputes are dealt with by HMRC's case workers who are trained tax professionals. We expect all our case workers to apply the appropriate level of case governance to their work, whether that is management authorisation of particular actions or referring cases to the relevant case board for a decision.

For any dispute, our decision on how it should be resolved is taken by the final, appropriate, decision-maker – whether that is the Commissioners of HMRC, one of the business-level case boards or the case worker acting with appropriate management oversight and, where relevant, having sought appropriate advice from specialists within HMRC.

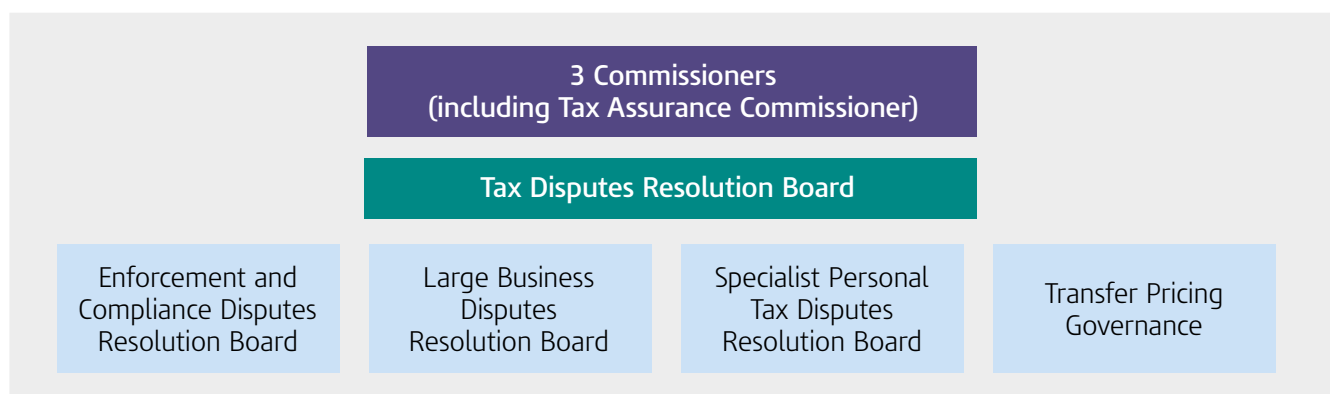
Three HMRC Commissioners make decisions in our most significant and sensitive cases. When a case is referred to them, the three Commissioners consider the recommendations of the Tax Disputes Resolution Board (TDRB) which is made up of senior representatives from business areas across HMRC including the Solicitor's office. The remit of the TDRB setting out the categories of cases which it considers is set out in our code of governance for resolving tax disputes.

Decisions about the next level of significant and sensitive risks sitting below those considered by the Commissioners are referred to case boards which are within our business areas but made up of senior leaders from across the department. These business-level case boards do not refer cases to the Commissioners as a matter of routine, but the Commissioners do consider a sample of these cases to assure themselves about the governance of cases they do not regularly see. During the year we changed the process for referring sample cases to the Commissioners. Sample cases are now referred directly to the Commissioners by the business-level case boards and are no longer initially referred to the TDRB. Exceptionally, directors may refer a sample case for which they have operational accountability to the TDRB prior to onward submission to the Commissioners.

When a case goes to the Commissioners or case board, they will consider whether the taxpayer's position on the point in dispute is an acceptable basis on which to resolve it and results in a tax outcome consistent with the law. The referral to the Commissioners or case board will be made following significant work by HMRC, the taxpayer and their agent and the referral is made at the point when a decision is needed on whether HMRC accepts the taxpayer's position. By the time the case is referred to the case board or Commissioners, the taxpayer's position will typically have changed significantly from their initial stance, reflecting the extensive discussions between the taxpayer and HMRC case workers.

The Commissioners or case board will consider whether the taxpayer's position on the disputed point is in line with the LSS and whether HMRC can accept that position to resolve the dispute. If not, HMRC may undertake further work with the taxpayer to determine whether we can reach an agreed position. Where we cannot find agreement, the case will normally move towards litigation.

HMRC case governance



Tax Disputes Resolution Board

The TDRB held 17 meetings this year, considering a total of 65 referrals from case teams. They referred 54 on to the Commissioners, sent seven back for further work and made decisions in three cases that did not require referral to the Commissioners. Additionally one referral was heard by the TDRB but then re-heard by the TDRB in a different form before it was referred to the Commissioners.

We keep the TDRB remit under review to ensure it fulfils its function to advise the Commissioners about how to resolve our largest and most significant tax disputes. This year we have worked on updating the TDRB remit to reflect that it will make referrals to the Commissioners where it believes a bank has not complied with the voluntary code of practice on taxation for banks⁸. This code of practice was introduced in 2009 to change the attitudes and behaviour of banks towards avoidance given their unique position as potential users, promoters and funders of tax avoidance. If the Commissioners decide that a bank has not complied with the code of practice on taxation for banks, it can be named in an annual report about the operation of the code.

The updated TDRB remit will be included in a revised code of governance for resolving tax disputes which we expect to publish later this year.

The Commissioners

In 2014-15 three Commissioners met 16 times to make decisions on 56 case referrals from the TDRB (54 referred in 2014-15 and 2 referred in 2013-14). This figure includes four sample cases sent to the Commissioners from the business-level case boards via the TDRB and two referrals from the TDRB that were remitted by the Commissioners. In addition the Commissioners considered three sample cases sent directly by the business-level case boards, and one referral which had been sent back by the Commissioners for further work before re-submission to them for a final decision. The other referral that the Commissioners remitted was not heard again by the Commissioners because the decision was an operational one. The Commissioners therefore saw a total of 60 referrals.

Each meeting was attended by three Commissioners and were all chaired by the Tax Assurance Commissioner, Edward Troup.

In 2014-15, five Commissioners were involved in the meetings in addition to Edward Troup: Jim Harra (Director General, Business Tax), Jennie Granger (Director General, Enforcement and Compliance), Simon Bowles (Chief Finance Officer), Ruth Owen (Director General, Personal Tax) and Nick Lodge (Director General, Benefits and Credits).

The 60 referrals seen by the Commissioners related to decisions with tax under consideration⁹ of £5.2 billion. For each referral, the Commissioners decided whether or not to accept a proposal for settlement or the taxpayer's position. The taxpayer's position will have typically changed over the course of the investigation as a result of working collaboratively with HMRC.

The Commissioners accepted the taxpayer's position in 30 cases, worth £3.2 billion. In 26 referrals, worth £1.7 billion, they rejected the taxpayer's position as not being an acceptable basis on which to resolve the dispute. Where this happened, the case teams undertook further work with the taxpayer to determine whether it was possible to reach an agreed position. Where this did not prove possible these cases moved towards litigation. The Commissioners also accepted two referrals with additional conditions, with the remaining referrals sent back for further work before a decision was taken.

Full statistics for the TDRB and the Commissioners are at Annex 2.

⁸ Information and guidance published on The Code of Practice on Taxation for Banks since May 2013 can be found here: <https://www.gov.uk/government/collections/the-code-of-practice-on-taxation-for-banks>

⁹ Tax under consideration is a theoretical estimate of what the tax liabilities might be if the taxpayer fully accepted alternative tax positions across all identified tax risks. It does not take into account the strength of HMRC's or the taxpayer's arguments concerning these alternative tax positions and does not therefore represent an estimate of the actual expected tax liabilities. Rather, it is a helpful way for HMRC to quantify the maximum potential tax at stake, which is then used to set the appropriate level of case governance.

The Commissioners' decisions compared with the TDRB's recommendations

During the year, the Commissioners accepted the TDRB's recommendation in 56 referrals. When considering these referrals, the Commissioners decided in two cases that additional conditions should be imposed; and in another case, that the additional conditions recommended by the TDRB should not be imposed. One other case was remitted for further work before it was referred back to the Commissioners who then accepted the TDRB's original recommendation.

In addition, the Commissioners remitted one referral to the line of business because it was an operational decision and not a decision for the Commissioners to make.

The line of business Dispute Resolution Boards also directly referred three sample cases to the Commissioners (with no recommendation from the TDRB), bringing the total number of referrals to the Commissioners to 60.

HMRC business-level case boards

Decisions about significant and sensitive risks which do not fall within the remit of the TDRB are referred to case boards which sit within our business areas.

In 2014-15 the Specialist Personal Tax (SPT), Enforcement and Compliance (E&C) and Large Business (LB) Disputes Resolution Boards (DRBs) saw 62 referrals.

In 2014-15 these case boards saw more referrals than they did in 2013-14. As reported in last year's Tax Assurance Commissioner's report, this reflects the changes that were made to their remits at the start of the year which broadened their scope. We continue to keep the remits of the boards under review to ensure that they remain an effective system for taking decisions and providing assurance that sensitive and significant disputes are resolved appropriately.

We were satisfied that the case boards worked effectively and in line with their remits throughout the year, but the E&C DRB identified one case which fell within its remit and had not been referred to it before a decision was communicated to the customer. The case will now be considered by the TDRB in 2015-16.

Details of the business-level case board referrals and outcomes can be found at Annex 3.

The Transfer Pricing Board makes decisions on high-profile or contentious transfer pricing enquiries. It also makes recommendations to the TDRB about transfer pricing risks which fall within the TDRB's remit. In 2014-15 it considered 28 cases.

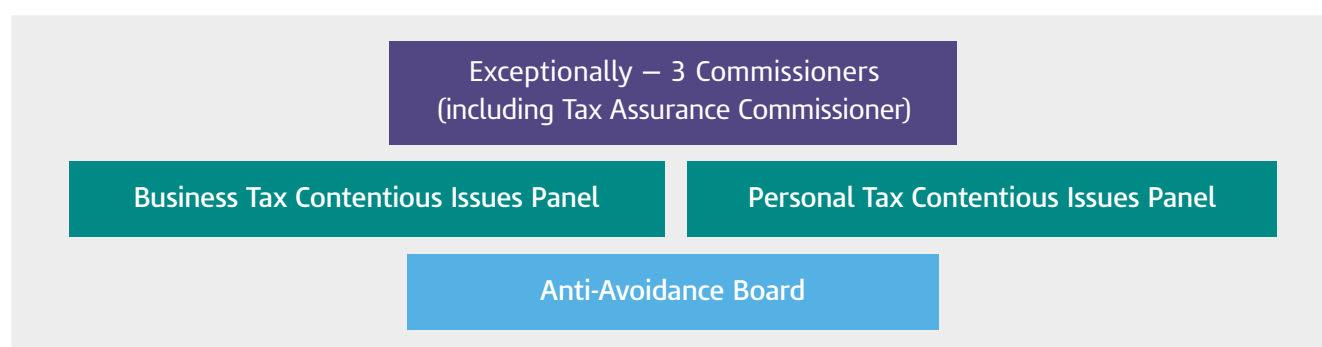
In previous years the Transfer Pricing Board has been supported by two panels which made decisions on transfer pricing enquiries in individual cases, including whether to open an enquiry. During 2014-15 these two panels were replaced by a single Transfer Pricing Panel. Together these panels considered a total of 47 resolution proposals in 2014-15.

Chapter 3: HMRC issues governance 2014-15

An 'issue' is a disputed tax point that can arise in more than one case and affects multiple taxpayers. Achieving consistency in how we deal with the same point across multiple taxpayers is an essential part of our even-handed approach.

Our issues governance, in the form of the Business Tax and Personal Tax Contentious Issues Panels (BT and PT CIPs) and the Anti-Avoidance Board (AAB), ensures that we take a consistent approach to handling issues.

HMRC issues governance



Contentious Issues Panels (CIPs)

The CIPs, which bring together a wide range of internal stakeholders, decide on handling strategies for issues as well as deciding whether we should publish the basis on which we are prepared to resolve a particular issue.

In 2014-15 the BT CIP met eight times and considered 13 issues, including updates on one issue which was previously considered by the panel in 2013-14.

Over the year the BT CIP heard a wide variety of issues involving Corporation Tax, VAT and Excise Duties. Among other things, the panel considered HMRC's involvement as creditor in large scale insolvency proceedings and set our handling strategy for issues following several high profile decisions of the European Court of Justice and the UK Supreme Court.

In 2014-15 the PT CIP met ten times and considered one issue via correspondence. The PT CIP considered 14 issues, including updates on three issues which were previously considered by the panel in 2013-14.

The PT CIP considered a spectrum of issues involving Capital Gains Tax, income tax and National Insurance Contributions. These included a proposal to extend the closing date of a settlement opportunity (see the section on 'published offers' below), issues concerning the remittance basis of taxation for non-domiciled taxpayers, and an issue concerning the authorisation of Gift Aid repayments to particular charities.

During the year one issue was referred to both CIPs jointly.

Anti-Avoidance Board

The Anti-Avoidance Board (AAB) oversees all anti-avoidance strategies in HMRC. In 2014-15 the AAB met 12 times and considered 68 issues, whereas in 2013-14 it met 20 times and considered 263 issues. The fall in the number of issues considered reflects the completion of a rolling programme to ensure all working issues were brought within the AAB governance by 31 March 2014.

Commissioners' decisions on issues

The Commissioners provide an additional layer of governance when CIP members cannot reach an agreed way forward, or where the CIP chair considers the issue to be so significant that the Commissioners should take the decision on HMRC's position.

During the year no new issues were referred to the Commissioners by the CIPs. The Commissioners considered further information in connection to a joint referral from the CIPs that was made in 2013-14 about the operation of HMRC's disclosure facilities and decided on a strategy for concluding the issue.

Published offers

From time to time, HMRC formally publishes its position on disputed issues and invites taxpayers and their agents to resolve disputes in their specific cases on the published basis which is in accordance with the LSS. We do this where the disputed point arises in significant numbers of cases, as a means of handling large numbers of cases as efficiently as possible and ensuring transparency about our position. It is of course open to any taxpayer to pursue appeals in their own case to tribunal rather than agree to settle on the basis published by HMRC.

The following changes have been made to some existing settlement opportunities this year.

The Employee Benefit Trust settlement opportunity (EBTSO)¹⁰ was launched in April 2011, but did not include a defined operational period at launch. During 2014-15 the Commissioners agreed to announce its closure to bring it in line with other settlement opportunities which have defined operational periods. In August 2014 HMRC announced that employers wishing to use the EBTSO would need to notify us by 31 March 2015. Employers using the EBTSO must enter into an agreement with us by 31 July 2015 with all amounts due under the agreement either paid by that date or with a signed time to pay agreement in place.

In the first quarter of 2015, we also made clear that employers who have used Employer Funded Retirement Benefit Scheme (EFRBS) avoidance schemes would need to notify us of their interest in the EFRBS resolution opportunity (EFRBSRO) by 31 March 2015. This brought the terms of the resolution opportunity in line with the closely related EBTSO.

In September 2014, HMRC announced the partial closure of the Autumn Statement settlement opportunity (ASSO) to users of specific tax avoidance schemes. The ASSO was opened to some partnership reliefs and allowances schemes in January 2013. At the time, we said that as schemes neared litigation, HMRC would be more likely to conclude that the settlement opportunity was no longer appropriate in all cases. In September, we wrote to users of specific schemes that were approaching litigation in the courts, to explain the withdrawal of the ASSO to them. We explained that users would need to contact HMRC by 31 October 2014 to indicate they wanted to settle in order to be able to do so under the terms of the ASSO.

In December 2014 HMRC extended the Contractor Loans settlement opportunity (CLSO)¹¹, which is aimed at individuals who have used 'Contractor Loan' schemes to avoid tax on all or part of their income. We originally planned for the CLSO to close in January 2015 but this closing date was extended until 30 June 2015. People wanting to take part in the CLSO must have contacted HMRC by 30 June to discuss possible settlement, which should be agreed by 30 September 2015 at the latest.

¹⁰ Further information about the EBTSO is available here: <https://www.gov.uk/government/publications/employee-benefit-trusts-settlement-opportunity>

¹¹ Further information about the CLSO is available by visiting <https://www.gov.uk/government/publications/tax-on-contractor-loans>

Chapter 4: Reviews, appeals and litigation¹²

Where taxpayers disagree with an appealable decision made by HMRC they can ask us to review the decision or make an appeal to an independent tax tribunal, or take both actions. We make a very large number of decisions each year, including more than a million in VAT alone, of which the most common relate to tax assessments and penalties. Only a very small proportion of these decisions attract a review or an appeal.

Previously we have published tax review and appeal statistics in this report and as a separate [publication](#)¹³, but from this year the figures will only be available here.

Reviews

The statutory review system gives taxpayers a quick and easy way to ask us to review our decisions and put forward an explanation. Reviews provide an early, cost-effective opportunity to resolve disputes, and most taxpayers do not go on to submit an appeal to the tribunal. The review system is open to all and is often used by those taxpayers who do not have an accountant or an agent (86 per cent of reviews are requested by unrepresented taxpayers). Reviews are carried out by HMRC staff who are independent of the teams that worked the case.

Most reviews relate to late filing and late payment penalties, many of which are issued automatically when a return or payment is not received on time. We may also be asked to review decisions which do not involve penalties – such as liability decisions, closure notices and refused claims. These cases often involve significant discussion between HMRC and taxpayers.

In 2014-15 we completed more than 33,000 reviews. We have again seen a reduction in the number of reviews requested compared with the same period in the previous year, which may be due to the changes implemented in the year to the way penalties are applied.

Reviews and VAT cases

Where taxpayers submit their VAT return late or pay late, we warn them that future late returns or payments may lead to a penalty. After repeated defaults, a default surcharge penalty is issued. This penalty will be waived if the taxpayer has a reasonable excuse for the late payment or filing. The VAT penalty review process provides taxpayers with the opportunity to explain why a payment or return is late.

As VAT decisions are a significant proportion of all reviews, we have provided additional detail on these cases, including the outcome for VAT default surcharge reviews by quarter, in the tables in Annex 5.

¹² The data in this chapter relates to reviews and appeals received and settled in 2014-15 tax year. There was a pool of cases on hand at April 2014 which was added to as new requests were received. As cases were settled they were removed from the pool.

¹³ These separate publications are available here: <https://www.gov.uk/government/publications/hmrc-reviews-and-appeals-data>

Appeals

It is beneficial for taxpayers and HMRC to resolve disputes without having to go to a tribunal, but there will always be cases where the parties cannot agree and a tribunal or court decision is needed. For a case to go to the tribunal, the taxpayer must appeal an appealable decision that HMRC has made. This year the department introduced online appeal facilities for employers reporting real-time information to speed up the dispute resolution process.

When a taxpayer appeals an appealable decision, the presumption is the dispute will proceed towards litigation. A relatively small number of appeals reach the tribunal because many disputes are settled or withdrawn before the hearing for a variety of reasons including where HMRC accepts the taxpayer's grounds of appeal or the taxpayer subsequently adopts a view that HMRC accepts. The majority of cases that do reach the tribunal relate to disputes about the facts of a particular case. However, every year there will be a number of technical disputes between HMRC and taxpayers about how to interpret and apply legislation. Some of these disputes have wider implications and may affect other cases. These disputes are often taken through to the higher courts.

This year 5,077 appeals were sent to the tribunal¹⁴. During the year 3,468 appeals were settled either by a formal hearing, or by agreement before the hearing. Further information about tribunal hearing outcomes is in Annex 5.

Most of the appeals that were received but not closed during the year are on hold awaiting a decision in a related lead case.

Of those appeals which were heard by the tribunal in 2014-15 HMRC won 80 per cent, which is broadly consistent with the previous year.

During the same period the tribunals and courts issued decisions in 34 avoidance cases, with 28 decided in HMRC's favour – protecting tax revenue of approximately £1.6 billion. In addition to decisions on substantive appeals, there were a number of procedural or case administration hearings in relation to avoidance cases.

More information about reviews and appeals figures for 2013-14 and 2014-15 can be found at Annex 5.

¹⁴ These figures do not take account of appeals that have been sent to HMRC without also being referred to the tribunal.

Chapter 5: Review of governance processes in settled cases

During the year HMRC's Internal Audit worked with operational areas across the department¹⁵, to review a sample of our settled cases. These checks determine whether appropriate governance procedures were followed in a sample of tax disputes that were settled in the previous year.

The review covers several hundred cases and provides us with a good indication of how governance procedures are being followed across HMRC. Because the disputes tested vary in size and complexity they are subject to a range of governance procedures, from decisions taken by case workers under line management oversight to business-level case boards or the Commissioners.

Governance procedures support the responsibility of HMRC's operational areas to resolve cases on a basis consistent with the LSS. It is not the role of the settled case reviews to reopen the points that were in dispute in the case. Rather, they focus on whether processes have been properly followed and on identifying areas where we can make improvements in the way we work cases.

We test processes that were in place at the time that the case was worked. The review identifies opportunities to drive up standards through improvements to existing processes and the introduction of new ones. It also identifies best practice, which is then shared between operational areas. Operational areas provide assurance to HMRC's Internal Audit that follow-up actions are implemented and have the intended impact, and progress made against the recommendations is monitored throughout the year.

In 2014-15 the quality functions in operational areas started taking more responsibility for this work with Internal Audit providing appropriate support and assurance. Moving the work across in this way enables Internal Audit to maintain oversight while supporting operational areas to share and embed good practice.

During the year the quality functions continued to build capability and worked closely with their operational areas to implement process and governance improvements, driven by the results of previous settled case reviews and other quality assurance work. Among the new initiatives introduced by operational areas are standardised checklists for mandatory procedures and the standardisation of manager reviews. Quality functions also built capability by sharing best practice within and between operational areas via a 'quality forum' and 'lessons learned' event.

In 2015-16 quality functions will test settled cases using an updated common set of 'key governance questions' to ensure continued comparability of testing and reporting between operational areas and year on year. Internal Audit will ensure that the programme of testing is delivered effectively and provide independent assurance of the testing and results that are reported by the different operational areas. In operational areas, the review of settled cases will continue to be supplemented by other activities carried out by quality functions to identify areas for improvement and best practice.

We expect case workers to maintain high standards, including adherence to our governance procedures. We know, however, that there will always be scope for improving our tax dispute resolution processes, so the annual review helps us to identify any weaknesses in our governance arrangements and how we might make improvements. This is valuable as we make organisational changes to which our quality functions have to adapt. As the scope of the 2014-15 programme was widened to include types of cases which had not been tested in previous years, year-on-year comparisons should be treated with caution.

¹⁵ Large Business in Business Tax, Specialist Personal Tax in Personal Tax and Local Compliance, Special Investigations, Large and Complex and Criminal Investigation in Enforcement and Compliance.

Overview of findings

In 2014-15, the programme tested and reported on 402 cases that were settled in 2013-14, from across the operational areas of the department.

This year's testing identified a number of strengths, including good supporting evidence of initial risk assessment in cases, good examples of case workers consulting with specialists at the right time and following expert advice, good evidence that cases falling within the remits of case boards are referred appropriately and the decisions of the boards are followed, and a very good level of compliance with processes to initially notify customers of a tax dispute and the settlement outcome.

The results show that 80 per cent of cases fully adhered to governance processes (323 out of 402). In 18 per cent of cases (73 cases) governance processes were followed but with scope for some improvement, and in two per cent (six cases) we found one or two aspects that did not meet our expected governance standards.

There is an overall high level of compliance with governance and case handling standards, but the testing also identified areas where we are focusing our activities. These areas are similar to those identified last year:

1. clarifying and reminding case workers of the stages in a case when management authorisations need to be sought, including settlements and penalties.
2. taking action to improve the management checks throughout the lifetime of a case, including:
 - a. capturing evidence of taxpayer behaviours in relation to penalties
 - b. making sure case outcomes are recorded accurately
 - c. effectively tackling delays by HMRC and taxpayers.
3. clarifying standards for good audit trails, including meeting notes and decisions taken during the lifetime of a case.

By reporting through the year, Internal Audit has enabled operational areas to take action as soon as possible. The majority of recommendations to come out of this year's testing were implemented by operational areas during the year, with the remainder implemented more recently. Operational areas have used the reports to increase the visibility of quality concerns at senior management levels, establishing clear lines of responsibility to achieve improvements.

We are looking to support business improvement activities across these areas by enhancing how our tax professional training and continuous professional development products address them. In addition the Commissioners and case boards identify scope for improvements in individual cases – such as identifying the potential for involving other parts of the business to open up new lines of enquiry – which are fed back to case teams and managers for further action.

Annex 1: Dispute resolution case studies

These case studies are drawn from experience in actual cases, but do not describe the position of any specific taxpayer. They illustrate the variety of risks and sizes of case that we tackle, which require differing approaches depending on the risks involved.

Multinational in High Risk Corporates Programme

A large multinational company was a serial participator in complex tax avoidance schemes. HMRC had a number of long-standing enquiries into these and a range of other technical risks. Given the taxpayer's history of tax avoidance the company was placed into the High Risk Corporates Programme (HRCP). Following thorough and robust investigation by the case team, the company agreed to work collaboratively with HMRC to identify which risks might be resolved by agreement and which risks might proceed towards litigation.

The case team worked closely with HMRC's technical specialists, accountants and solicitors to analyse the complex avoidance structures that the company had used and the technical positions it had taken. An enquiry coordinator in HMRC maintained an overview of the progress made with each of the risks.

Due to the multitude of open risks, the case team referred the risks to the TDRB in tranches when they reached decision points. Tranches of risks had been referred to the TDRB by the case team in previous years, but the last tranche was referred in 2014-15.

HMRC's case team met with the taxpayer on a number of occasions to consider each risk independently and share technical analyses to try and understand the technical position that each adopted. Where the case team believed that acceptance of the taxpayer's position was not compatible with the LSS, it explained why HMRC could not reach agreement on that basis. The customer changed its position as a result of these discussions.

The last tranche referred to the TDRB in 2014-15 contained more than ten risks. When the risks were referred to the TDRB, the case team explained to the company that HMRC would consider separately whether the customer's position for each risk complied with the LSS.

The TDRB considered each risk and remitted one to the case team for further work. It then recommended that the Commissioners accept the company's position in relation to all other risks.

The Commissioners considered each risk independently without considering how it would affect the other risks. Following the recommendation of the TDRB, the Commissioners accepted the taxpayer's position across all risks. This meant that the company conceded all the avoidance risks in the tranche and all the technical risks where HMRC had at least a reasonably strong position. The company also agreed that penalties were due in relation to a number of risks resulting from careless errors it had made when submitting its returns.

Following questioning of the case team and technical specialists, the Commissioners were satisfied that HMRC did not have reasonable technical arguments in relation to two issues on which counsel had advised that HMRC would be likely to lose in litigation. As a result the Commissioners agreed that HMRC should concede these risks in line with the LSS and not incur the costs of litigation.

Resolving these tax disputes via the HRCP efficiently recovered tax and penalties. HMRC's robust approach also meant that the company radically improved its behaviour and attitudes towards tax compliance.

Change of behaviour: VAT compliance check

A VAT case worker identified a risk that output tax was not being declared by a company which supplied property to a range of customers. The case worker contacted the taxpayer to explain these concerns and arranged a meeting at the business premises with the company director and accountant.

The meeting enabled the case worker to gain a full and detailed understanding of the business activities and accounting systems. Because the properties were used in a variety of ways, some of the supplies were standard rate, some reduced rate and some exempt. The case worker also obtained a sample of purchase and sale invoices to test the accounting systems in place.

After testing the accounting systems the case worker was satisfied that the systems were credible and that the initial risk that output tax had not been declared was explained by the business having exempt supplies.

However, the case worker found that the taxpayer's partial exemption calculations did not take account of the mixed supply rates. Following further discussions, the taxpayer agreed with the case worker's conclusions and worked with them to help establish the additional liabilities.

The case worker also concluded that a penalty was due because the error had resulted in an underpayment of tax and that the taxpayer had acted carelessly. Because the business was able to put in place measures to ensure the mistake would not happen again the penalty was suspended. The case was worked in accordance with the relatively light touch governance framework which applies to the size of case and the case worker's manager approved the key decisions that were taken.

After the compliance check, the business disclosed that its associated companies were making the same error for the same reasons, so HMRC undertook additional actions which successfully resolved these risks and ensured compliance going forward.

Dispute resolved using the Employee Benefit Trust Settlement Opportunity

A financial services company paid tens of millions of pounds over a number of years to an offshore employee benefit trust (EBT), an arrangement that was disclosed to HMRC under the Disclosure of Tax Avoidance Schemes (DoTAS) regime¹⁶.

The company had implemented the scheme to enable its employees to avoid paying income tax and National Insurance Contributions on some of their earnings. It also claimed the EBT contributions as an expense against its profits, reducing its Corporation Tax liability.

HMRC opened enquiries into the company's tax returns for the periods where it had used the scheme. The case team also raised protective charges on the employer to bring the undeclared income tax and national insurance into charge, which the employer appealed against.

Following HMRC's initial investigation, the company proposed to settle under the Employee Benefit Trust Settlement Opportunity (EBTSO). In August 2014 HMRC announced plans to withdraw the EBTSO, requiring scheme users to notify HMRC of their interest by 31 March 2015 and settle by 31 July 2015. This announcement prompted the taxpayer to provide all the information and documentation requested without the need for the case team to issue statutory information notices.

¹⁶ Further information about the DoTAS regime is available by visiting: <https://www.gov.uk/disclosure-of-tax-avoidance-schemes-overview>

HMRC's case team met with the company and its agent. During the meeting the company fully cooperated and proposed to settle all enquiries within the terms of the LSS and EBTSO.

The case fell within the remit of the Enforcement and Compliance Dispute Resolution Board, which considered the case and decided to accept the taxpayer's position which had shifted significantly during the course of the investigation.

Alternative dispute resolution techniques to overcome an impasse

HMRC opened a cross-tax compliance check into a restaurant and take-away business. Based on the investigation, the case team believed the business's turnover had been understated, so additional sales should have been accounted for. The case team also believed that a penalty was due on the basis that the taxpayer had made a deliberate error when submitting its tax return. The taxpayer disputed this conclusion and after 18 months the case reached an impasse so the taxpayer applied for alternative dispute resolution.

HMRC accepted the application and at the facilitated meeting the taxpayer said the restaurant's employees had stolen from the business – an explanation which had not been previously articulated. The taxpayer acknowledged their record keeping system had allowed errors to occur. Both sides agreed a new way to calculate the additional Corporation Tax and VAT due on the adjusted profits.

The settlement that was secured took just over three months to resolve – reducing the cost for both HMRC and the taxpayer by avoiding potentially lengthy and resource intensive litigation.

Technical large business dispute

A large business disposed of a number of assets and treated the receipts as capital, setting them against large capital losses which it had already accrued. This meant the receipts were not taxable in the period where they arose.

HMRC argued that the assets were trading stock and the disposals were made in the company's ordinary course of business meaning the receipts were on revenue account and taxable.

HMRC and the company exchanged technical arguments and both had the support of counsel. Due to the large amount of tax under consideration, the TDRB and the Commissioners considered the case. The Commissioners decided to reject the taxpayer's position and raise assessments in line with HMRC's technical arguments, proceeding towards litigation if necessary. The taxpayer then submitted a settlement proposal, which the case team rejected because it was not compliant with the LSS.

As a result of the proposal, however, it became apparent that not all the facts had been established and discussions were reopened. During discussions HMRC and the taxpayer jointly analysed each of the disposals in light of established case law. Because the company understood the case team's methodology, it presented new facts about one of the transactions that distinguished it from the others.

On the basis of these new facts, the case team agreed that the receipt from this one transaction was on capital account. The company recognised that the distinguishing features of this one transaction were not present in the other transactions which were on revenue account and changed its position as a result.

The case was referred to the Commissioners, who were able to accept the taxpayer's revised position on recommendation from the TDRB.

Research and Development compliance check

A taxpayer made a claim to Research and Development (R&D) tax relief for enhanced expenditure. This reduced the company's profits to nil and created a Corporation Tax overpayment for the year which was repaid to the taxpayer under the 'process now, check later' regime.

One of HMRC's specialist R&D Units risk assessed the claim and supporting invoices. The case worker identified the risk that not all of the activities and expenditure qualified as R&D for tax purposes, so they asked for further information about the nature of the activities and costs incurred.

Following correspondence with HMRC, the taxpayer put forward a proposal to settle the matter but the case worker was unable to accept the taxpayer's position because it was not aligned with the LSS. The taxpayer stopped cooperating and the case worker issued statutory information notices requiring the company to produce documentation to support the claim.

A meeting was arranged, enabling the taxpayer and its agent to give the case worker a presentation about its R&D activities and provide supporting documentation. On the basis of the facts presented, the case worker concluded that not all of the projects that the company's R&D claim was based on qualified for tax relief. The case worker explained this reasoning to the company, and as a result all parties were able to agree which projects qualified for R&D tax relief. The case worker's manager approved the basis for settlement and the case worker issued assessments to recover the tax due. Subsequently the company submitted a revised, accurate R&D claim for the following year.

Complex large business avoidance case

A large business disclosed under the Disclosure of Tax Avoidance Schemes (DoTAS) rules that it had implemented leasing arrangements with the aim of receiving a non-taxable sum of several hundred million pounds while claiming two sets of capital allowances for the expenditure – one for the expenditure originally incurred and the other under the long funding lease regime.

Working closely with policy and counter-avoidance specialists in HMRC, the case team developed several arguments for why the tax avoidance did not work. In 2009 Parliament changed the relevant legislation to put the position beyond doubt, due to the potential for the arrangements to be replicated and the amount of tax at risk if HMRC's arguments did not succeed.

When HMRC's arguments were presented to the business and its advisors they did not agree with our view of how the legislation applied to the facts. The case was considered by the Anti-Avoidance Board (AAB) and the Commissioners (this was before the TDRB had been established) and it was agreed that our arguments were sufficiently strong for the case to proceed towards litigation.

Following some court-related delays encountered during the litigation process, the case was listed for a First-tier Tribunal hearing. A month before the scheduled hearing the business approached the case team wanting to resolve the dispute. Following intense discussions, the business proposed that it would concede on the basis that HMRC's main arguments were correct.

Within a short timeframe the TDRB convened a meeting to consider the company's position and concluded that the proposal was consistent with the LSS. Following a recommendation from the TDRB, the Commissioners accepted the company's position.

Annex 2: Tax Disputes Resolution Board and Commissioner referrals in 2014-15

Chapter 2 provides narrative which should be read in conjunction with these figures.

Tax Disputes Resolution Board

	2014-15	2013-14
Total referrals to the TDRB	65	63
TDRB recommended acceptance of the taxpayer position and referred on to the Commissioners	30	29
TDRB recommended rejection of the taxpayer position and referred on to the Commissioners	23	14
TDRB recommended acceptance with conditions and referred on to the Commissioners	1	3
Total referred to the Commissioners*	54	46
Seen by the TDRB under HRCP and no referral required**	3	4
TDRB remitted for further work before re-referral	7	13
Total not referred to the Commissioners***	11	17

* 44 of the referrals for 2013-14 were considered by the Commissioners in that year.

** During 2014-15 HRCP referrals started to be made to the LB DRB rather than the TDRB.

*** The figure for 2014-15 includes one referral that was heard by the TDRB but then re-heard by the TDRB in a different form before it was referred to the Commissioners. Only the revised referral was considered by the Commissioners.

Type of referral

	2014-15	2013-14
£100 million plus tax	48	38
£500 million plus adjustment	0	5
HRCP case	3	4
Novel and unusual	2	0
Sensitive case	8	9
Sensitive risk	0	2
Sample case*	4	5

* During 2014-15 we changed the process for referring sample cases to the Commissioners. Sample cases are now referred directly to the Commissioners by the business-level case boards and are no longer initially referred to the TDRB. Exceptionally directors may refer a sample case for which they have operational accountability to the TDRB prior to onward submission to the Commissioners.

Commissioners' case decisions

Outcome of referrals

	2014-15	2013-14
Total referrals to the Commissioners	60	48
Taxpayer position accepted	30	28
Taxpayer position rejected	26	12
Taxpayer position accepted with conditions	2	3
Commissioners remitted	2	5

Type of referral

	2014-15	2013-14
£100 million plus tax	44	32
£500 million plus adjustment	0	4
Sensitive case	7	4
Sensitive risk	0	3
Sample case*	7	5
Novel and unusual	2	0

* During 2014-15 we changed the process for referring sample cases to the Commissioners. Sample cases are now referred directly to the Commissioners by the business-level case boards and are no longer initially referred to the TDRB. Exceptionally directors may refer a sample case for which they have operational accountability to the TDRB prior to onward submission to the Commissioners.

Tax under consideration in the decisions referred to the Commissioners (£ million)

	2014-15	2013-14
Where the taxpayer position was accepted	3,189	1,167
Where the taxpayer position was rejected	1,657	2,230
Where the taxpayer position was accepted with conditions	349	472
Total	5,195	3,869

The tax under consideration in the referrals remitted for further work was £21 million in 2014-15 (£2.4 billion in 2013-14).

The Commissioners decide whether a proposal for resolving a tax dispute is acceptable: the figures quoted here are for the value of the tax at issue in the disputes on which decisions were made. Any additional tax revenue to be accounted for as a result of the decision forms part of the amounts reported by the business area responsible for the case. These figures do not represent additional tax collected over and above business area figures.

Some referrals can include a significant number of risks for resolution, potentially over a number of years.

Commissioner decisions on issues – referrals from the Contentious Issues Panels

The Commissioners provide an additional layer of governance in relation to issues where the Contentious Issues Panel cannot agree a way forward or where the issue is of particular significance.

No new issues were referred to the Commissioners during 2014-15, but one issue was referred to the Commissioners which had been remitted for further work in 2013-14.

Referrals to the Commissioners

	2014-15	2013-14
Potential settlement position accepted	0	0
Potential settlement position accepted with conditions	0	0
Potential settlement position rejected	1	1
Issue remitted for further work	0	1

Annex 3: Cases seen by the business-level case boards in 2014-15

Enforcement and Compliance Dispute Resolution Board

	2014-15	2013-14
Total referrals to the E&C DRB*	16	21
Taxpayer position accepted**	6	7
Taxpayer position accepted with conditions	0	0
Taxpayer position rejected	5	5
Board remitted for further work before re-referral	3	3
Referral sent to the Commissioners as a sample case***	2	6

* Following changes to the E&C DRB remit, from 2014-15 risks worked by E&C staff in relation to a taxpayer usually dealt with by SPT or LB are considered by the SPT or LB DRB as appropriate.

** The figure for 2014-15 includes one case that was sent to the E&C DRB for advice that was below the remit threshold.

*** Five of the six referrals in 2013-14 were considered by the Commissioners in 2013-14.

Large Business Dispute Resolution Board

	2014-15	2013-14
Total referrals to the LB DRB	30	7
Taxpayer position accepted	12	4
Taxpayer position accepted with conditions	0	0
Taxpayer position rejected	6	2
Board remitted for further work before re-referral	1	1
Referral sent to the Commissioners as a sample case	4	0
HRCP case management*	7	0

* During 2014-15 HRCP referrals started to be made to the LB DRB rather than the TDRB.

Specialist Personal Tax Dispute Resolution Board

	2014-15	2013-14
Total referrals to the SPT DRB	16	5
Taxpayer position accepted*	9	0
Taxpayer position accepted with conditions	0	0
Taxpayer position rejected**	1	1
Board remitted for further work before re-referral	3	4
Referral sent to the Commissioners as a sample case	3	0

* The figure for 2014-15 includes one case that was sent to the SPT DRB for advice that was below the remit threshold.

** The figure for 2014-15 includes one case that was sent to the SPT DRB for advice that was below the remit threshold.

Annex 4: Alternative Dispute Resolution referrals 2014-15

	Large and Complex disputes	SME, individuals and CITEK	Specialist Personal Tax	Large Business	Totals
Cases that have applied for ADR	61	455	46	5	567
Cases rejected by panel and did not proceed to ADR	16	85	3	0	104
Cases awaiting ADR decision	2	35	0	5	42
Active cases*	30	128	29	5	192
Cases resolved successfully (fully or partially)**	10	194	12	0	216
Cases proceeding to litigation beyond ADR***	2	67	3	0	72
Success rate (%)****	82	74	80	n/a	75

* The number of 'active cases' include those carried forward from the previous period.

** Dispute resolved satisfactorily using ADR (without recourse to litigation or significantly clarified prior to litigation).

*** Cases that were closed without being resolved or significantly affected through ADR.

****The number of cases resolved successfully (fully or partially) as a percentage of the number of cases accepted for ADR which were closed during the year.

Annex 5: Overview of dispute outcomes at review and appeal 2014-15

This annex contains information about reviews of, and appeals against, HMRC's tax decisions in 2014-15 and includes comparisons with published figures for previous years, where appropriate.

Review outcomes – 2013-14 and 2014-15

All non-penalty cases (decisions excluding penalty decisions)

	2014-15		2013-14	
Upheld in HMRC favour: review complete	3,917	65.8%	4,232	66.4%
Deemed upheld in HMRC favour: time limit expired	18	0.3%	40	0.6%
Varied	440	7.4%	416	6.5%
Cancelled	1,579	26.5%	1,683	26.4%
Total	5,954		6,371	

VAT penalty cases

	2014-15		2013-14	
Upheld in HMRC favour: review complete	5,834	34.7%	7,165	39.7%
Deemed upheld in HMRC favour: time limit expired	3	0.0%	1	0.0%
Varied	1,920	11.4%	1,968	10.9%
Cancelled	9,032	53.8%	8,935	49.4%
Total	16,789		18,069	

Other penalty cases

	2014-15		2013-14	
Upheld in HMRC favour: review complete	6,530	60.0%	8,342	58.9%
Deemed upheld in HMRC favour: time limit expired	34	0.3%	11	0.0%
Varied	136	1.3%	263	1.9%
Cancelled	4,179	38.4%	5,553	39.2%
Total	10,879		14,169	

Further breakdown of VAT cases

VAT non-penalty cases – by quarter

	2014-15				2013-14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Upheld in HMRC favour: review complete	317 65.2%	319 58.1%	412 65.0%	277 62.2%	309 62.9%	339 64.3%	360 63.9%	284 57.4%
Deemed upheld in HMRC favour: time limit expired	0 0.0%	1 0.2%	0 0.0%	1 0.2%	0 0%	1 0.2%	1 0.2%	0 0%
Varied	42 8.6%	63 11.5%	54 8.5%	61 13.7%	54 11%	49 9.3%	39 6.9%	64 12.9%
Cancelled	127 26.1%	166 30.2%	168 26.5%	106 23.8%	128 26.1%	138 26.2%	163 29%	147 29.7%
Total closed	486	549	634	445	491	527	563	495
Total received	507	651	445	449	510	551	477	493

VAT penalty cases – by quarter

	2014-15				2013-14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Upheld in HMRC favour: review complete	1,162 32.6%	1,340 34.9%	1,640 36.6%	1,692 34.5%	1,399 41.5%	1,942 43.2%	1,826 38.5%	1,998 36.6%
Including Default Surcharge upheld	1,136 32.4%	1,312 34.6%	1,615 36.5%	1,659 34.2%	1,391 41.6%	1,934 43.2%	1,813 38.5%	1,982 36.6%
Deemed upheld in HMRC favour: time limit expired	0 0.0%	0 0.0%	3 0.0%	0 0.0%	0 0.0%	0 0.0%	1 0.0%	0 0.0%
Including Default Surcharge deemed upheld	0 0.0%	0 0.0%	3 0.1%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
Varied	426 11.9%	434 11.3%	523 11.7%	537 10.9%	332 9.9%	502 11.2%	502 10.6%	632 11.6%
Including Default Surcharge varied	402 11.5%	427 11.3%	511 11.5%	522 10.8%	328 9.8%	499 11.1%	497 10.6%	619 11.4%
Cancelled	1,980 55.5%	2,063 53.8%	2,312 51.6%	2,677 54.6%	1,638 48.6%	2,054 45.7%	2,411 50.9%	2,832 51.8%
Including Default Surcharge cancelled	1,969 56.1%	2,048 54.1%	2,300 51.9%	2,669 55.0%	1,629 48.7%	2,048 45.7%	2,399 50.9%	2,822 52%
Total closed	3,568	3,837	4,478	4,906	3,369	4,498	4,740	5,462
Total received	3,559	4,661	4,216	5,036	4,459	4,367	4,075	4,673

Appeals – 2013-14 and 2014-15

Hearing

	2014-15		2013-14	
In HMRC's favour	1,050	80.6%	1,927	75.9%
Partially in HMRC's favour	84	6.4%	164	6.5%
In taxpayer's favour	169	13.0%	447	17.6%
Total	1,303		2,538	

Numbers may not total 100% due to rounding.

These figures are not comparable with those published by Her Majesty's Courts and Tribunals Service (HMCTS). This is because HMRC data does not include appeals regarding decisions on matters such as payment of appealed tax and information notices, those made prior to 1 April 2009, or those where information has been requested by HMCTS.

Previously published figures were as accurate as could be at that point in time. These may change slightly due to record duplication or late keying of review or appeal cases into the database.



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