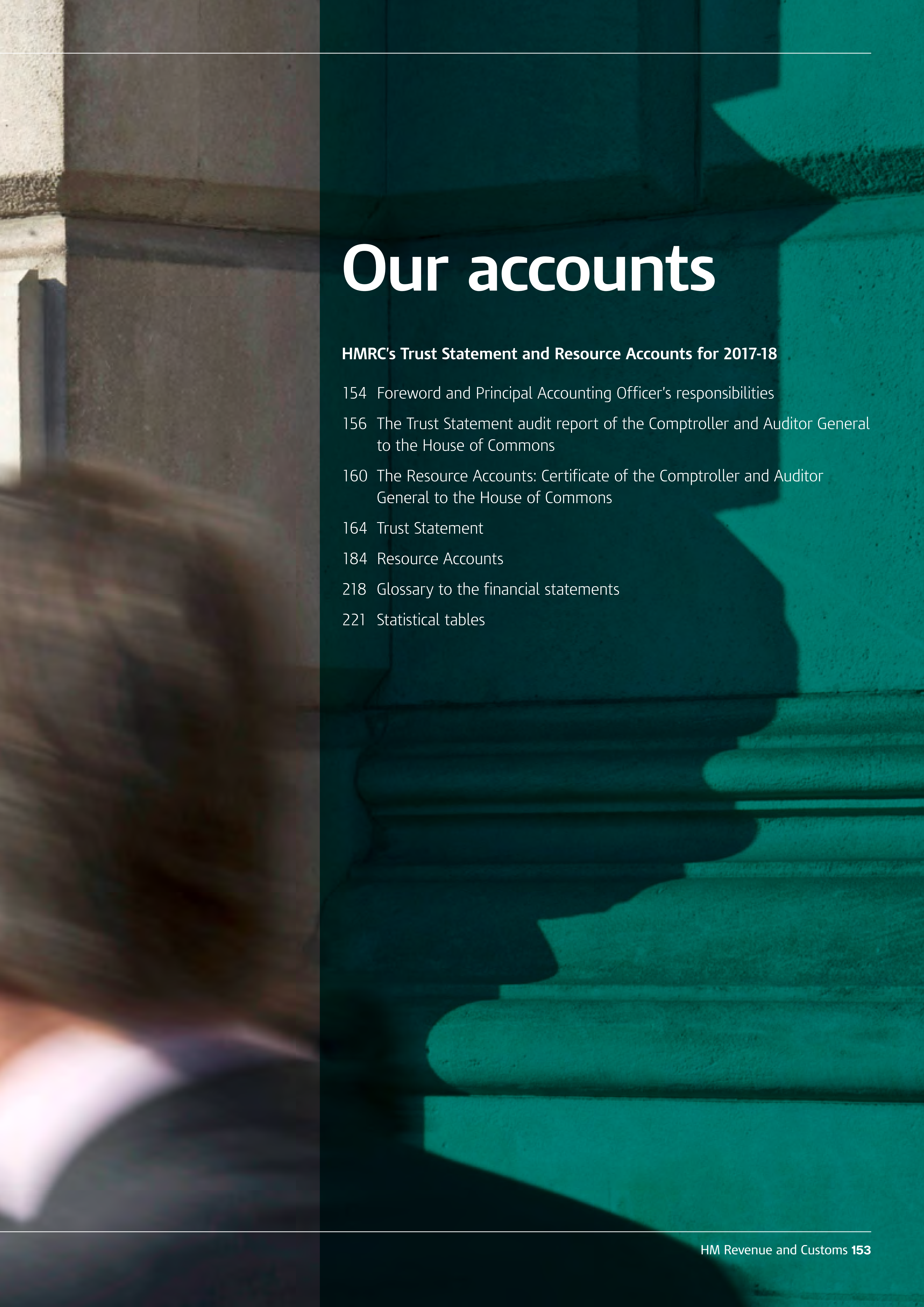

HM REVENUE & CUSTOMS



Our accounts

HMRC's Trust Statement and Resource Accounts for 2017-18

Foreword and Principal Accounting Officer's Responsibilities

HMRC is responsible for collecting the majority of tax revenue and its financial information is reported in two separate accounts:

- The Trust Statement: reports the revenues, expenditures, assets and liabilities related to the taxes and duties for the financial year.
- The Resource Accounts: reports the costs of running HMRC, including making payments of Child Benefit and tax credits. The Valuation Office Agency (VOA) and Revenue and Customs Digital Technology Services Limited (RCDTS Ltd) results are consolidated into the Resource Accounts.

Basis for the preparation of the accounts

Both sets of accounts are prepared under HM Treasury direction on an accruals basis.

Trust Statement: The HM Treasury accounts direction, issued under Section 2 of the Exchequer and Audit Departments Act 1921, requires HMRC to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocations of taxes and duties, the revenue income and expenditure, and cash flows for the financial year.

Resource Accounts: The HM Treasury accounts direction, issued under the Government Resources and Accounts Act (GRAA) 2000, requires HMRC to prepare consolidated Resource Accounts to give a true and fair view of the state of affairs of the department and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

HMRC also complies with all relevant accounting and disclosure requirements given in Managing Public Money (MPM) and other guidance issued by HM Treasury. This includes the Government Financial Reporting Manual (FReM) and the principles underlying it, as well as International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Principal Accounting Officer's responsibilities

HM Treasury has appointed HMRC's Chief Executive as Principal Accounting Officer of HMRC, VOA and RCDTS Ltd, with overall responsibility for preparing the Trust Statement and Resource Accounts and for providing them to the Comptroller and Auditor General.

In preparing these accounts, the Principal Accounting Officer is required to:

- observe the accounts directions issued by HM Treasury, including the relevant accounting and disclosure requirements, applying suitable accounting policies on a consistent basis and explaining any material departures from the FReM
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by the Valuation Office Agency and RCDTS Ltd
- ensure that there is a high standard of financial management, including robust systems of internal control and that financial systems and processes promote the efficient and economical conduct of the business
- be responsible for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for the keeping of proper records and safeguarding the department's assets as set out in MPM published by HM Treasury
- prepare the accounts on a going concern basis.

The Principal Accounting Officer confirms that this Annual Report and Accounts as a whole is fair, balanced and understandable. The Principal Accounting Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Accounting Officers for the Resource Accounts

For 2017-18, the Principal Accounting Officer was Jon Thompson. Melissa Tatton, who succeeded Penny Ciniewicz from 4 September 2017 as Chief Executive of the Valuation Office Agency, is an additional Accounting Officer accountable for those parts of HMRC's accounts relating to specified lines of the Estimate and the associated assets, liabilities and cash flows. This appointment does not detract from Jon Thompson's overall responsibility for the department's accounts.

The allocation of Accounting Officer responsibilities in the department was as follows:

Estimate sections A, C-H and K-M: Jon Thompson, Chief Executive and Permanent Secretary.

Estimate sections B, I and J: Melissa Tatton, Chief Executive of the Valuation Office Agency.

More detail about the performance against the Estimate can be found in SoPS notes 1.1 and 1.2 in the Parliamentary Accountability Disclosures Section on pages 139 to 140.

Auditors

Both sets of accounts are audited by the Comptroller and Auditor General. The Trust Statement is audited under Section 2 of the Exchequer and Audit Departments Act 1921. The Resource Accounts are audited under the Government Resources and Accounts Act 2000.

The notional charge for both these audit services is disclosed in the Resource Accounts (see note 2). No non-audit work was carried out by the auditors for HMRC. So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Jonathan Thompson

Jon Thompson
Principal Accounting Officer
6 July 2018

The Trust Statement audit report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited HM Revenue and Customs' Trust Statement for the year ended 31 March 2018 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- The HM Revenue and Customs Trust Statement gives a true and fair view of the state of affairs of the collection and allocation of taxes, duties, National Insurance Contributions, Student Loan recoveries, fines, penalties and related expenditures and disbursements administered by HM Revenue and Customs as at 31 March 2018 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of HM Revenue and Customs in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Foreword and Principal Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HM Revenue and Custom's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on this. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the 'Our Performance' and 'Our Accountability' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
10 July 2018

The Resource Accounts: The Certificate of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of HM Revenue and Customs and of its Departmental Group for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agency. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2017. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the 'Our Accountability' report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2018 and of the Department's and Departmental Group's net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, except for the estimated levels of fraud and error in Personal Tax Credits expenditure referred to in the basis for the qualified opinion on regularity paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

Note 4 to the Accounts records Personal Tax Credits expenditure of £26.4 billion in 2017-18. Where error and fraud result in overpayments and underpayments, the transactions do not conform with the relevant primary legislation specifying entitlement and calculation criteria, and the expenditure is irregular.

Due to the time taken to finalise awards, the Department's estimates of overpayments and underpayments of Personal Tax Credits for 2017-18 will not be available until June 2019. Therefore, the estimates of error and fraud in 2016-17 are the most up to date indication available of the level of error and fraud in Personal Tax Credits expenditure for 2017-18. For 2016-17, the Department estimates:

- overpayments of £1.32 billion (4.9% of related expenditure); and
- underpayments of £200 million (0.8% of related expenditure).

I consider these levels of overpayments and underpayments to be material to my opinion on the accounts.

I have therefore qualified my opinion on the regularity of Personal Tax Credits expenditure because of:

- the estimated level of overpayments attributable to error and fraud where payments have not been made for the purposes intended by Parliament; and
- the estimated levels of overpayments and underpayments in such expenditure which do not conform with the relevant authorities.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the HM Revenue and Customs in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Foreword and Principal Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and HM Revenue and Custom's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and HM Revenue and Custom's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the 'Our Accountability' Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the 'Our Accountability' Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the 'Our Performance' Report or the 'Our Accountability' Report; and
- the information given in the 'Our Performance' Report and the 'Our Accountability' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the 'Our Accountability' Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have prepared a Report on HM Revenue and Customs' 2017-18 Accounts, under Section 2 of the Exchequer and Audit Departments Act 1921, on page R1. This includes at paragraphs 3.3 to 3.4, further information on the qualification of my audit opinion on the regularity of Personal Tax Credits expenditure.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
10 July 2018

Trust Statement

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March	Note	2018 £bn	2017 £bn
Taxes and duties			
Income tax	2.1	186.0	173.8
Value Added Tax	2.2	128.6	124.4
Corporation Tax	2.3	53.3	51.1
Hydrocarbon oils duties	2.4	27.9	28.0
Stamp taxes	2.5	16.6	15.4
Alcohol duties	2.6	11.5	11.3
Tobacco duties	2.7	8.8	8.7
Capital Gains Tax	2.8	7.8	8.4
Insurance Premium Tax	2.9	6.2	4.5
Other taxes and duties	2.10	24.5	23.0
Total taxes and duties		**471.2**	**448.6**
Other revenue and income			
National Insurance Contributions	3.1	130.5	122.5
Student Loan recoveries	3.3	2.4	2.2
Fines and penalties	3.4	1.7	1.6
Total other revenue and income		**134.6**	**126.3**
Total revenue		**605.8**	**574.9**
Less expenditure			
Impairment charges	4.4	(4.2)	(3.4)
Movement in provisions	7.1	(3.4)	(3.5)
Total expenditure		**(7.6)**	**(6.9)**
Less disbursements			
National Insurance Contributions due to the National Insurance Funds and National Health Services	3.1	(130.0)	(122.0)
Appropriation of revenue to Resource Account	3.2	(29.5)	(30.4)
Student Loan recoveries due to the Department for Education	3.3	(2.4)	(2.2)
Taxation paid to the Isle of Man	3.5	(0.2)	(0.2)
Total disbursements		**(162.1)**	**(154.8)**
Total expenditure and disbursements		**(169.7)**	**(161.7)**
Net revenue for the Consolidated Fund		**436.1**	**413.2**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes at pages 167 to 182 form part of this statement.

Statement of Financial Position

As at 31 March	Note	2018 £bn	2017 £bn
Non-current assets			
Receivables falling due after one year	4.1	1.5	1.3
Current assets			
Receivables	4.1	21.9	20.5
Accrued revenue receivable	4.1	111.6	99.6
Total current assets		**133.5**	**120.1**
Total assets		**135.0**	**121.4**
Current liabilities			
Payables	5	19.6	17.1
Accrued revenue payable	5	33.4	31.9
Deferred revenue	5	1.8	1.8
Cash and other payables	5.1	1.3	0.9
Total current liabilities		**56.1**	**51.7**
Assets less current liabilities		**78.9**	**69.7**
Non-current liabilities			
Provision for liabilities	7	18.8	14.2
Net assets		**60.1**	**55.5**
Movements on Consolidated Fund account:			
Balance on Consolidated Fund account as at 1 April		55.5	51.6
Net revenue for the Consolidated Fund		436.1	413.2
Less amount paid to Consolidated Fund		(431.5)	(409.3)
Balance on Consolidated Fund account		**60.1**	**55.5**

Jon Thompson
Accounting Officer
6 July 2018

The notes at pages 167 to 182 form part of this statement.

Statement of Cash Flows

For the year ended 31 March	Note	2018 £bn	2017 £bn
Net cash flow from operating activities	A	431.1	410.0
Cash paid to the Consolidated Fund		(431.5)	(409.3)
Increase/(decrease) in cash in this period	B	**(0.4)**	**0.7**

Notes to the Statement of Cash Flows

A: Reconciliation of net cash flow to movement in net funds

For the year ended 31 March	2018 £bn	2017 £bn
Net revenue for the Consolidated Fund	436.1	413.2
(Increase)/decrease in non-cash assets	(13.6)	(5.9)
Increase/(decrease) in current liabilities	4.0	1.3
Increase/(decrease) in provision for liabilities	4.6	1.4
Net cash flow from operating activities	**431.1**	**410.0**

B: Analysis of changes in net funds

For the year ended 31 March	2018 £bn	2017 £bn
Increase/(decrease) in cash in this period	(0.4)	0.7
Net funds as at 1 April (opening bank balance)	(0.9)	(1.6)
Net funds as at 31 March (closing bank balance)	**(1.3)**	**(0.9)**

Notes to the Trust Statement

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2017-18 Financial Reporting Manual issued by HM Treasury
- International Financial Reporting Standards adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes.

The accounting policies have been developed by HMRC in consultation with HM Treasury and have been reviewed during 2017-18. These policies have been applied consistently in dealing with items considered material in relation to the accounts. The Trust Statement is prepared on a going concern basis.

The financial information presented is rounded to the nearest £0.1 billion, except for Scottish rate of income tax which is reported to the nearest £0.01 billion. In addition, Certificates of Tax Deposit, Isle of Man, and revenue are rounded to the nearest £1 million, due to the much smaller amounts disclosed in these notes.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with historical cost convention. The majority of taxes and duties are accounted for on an accruals basis. As agreed with HM Treasury, Corporation Tax for smaller companies that do not pay by instalment and Capital Gains Tax are accounted for on a partial accruals basis, hence there is no accrued revenue receivable estimate in the Statement of Financial Position for these taxes. Stamp Duty and National Insurance Classes 1A and 1B are accounted for on a cash basis as also agreed with HM Treasury. In addition, some repayments are accounted for on a cash basis. Student Loans are also accounted for on a cash basis to reflect HMRC's role in the collection of Student Loan recoveries on behalf of the Department for Education. Accounting for these elements on a cash basis does not have a material impact on revenue.

1.3 Revenue recognition

Taxes and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognised when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to HMRC. The taxable events for the main taxes and duties are described in note 2 below. Note 4 provides an explanation of accrued revenue receivable, note 6 describes the circumstances and approaches used where estimation of accruals is needed and note 7 provides an explanation of provisions and contingent liabilities. Revenues are deemed to accrue evenly over the period for which they are due.

The tax gap is not recognised in the Trust Statement. The tax gap is the difference between the amount of tax that should, in theory, be collected by HMRC (the theoretical liability), against what is actually collected. The theoretical tax liability represents the tax that would be paid if all individuals and companies complied with both the letter of the law and HMRC's interpretation of the intention of Parliament in setting law (referred to as the spirit of the law). The tax gap is the tax that is lost through non-payment, use of avoidance schemes, interpretation of tax effect of complex transactions, error, failure to take reasonable care, evasion, the hidden economy and organised criminal attack.

HMRC undertakes compliance work to collect or protect revenue as part of the commitment to narrow the tax gap. This includes work in tackling avoidance, evasion and criminal attack. Given the uncertainty of both the probability of economic flow and reliability of estimated figures, future revenue flows in relation to this activity are not recognised in the accounts until such time as a liability is assessed or established and/or reasonably certain.

Further accounting policies are explained under the relevant notes (starting at note 2).

2. Accounting policies and analysis

2.1 Income tax

For the year ended 31 March	2018 £bn	2017 £bn
Self Assessment	32.7	24.5
Other income tax revenue (including PAYE)	153.3	149.3
Total	**186.0**	**173.8**

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer. Where payments are received in advance of Self Assessment returns, the estimate of the income tax component is based on prior year income tax liabilities.

Given the significance of the new Scottish income tax arrangements a full disclosure note appears at note 13.

2.2 Value Added Tax

For the year ended 31 March	2018 £bn	2017 £bn
Gross revenue	215.0	206.8
Less: revenue repayable	(86.4)	(82.4)
Net revenue	**128.6**	**124.4**

The taxable event for Value Added Tax (VAT) is the undertaking of taxable activity during the taxation period by the taxpayer. VAT is structured in such a manner that taxpayers are also entitled to claim repayments; hence a breakdown of gross revenue and repayments is disclosed.

2.3 Corporation Tax

For the year ended 31 March	2018 £bn	2017 £bn
Total	**53.3**	**51.1**

The taxable event for Corporation Tax is the earning of assessable profit during the taxation period by the taxpayer.

2.4 Hydrocarbon oils duties

For the year ended 31 March	2018 £bn	2017 £bn
Total	**27.9**	**28.0**

The taxable event for Hydrocarbon oils duty is the date of production, date of import or movement of goods out of a duty suspended regime.

2.5 Stamp taxes

For the year ended 31 March	2018 £bn	2017 £bn
Stamp Duty Land Tax	12.9	11.4
Stamp Duty Reserve Tax	2.8	2.8
Stamp Duty	0.7	1.0
Annual Tax on Enveloped Dwellings	0.2	0.2
Total	**16.6**	**15.4**

Excludes Scottish Land and Buildings Transaction Tax which is devolved to Scotland and not accounted for in this Trust Statement.

The taxable event for stamp taxes (Stamp Duty Land Tax and Stamp Duty Reserve Tax) is the purchase of property and additional residential properties or shares.

Stamp Duty revenues and repayments are recognised on a cash basis.

2.6 Alcohol duties

For the year ended 31 March	2018 £bn	2017 £bn
Wine, cider and perry	4.5	4.5
Beer	3.5	3.4
Spirits	3.5	3.4
Total	**11.5**	**11.3**

The taxable event for alcohol duties is the date of production, date of import or movement of goods out of a duty suspended regime.

2.7 Tobacco duties

For the year ended 31 March	2018 £bn	2017 £bn
Cigarettes	7.3	7.4
Hand rolling tobacco	1.4	1.2
Cigars	0.1	0.1
Total	**8.8**	**8.7**

The taxable event for tobacco duties is the date of production, date of import or movement of goods out of a duty suspended regime.

2.8 Capital Gains Tax

For the year ended 31 March	2018 £bn	2017 £bn
Total	**7.8**	**8.4**

The taxable event for Capital Gains Tax is the disposal of a chargeable asset leading to a taxable gain. Repayments for Capital Gains Tax are made principally on a cash basis and are recognised in the period the repayment is made.

2.9 Insurance Premium Tax

For the year ended 31 March	2018 £bn	2017 £bn
Total	**6.2**	**4.5**

The taxable event for Insurance Premium Tax (IPT) is the tax on premiums received under taxable insurance contracts. Any insurer receiving premiums in relation to taxable insurance contracts is engaged in a taxable business for the purposes of IPT.

2.10 Other taxes and duties

For the year ended 31 March	Note	2018 £bn	2017 £bn
Inheritance Tax		5.5	5.2
Air Passenger Duty		3.4	3.1
Customs Duties		3.2	3.6
Betting and gaming duties		2.9	2.7
Apprenticeship Levy	2.10.1	2.6	–
Bank Levy		2.5	3.9
Climate Change Levy		1.8	1.8
Bank Surcharge		1.7	1.5
Landfill Tax[1]		0.7	0.9
Aggregates Levy		0.3	0.4
Diverted Profits Tax		0.2	0.1
Capital taxes (UK Swiss agreement)		0.1	–
Petroleum Revenue Tax		(0.4)	(0.2)
Total		**24.5**	**23.0**

1 Excludes Scottish Landfill Tax which is devolved to Scotland and is not accounted for in this Trust Statement.

2.10.1 Apprenticeship Levy

Apprenticeship Levy was announced at the Summer Budget 2015, and took effect from 6 April 2017. Legislation was introduced in the 2016 Finance Act to provide a levy chargeable on employers and payable through the PAYE scheme.

Revenue for 2017-18 represents the first full year of Apprenticeship Levy activity.

HMRC discloses the costs of administering the Levy and corresponding recharge of costs to the Education and Skills Funding Agency in its fees and charges table within the Annual Report on page 149.

3. Other revenue, income and disbursements (additional information)

3.1 National Insurance Contributions

For the year ended 31 March	Note	2018 £bn	2017 £bn
National Insurance Fund Great Britain (NIF GB)		102.6	97.0
National Insurance Fund Northern Ireland (NIF NI)		2.0	1.9
National Health Services (NHS)		25.9	23.6
Total National Insurance Contributions (NICs)		**130.5**	**122.5**
NIC losses	4.3	(0.5)	(0.5)
NICs due to NIF and NHS		**130.0**	**122.0**

National Insurance Contributions (NICs) are collected by HMRC on behalf of the National Insurance Funds (NIF) of Great Britain and Northern Ireland and the Health Services for England, Wales, Scotland and Northern Ireland. They are payable to the NIF and the health services when received and not when accrued. Some elements are estimated (refer to note 6 for further information).

National insurance classes 1A and 1B receipts are recognised in the accounting period in which the contributions are allocated.

3.2 Appropriation of revenue to the Resource Accounts

Appropriations of revenue are made from the Trust Statement to fund tax credit payments which are accounted for within the Resource Accounts.

Please see the Resource Accounts, Consolidated Statement of Changes in Taxpayers' Equity, pages 188-189.

3.3 Student Loan recoveries

HMRC collects Student Loans on behalf of the Department for Education (DfE). The majority of Student Loans are collected through the PAYE tax system. An element of Student Loans are collected through the Self Assessment tax system. Any difference between the cash received and the cash paid to the DfE is shown as a payable (note 5 – other revenue payables).

3.4 Fines and penalties

This consists of income arising from the levying of tax fines and penalties. Penalties relating to NICs are accounted for as NIC income and paid over to the National Insurance Fund.

3.5 Taxation due to the Isle of Man

Under the Isle of Man Act 1979, a revenue sharing agreement exists between the UK and the Isle of Man (IoM). As the IoM agreed share was more than the revenue collected and retained by the IoM, this resulted in the UK making payments to the IoM to ensure the IoM received the correct revenue. This will be shown as a disbursement. Where the IoM collect and retain more than the sharing agreement, the IoM will make payments to the UK. This will be shown as other revenue and income.

For 2017-18, payments to the IoM totalled £174 million and in 2016-17 £163 million.

4. Receivables, accrued revenue receivable and impairment charges

4.1 Receivables and accrued revenue receivable (ARR)

	Receivables as at 31 March 2018 £bn	Accrued revenue receivable as at 31 March 2018 £bn	Total as at 31 March 2018 £bn	Total as at 31 March 2017 £bn
Non-current assets				
Receivables due after one year:				
Inheritance Tax	1.5	–	1.5	1.3
Non-current assets before impairment	**1.5**	–	**1.5**	**1.3**
Current assets				
Receivables and ARR due within one year:				
Income tax	5.7	35.0	40.7	35.0
Value Added Tax	8.9	33.0	41.9	40.6
Corporation Tax	2.1	20.2	22.3	20.1
National Insurance Contributions	3.2	15.1	18.3	15.4
Other taxes and duties	8.9	8.3	17.2	15.4
Current assets before impairment	**28.8**	**111.6**	**140.4**	**126.5**
Less impairment of receivables (note 4.2)	(6.9)	–	(6.9)	(6.4)
Total current assets after impairment	**21.9**	**111.6**	**133.5**	**120.1**
Total assets before impairment	**30.3**	**111.6**	**141.9**	**127.8**
Less impairment of receivables (note 4.2)	(6.9)	–	(6.9)	(6.4)
Total assets after impairment	**23.4**	**111.6**	**135.0**	**121.4**

Receivables represent all taxpayer liabilities that have been established, irrespective of whether due or overdue, for which payments have not been received at the Statement of Financial Position date. Receivables are shown net of impairments in accordance with the requirements of IAS 39.

Accrued revenue receivable represents amounts of taxes and duties where the taxable event has occurred but the return has not been received from the taxpayer by the end of the reporting period. For taxes where HMRC has received returns since the end of the reporting period, the department used this information to support its valuation of ARR. For those taxes where HMRC is yet to receive taxpayer returns, principally income tax (PAYE/SA) and Corporation Tax, the department has estimated ARR (see note 6).

HMRC has a number of taxpayer liabilities which have been postponed pending finalisation of enquiries. These items arise predominantly under income tax (PAYE/SA) and Corporation Tax. HMRC undertakes a review of large postponed cases for Corporation Tax to ensure that revenue that meets the revenue recognition criteria, as set out in note 1.3 above, is recognised in the accounts. As a result, an amount of £1.7 billion (2016-17: £1.6 billion) has been included in accrued revenue receivables.

Further information on receivables can be found in the section 'our performance' - receivables, debt and losses (page 26).

4.2 Impairment of receivables

For the year ended 31 March	2018 £bn	2017 £bn
Balance as at 1 April	6.4	6.9
Increase/(decrease) in impairment of receivables	0.5	(0.5)
Balance as at 31 March	**6.9**	**6.4**

Receivables in the Statement of Financial Position are reported after impairment to reflect an amount that is likely to be collected. This amount is estimated based on HMRC's analysis of existing receivables and historical trends in debt recovery, losses, discharges, amendments and cancellations. The department assesses the collectability of receivables that are considered individually significant and the remainder are placed into groups of similar receivables, based on risk, and assessed collectively.

4.3 Revenue losses

	Remissions 31 March 2018 £m	Write-offs 31 March 2018 £m	Total 31 March 2018 £m	Remissions 31 March 2017 £m	Write-offs 31 March 2017 £m	Total 31 March 2017 £m
Income tax	137	590	727	125	699	824
Value Added Tax	61	1,474	1,535	42	1,378	1,420
Corporation Tax	5	322	327	2	377	379
Alcohol duties	8	57	65	4	47	51
Tobacco duties	8	16	24	6	15	21
Capital Gains Tax	5	35	40	5	37	42
National Insurance Contributions	23	473	496	29	491	520
Fines and penalties	113	357	470	86	438	524
Other remissions and write-offs	7	46	53	4	82	86
Total revenue losses	**367**	**3,370**	**3,737**	**303**	**3,564**	**3,867**

Revenue losses occur when we formally cease collection activity. The vast majority are driven by individual and business insolvencies.

Revenue losses are made up of remissions and write-offs. Remissions are debts capable of recovery but HMRC has decided not to pursue the liability on the grounds of value for money. Write-offs are debts that are considered to be irrecoverable because there is no practical means for pursuing the liability.

For certain taxes, only a partial split between remissions and write-offs is known. Where information is unavailable, the percentage split of the known element is applied to the remainder to calculate a total estimated remission and write-off split.

Further information on losses can be found in the section 'our performance' - receivables, debt and losses (page 26).

Revenue losses – cases more than £10 million

There were 21 cases (19 cases in 2016-17) where the loss exceeded £10 million, totalling £471 million (£500 million in 2016-17). Details are shown below:

There were three write-off cases (one case in 2016-17) totalling £43 million (£18 million in 2016-17) and one remission case of £12 million relating to Missing Trader Intra-Community Fraud (MTIC). All MTIC cases are assessed to establish if there is potential to recover revenue and, where appropriate, proactive insolvency action is initiated.

There were 12 write-offs (15 cases in 2016-17) relating to Insolvency, totalling £247 million (£372 million in 2016-17).

There was a bulk remission for SA penalties of £77 million relating to 82,830 cases, where it has been identified customers were no longer liable for SA.

There was a bulk remission of £27 million relating to 73,830 cases for multiple taxes and duties of penalties that were two years old, or older. These liabilities were considered not cost effective to pursue on a value for money basis.

There was a bulk remission of £11 million relating to 39,601 County Court cases where the majority were five years old or older. These liabilities were considered not cost effective to pursue on a value for money basis.

There was a bulk remission of £34 million relating to 5,396 cases for employer PAYE debts, which were five years old, or older, and most had ceased to trade. These liabilities were considered not cost effective to pursue on a value for money basis.

There was a bulk remission of £20 million relating to 12 VAT cases. These liabilities related to services provided by lawyers between 2009-12. There was a clear legitimate expectation that at the time these supplies were exempt from VAT. Therefore recovery was not seen to be justified nor prudent to pursue on a value for money basis.

4.4 Breakdown of impairment charges

Impairment charges are made up of revenue losses and the movement in the impairment of receivables.

For the year ended 31 March	Note	2018 £bn	2017 £bn
Increase/(decrease) in impairment of receivables	4.2	0.5	(0.5)
Revenue losses	4.3	3.7	3.9
Total impairment charges		**4.2**	**3.4**

5. Payables, accrued revenue payable and deferred revenue

	Payables as at 31 March 2018 £bn	Accrued revenue payable as at 31 March 2018 £bn	Deferred revenue as at 31 March 2018 £bn	Total as at 31 March 2018 £bn	Total as at 31 March 2017 £bn
Value Added Tax	2.9	12.2	–	15.1	14.5
Corporation Tax	8.8	0.9	0.3	10.0	9.9
Income tax	2.4	3.7	–	6.1	6.0
National Insurance Funds and the NHS	1.7	16.6	–	18.3	15.4
Other revenue payables	1.5	–	1.5	3.0	2.6
Payments on account	2.3	–	–	2.3	2.4
Current liabilities before cash and cash equivalents	**19.6**	**33.4**	**1.8**	**54.8**	**50.8**
Cash and other payables	1.3	–	–	1.3	0.9
Total current liabilities	**20.9**	**33.4**	**1.8**	**56.1**	**51.7**

Payables are amounts recorded as due by HMRC at the end of the reporting period but payment has not been made.

Accrued revenue payable is recognised when:

- amounts due to VAT traders that have an established revenue repayment claim relating to the financial year, but the date the claim is received is after the end of the reporting period
- amounts of receivables and accrued revenue receivable that when received will be passed to a third-party, e.g. National Insurance Contributions due to the National Insurance Funds and National Health Services
- amounts in respect of Corporation Tax, income tax and other small taxes likely to be repayable by HMRC pending finalisation of taxpayer liabilities, and for expected Corporation Tax overpayments.

Deferred revenue includes duties and taxes paid in the current year which relate to future accounting periods.

This deferred revenue is recognised as payables on the Statement of Financial Position. There are no payables which fall due after one year.

5.1 Cash and other payables

This reflects the net position of cash in HMRC bank accounts and payments that have been authorised to issue but the money has not cleared through the banking process as of the 31 March.

6. Accruals measurement and accounting estimates

The nature of tax legislation and our associated systems, mean that some of the accrued revenue receivable figures and some other items are subject to statistical estimation or forecasts. Because of the areas of uncertainty involved, actual outcomes could differ from the estimates used.

The underlying approach to accruals measurement is that revenues from taxation are deemed to accrue evenly over the period for which they are due. Revenues are recognised in the period in which the event that generates the revenue occurs.

Estimates have been made to support the accrued revenue receivable and payable balances where tax returns reporting taxpayer liabilities or associated tax payments are not filed until after the Trust Statement has been published. The estimates are consistent with those prepared for the March 2018 Spring Statement on the basis of the economic assumptions provided by the Office for Budget Responsibility.

6.1 Uncertainty around the estimates

Statistical models are used to produce the estimates and these are based on a combination of projections based on the most recent revenue flows and forecasts of economic variables on which future revenue flows depend. The forecasts are based on what HMRC believes to be the relevant inputs. HMRC management believe that the levels of variation are acceptable, and any total understatement or overstatement is unlikely to exceed £6 billion, which does not affect significantly the reported position and is less than 1% of total revenue reported in the Statement of Revenue, Other Income and Expenditure.

Each year HMRC reviews actual outturns against estimates to review the performance of its estimation models. In the last nine years the largest net overestimation has been £3 billion (0.50% of total revenue) and the largest net underestimation £5.6 billion (0.93% of total revenue). This is within the £6 billion figure quoted in the paragraph above. Due to the nature of tax legislation two of the most difficult taxes to estimate are Corporation Tax and Self Assessment income.

This uncertainty is based on a combination of evidence from the performance of the models over previous years and takes into account the changes to reflect the March 2018 Spring Statement Forecast and the judgement of professional departmental economists and statisticians having substantial experience of tax forecasting. The estimates process for each major tax stream is described in more detail below:

6.2 Income tax and National Insurance Class 1 collected under PAYE

Due to late or missing submissions and for receipts relating to prior periods where the split between IT and NICs cannot be identified, some estimation of PAYE is required.

Estimates are also required to recognise underpayments as receivables or overpayments as payables identified during the end of year reconciliation of individual taxpayer accounts. These amounts have been estimated based upon previous experience of the levels of underpayments and overpayments from previous reconciliations as there are no alternative sources of data to draw from.

6.3 Self Assessment (SA) income tax and National Insurance Contributions Class 4

The SA accrued revenue receivable (ARR) is estimated to be £16.5 billion, this is included in the total income tax ARR of £35 billion included in note 4.1. The ARR represents amounts of tax liabilities where the taxable event has occurred but the return has not been received from the taxpayer by the end of the accounting period. The SA payment regime involves long filing and payment lags, so the ARR is proportionately much larger for SA than for PAYE and other taxes. The filing and payment lags mean that the ARR estimates for SA income tax and NIC4 are driven by Spring Statement 2018 forecasts of SA income tax and NIC4 liabilities and underlying economic determinants in these forecasts, rather than by receipts data.

The estimation process has three stages:

(i) Estimation of accrued tax liabilities for 2017-18. Due to the nature of the SA regime, information from actual SA returns or associated tax payments relating to 2017-18 are not available at the point of estimation. The March 2018 Spring Statement SA income tax and NIC4 forecast has been revised slightly to incorporate the latest tax administration (head of duty) analysis results (see below for more information).

(ii) Deduction from the 2017-18 accrued tax liabilities of relevant payments by 31 March 2018. An estimate of these payments is provided by the 'head of duty analysis', a statistical apportionment of total SA receipts of income tax, NICs Class 4 and Capital Gains Tax.

(iii) A further deduction for payments due by 31 March 2018 but not made by that date (these are included in the receivable balances). The amounts relate to payments on account due on 31 January of a given year. The breakdown of the total between income tax and NIC4 is made by statistical estimation.

There are a number of key economic factors that underpin the estimation of accrued tax liabilities set out in step (i) above. These include mixed income growth, average effective tax rate, PAYE deduction rate and dividend deduction rate. Sensitivity analysis has been applied to understand the degree of uncertainty if these variables were to change from the current estimates. For instance, a one percentage point change in all the main factors (above) would result in the ARR to change by £3.8 billion. However, based on historic data, a one percentage point change in average effective tax rate is unlikely. If the average effective tax rate changed by a 0.5 percentage point and there was a one percentage point change in the other variables, this would result in the ARR changing by £2.6 billion.

The main economic factors underpinning the SA income tax NIC4 ARR model, are mixed income growth and average effective tax rate. A one percentage point change in both of these would result in the ARR to change by £1 billion. However again, a one percentage point change in average effective tax rate is unlikely. If the average effective tax rate changed by only 0.5 percentage point and there was a one percentage point change in mixed income growth, this would result in the ARR changing by £0.5 billion.

6.4 Value Added Tax

A large amount of the VAT accrued revenue receivable and payable is based on actual receipts data and is not therefore subject to estimation uncertainty. It is necessary to estimate a small percentage as some returns relating to the current financial year are not available prior to publication of these accounts. An estimate is produced by calculating the value of these returns last year as a proportion of the total value of the returns in the preceding period last year. Those proportions are then applied to the value of returns for the corresponding period this year.

To construct final estimates of accrued revenue receivable and payable, a number of further adjustments need to be made so as to reflect VAT that is accounted for outside the process described above. These adjustments relate to import VAT, repayments made to government departments and officers' assessments of errors in submitted VAT returns. These are based largely on actual return information although some forecast element remains using the methodology described above.

6.5 Corporation Tax

The Corporation Tax ARR (CT ARR) amount of £20.2 billion is disclosed in note 4.1 includes an estimated amount of £17.4 billion. As with SA, CT payments are subject to a considerable lag, so the initial ARR estimate is subject to greater uncertainty, since there is less outturn data available. The key drivers of the ARR estimate calculations are outturn receipts to date and estimates for future levels of payments, repayments and net reallocations of past payments. Changes in these things can substantially affect the accuracy of the ARR estimates.

The CT ARR estimates are sensitive to the assumptions about levels of late payments and future payments companies will make. Increasing our assumptions about levels of late payments as a proportion of payments made in the instalments by one percentage point increases the estimate for the ARR at 31 March 2018 by £325 million. Increasing our assumptions for levels of future payments by one percentage point increases the estimate for the ARR at 31 March 2018 by £114 million.

Corporation Tax for large onshore companies is paid by four quarterly instalment payments (QIPs). North Sea companies pay their Corporation Tax liabilities in three instalment payments (TIPs). Therefore, separate accrued revenue receivable estimates have been calculated for onshore and North Sea companies. A reliable accrued revenue receivable estimate for companies not making QIPs cannot be formed so is not included in the accounts.

Onshore companies

Accrued revenue receivable has been estimated where between one and four QIPs for onshore companies have been received using a model that forecasts companies' Corporation Tax liabilities based on the number and value of QIPs received.

For accounting periods where no QIPs have been received, accrued revenue receivable has been estimated based on prior year outturn liabilities at a sectoral level adjusted for forecast growth in Corporation Tax liabilities.

Corporation Tax is assumed to accrue evenly throughout the companies' accounting periods. Assumptions for the proportions of companies' Corporation Tax liabilities that are remitted with each QIP and adjustments for overpayments and late payments of Corporation Tax liabilities are based on historical trends of Corporation Tax liabilities and receipts.

Accrued revenue payable has been estimated for expected overpayments based on historical trends.

North Sea companies

The majority of TIPs relating to 1 January to 31 March are not due in sufficient time for publication of the accounts and are therefore estimated. This estimate is primarily based on prior year outturn liabilities adjusted for forecast changes in North Sea companies' Corporation Tax liabilities.

7. Provision for liabilities and contingent liabilities

Provisions are recognised when HMRC has a present legal or constructive obligation as a result of a past event, it is probable that HMRC will be required to settle that obligation and an amount can be reliably estimated.

The contingent liabilities relate to legal cases for which the outcome is uncertain and HMRC consider that there is only a possible rather than probable likelihood that a payment will be required, or the amount cannot be reliably measured.

Provision for liabilities

	Legal claims £bn	Oil and gas field decommissioning £bn	Total 2017-18 £bn	Total 2016-17 £bn
Balance at 1 April 2017	7.8	6.4	14.2	12.8
Provided in the year	0.3	6.7	7.0	5.2
Provision not required written back[1]	(3.6)	–	(3.6)	(1.7)
Provision utilised in the year[1]	1.4	(0.2)	1.2	(2.1)
Balance as at 31 March 2018	**5.9**	**12.9**	**18.8**	**14.2**

1 In respect of legal claims an accounting adjustment has been made to both "provision not required written back" and "provision utilised in the year" to reflect a repayment back to HMRC of an amount previously utilised.

Analysis of expected timing of cash flows

	Legal claims £bn	Oil and gas field decommissioning £bn	Total 2017-18 £bn
Amounts payable <5yrs	5.6	2.5	8.1
Amounts payable >5yrs	0.3	10.4	10.7
Balance as at 31 March 2018	**5.9**	**12.9**	**18.8**

7.1 Expenditure – movement in provisions

	Legal claims £bn	Oil and gas field decommissioning £bn	Total 2017-18 £bn	Total 2016-17 £bn
Total provided in the year	0.3	6.7	7.0	5.2
Provision not required written back	(3.6)	–	(3.6)	(1.7)
Net movement increase/(decrease)	**(3.3)**	**6.7**	**3.4**	**3.5**

7.2 Legal claims

Provision for liability

HMRC is involved in a number of legal and other disputes which can result in claims by taxpayers against HMRC. It is in the nature of HMRC's business that a number of these matters may be the subject of litigation over several years. The department having taken legal and other specialist advice, has established a provision having regard to the relevant facts and circumstances of each matter in accordance with accounting requirements. Due to the inherent uncertainty in the estimate of the provision the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement discussions.

Provisions were reviewed during 2017-18.

Contingent liabilities

Contingent liabilities are disclosed at a value made in accordance with a best estimate based on the information available at the end of the reporting period. Those estimates are subject to change and, for some legal cases, are inherently uncertain. Regular review of the population of cases that comprises the contingent liability balance leads to cases being revalued, recognised as provisions, or removed from the contingent liability disclosures where the probability that HMRC will be required to make a payment to settle the liability is now considered to be remote.

As at 31 March 2018, HMRC has nine cases estimated to have a value of £6.0 billion (compared to 19 cases with an estimated value of £18.7 billion as at 31 March 2017) where the maximum potential tax repayment, before losses, capital allowances and other tax reliefs, is over £100 million. Each case may include a lead case with follower claimants and cover a range of heads of duty, including Corporation Tax, income tax and VAT.

The total value of estimates has reduced in 2017-18 for a variety of reasons, including revised costings, reduced likelihood of repayment and cessation of litigation action.

In general, potential claimants who may opt to follow a lead case, but are not yet known to HMRC or the Courts and which are difficult to quantify with sufficient reliability and consistency, are not recognised in the Accounts or disclosed in these notes. Potential wider adoption claims of this nature are deemed to fall outside accounting standards.

7.3 Exchequer liabilities arising from oil and gas infrastructure

There are two taxes levied on companies exploring and producing oil and gas from the UK Continental Shelf (UKCS): Petroleum Revenue Tax (PRT) and Offshore Corporation Tax (CT), the latter being comprised of two elements: Ring-fenced Corporation Tax and Supplementary Charge.

The legislation governing the losses from decommissioning costs (the Oil Taxation Act 1975) allows participators in an oil and gas field liable to PRT to carry-back decommissioning losses almost indefinitely against profits it has previously made from the field, or which previous participators in the field have made. This may result in the repayment of PRT. With respect to offshore CT, the Corporation Tax Act 2010 allows for a company's decommissioning loss to be carried back against its own historical profits dating back to April 2002. Again, this may result in a repayment of offshore CT.

Provision for oil and gas field decommissioning

A provision of £6.7 billion has been identified in the 2017-18 Trust Statement for PRT based on the estimated tax repayments by HMRC to companies incurring losses from decommissioning expenditure. This year the accounts also include a provision of £6.2 billion to reflect repayments of Offshore CT due to decommissioning losses as these are now identifiable and reliably measured (following improvements in forecasting). Therefore the total provision for oil and gas decommissioning is £12.9 billion.

These estimates are based on data from Oil and Gas Authority's (OGA) Asset Stewardship Survey and OGA's cost estimate for the decommissioning of oil and gas infrastructure from the UKCS. The economic determinants used were agreed with the Office for Budget Responsibility (OBR) at Spring Statement 2018 and the nominal rates used to discount the provision were published by HM Treasury in their Public Expenditure Statement 2017.

The provision utilised in-year is the PRT amount repaid on decommissioning expenditure in 2017-18.

8. Certificates of tax deposits

	CTD issues 2017-18 £m	CTD redemptions 2017-18 £m	CTD total 2017-18 £m	CTD total 2016-17 £m
Receipts	675	872	1,547	1,952
Payments	(682)	(870)	(1,552)	(1,947)
Net receipts/(payments)			**(5)**	**5**
Balance at 1 April			**(1)**	**(6)**
Balance at 31 March — included in (receivables)/payables			**(6)**	**(1)**

Under the Certificate of Tax Deposits (CTD) scheme, HMRC accepts deposits from people liable to UK taxes and other liabilities. Relevant taxes and liabilities can be found on the HMRC website (www.gov.uk). HMRC administers this scheme on behalf of HM Treasury, and the accounts of the National Loans Fund include the principal and accrued interest for all issued CTDs as at 31 March.

Delays in processing between the issue and redemption of CTDs and the transfer of funds to and from the National Loans Fund can result in balances at the year end; these balances are included within receivables or payables in the Statement of Financial Position in the Trust Statement.

From 23 November 2017, the CTD scheme has been closed for new purchases but existing certificates will continue to be honoured until 23 November 2023.

9. R.N. Limited

R.N. Limited is a registered company that administers, on behalf of HMRC, the holding of charges securing tax debts owed to HMRC. These debts are already fully reflected in the Trust Statement. The company's parent undertaking and controlling party is HMRC.

R.N. Limited also holds on behalf of HMRC, assets that have been assigned to HMRC in settlement of debts. These are not recognised in the Trust Statement until realised. There is no designation order requiring R.N. Limited's financial statement to be consolidated within HMRC's Accounts. R.N. Limited's accounts can be viewed at Companies House.

10. Third party assets

The department holds cash and other assets which have been seized in relation to ongoing legal proceedings. These assets do not belong to the department and do not form part of these accounts, although where seized assets are forfeited without legal proceedings, proceeds are recognised as penalty income.

The department holds Euro deposits in relation to traders who have registered with HMRC to use the VAT Mini One Stop Shop (VAT MOSS) scheme. This entails the making of payments to HMRC who will then forward any relevant amounts onto the tax authorities in the member state(s) where the consumers of telecommunications, broadcasting and e-services are subsequently located. Neither the department nor the government have any beneficial interest in these funds.

11. Related party transactions

Due to the nature of HMRC's business, we have a large number of transactions, relating to taxation income, with other government departments and other central government bodies. No Board member, key manager or other related party has undertaken material transactions with the department during the year.

12. Events after the reporting period

There are no reportable events after the reporting period. These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

13. Scottish income tax

Last year a note on the new Scottish rate of income tax appeared for the first time in the Accounts which included a provisional estimate for the financial year 2016-17. The final outturn figure for 2016-17 is now available and is shown in the note below broken down into its key components. The note finishes by providing a provisional estimate for 2017-18. This will be refined during 2018-19 as further information on revenue for the 2017-18 tax year becomes available. Updated figures will be provided in the 2018-19 Trust Statement.

13.1 Scottish rate of income tax 2016-17

The Scotland Act 2012 gave the Scottish Parliament the power to set a Scottish rate of income tax. Scottish rate of income tax (SRIT) applies to non-savings non-dividend (NSND) income. It allows the Scottish Government to change the amount of income tax that Scottish taxpayers pay and, as a result, the amount that the Scottish Government had to spend in Scotland.

SRIT replaced ten percentage points of each of the main UK rates of tax from the 2016-17 tax year. In that year the UK basic, higher and additional rates for NSND income were reduced by 10p in the pound for Scottish taxpayers. This reduction was replaced by a Scottish rate set at ten percentage points, so the overall rates paid by Scottish taxpayers remained the same as elsewhere in the UK.

A provisional estimate of £4.6 billion raised through the SRIT for 2016-17 was disclosed in last year's accounts. This reflected revenue solely relating to the ten percentage points of tax set by the Scottish Parliament, rather than all income tax paid by Scottish taxpayers. This figure was estimated as much of the actual data, for example outturn data for Self Assessment (SA), was unavailable at that point.

Now that most of the actual data is available, the final outturn figure of £4.35 billion for the funds raised through SRIT in 2016-17 is shown in table 1 below - this reflects revenue solely relating to the ten percentage points of tax set by the Scottish Parliament, rather than all income tax paid by Scottish taxpayers.

Table 1 SRIT final outturn figure for the tax year ending 5 April 2017

			£bn
SA established SRIT liability*			1.45
PAYE established SRIT liability			2.94
Estimated further SRIT liability:			0.11
Less amounts estimated for:			
Adjustment for uncollectable amounts		(0.03)	
Reliefs**	Relief at Source (RAS)	(0.07)	
	Gift Aid	(0.05)	(0.15)
Final SRIT revenue for the tax year 2016-17			**4.35**

* Includes an element of PAYE for SA customers
** These reliefs are those not allocated to individual taxpayer accounts.

The final outturn SRIT total above is the accrued revenue for 2016-17. In contrast to the initial provisional estimate which was calculated on a receipts aligned to liabilities basis, the final figure has been calculated using actual liabilities data. Whilst there is some minor estimation required in the calculation above where actual data remains unavailable, the final SRIT outturn figure provides a fair representation of the known tax liabilities for Scottish taxpayers in any given year. This is because HMRC has established approximately 97% of the tax liabilities for the year by the time the final outturn position is published.

A detailed explanation of how the final 2016-17 SRIT figure has been calculated, including those elements where an element of estimation has been required, is outlined in the HMRC Technical Note 'Scottish income tax: figures in the 2018 HMRC Accounts' - www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2017-to-2018. However, the key headings in table 1 are described below:

SA established SRIT liability

In table 1 above, the 'income tax liability for all individuals in SA' is established once their tax calculation has been conducted in SA by multiplying the NSND income, net of reliefs, by ten percent. This includes any individual in SA who also have had tax deducted at source from their pay or pension through PAYE.

PAYE established SRIT liability

For individuals who are in PAYE but not in SA, their income tax liability is established when their PAYE account is reconciled. For 2016-17 the liability for each Scottish individual in PAYE was calculated to show how much gross income tax was due at the basic rate and the higher rate of tax. No additional rate taxpayers are reconciled in PAYE, instead their liabilities are calculated through SA. For each individual, net SRIT and rest of the UK liabilities are calculated by allocating tax reliefs to SRIT and UK income tax proportionately, based on their gross liabilities. Total PAYE established SRIT liabilities is then calculated by summing the net SRIT amount across all Scottish taxpayers.

Estimated further SRIT liability

Although most of the 2016-17 tax liabilities have been established, there will still be some outstanding amounts identified which will be collected after the publication of the 2017-18 Accounts. In table 1 HMRC have estimated how much of the remaining liability it expects to collect based on a sample of HMRC taxpayer data over the years 2009-10 to 2015-16 to establish the historic pattern of liabilities reported late. There will be a small proportion of the SRIT liability that is never collected (as is the case with UK-wide revenues). This is shown separately as 'adjustment for uncollectable amounts' and comprises two elements.

- Adjustment for uncollected SA amounts is estimated based on the same sample of HMRC taxpayer data in the paragraph above and by applying the average from these historic collection rates to the established and unestablished SA liabilities as at April 2018.
- Adjustment for uncollected PAYE amounts is estimated by analysing data for the last four years and the PAYE schemes, who are known to have had an amount remitted or written off by April 2018. RTI data is then analysed for each of these PAYE schemes to calculate what proportion of total tax collected by these schemes is in respect of Scottish taxpayers in order to allocate the uncollected amount proportionally between SRIT and the rest of the UK.

Two tax reliefs also need to be factored into the calculation - 'Gift Aid' and pensions tax relief paid under the 'Relief at Source (RAS)' process.

- Gift Aid - An estimate of the Scottish taxpayer share of donations on which Gift Aid has been reclaimed has been made based on repayments made to charities up to April 2017, combined with a forecast of how much is expected after April 2017. The SRIT share has been calculated by analysing donations and postcode data.
- Pensions RAS - As part of the transitional arrangements until 2018-19, HMRC needs to estimate the amount of RAS tax relief which is attributable to Scottish taxpayers and include this in the calculation. After this point, it will be possible to use actual information from pension firms. The RAS for pension contributions in this SRIT calculation is determined by using information from annual returns and identifying individual contributions made by scheme members who have a Scottish postcode.

13.2 Scottish income tax 2017-18 onwards

The Scotland Act 2016 further enhanced the Scottish Parliament's tax raising powers, allowing the Scottish Parliament to set and change its own tax rate bands and limits, introduce new ones, and include a zero rate to all NSND income tax paid by Scottish taxpayers. These enhanced powers were introduced from tax year 2017-18.

In 2017-18 Scottish income tax rates and thresholds were set at the same levels as those applicable elsewhere in the UK, with the exception of the higher rate threshold which was set at £43,000 in contrast to the £45,000 level for taxpayers elsewhere in the UK. These further Scottish income tax powers also ensure that all monies (i.e. not just the ten percentage points represented by SRIT) in respect of Scottish income tax go to the Scottish Government.

The provisional estimate of revenue raised from Scottish income tax in 2017-18 is £11.9 billion. This figure has been estimated because actual data is unavailable, for example in respect of SA revenue for the 2017-18 tax year where minimal disclosure has been made to HMRC, and PAYE revenue for taxpayers whose accounts have not been reconciled before this document is published. It also includes estimates for the impact of budget measures, Gift Aid and other effects, such as the High Income Child Benefit Charge and broader demographic changes before the amount is apportioned between Scotland and the remainder of the UK.

The Scottish share of income tax liabilities is estimated using a simulation model based on the HMRC Survey of Personal Incomes which reflects data collected in 2015-16.

The methodology behind the estimate is broadly similar to that used for estimating the SRIT 2016-17 revenue. However, the estimate reflects the extension of income tax powers to all NSND income and the 2017-18 Scottish higher rate threshold differing from that for taxpayers elsewhere in the UK.

Further information available during 2018-19 will allow refinement of these calculations. Updated figures will be disclosed in the 2018-19 Trust Statement, allowing a final reconciliation for the prior tax year.

Accounts direction given by HM Treasury

Accounts direction given by HM Treasury in accordance with Section 2 of the Exchequer and Audit Departments Act 1921.

1. This direction applies to those government departments listed in appendix 2.
2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2018 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2017-18.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 8). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ian Bulmer
Deputy Director,

Government Financial Reporting
Her Majesty's Treasury
19 December 2017

Resource Accounts

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

This statement summarises the expenditure incurred and income generated on an accruals basis. Other comprehensive expenditure and income includes changes to the values of non-current assets that cannot yet be recognised as income or expenditure.

Consolidated Statement of Comprehensive Net Expenditure

	Note	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Cash items:					
Personal tax credits	4.1	26,363.0	26,363.0	27,143.6	27,143.6
Corporation tax reliefs	4.4	3,702.9	3,702.9	3,379.7	3,379.7
Child Benefit		11,691.9	11,691.9	11,654.1	11,654.1
Tax-Free Childcare		28.8	28.8	–	–
Staff and related costs		2,507.7	2,539.7	2,526.6	2,532.3
Service charges		292.4	292.4	661.7	661.7
Goods and services		760.8	724.1	518.1	507.1
Payments in lieu of tax relief and rates		165.8	165.8	137.8	137.8
Other cash expenditure		233.8	234.5	243.7	243.3
Non-cash items:					
Transfer of personal tax credit receivables to DWP		44.1	44.1	39.4	39.4
Other		372.5	373.3	333.0	336.7
Total operating expenditure	2	**46,163.7**	**46,160.5**	**46,637.7**	**46,635.7**
Total operating income	5	**227.7**	**224.5**	**438.0**	**436.0**
Net operating expenditure		**45,936.0**	**45,936.0**	**46,199.7**	**46,199.7**
Other comprehensive net expenditure					
Items that will not be reclassified to net operating costs:					
Net gain/(loss) on:					
– revaluation of property, plant and equipment		(1.9)	(1.9)	5.9	5.9
– revaluation of intangible assets		28.0	28.0	2.5	2.5
Total comprehensive expenditure for the year		**45,909.9**	**45,909.9**	**46,191.3**	**46,191.3**

The notes on pages 190 to 217 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2018

This statement presents the financial position of the department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

Consolidated Statement of Financial Position

	Note	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Non-current assets:					
Property, plant and equipment	6	495.2	495.6	527.9	528.5
Intangible assets	7	1,247.6	1,247.6	1,233.0	1,233.0
Receivables	10	1,466.5	1,456.8	1,674.7	1,664.8
Total non-current assets		**3,209.3**	**3,200.0**	**3,435.6**	**3,426.3**
Current assets:					
Inventories		2.3	2.3	1.9	1.9
Trade and other receivables	10	1,584.8	1,586.2	1,680.5	1,680.0
Cash and cash equivalents	11	69.4	69.4	41.2	41.2
Total current assets		**1,656.5**	**1,657.9**	**1,723.6**	**1,723.1**
Total assets		**4,865.8**	**4,857.9**	**5,159.2**	**5,149.4**
Current liabilities:					
Trade and other payables	12	4,160.4	4,148.6	3,843.6	3,830.1
Provisions	13	88.0	91.9	90.2	93.9
Total current liabilities		**4,248.4**	**4,240.5**	**3,933.8**	**3,924.0**
Total assets less current liabilities		**617.4**	**617.4**	**1,225.4**	**1,225.4**
Non-current liabilities:					
Payables	12	252.3	252.3	283.2	283.2
Provisions	13	72.0	72.0	64.7	64.7
Pension liability	14	(10.4)	(10.4)	(1.1)	(1.1)
Total non-current liabilities		**313.9**	**313.9**	**346.8**	**346.8**
Total assets less total liabilities		**303.5**	**303.5**	**878.6**	**878.6**
Taxpayers' equity and other reserves:					
General fund		192.3	192.3	769.8	769.8
Revaluation reserve		100.9	100.9	107.7	107.7
Pension reserve		10.4	10.4	1.1	1.1
Total equity		**303.6**	**303.6**	**878.6**	**878.6**

Jon Thompson
Accounting Officer
6 July 2018

The notes on pages 190 to 217 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

This statement shows the changes to the department's cash and cash equivalents during the reporting period. It shows how the department generates and uses these by classifying cash flows as operating, investing and financing activities. Cash flows arising from financing activities include Parliamentary Supply.

Consolidated Statement of Cash Flows

	Note	2017-18 £m	2016-17 £m
Cash flows from operating activities			
Net operating expenditure		(45,936.0)	(46,199.7)
Adjustments for non-cash transactions	2	417.4	376.1
(Increase)/decrease in trade and other receivables[1]		316.5	(224.7)
Personal tax credits receivables, adjusted for impairment, transferred to DWP	4.2	(44.1)	(39.4)
(Increase)/decrease in inventories		(0.4)	0.1
Increase/(decrease) in trade and other payables[1]		301.3	465.8
Use of provisions	13	(31.6)	(17.5)
Net cash outflow from operating activities		**(44,976.9)**	**(45,639.3)**
Cash flows from investing activities			
Additions to property, plant and equipment	6	(64.2)	(64.3)
Less additions to leased property, plant and equipment		1.0	7.6
Additions to intangible assets	7	(243.0)	(281.4)
Less additions to leased intangible assets		–	–
Proceeds of disposal of property, plant and equipment		0.1	0.5
Proceeds of disposal of intangible assets		–	–
Net cash outflow from investing activities		**(306.1)**	**(337.6)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		15,534.2	15,319.9
From the Consolidated Fund (Supply) – prior year		–	–
From the Consolidated Fund (non-Supply)		–	–
From the Trust Statement		29,484.3	30,392.3
From the National Insurance Fund		318.0	299.0
Net financing from the Contingencies Fund and the National Loans Fund		–	–
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(24.3)	(30.6)
Net financing		**45,312.2**	**45,980.6**

Continued

	Note	2017-18 £m	2016-17 £m
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**29.2**	**3.7**
Payments of amounts due to the Consolidated Fund		(1.0)	(1.4)
Excess cash paid to the Consolidated Fund		–	–
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**28.2**	**2.3**
Cash and cash equivalents at the beginning of the period	11	**41.2**	**38.9**
Cash and cash equivalents at the end of the period	11	**69.4**	**41.2**

1 Figures are net of items not passing through the Consolidated Statement of Comprehensive Net Expenditure.

The notes on pages 190 to 217 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by the department, analysed into General Fund, revaluation and pension reserves. The General Fund represents the total assets less liabilities of the department, to the extent that it is not represented by other reserves and financing items. The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. The pension reserve represents changes in the underlying assumptions used by the actuaries to determine the valuation of pension scheme liabilities, such as financial assumptions, market expectations, mortality rates and projected salaries.

Consolidated Statement of Changes in Taxpayers' Equity

		Core department and agency				Departmental group			
	Note	General Fund £m	Revaluation reserve[1] £m	Pension reserve[2] £m	Total reserves £m	General Fund £m	Revaluation reserve[1] £m	Pension reserve[2] £m	Total reserves £m
Balance at 31 March 2016		**911.7**	**137.7**	**(7.8)**	**1,041.6**	**911.7**	**137.7**	**(7.8)**	**1,041.6**
Net Parliamentary funding – drawn down		15,319.9	–	–	15,319.9	15,319.9	–	–	15,319.9
Net Parliamentary funding – deemed[3]		37.4	–	–	37.4	37.4	–	–	37.4
Funding from Trust Statement[4]		30,392.3	–	–	30,392.3	30,392.3	–	–	30,392.3
National Insurance Fund		307.8	–	–	307.8	307.8	–	–	307.8
Supply (payable)/receivable adjustment		(41.1)	–	–	(41.1)	(41.1)	–	–	(41.1)
Income payable to the Consolidated Fund		(0.5)	–	–	(0.5)	(0.5)	–	–	(0.5)
Net expenditure for the year		(46,199.7)	–	–	(46,199.7)	(46,199.7)	–	–	(46,199.7)
Other net comprehensive expenditure:									
Revaluation of property, plant and equipment		–	5.9	–	5.9	–	5.9	–	5.9
Revaluation of intangible assets		–	2.5	–	2.5	–	2.5	–	2.5
Transfer between reserves		40.2	(38.4)	(1.8)	–	40.2	(38.4)	(1.8)	–
Pension reserve actuarial (losses)/gains		–	–	9.9	9.9	–	–	9.9	9.9
Contributions to LGPS pension fund by DWP		–	–	0.8	0.8	–	–	0.8	0.8
Non-cash charges – auditor's remuneration	2	1.8	–	–	1.8	1.8	–	–	1.8
Balance at 31 March 2017		**769.8**	**107.7**	**1.1**	**878.6**	**769.8**	**107.7**	**1.1**	**878.6**

Continued

	Note	Core department and agency				Departmental group			
		General Fund £m	Revaluation reserve[1] £m	Pension reserve[2] £m	Total reserves £m	General Fund £m	Revaluation reserve[1] £m	Pension reserve[2] £m	Total reserves £m
Balance at 31 March 2017		**769.8**	**107.7**	**1.1**	**878.6**	**769.8**	**107.7**	**1.1**	**878.6**
Net Parliamentary funding – drawn down		15,534.2	–	–	15,534.2	15,534.2	–	–	15,534.2
Net Parliamentary funding – deemed[3]		41.1	–	–	41.1	41.1	–	–	41.1
Funding from Trust Statement[4]		29,484.3	–	–	29,484.3	29,484.3	–	–	29,484.3
National Insurance Fund		332.8	–	–	332.8	332.8	–	–	332.8
Supply (payable)/receivable adjustment		(69.3)	–	–	(69.3)	(69.3)	–	–	(69.3)
Income payable to the Consolidated Fund		(1.0)	–	–	(1.0)	(1.0)	–	–	(1.0)
Net expenditure for the year		(45,936.0)	–	–	(45,936.0)	(45,936.0)	–	–	(45,936.0)
Other net comprehensive expenditure:									
Revaluation of property, plant and equipment		–	(1.9)	–	(1.9)	–	(1.9)	–	(1.9)
Revaluation of intangible assets		–	28.0	–	28.0	–	28.0	–	28.0
Transfer between reserves		34.6	(32.9)	(1.7)	–	34.6	(32.9)	(1.7)	–
Pension reserve actuarial (losses)/gains		–	–	10.1	10.1	–	–	10.1	10.1
Contributions to LGPS pension fund		–	–	0.9	0.9	–	–	0.9	0.9
Non-cash charges – auditor's remuneration	2	1.8	–	–	1.8	1.8	–	–	1.8
Balance at 31 March 2018		**192.3**	**100.9**	**10.4**	**303.6**	**192.3**	**100.9**	**10.4**	**303.6**

1 The 31 March 2018 balance comprised £44.2 million in relation to property, plant and equipment assets (31 March 2017 £54.9 million, 1 April 2016 £67.3 million) and £56.7 million in relation to intangible assets (31 March 2017 £52.8 million, 1 April 2016 £70.4 million).
2 The pension reserve is in respect of VOA employees who are members of the Local Government Pension Scheme (LGPS).
3 This is any Supply drawn down in the previous year but not spent at that year-end and, therefore, is available to be spent in subsequent financial year.
4 Personal tax credits and corporation tax reliefs are funded out of tax receipts from the Trust Statement. Please see the Statement of Revenue, Other Income and Expenditure in the Trust Statement, page 164.

The notes on pages 190 to 217 form part of these accounts.

Notes to the departmental Resource Accounts

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of accounting policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The Resource Account is prepared on a going concern basis.

Where the FReM permits a choice of accounting policy, HM Revenue and Customs has applied the most appropriate to give a true and fair view.

www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.3 Basis of consolidation

This account consolidates the results of the bodies falling within the departmental boundary as defined by the FReM. For HMRC these are core department, Valuation Office Agency (VOA) and Revenue and Customs Digital Technology Services Limited (RCDTS Ltd).

1.4 Tax credits

1.4.1 Personal tax credits

Personal tax credits expenditure is recognised in the financial year in which claims are assessed and awards authorised. Authorisation is the point at which the obligation to pay personal tax credits arises; payments are provisional until entitlement is finalised after the financial year-end. Expenditure recognised during the financial year (1 April to 31 March) relates to provisional awards for the award year (6 April to 5 April) and adjustments in respect of an estimate of the finalisation occurring following the year-end. The department's statisticians provide a range for the likely outcome of the finalisations and the mid-point of this range has been included as a receivable in the Account.

Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure. Receivables and payables are recognised as appropriate. Correcting payments are made in respect of underpayments, however, if we have an existing receivable balance for a customer the underpayment is firstly offset against the receivable. Overpayments are treated as receivables and the department seeks to recover these from future personal tax credits awards or through direct repayments. Further details relating to the accounting for personal tax credits receivables are provided at note 4.

Receivables which are deemed irrecoverable are written-off in accordance with the department's normal remission policy, and recorded as losses or remissions as appropriate in the Losses Statement.

DWP has taken on the receivable balance associated with personal tax credits for customers who have made a claim to Universal Credit (UC). This balance is net of historic impairment. The receivable balance started to transfer in April 2016 and is planned to continue to transfer over the coming years as more customers move to UC. In line with the Government Financial Reporting Manual this transfer has been treated as a capital grant in kind and disclosed as such throughout the Financial Statements.

1.4.2 Corporation tax reliefs

The value of corporation tax reliefs (see note 4.4) is estimated, based on the most recent data available. The basis of the estimation is, where available, derived from claims recorded on companies' returns for their accounting period which ended in the relevant HMRC financial year or based on other appropriate forecasting methodology. The filing requirements for companies are such that these returns are not due until 12 months after the accounting period end and claims can be received up to 24 months after the accounting period end. Consequently, historic claims are utilised to project forward to the current year taking into account forecast growth rates and planned changes in relevant tax policy and rates.

1.5 Child Benefit

Child Benefit expenditure is recognised in the financial year a claim for Child Benefit is approved.

Where under or overpayments are identified adjustments are made to expenditure, with receivables and payables recognised appropriately. Overpayments are treated as receivables and the department seeks to recover these from future benefit entitlement or through direct repayment.

The Losses Statement is reported in the Accountability Section on page 147. Receivables which are deemed irrecoverable are remitted or written-off in accordance with the department's normal remission policy, and recorded as remissions and losses in the Losses Statement.

1.5.1 Child Benefit error and fraud

HMRC measures the overall level of error and fraud by investigating a random sample of claims, selected to be representative of the Child Benefit population.

1.6 Non-current assets

1.6.1 General

A £5,000 capitalisation threshold applies to all non-current assets except for furniture, vehicles, IT hardware, software licences and website development costs which are capitalised regardless of cost and accomodation refurbishments which are capitalised once costs exceed £150,000. Assets capitalised under finance leases are recorded at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets under construction are recorded at cost. Non-property assets are valued on a depreciated historical cost basis as a proxy for fair value had indices been applied, as they are of low value with short lives.

Assets are stated at cost less accumulated depreciation/amortisation and impairment losses. These are depreciated/amortised at rates calculated to write them down to estimated residual values on a straight-line basis over their useful lives. All intangible assets are assessed to have a finite useful life over which they are amortised. Asset useful lives are normally in the following ranges:

Asset category – property, plant and equipment	Useful life
Land	Not depreciated
Freehold buildings	50 years
Leased serviced accommodation	Period of the lease
Leased IT assets	Period of the lease
Accommodation refurbishments	Remainder of the lease
Office equipment	5 to 20 years
Computer equipment	4 to 7 years
Vehicles	5 to 8 years
Furniture and fittings	15 years
Scientific aids	3 to 10 years

Asset category – intangible assets	Useful life
Developed computer software	10 years unless known to be otherwise
Software licences	Period of the licence
Website development costs	10 years unless known to be otherwise

The useful life of all assets is considered on an annual basis and changed if required.

A formal impairment review is undertaken on an annual basis for buildings, accommodation refurbishments and developed computer software assets.

1.6.2 Property, plant and equipment

Property

Where substantially all risks and rewards of ownership of a leased asset are borne by the department, the asset is recognised and recorded at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract. The interest element of the finance lease payment is charged to expenditure over the period of the lease at a constant rate in relation to the balance outstanding.

Private Finance Initiative (PFI) transactions where the department has control within a contract and a material residual interest, property is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between Consolidated Statement of Comprehensive Net Expenditure, financing and service charges and a Consolidated Statement of Financial Position finance lease liability.

The majority of the freehold and leasehold property assets occupied by HMRC were acquired from the predecessor departments by Mapeley STEPS Contractor Ltd in March 2001 under a 20 year PFI contract (see note 9.2) and these assets have been capitalised as finance leases. Only buildings have been treated as finance leases and the related land has been treated as operating leases. The department has also capitalised other PFI property interests as finance leases being service concession arrangements. The department has capitalised both its short-term leases with third-party private landlords which Mapeley manages on its behalf, and its short-term leases held directly with third-party private landlords where appropriate.

Buildings to which we are contracted under Building our Future locations strategy are operating leases. Further such leases will be reviewed on a case-by-case basis to ensure they are classified correctly.

Property assets have been stated at fair value using professional valuation on a rolling five year programme, all assets will be professionally revalued within this time period. The basis of the valuation is in accordance with the professional standards of the Royal Institute of Chartered Surveyors: RICS Valuation – Global Standards 2017 and the RICS Valuation – Professional Standards UK (January 2014, revised April 2015). Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuers Standards.

IT

The IT non-current assets recognised by our IT partners and used in providing the IT service to the department have been capitalised as finance leases and are disclosed at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract. It is not possible to separate these assets between the core department and the VOA as they are used in common to deliver the service. These joint assets are held by the core department and are treated as an operating lease by the VOA. Whilst consolidated figures will report the correct aggregate position this difference in approach is to be noted.

From 1 December 2015, RCDTS Ltd have taken over the provision of the management of third-party supplier contracts for IT hardware, software, service and consumables from our IT partners. As part of this service, IT hardware is purchased by RCDTS Ltd on behalf of the department and capitalised within these Accounts.

Assets under construction

Assets under construction are separately reported in note 6. In respect of the Building our Future locations strategy, this includes accommodation refurbishment and furniture assets. Costs are accumulated until the asset is available for use whereupon it is transferred to the relevant asset class and depreciation commences.

1.6.3 Intangible

Developed Computer Software

Computer software that has been developed by the department and its IT service partners, and for which the department has ownership rights has been capitalised. This capitalisation includes the staff costs for developing, integrating and testing IT software in the development of the programs. Annually where appropriate, indices are applied to developed computer software which have not been formally valued during the year.

Assets under construction

Intangible assets under construction relate to software development by the department, our IT partners and RCDTS Ltd. Intangible assets under construction are separately reported in note 7. Costs are accumulated until the asset is available for use whereupon it is transferred to the relevant asset class and amortisation commences.

1.7 Pensions

1.7.1 Civil Service Pension Schemes

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS) known as Alpha, are unfunded and contributory. The departmental group recognises the expected cost of these elements. This is determined systematically and rationally over the period during which we benefit from employees' services by payment to the PCSPS and CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and CSOPS. Further information can be found within the accounts of Civil Service Pensions.

Civil Service Pensions
www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

1.7.2 Local Government Pension Scheme

A number of the Valuation Office Agency employees are members of the Local Government Pension Scheme.

Further information can be found within the Valuation Office Agency accounts (HC 1282) that can be viewed at
www.gov.uk/government/organisations/valuation-office-agency

1.7.3 Partnership pensions

The partnership pension account is a stakeholder pension arrangement with employees able to choose a stakeholder pension product from a panel of providers.

1.7.4 Aviva Friends Life plc

A number of RCDTS Ltd employees are members of the Aviva Friends Life plc pension scheme.

Further information will be found within the RCDTS Ltd accounts available at Companies House at: **www.gov.uk/government/organisations/companies-house** by 31 December 2018.

1.8 Provisions and Contingent liabilities

The department discloses provisions and contingent liabilities in excess of the de minimis limit for reporting of £0.1 million.

Where the time value of money is significant, provisions and contingent liabilities are stated at discounted amounts, as directed by Public Expenditure System (PES) (2017) 10 revised.

1.8.1 Early departure costs

The department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who have taken early departure or retirement under the Civil Service Compensation Scheme. The department has made provision in full for early retirement costs. The estimated risk-adjusted cash flows are discounted at 0.10% as set by HM Treasury (2016-17: 0.24%).

1.8.2 Remote contingent liabilities

For Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, are disclosed separately, in accordance with the requirements of Managing Public Money. Remote contingent liabilities are reported in the Accountability Section on page 150.

Public Expenditure Statistical Analyses 2017
www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2017

1.9 Value Added Tax (VAT)

Most of the activities of the department are outside the scope of VAT. A proportion of the activities of the department will attract VAT, and output VAT will apply in these circumstances. The department also has recoverable and non-recoverable elements for input VAT on purchases. Some purchase VAT on a restricted number of services is recovered under Section 41 of the VAT Act 1994 and in accordance with the HM Treasury 'Contracting-out Direction'. Section 41 is intended to remove any disincentive to government departments of contracting-out activities performed 'in-house' where there is a sound basis for doing so. Non-recoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Income and expenditure is otherwise shown net of VAT.

1.10 Critical accounting judgements and key sources of estimation

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the department's accounting policies.

The areas that involve a higher degree of judgement or complexity, or where the assumptions and estimates are significant to the Resource Accounts, are as follows:

Personal tax credits expenditure

Personal tax credits consist of Child Tax Credit and Working Tax Credit. HMRC statisticians provide receivable and payable balances based on data from tax credits systems to move personal tax credits to an accruals accounting basis. A range for the estimate of the results of the current year finalisation exercise is also provided. This estimate is based on a model used to forecast debt and factors in available 2017-18 outturn figures as well as a number of assumptions, including the expected effects of new policy on current and future years and the impact on live tax credit awards of the migration of customers to Universal Credit. It is therefore subject to uncertainty and the estimate disclosed in note 4.2 represents the mid-point of the range (see note 1.4.1).

Estimates for the split of Child Tax Credit and Working Tax Credit (see note 4) are derived by modelling the tax credits systems and financial data.

Personal tax credits error and fraud

In arriving at our personal tax credits estimates we consider two types of uncertainty - variance, which is a consequence of the sample size, and bias. In particular, we seek to manage the risk of potential bias through customer non-response in several ways including; ensuring that compliance officers are in a position to make a valid decision without customer response, completion of extensive quality checks of error and fraud cases, and monitoring of the outcome of non-response cases against those where customers do respond.

For error and fraud in the claimant's favour, the difference in the proportion of cases that are incorrect is not statistically significant. Consequently HMRC have no concerns about non-response causing bias in the statistics for error and fraud favouring the claimant.

For error in HMRC's favour, the difference in the proportions is statistically significant, but for HMRC to consider making an adjustment we would need a high level of certainty that we would find more errors on these cases if the customer did respond, and no evidence is held to suggest this.

Consequently, no adjustment is made to the estimate of error and fraud favouring the claimant to account for non-response.

Child Benefit error and fraud

The Child Benefit Error & Fraud Analytical Programme (EFAP) exercise took a stratified random sample of 2,700 cases which were selected to be representative of the Child Benefit population. Claims will be deemed non-compliant by HMRC compliance officers in the following circumstances:

- Group 1. The claimant replies and the information provided proves ineligibility to Child Benefit; or
- Group 2. The claimant does not reply to requests for information during the estimation exercise.

Analysis of the non-respondents (Group 2) shows that around 60 per cent of non-respondents are likely to be eligible.

For cases where error and fraud was determined from the reply (Group 1 above) several themes are apparent. In particular, there are particular error and fraud risks due to violation of Full-Time Non-Advanced Education (FTNAE) status and also risks potentially related to migration.

Value of Child Benefit error and fraud and as a percentage of estimated Child Benefit expenditure

	2017-18	£m 2016-17
Group 1: Claimant reply proves ineligibility	50 (0.4%)	35 (0.3%)
Group 1 + Group 2: Claimant non-reply, assumed ineligible*	155 (1.3%)	110 (1.0%)
Removal of eligible component from Group 2	110 (0.9%)	65 (0.6%)

*includes an allowance for reinstatement of some claimants whose Child Benefit awards are terminated because they do not reply to requests for information during the estimation exercise and will subsequently provide it.

Corporation tax reliefs

As stated in note 1.4.2, corporation tax reliefs are estimated by the department's statisticians. The models are based on Corporation Tax returns to estimate the department's corporation tax relief liabilities, considering the most recent forecasts of economic variables and the nature of schemes in force for each year. The model is under continuous review to ensure it reflects experience and current economic factors. There is further detail in note 4.4.

Impairment of receivables

The following receivables balances have been impaired: personal tax credits, Child Benefit, law costs, and other receivables (see note 10).

Receivables in the Statement of Financial Position are reported after impairment, which is estimated based on our analysis of existing receivables and historical trends in debt recovery, losses, discharges, amendments and cancellations. We assess the collectability of receivables that are considered individually significant and the remainder are placed into groups of similar receivables, based on risk, and assessed collectively. The impairment of receivables is calculated to provide a fair view of receivables, in effect reducing them to a value that is likely to be collected and providing for non-collectable debt.

To calculate the impairment, the receivable population is stratified into groups based on the type of debt and the collection activity being pursued, the most material of which are Cross Year Recovery and Direct Recovery. Historic recovery rates are applied to the gross carrying amount of the relevant receivables group to estimate the recoverable amount. The degree of impairment of debt is primarily linked to its age with older debts being most highly impaired.

Personal tax credit debts transferred to DWP for collection, at the point of a valid Universal Credit claim being received, are likely to be subject to lower impairment rates due to the availability of additional Direct Earning Attachment powers at the disposal of that department that are not available to HMRC.

The impairment of Child Benefit receivables is calculated using recovery rates by aged debt bands. The percentages have been derived by comparing the outstanding balance with the original value of the overpayment debt in each band. Following this process through each of the bands provides the value of the Child Benefit impairment.

Provisions and contingent liabilities

The department undertakes a quarterly review of provisions and contingent liabilities. These are estimated by appropriate business areas based on the likelihood of a liability materialising.

1.11 Impending application of newly issued accounting standards not yet effective

New and revised standards and interpretations have been issued but are not yet effective and have not therefore been adopted in this account.

The following standards - IFRS 9, IFRS 15, and amendments to IAS 7, will be adopted as applied by the FReM for 2018-19.

- IFRS 9 Financial Instruments - replaces IAS 39 Financial Instruments: Recognition and Measurement. Its core principle is to simplify the classification and measurement of financial assets, but it also considers impairment, classification and measurement of liabilities and hedge accounting.

  HMRC currently only disclose personal tax credits receivables as a financial instrument. This financial asset is carried at amortised cost which is considered to be a reasonable approximation of fair value. HMRC will consider the impacts of IFRS 9 on the personal tax credits receivables balances detailed at note 4.2, specifically to assess whether the characteristics of personal tax credit receivables meet the conditions appropriate for measurement at amortised cost or should instead apply alternative options under IFRS 9 for measurement at fair value.

  As part of our analysis we will review our business model for managing personal tax credit receivables, including the work we have done on strategic analysis of our customer groups from a risk perspective and the assets cash flow characteristics. This analysis will include an evaluation of how potential future events stemming from shifting economic and social factors or policy change might impact on the impairment of our personal tax credit debt stock. To support this work, HMRC have developed the commission to all directorates to request quarterly positive evidence in respect of IFRS 9. Outside of personal tax credit receivables, HMRC do not expect the implementation of this standard to have a material impact.

HMRC will also be developing the forecasting mechanisms to account for fiscal events that might affect the financial instruments carried. Although this work still needs to be completed, the expectation is that personal tax credit receivables are likely to continue to meet the conditions that support measurement at amortised cost.

This being the case, we will also need to evaluate the credit risk characteristics of personal tax credit debt to inform our accounting policy judgements on the structure of the new IFRS 9 impairment model.

- IFRS 15 Revenue from Contracts with Customers - merges concepts from, and also replaces, IAS 11 Construction Contracts and IAS 18 Revenue. Its core principle is to ensure that an entity recognises revenue once its performance obligations under a contract have been satisfied.

  HMRC are introducing a new integrated procurement system for 2018-19 that will identify appropriate contracts and their inherent performance obligations to enable revenue recognition. Since the revenue recognition point to be determined on completion of the performance obligations is unlikely to be significantly different from the application of our current policy, we are not expecting a material impact.

- IAS 7 Statement of Cash Flows - amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

  HMRC do not anticipate significant changes arising from the adoption of this standard.

The date for adoption of the following standard, IFRS 16, is still to be determined by HM Treasury but our expectation is that it will be adopted as applied by the FReM for 2019-20.

- IFRS 16 Leases - replaces IAS 17 Leases and fundamentally changes the accounting treatment of leases for lessees. The current IAS 17 model which requires entities to distinguish between finance leases (on balance sheet) and operating leases (off balance sheet) will be replaced by a ‘right of use’ model that requires lessees to recognise nearly all leases on balance sheet with their associated liability. This will also necessitate review of existing and new contracts to identify lease and non-lease (i.e. service) elements.

  HMRC have completed an impact assessment of their lease exposure and have created a project team to manage the transition to IFRS 16. HMRC are assessing live contracts to assess whether sufficient information exists to enable the assessment under IFRS 16 criteria. HMRC exposure falls primarily into two areas, Estates and IT. Key stakeholders from these business areas have been identified to assist with this work, alongside Legal and Commercial teams. HMRC continue to engage with HM Treasury to understand potential FReM adaptions to IFRS 16, and are investigating the impacts in the context of mandated adherence to IFRS and potential practical expedients upon transition.

  Note 9 presents details of HMRC future lease commitments under IAS 17.

The date for adoption of the following standard, IFRS 17, is still to be determined by HM Treasury but our expectation is that it will be adopted as applied by the FReM for 2021-22.

- IFRS 17 Insurance Contracts - establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows. The standard is with the European Financial Reporting Advisory Group; awaiting endorsement. Once endorsed, HM Treasury will review and implement procedures to ensure application across government. The FReM may require this to be reflected in HMRC’s accounts from 2021-22.

2. Expenditure

	Note	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Personal tax credits	4.1	**26,363.0**	**26,363.0**	**27,143.6**	**27,143.6**
Corporation tax reliefs	4.4	**3,702.9**	**3,702.9**	**3,379.7**	**3,379.7**
Child Benefit					
Child Benefit[1, 2]		11,689.6	11,689.6	11,651.9	11,651.9
Guardian's Allowance (funded from National Insurance Fund)		2.3	2.3	2.2	2.2
		11,691.9	**11,691.9**	**11,654.1**	**11,654.1**
Tax-Free Childcare		**28.8**	**28.8**	**–**	**–**
Staff and related costs	Page 111				
Wages and salaries		1,870.5	1,896.8	1,871.7	1,876.1
Social security costs		186.9	189.8	175.6	176.1
Other pension costs		373.6	375.7	371.1	371.4
Less capitalised costs		(26.7)	(26.7)	(20.6)	(20.6)
Travel, subsistence and hospitality		67.2	67.8	67.8	68.1
Recruitment and training		20.6	20.7	32.4	32.6
Early severance schemes		15.6	15.6	28.6	28.6
		2,507.7	**2,539.7**	**2,526.6**	**2,532.3**
Service charges					
IT Public Private Partnership contract payments[3]		153.2	153.2	501.0	501.0
Accommodation PFI and non-PFI contract payments		106.6	106.6	123.7	123.7
Indexation of liability on PFI deals		1.7	1.7	1.7	1.7
IT Public Private Partnership interest charges		1.4	1.4	3.7	3.7
Accommodation interest charges		29.5	29.5	31.6	31.6
		292.4	**292.4**	**661.7**	**661.7**
Goods and services					
Printing, postage, stationery and office supplies		54.3	54.6	63.4	63.4
Consultancy		3.5	3.6	5.2	5.2
Contracted out services		133.2	133.2	125.7	125.8
Publicity		3.3	3.3	6.2	6.2
Post Office services		4.7	4.7	8.3	8.3
Bank charges		19.6	19.6	21.3	21.3
IT services and consumables[3]		436.7	398.9	171.4	160.2
Telephone expenses		41.3	42.0	50.6	50.7
Legal and investigation		38.3	38.3	45.1	45.1
Enforcement costs		25.9	25.9	20.9	20.9
		760.8	**724.1**	**518.1**	**507.1**

Continued

	Note	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Payments in lieu of tax relief and rates					
Life Assurance Premium Relief, MIRAS		–	–	0.1	0.1
Transitional payments to charities		40.0	40.0	40.0	40.0
Stakeholder pensions		45.0	45.0	30.0	30.0
Payments of local authority rates		80.8	80.8	67.7	67.7
		165.8	**165.8**	**137.8**	**137.8**
Other cash expenditure					
Accommodation expenses		107.8	107.8	112.3	112.3
National Insurance Fund other government department collection service		50.2	50.2	51.0	51.0
Shipbuilders' Relief		0.6	0.6	0.8	0.8
Hire of plant and machinery		0.3	0.3	0.3	0.3
Other operating leases		39.1	39.1	33.6	33.6
Developer Contribution		(0.8)	(0.8)	–	–
Payments to add capacity		–	–	(0.3)	(0.3)
Losses – excluding Child Benefit and personal tax credits		3.0	3.0	11.5	11.5
Special Payments		2.9	2.9	3.8	3.8
Other		30.7	31.4	30.7	30.3
		233.8	**234.5**	**243.7**	**243.3**
Non-cash items:					
Depreciation, amortisation and impairments					
Depreciation		80.8	80.8	77.5	77.6
Amortisation		239.0	239.0	228.9	228.9
Loss on impairment of non-current assets	8	4.2	4.2	3.7	3.7
		324.0	324.0	310.1	310.2
Provisions for liabilities and charges	13	36.3	37.0	20.7	24.3
Other non-cash					
Transfer of personal tax credits receivables to DWP		44.1	44.1	39.4	39.4
Transfer of non-current assets		2.0	2.0	–	–
Pension finance costs		1.8	1.8	1.7	1.7
Auditor's remuneration and expenses[4]		1.8	1.8	1.8	1.8
Loss on disposal of non-current assets		4.8	4.9	0.9	0.9
Revaluation loss/(gain)		1.8	1.8	(2.2)	(2.2)
		56.3	56.4	41.6	41.6
Total non-cash items		**416.6**	**417.4**	**372.4**	**376.1**
Total operating expenditure		**46,163.7**	**46,160.5**	**46,637.7**	**46,635.7**

1 HMRC undertook a review for 2017-18 based on a random sample of 2,700 cases, selected to be representative of the Child Benefit population. As a result, HMRC estimates that error and fraud resulted in overpayments of 0.9% of Child Benefit expenditure being paid to claimants to which they were not entitled.
2 Child Benefit expenditure includes amounts paid to taxpayers earning greater than £50,000 per annum. It is estimated that £378 million (2016-17: £421 million) will be recovered via future income tax charges arising from payments of Child Benefit to those earning over £50,000 in 2017-18. These income tax charges are accounted for in the Trust Statement.
3 The cessation of the Aspire contract in June 2017 required us to evaluate replacement IT contracts against the Public Private Partnership criteria. These new contracts do not meet this criteria and are therefore classified under IT services and consumables.
4 The NAO was not paid for any work of a non-audit nature during the period.

3. Statement of operating expenditure by operating segment

This note shows how resource expenditure is apportioned against the main areas of core business activity.

Each segment relates to a core business activity reported to the Chief Executive and the Board using relevant management information covering expenditure and income and which is used by the Board to make decisions.

3.1 Expenditure and income by reportable segment

			2017-18 £m			2016-17 £m
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure
Reportable segment						
Customer Services	865.5	22.9	842.6	944.8	22.8	922.0
Customer Strategy and Tax Design	170.6	10.3	160.3	147.6	9.9	137.7
Customer Compliance	1,139.2	55.8	1,083.4	1,079.4	38.6	1,040.8
Solicitors Office and Legal Services	83.5	15.0	68.5	79.4	5.6	73.8
Border Coordination	2.3	–	2.3	–	–	–
Chief Digital and Information Officer Group	557.1	17.5	539.6	645.0	34.2	610.8
Chief Finance Officer Group	510.7	8.7	502.0	494.7	17.2	477.5
Chief People Officer, CEO and Corporate Communications Group	112.3	1.6	110.7	100.0	0.9	99.1
HMRC Transformation	266.3	30.1	236.2	234.7	9.9	224.8
Valuation Office Agency[1]	193.8	44.7	149.1	205.8	205.5	0.3
Total	**3,901.3**	**206.6**	**3,694.7**	**3,931.4**	**344.6**	**3,586.8**

3.2 Reconciliation between operating segments and Consolidated Statement of Comprehensive Net Expenditure

Information on all other net expenditure is included in the table below. This information is reported to the Board, however as it is centrally managed it is reported in a different format than the reportable segments in the management accounts which compares budgeted spend to full year forecast spend at the segment level.

Reconciliation between operating segments and Consolidated Statement of Comprehensive Net Expenditure

	2017-18 £m	2016-17 £m
Total net expenditure reported for operating segments	**3,694.7**	**3,586.8**
Payments in lieu of tax relief	85.0	70.1
Payments of Local Authority Rates	76.1	63.9
Child Benefit and Child Trust Fund	11,689.6	11,651.9
Personal tax credits	26,363.0	27,143.6
Corporation tax reliefs	3,702.9	3,379.7
Transfer of personal tax credits receivables to DWP	44.1	39.4
Capital grant	(17.2)	(10.0)
Depreciation/Amortisation[2]	289.5	266.2
Civil Service Resourcing	–	(0.5)
Other	8.3	8.6
Net Operating Cost in Statement of Comprehensive Net Expenditure	**45,936.0**	**46,199.7**

1 In 2017-18 the VOA income has decreased significantly due to the VOA no longer receiving income from Ministry of Housing, Communities and Local Government. VOA services previously recorded as income are now classified as supply funding.
2 Excludes depreciation and amortisation relating to assets capitalised as finance leases.

4. Tax credits

Since 2011-12 both personal tax credits expenditure and certain corporation tax reliefs are reported in these Resource Accounts. Tax credits can comprise of an element that is treated as negative taxation which is when the extent of the relief is less than or equal to the recipient's tax liability. They can also contain an element that is in excess of the tax liability, which is treated as a payment of entitlement. Personal tax credits are treated as public expenditure on social benefits for the National Accounts.

4.1 Analysis of personal tax credits expenditure

Personal tax credits consist of Child Tax Credit and Working Tax Credit.

Awards are initially assessed and paid throughout the year on a provisional basis, based on claimants' assessments of their personal circumstances, and then adjusted after the end of each award year, once claimants' actual circumstances are known. Finalisation is the process by which claimants confirm their actual income and other circumstances for the previous award year. This process finalises the award for the award year that has ended and where the payments made do not match the revised entitlement based on the final information provided, this will give rise to under or overpayments which are accounted for as soon as identified. Finalisation is not complete until after the Account has been published and consequently there is uncertainty around the level of adjustments likely to arise. Finalisation also forms the basis for the provisional award for the subsequent year.

Analysis of personal tax credits expenditure

			2017-18 £m			2016-17 £m
	Child Tax Credit	Working Tax Credit	Total tax credits	Child Tax Credit	Working Tax Credit	Total tax credits
Tax credits	21,180.6	5,075.6	26,256.2	21,511.4	5,444.2	26,955.6
Movement in impairment for receivables	39.3	(35.8)	3.5	119.4	(31.1)	88.3
Remissions/write-offs	74.0	29.3	103.3	74.8	24.9	99.7
Total tax credits	**21,293.9**	**5,069.1**	**26,363.0**	**21,705.6**	**5,438.0**	**27,143.6**

Please see note 1.10 for the estimation techniques used to apportion between Child Tax Credit and Working Tax Credit.

Background about the operation of personal tax credits can be found at
www.gov.uk/government/organisations/hm-revenue-customs

4.2 Personal tax credits receivables

Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure. Overpayments are treated as receivables and the department seeks to recover these from future personal tax credits awards or through direct repayment.

HMRC statisticians provide a range for the estimate of the results of the current year finalisation exercise. It is therefore subject to uncertainty and the estimate disclosed represents the mid-point of the range.

DWP has taken on the debt associated with personal tax credits for customers who have made a claim to Universal Credit (UC). The debt started to transfer in April 2016 and is planned to continue to transfer over the coming years as more customers move to UC. In line with the Government Financial Reporting Manual, this transfer has been treated as a capital grant in kind and disclosed as such throughout the Financial Statements. The debt has been calculated at fair value under IFRS 13 (Fair Value Measurement) which is the estimated value. The debt has then been impaired under IAS 36 (Impairment of Assets) and in line with HMRC and DWP policy, based on historical recoveries and write-offs.

Personal tax credits receivables

	Note	2017-18 £m	2016-17 £m
Receivables as at 1 April		**7,320.6**	**7,098.1**
Adjustment to prior year finalisation estimate		(297.8)	(187.3)
Estimated overpayment of awards prior to finalisation[1]		640.0	1,100.0
Overpayments identified from change of circumstances in year		790.2	979.2
Transferred to DWP[2]		(188.0)	(145.6)
Recoveries made		(1,292.7)	(1,424.1)
Remissions/write-offs		(103.3)	(99.7)
Receivables as at 31 March		**6,869.0**	**7,320.6**
Impairment:			
– Provision		(4,220.1)	(4,322.8)
– Transferred to DWP[3]		143.9	106.2
Net receivables at 31 March		**2,792.8**	**3,104.0**
Of which:			
Amounts expected to be recovered within one year	10	1,336.2	1,439.4
Amounts expected to be recovered in more than one year	10	1,456.6	1,664.6
Total		**2,792.8**	**3,104.0**

1 The range of the estimate is £440 million to £840 million (2016-17: £900 million to £1,300 million).

Summary of receivables transferred to DWP

	2017-18	2016-17
[2] Gross receivables	188.0	145.6
[3] Impairments	(143.9)	(106.2)
Net receivables transferred to DWP	**44.1**	**39.4**

4.3 Personal tax credits error and fraud

HMRC measures the overall level of error and fraud by investigating a random sample of finalised awards, although because of the design of the tax credits scheme this cannot be completed until after claimants have finalised their awards for the preceding year. Some claimants, such as those taxpayers included within Self Assessment, may not finalise their awards for the preceding year until 31 January. HMRC use a tried and tested estimation methodology for the calculation of the finalisation estimate supported by annual review.

In June 2018, HMRC completed its testing on finalised awards for 2016-17, based on a random sample of 4,000 enquiries. As a result, HMRC estimates that error and fraud resulted in overpayments of between £1.21 billion and £1.44 billion (4.5% to 5.3% of the final award by value) being paid to claimants to which they were not entitled. In addition, HMRC estimates that error resulted in underpayments of awards to which claimants were entitled of between £0.17 billion and £0.24 billion (0.6% to 0.9% of the final award by value).

4.4 Corporation tax reliefs

In certain circumstances, companies are permitted to reduce their tax liability by making a claim for corporation tax reliefs. In order to claim a relief, a company must be undertaking specific activities and meet the criteria set out for that relief. Certain corporation tax reliefs are reported in these Resource Accounts, as Annually Managed Expenditure. This treatment has been agreed with HM Treasury and relates to reliefs where there is (or could be), by virtue of their design, a payable element that is in excess of any negative taxation. Other corporation tax reliefs are reported in the Trust Statement.

Corporation tax reliefs

	2017-18 £m	2016-17 £m
Research and development tax credits – Large Companies 'Above the Line' (ATL)	1,498.5	1,379.2
Research and development tax credits – Small and Medium Enterprises	1,380.8	1,358.0
Film Tax Relief	427.8	387.2
High-end Television Tax Relief	170.0	112.2
Video Games Tax Relief	84.4	39.3
Theatre Tax Relief	52.1	44.9
Museums and Galleries Tax Relief[1]	32.5	–
Land Remediation Relief	26.6	28.5
Animation Tax Relief	14.6	11.0
Orchestra Tax Relief	10.5	10.0
Children's Television Tax Relief	5.0	7.2
Enhanced Capital Allowance	0.1	–
Vaccine Research Relief[2]	–	2.2
Total	**3,702.9**	**3,379.7**

1 This relief was introduced in 2017-18.
2 This relief ceased in 2016-17.

For transparency purposes, HMRC have conducted sensitivity analysis around the most significant estimated values included above. The following table shows the impact on the estimate for Research & Development (R&D) expenditure of percentage changes in the key factors that underpin the assumptions in the calculation. The estimate includes both a cash and accruals component to account for the accruals to receipts lag. The accrual, being estimated based upon historic patterns is therefore inherently sensitive. Note 12 reports the accrual values derived from the estimation exercise.

Sensitivity analysis for R&D schemes

	Increase £m	Decrease £m
1 percentage point increase/(decrease) in value of the Office for Budget Responsibility business investment determinant for 2017-18	30	(30)
10 percentage points increase/(decrease) in total R&D expenditure incurred for Small and Medium Enterprises scheme in current year, as opposed to prior year	5	(5)
10 percentage points increase/(decrease) in total R&D expenditure incurred for Research and Development Expenditure Credit scheme in current year, as opposed to prior year	10	(10)

5. Income

Operating income is income which relates directly to the operating activities of the department. It principally comprises fees and charges to other government departments, agencies, non-departmental public bodies and external customers for services provided on a full cost basis. It includes not only income allowed to be retained by the department but also any operating income which is required to be paid to the Consolidated Fund. VOA services relate to income generated by the agency for the provision of valuations and property advice required to support taxation and benefits. Operating income is stated net of VAT.

Operating income

		2017-18 £m		2016-17 £m
	Core department and agency	Departmental group	Core department and agency	Departmental group
Administration services[1]	78.7	75.5	146.1	144.1
Banking services	10.2	10.2	11.6	11.6
VOA services[2]	36.5	36.5	196.9	196.9
Other income types	54.1	54.1	38.2	38.2
Subscriptions and fees	34.9	34.9	24.6	24.6
IT and telephony charges	13.3	13.3	20.6	20.6
	227.7	**224.5**	**438.0**	**436.0**
Of which:				
Income from services	125.4	122.2	354.6	352.6
Other operating income	102.3	102.3	83.4	83.4
Total	**227.7**	**224.5**	**438.0**	**436.0**

1 In 2017-18 there is a significant reduction in administration services income due to Civil Service Resourcing being transferred to Cabinet Office.
2 In 2017-18 the VOA the income has decreased significantly due to VOA no longer receiving Income from Ministry of Housing, Communities and Local Government. VOA services previously recorded as income are now classified as supply funding.

Please see fees and charges on pages 148-149 for lower level detail of these income streams.

6. Property, plant and equipment

	Land[1] £m	Buildings[1] £m	Accommodation refurbishments[1] £m	Office and computer equipment £m	Vehicles £m	Furniture and fittings £m	Assets under construction £m	Scientific Aids £m	Total £m
Cost or valuation									
At 1 April 2017	52.5	533.8	163.1	322.9	19.9	55.3	53.6	3.5	1,204.6
Additions	–	–	0.7	8.8	0.7	2.9	51.1	–	64.2
Donations	–	–	–	–	–	–	–	–	–
Disposals	–	–	(2.4)	(69.4)	(2.2)	(5.8)	–	(0.4)	(80.2)
Impairments	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	11.6	36.8	–	5.2	(47.5)	–	6.1
Revaluations[2]	(1.5)	(7.8)	–	–	–	–	–	–	(9.3)
At 31 March 2018	**51.0**	**526.0**	**173.0**	**299.1**	**18.4**	**57.6**	**57.2**	**3.1**	**1,185.4**
Depreciation									
At 1 April 2017	–	(276.4)	(117.1)	(238.8)	(13.4)	(27.3)	–	(3.1)	(676.1)
Charged in year	–	(20.3)	(15.4)	(39.3)	(1.7)	(4.0)	–	(0.1)	(80.8)
Disposals	–	–	2.0	52.3	1.9	5.0	–	0.3	61.5
Impairments	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–
Revaluations[2]	–	5.6	–	–	–	–	–	–	5.6
At 31 March 2018	**–**	**(291.1)**	**(130.5)**	**(225.8)**	**(13.2)**	**(26.3)**	**–**	**(2.9)**	**(689.8)**
Carrying amount at 31 March 2017	52.5	257.4	46.0	84.1	6.5	28.0	53.6	0.4	528.5
Carrying amount at 31 March 2018	**51.0**	**234.9**	**42.5**	**73.3**	**5.2**	**31.3**	**57.2**	**0.2**	**495.6**
The assets are financed as follows:									
Owned	51.0	–	42.5	68.9	5.2	31.3	57.2	0.2	256.3
Finance leased	–	–	–	4.4	–	–	–	–	4.4
PFI contracts	–	234.9	–	–	–	–	–	–	234.9
Carrying amount at 31 March 2018	**51.0**	**234.9**	**42.5**	**73.3**	**5.2**	**31.3**	**57.2**	**0.2**	**495.6**
Of the total:									
Core department	51.0	234.6	42.0	69.1	5.2	28.4	55.9	0.2	486.4
Valuation Office Agency	–	0.3	0.5	3.8	–	2.9	1.3	–	8.8
Revenue and Customs Digital Technology Services Limited	–	–	–	0.4	–	–	–	–	0.4
Carrying amount at 31 March 2018	**51.0**	**234.9**	**42.5**	**73.3**	**5.2**	**31.3**	**57.2**	**0.2**	**495.6**

	Land[1] £m	Buildings[1] £m	Accommodation refurbishments[1] £m	Office and computer equipment £m	Vehicles £m	Furniture and fittings £m	Assets under construction £m	Scientific Aids £m	Total £m
Cost or valuation									
At 1 April 2016	52.5	528.2	166.5	326.6	20.2	50.8	25.7	5.1	1,175.6
Additions	–	–	–	14.3	1.3	4.9	43.7	0.1	64.3
Donations	–	–	–	–	–	–	–	–	–
Disposals	–	(5.9)	(4.4)	(33.3)	(1.6)	(1.4)	–	(1.7)	(48.3)
Impairments	–	(0.1)	–	(0.2)	–	–	–	–	(0.3)
Reclassifications	–	–	1.0	15.5	–	1.0	(15.8)	–	1.7
Revaluations[2]	–	11.6	–	–	–	–	–	–	11.6
At 31 March 2017	**52.5**	**533.8**	**163.1**	**322.9**	**19.9**	**55.3**	**53.6**	**3.5**	**1,204.6**
Depreciation									
At 31 March 2016	–	(255.9)	(108.4)	(232.9)	(12.4)	(24.8)	–	(4.3)	(638.7)
Charged in year	–	(19.7)	(12.5)	(38.9)	(2.4)	(3.7)	–	(0.4)	(77.6)
Disposals	–	4.9	3.8	32.9	1.4	1.1	–	1.6	45.7
Impairments	–	0.1	–	0.1	–	–	–	–	0.2
Reclassifications	–	–	–	–	–	0.1	–	–	0.1
Revaluations[2]	–	(5.8)	–	–	–	–	–	–	(5.8)
At 31 March 2017	**–**	**(276.4)**	**(117.1)**	**(238.8)**	**(13.4)**	**(27.3)**	**–**	**(3.1)**	**(676.1)**
Carrying amount at 31 March 2016	52.5	272.3	58.1	93.7	7.8	26.0	25.7	0.8	536.9
Carrying amount at 31 March 2017	**52.5**	**257.4**	**46.0**	**84.1**	**6.5**	**28.0**	**53.6**	**0.4**	**528.5**
The assets are financed as follows:									
Owned	52.5	–	46.0	56.5	6.5	28.0	53.6	0.4	243.5
Finance leased	–	–	–	27.6	–	–	–	–	27.6
PFI contracts	–	257.4	–	–	–	–	–	–	257.4
Carrying amount at 31 March 2017	**52.5**	**257.4**	**46.0**	**84.1**	**6.5**	**28.0**	**53.6**	**0.4**	**528.5**
Of the total:									
Core department	52.5	257.1	44.3	79.8	6.5	25.1	51.9	0.4	517.6
Valuation Office Agency	–	0.3	1.7	3.8	–	2.9	1.6	–	10.3
Revenue and Customs Digital Technology Services Limited	–	–	–	0.5	–	–	0.1	–	0.6
Carrying amount at 31 March 2017	**52.5**	**257.4**	**46.0**	**84.1**	**6.5**	**28.0**	**53.6**	**0.4**	**528.5**

1 See note 1.6.2 for the accounting policy for property assets.
2 See notes 1.2 and 1.6.2 for the accounting policy regarding revaluation of property, plant and equipment.

Property revaluation

Valuations were performed by the Valuation Office Agency, an executive agency of HM Revenue and Customs, whose services include providing valuation and estate surveying services to government departments.

7. Intangible assets

	Licences £m	Software £m	Website development £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2017	29.2	3,046.9	15.6	374.1	3,465.8
Additions	6.0	–	–	237.0	243.0
Disposals	(8.8)	(52.0)	–	–	(60.8)
Impairments	–	–	–	(4.2)	(4.2)
Reclassifications	25.2	258.0	3.2	(292.5)	(6.1)
Revaluation[1]	–	96.5	–	–	96.5
At 31 March 2018	**51.6**	**3,349.4**	**18.8**	**314.4**	**3,734.2**
Amortisation					
At 1 April 2017	(25.8)	(2,200.9)	(6.1)	–	(2,232.8)
Charged in year	(5.8)	(230.8)	(2.4)	–	(239.0)
Disposals	8.8	44.9	–	–	53.7
Impairments	–	–	–	–	–
Reclassifications	–	–	–	–	–
Revaluation[1]	–	(68.5)	–	–	(68.5)
At 31 March 2018	**(22.8)**	**(2,455.3)**	**(8.5)**	–	**(2,486.6)**
Carrying amount at 31 March 2017	3.4	846.0	9.5	374.1	1,233.0
Carrying amount at 31 March 2018	**28.8**	**894.1**	**10.3**	**314.4**	**1,247.6**
The assets are financed as follows:					
Owned	28.8	894.1	10.3	314.4	1,247.6
Finance leased	–	–	–	–	–
PFI contracts	–	–	–	–	–
Carrying amount at 31 March 2018	**28.8**	**894.1**	**10.3**	**314.4**	**1,247.6**
Of the total:					
Core department	28.8	878.6	10.3	310.0	1,227.7
Valuation Office Agency	–	15.5	–	4.4	19.9
Revenue and Customs Digital Technology Services Limited	–	–	–	–	–
Carrying amount at 31 March 2018	**28.8**	**894.1**	**10.3**	**314.4**	**1,247.6**

Continued

	Licences £m	Software £m	Website development £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2016	29.3	2,976.5	12.4	207.7	3,225.9
Additions	0.5	1.6	–	279.3	281.4
Disposals	(2.2)	(42.5)	–	–	(44.7)
Impairments	–	(7.3)	–	(0.9)	(8.2)
Reclassifications	1.6	104.4	3.2	(112.0)	(2.8)
Revaluation[1]	–	14.2	–	–	14.2
At 31 March 2017	**29.2**	**3,046.9**	**15.6**	**374.1**	**3,465.8**
Amortisation					
At 1 April 2016	(26.1)	(2,014.6)	(4.1)	–	(2,044.8)
Charged in year	(1.9)	(225.0)	(2.0)	–	(228.9)
Disposals	2.2	42.4	–	–	44.6
Impairments	–	4.6	–	–	4.6
Reclassifications	–	1.1	–	–	1.1
Revaluation[1]	–	(9.4)	–	–	(9.4)
At 31 March 2017	**(25.8)**	**(2,200.9)**	**(6.1)**	–	**(2,232.8)**
Carrying amount at 31 March 2016	3.2	961.9	8.3	207.7	1,181.1
Carrying amount at 31 March 2017	**3.4**	**846.0**	**9.5**	**374.1**	**1,233.0**
The assets are financed as follows:					
Owned	3.4	846.0	9.5	374.1	1,233.0
Finance leased	–	–	–	–	–
PFI contracts	–	–	–	–	–
Carrying amount at 31 March 2017	**3.4**	**846.0**	**9.5**	**374.1**	**1,233.0**
Of the total:					
Core department	3.4	838.4	9.5	363.1	1,214.4
Valuation Office Agency	–	7.6	–	11.0	18.6
Revenue and Customs Digital Technology Services Limited	–	–	–	–	–
Carrying amount at 31 March 2017	**3.4**	**846.0**	**9.5**	**374.1**	**1,233.0**

1 See notes 1.2 and 1.6.3 for the accounting policy regarding revaluation of intangible assets.

8. Impairments

The department has incurred the following impairments to non-current assets and assets held for sale during the financial year.

Impairments

	Core department and agency	2017-18 £m Departmental group	Core department and agency	2016-17 £m Departmental group
Charged to Statement of Comprehensive Net Expenditure				
Property, plant and equipment	–	–	0.1	0.1
Intangible assets	4.2	4.2	3.6	3.6
Assets held for sale	–	–	–	–
Impairment charged	**4.2**	**4.2**	**3.7**	**3.7**
Transferred from revaluation reserve				
Property, plant and equipment	0.8	0.8	–	–
Intangible assets	–	–	0.2	0.2
Assets held for sale	–	–	–	–

See note 1.6.1 for the accounting policy for impairments.

9. Capital and other commitments

9.1 Commitments under leases

Leases are categorised as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership, whereas an operating lease doesn't. The property leases vary in length and the department has no right of purchase at the end of the contract but would re-negotiate leases where continued occupation is desired.

9.1.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below. The buildings payments relate to property leased by Mapeley from third-party landlords on behalf of the department, property leased by the department direct from private landlords and the minor occupation of other government department buildings. The other commitments relate to a number of IT and vehicle leasing contracts.

In accordance with HMRC's Building Our Future Location strategy, the operating lease balance includes the commitment for the regional centres in operation at Croydon together with commitments for "Agreements for Leases" for the other locations.

Regional Centre	Commitment value (£m)
Belfast	62.5
Birmingham	140.8
Bristol	72.9
Cardiff	126.6
Croydon	149.2
Edinburgh	110.4
Glasgow	130.8
Leeds	225.9
Liverpool	121.9
Manchester	63.6
Stratford	224.5

Obligations under operating leases

	Core department and agency	2017-18 £m Departmental group	Core department and agency	2016-17 £m Departmental group
Land and buildings				
Due within one year	98.2	98.2	85.1	85.1
Due between one year and five years	406.2	406.2	270.7	270.7
Due later than five years	1,279.0	1,279.0	268.8	268.8
	1,783.4	**1,783.4**	**624.6**	**624.6**
Other				
Due within one year	15.4	15.4	6.4	6.4
Due between one year and five years	24.3	24.3	11.8	11.8
Due later than five years	–	–	–	–
	39.7	**39.7**	**18.2**	**18.2**

9.1.2 Finance leases

The following commitments are in respect of assets that have been brought onto the department's Consolidated Statement of Financial Position under IAS 17. Total finance lease charges are given in the table below. The buildings payments relate to property leased by Mapeley from third-party landlords on behalf of the department and property leased by the department direct from private landlords.

Obligations under finance leases

	Core department and agency	2017-18 £m Departmental group	Core department and agency	2016-17 £m Departmental group
Buildings				
Due within one year	2.7	2.7	2.7	2.7
Due between one year and five years	6.1	6.1	8.8	8.8
Due later than five years	0.5	0.5	0.5	0.5
	9.3	**9.3**	**12.0**	**12.0**

9.2 Commitments under PFI and other service concession arrangements

9.2.1 Off-Statement of Financial Position

The department has no off-Statement of Financial Position PFI contracts.

9.2.2 On-Statement of Financial Position

The following commitments are in respect of assets that have been brought onto the department's Statement of Financial Position under IAS 17 and IFRIC 12 Service Concession Arrangements. They comprise commitments relating to the STEPS contract (Mapeley-owned) freehold and historic leasehold properties, Newcastle Estates Partnership held with DWP, the building known as 100 Parliament Street and St. John's House, Bootle. They also include commitments for IT assets owned by Fujitsu to deliver the IT service contract.

The total amount charged in the Consolidated Statement of Comprehensive Net Expenditure in respect of on-Statement of Financial Position PFI and other service concession arrangement transactions (there were no off-Statement of Financial Position transactions) was £261.5 million (2016-17: £626.4 million). This amount is included within the figures reported in note 2 as PPP and PFI service charges.

The substance of each contract is that the department has a finance lease and that payments comprise two elements – finance lease charges and service charges.

Details of the obligations for lease payments

	Core department and agency	2017-18 £m Departmental group	Core department and agency	2016-17 £m Departmental group
Minimum lease payments:				
Due within one year	47.2	47.2	61.2	61.2
Due between one year and five years	138.2	138.2	177.2	177.2
Due later than five years	295.8	295.8	313.4	313.4
Total minimum lease payments due in future periods	**481.2**	**481.2**	**551.8**	**551.8**

Details of the obligations for service elements

	2017-18 £m Core department and agency	Departmental group	2016-17 £m Core department and agency	Departmental group
Service elements due in future periods:				
Due within one year	214.6	214.6	189.2	189.2
Due between one year and five years	415.3	415.3	402.2	402.2
Due later than five years	283.5	283.5	323.7	323.7
Total service elements due in future periods	**913.4**	**913.4**	**915.1**	**915.1**
Total commitments	**1,394.6**	**1,394.6**	**1,466.9**	**1,466.9**

9.3 Capital commitments

The capital commitments reported relate to the future cost of the development work raised under the IT service contract.

Contracted capital commitments at 31 March not otherwise included in these financial statements

	2017-18 £m Core department and agency	Departmental group	2016-17 £m Core department and agency	Departmental group
Property, plant and equipment	0.4	0.4	14.1	14.1
Intangible assets	3.4	3.4	9.7	9.7
	3.8	**3.8**	**23.8**	**23.8**

9.4 Other financial commitments

The department has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for HMRC's contribution towards cross-government border group initiatives.

The payments to which the department are committed are as follows:

	2017-18 £m Core department and agency	Departmental group	2016-17 £m Core department and agency	Departmental group
Due within one year	0.1	0.1	–	–
Due between one year and five years	0.1	0.1	–	–
Due later than five years	–	–	–	–
	0.2	**0.2**	**–**	**–**

10. Trade receivables, financial and other assets

	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Amounts expected to be received in more than one year:				
Personal tax credits	1,456.6	1,456.6	1,664.6	1,664.6
RCDTS Ltd Funding[1]	9.7	–	9.9	–
Accrued income, other prepayments	0.2	0.2	0.2	0.2
	1,466.5	**1,456.8**	**1,674.7**	**1,664.8**
Amounts expected to be received within one year:				
Personal tax credits	1,336.2	1,336.2	1,439.4	1,439.4
Child Benefit[2]	13.1	13.1	22.2	22.2
Trade receivables	5.5	5.6	5.4	5.5
Other receivables[3]	30.0	30.1	10.4	10.4
Deposits and advances	23.9	23.9	55.5	55.5
Value Added Tax	15.8	15.5	17.3	17.5
Prepayments – Child Benefit	64.2	64.2	27.4	27.4
Accrued income, other prepayments	96.1	97.6	102.9	102.1
	1,584.8	**1,586.2**	**1,680.5**	**1,680.0**

1 HMRC has funded RCDTS Ltd for general working capital and investment purposes. This has been accounted for as a long-term loan arrangement.
2 This figure is net of provision for impairment amounting to £15.8 million (2016-17: £25.3 million).
3 This figure is net of provision for impairment amounting to departmental group: £20.7 million (2016-17 departmental group: £22.0 million).

11. Cash and cash equivalents

Cash and bank balances relate to the administering of the department and programme expenditure, but exclude all tax and duty revenues collected. The latter are included in the department's Trust Statement. Cash and cash equivalents comprise cash in hand and current balances, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Bank accounts are part of the Exchequer pyramid whereby balances are effectively held overnight with the Bank of England.

Cash and cash equivalents

	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Balance at 1 April	41.2	41.2	38.4	38.9
Net change in cash and cash equivalent balances	28.2	28.2	2.8	2.3
Balance at 31 March	**69.4**	**69.4**	**41.2**	**41.2**
Of which balances were held at:				
Government Banking Service	68.2	68.2	40.9	40.9
Commercial banks and cash in hand	1.2	1.2	0.3	0.3
Balance at 31 March	**69.4**	**69.4**	**41.2**	**41.2**

12. Trade payables and other liabilities

The department is committed to the prompt payment of invoices. Payment is regarded as late if made outside the agreed terms, or, where no terms were agreed, beyond 30 days after receipt of goods and valid invoice. The department paid 98.9% (2016-17: 99.8%) of supplier invoices within 30 days.

The department aims to pay invoices within five days of receipt of goods and valid invoice. The department paid 93.0% (2016-17: 96.8%) of supplier invoices within five days. The legal requirement remains at 30 days.

In 2017-18 interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 was £0 (2016-17: £0).

The department's figures included above for prompt payment of invoices are not subject to audit.

Trade payables and other liabilities

		2017-18 £m		2016-17 £m
	Core department and agency	Departmental group	Core department and agency	Departmental group
Amounts expected to be paid within one year:				
Personal tax credits	717.9	717.9	562.3	562.3
Child Benefit	10.2	10.2	9.7	9.7
Trade payables	45.7	46.6	54.4	55.5
Taxation and social security excluding VAT	44.0	44.8	46.2	46.8
IT Public Private Partnership	3.8	3.8	15.6	15.6
Accommodation PFI	16.7	16.7	14.3	14.3
Accommodation non-PFI	2.0	2.0	1.9	1.9
Other payables	4.6	4.6	3.4	3.4
Accruals – corporation tax reliefs	2,582.2	2,582.2	2,423.2	2,423.2
Accruals – Child Benefit	259.1	259.1	235.9	235.9
Deferred income, other accruals	404.8	391.3	435.5	420.3
Amounts issued from the Consolidated Fund for Supply but not spent at year-end	69.3	69.3	41.1	41.1
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
received	0.1	0.1	0.1	0.1
receivable	–	–	–	–
	4,160.4	**4,148.6**	**3,843.6**	**3,830.1**
Amounts expected to be paid in more than one year:				
IT Public Private Partnership	1.4	1.4	15.1	15.1
Accommodation PFI	245.3	245.3	260.5	260.5
Accommodation non-PFI	5.6	5.6	7.6	7.6
	252.3	**252.3**	**283.2**	**283.2**

13. Provisions for liabilities and charges

Provisions are recognised when HMRC has a present legal or constructive obligation as a result of a past event, it is probable that HMRC will be required to settle that obligation and an amount has been reliably estimated.

Provisions for liabilities and charges

	2017-18 £m Core department and agency		2017-18 £m Departmental group		2016-17 £m Core department and agency		2016-17 £m Departmental group	
Balance at 1 April		**154.9**		**158.5**		**151.7**		**151.7**
Provided in the year	60.2		61.2		40.5		44.1	
Provisions not required written back	(24.0)		(24.3)		(19.9)		(19.9)	
Borrowing costs (unwinding of discounts)	0.1		0.1		0.1		0.1	
Net expenditure		36.3		37.0		20.7		24.3
Provisions utilised in the year		(31.2)		(31.6)		(17.5)		(17.5)
Balance at 31 March		**160.0**		**163.9**		**154.9**		**158.5**

13.1 Analysis of expected timing of discounted flows

	2017-18 £m Core department and agency	2017-18 £m Departmental group	2016-17 £m Core department and agency	2016-17 £m Departmental group
Not later than one year	88.0	91.9	90.2	93.9
Later than one year and not later than five years	60.5	60.5	63.1	63.1
Later than five years	11.5	11.5	1.6	1.6
Balance at 31 March	**160.0**	**163.9**	**154.9**	**158.6**

	Early departure costs £m	Child Trust Fund £m	Legal claims £m	Accommodation costs £m	Other £m	Total £m
Not later than one year	8.0	0.1	6.5	3.2	74.1	91.9
Later than one year and not later than five years	2.3	0.3	51.0	6.0	0.9	60.5
Later than five years	–	–	9.6	1.9	–	11.5
Balance at 31 March	**10.3**	**0.4**	**67.1**	**11.1**	**75.0**	**163.9**

13.2 Early departure costs

The department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts monthly to the PCSPS paying agent over the period between the early departure date and normal retirement date. The department has provided for this in full at the point when the early retirement programme became binding by establishing a provision for the estimated payments, discounting by the HM Treasury discount rate of 0.10% in real terms, and updated annually to reflect the unwinding of the discount.

13.3 Child Trust Fund

Child Trust Fund (CTF) endowments; eligibility to which ceased on 3 January 2011, provided assistance with the funding on long-term individual savings and investment accounts provided by approved financial institutions. A provision of £0.4 million was retained for general CTF payment amounts forecast to become payable in respect of children qualifying for CTF endowments.

13.4 Legal claims

A provision of £67.1 million (2016-17: £78.4 million) has been made for costs relating to various legal claims against the department. The provision reflects all known claims, where legal advice indicates that it is probable that the claim will be successful.

13.5 Accommodation costs

A provision of £11.1 million has been made (2016-17: £12.6 million) for buildings related claims giving rise to probable liabilities under tenancy agreements.

13.6 Other

Provisions relating to various other claims against the department amount to £75.0 million (2016-17: £58.4 million).

14. Pension liability

The Valuation Office Agency merged with The Rent Service on 1 April 2009, taking on staff who are members of the Local Government Pension Scheme. The pension assets and liabilities, part of the Local Government Pension Scheme are reflected in the Consolidated Statement of Financial Position (see page 185).

Further information can be found within the Valuation Office Agency accounts (HC 1282) that can be viewed at **www.gov.uk/government/organisations/valuation-office-agency**

15. Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within HMRC's control. An example is legal action where the department may need to pay legal costs if it loses the case. These are not disclosed where disclosure could seriously prejudice the outcome of legal claims against the department.

The department has the following quantifiable contingent liabilities:

Shipbuilders' Relief – a contingent liability of £0.4 million (2016-17: £1.8 million) exists for potential future claims against the department. This relief is disclosed as a contingent liability as when a contract to build a vessel is signed it creates a possible obligation that will only be satisfied if two future events occur.

Legal claims – a contingent liability of £85.3 million (2016-17: £86.2 million) exists for costs that may be awarded should various legal cases in which HMRC is involved be determined against the department. The contingent liability covers all such cases where the outcome is unknown or cannot be estimated reliably.

Guaranteed costs – possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities £0.5 million, 80 cases (2016-17: £0.6 million, 78 cases).

Other – the department has a further number of contingent liabilities amounting to £56 million (2016-17: £12 million). This includes a new contingent liability of £42 million for potential voluntary and compulsory exit schemes relating to Building our Future.

The department has not entered into any unquantifiable contingent liabilities.

16. Financial instruments

A financial instrument is a contractual obligation which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The department's financial instruments are not complex and it has no equity instruments.

The value of financial assets and financial liabilities carried at amortised cost is deemed to be a reasonable approximation of their fair value. In respect of receivables and payables, these have not been discounted to present value as it has been concluded that the effect would not be material. When considering personal tax credits, there is also fundamental uncertainty in the estimate of future inflows which would make any such discounting insufficiently reliable. Further information in relation to receivables and payables can be seen in notes 10 and 12. Personal tax credits can be seen in more detail in note 4. Assumptions on the recoverability of receivable balances are reviewed on an annual basis and appropriate adjustments for impairment are made.

17. Related-party transactions

The department is the parent of the Valuation Office Agency as well as Revenue and Customs Digital Technology Services Limited (RCDTS Ltd). These bodies are both regarded as a related-party with which the department has had various material transactions during the year.

The Valuation Office Agency has had a significant number of material transactions with other government departments. Most of these transactions have been with the Ministry for Housing, Communities and Local Government, the Department for Work and Pensions and the Welsh Government.

RCDTS Ltd provides a managed IT service to HMRC, funding is provided from HMRC to RCDTS Ltd.

In addition, the department has had a small number of transactions with other government departments and other central government bodies.

No Board member, key manager or other related party has undertaken any material transactions with the department during the year. Details of compensation for key management personnel can be found in the remuneration report within the accountability section.

18. Entities within the departmental boundary

The Valuation Office Agency is a supply-financed agency, its Annual Report and Accounts are published at **www.voa.gov.uk**

Revenue and Customs Digital Technology Services Limited is an Arms Length Body, its Annual Report and Accounts are published at **www.gov.uk/government/organisations/companies-house**

19. Investments in other public sector bodies

The department holds no loans, public dividend capital or other interests in public bodies outside the departmental boundary.

20. Events after the reporting period date

There are no reportable events after the reporting period. These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

Glossary to the financial statements

Accrued Revenue Payable (ARP) – these comprise three distinct types:

- amounts due to traders that have an established revenue repayment claim relating to the financial year, but the date the claim is received is after the end of the reporting period
- amounts of receivables and accrued revenue receivable that will, when received, be passed to a third-party, for example national insurance contributions due to the National Insurance Funds and National Health Services
- amounts in respect of Corporation Tax and income tax likely to be repayable by HMRC pending finalisation of taxpayer liabilities.

Accrued Revenue Receivable (ARR) – this represents taxes and duties relating to the financial year that are not yet due or received from taxpayers, where these have not been included in receivables.

Administration costs – these relate to the internal administration costs of running the department, for example human resources, finance, estates management, and includes both costs and associated operating income.

Amortisation – this is the measure of consumption of the value of intangible assets. It is recorded as resource expense on a systematic basis over the associated assets useful life.

Annually Managed Expenditure (AME) – departments are allocated a separate annually managed spending limit. This is demand-led and therefore more volatile than DEL (Departmental Expenditure Limit) expenditure. Examples include expenditure such as tax credits and Child Benefit.

Consolidated Fund – the Consolidated Fund is the government's general bank account at the Bank of England. Payments from this account must be authorised in advance by the House of Commons.

Consolidated Fund Extra Receipts (CFER) – this is income which is outside of the ambit of the supply estimate and is required to be paid over to HM Treasury.

Consolidated Statement of Cash Flows (CSoCF) – the statement that reports the cash flows during the financial year from operating, investing and financing activities.

Consolidated Statement of Changes in Taxpayers' Equity (CSoCTE) – the statement which explains the movements in net assets between the beginning and end of a financial year.

Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) – the performance statement, reporting a summary of expenditure, income, gains and losses for the financial year.

Consolidated Statement of Financial Position (CSoFP) – the statement which provides a snapshot of the assets, liabilities and reserves as at the beginning and end of a financial year.

Contingent liabilities – these are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within HMRC's control.

Current assets – these are assets reported on the CSoFP that include cash, or any asset that is expected to be converted to cash within one year from the reporting date.

Current liabilities – these are obligations that are expected to be settled within one year of the reporting date.

Deferred income – this is income that relates to a future financial year and will be recorded in the CSoCNE of that future year.

Deferred revenue – this includes duties and taxes received in the current year that relate to a future year.

Departmental Expenditure Limit (DEL) – departments are allocated a spending budget set at Spending Reviews on a three yearly basis. It comprises capital and resource elements. Resource DEL includes the running of the services and the everyday cost of resources such as staff. Capital DEL is for the purchase of non-current assets.

Depreciation – this is the measure of consumption of the value of property, plant and equipment. It is recorded as resource expense on a systematic basis over the associated asset useful life.

Excess Vote – is the means by which Parliament retrospectively authorises departmental overspends in terms of resources or cash and infringements of agreed protocols.

Finalisation (personal tax credits) – this is the process, occurring after the financial year-end, by which claimants confirm their actual income and other circumstances for the previous award year. The award is finalised for the award year that has ended and appropriate adjustments for under or overpayments of tax credits are made.

Force Majeure – a common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties occurs.

Financial Reporting Manual (FReM) – this is the HM Treasury technical accounting guide to the preparation of the financial statements that are prepared on an accrual basis.

IAS – International Accounting Standards. These were issued by the predecessor to the IASB.

IASB – International Accounting Standards Board.

IFRS – International Financial Reporting Standards. These are issued by the IASB. The financial statements of Government adopted IFRS from 2009-10 as the basis for preparation of their accounts which were previously prepared under UK based Generally Accepted Accounting Practice (UK GAAP).

IFRS Interpretations Committee (IFRIC) – the body that develops guidance, approved by the IASB, on appropriate accounting treatment of particular issues and scenarios.

Impairment – the process by which the value or collectability of assets is assessed for reporting purposes.

Indemnities – these will be ordered by the court, on behalf of the insolvency practitioner or solicitors, in case the department has incorrectly wound up a viable business. These indemnities are unlimited, although we calculate a likely value for reporting purposes. The calculation is based on the likely amount that a business could be awarded in proceedings and the likelihood of a successful claim for that amount being made. The indemnity will be in place until the case is settled and the liquidation confirmed.

Intangible assets – these are non-physical items used in the business that are expected to have a useful life in excess of one year, for example, website development costs and certain software licences.

Losses – these are receivables that are determined to be uncollectable and comprise remissions and write-offs. Remissions are receivables that we have decided not to pursue, typically on the grounds of value for money. Write-offs are receivables that are considered to be irrecoverable, for example because there is no practical means for pursuing them.

Managing Public Money – this is a HM Treasury publication giving guidance on how to handle public funds.

Negative taxation – this is the element of tax relief payable that is less than or equal to the recipient's tax liability.

Net Cash Requirement – this represents the amount of funding that the department is entitled to draw down from the Consolidated Fund.

Non-current assets – these are assets reported on the CSoFP that, upon acquisition, are expected to be held for a period in excess of one year.

Non-current liabilities – these are obligations that are expected to be settled beyond one year of the reporting date.

Non-Voted expenditure – this is part of DEL and AME which is not authorised annually through the Supply Estimate. It occurs where Parliament has passed legislation that allows funding of a service on a continuing basis either directly from the Consolidated Fund or from other sources, for example the National Insurance Fund.

Payables - (formerly known as 'creditors') - these are amounts recognised as owing by the department at the end of the reporting period but for which payment has not been made.

Payments of entitlement – this is the element of tax relief payable that is in excess of the recipient's tax liability, and is therefore in addition to any negative taxation element.

Private Finance Initiative (PFI) – a method of establishing public-private partnerships (PPPs) by funding public infrastructure projects with private capital.

Programme expenditure – these are typically the costs that the department directly incurs in delivering its policy objectives. It includes the payments such as tax credits and Child Benefit. All expenditure and associated operating income for the Valuation Office Agency is treated as programme.

Provisions for liabilities – these are recognised when HMRC has a present legal or constructive obligation as a result of a past event, that it is probable that HMRC will be required to settle that obligation and an amount can be reliably estimated.

Public–Private Partnerships (PPPs) – see Private Finance Initiative.

Receivables – (formerly known as 'debtors') - these represent all amounts recognised as owing to the department at the end of the reporting period but payment has not been received. A proportion of the receivable balance relates to revenue that is not yet overdue for payment.

Receivable Days – the average number of days it takes to receive payment. The department calculates Receivable Days as, 'total receivables/total revenue x 365 days'.

Resource Accounts – the financial statements which report the cost of running the department and include payments of tax credits, Child Benefit and certain reliefs.

Statement of Parliamentary Supply (SoPS) – this is the primary parliamentary accountability statement and is unique to central government financial reporting. By expenditure category, it reports the net outturn (how much expenditure and income has been recognised) for the departmental group compared with the amounts approved by Parliament through the Supply Estimates process.

Supply Estimates process – this is the means by which a government department seeks funds from Parliament and authority is given for departmental expenditure each year.

Suspended liability – a suspended liability is an indirect tax, penalty or surcharge that is under challenge, dispute or appeal. The value is currently included in the receivables but excluded from the debt balance as currently no recovery action can be taken.

Tax debt – Debt Management Directorate calculates and reports monthly the department's debt balance which consists of debts that are overdue or where recovery action can be taken at this time. This provides key operational information for the management of overdue, recoverable debt. This differs to the debt reported in the financial statements which is termed 'Receivables' and is defined earlier in this glossary.

Trust Statement – the financial statement which reports the revenues, expenditure, assets and liabilities related to taxes and duties collected by the department.

UK GAAP – the generally accepted accounting practice in the UK which is the body of accounting standards and guidance published by the Financial Reporting Council.

Voted expenditure – this is part of DEL and AME which is authorised annually through the Supply Estimate.

Statistical tables

Table 1: Total departmental spending (£000)

This table provides further detail by category on HMRC spending.

	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Outturn	2018-19 Plans	2019-20 Plans
Resource DEL							
HMRC Administration	3,292,167	3,106,554	3,219,241	3,505,243	3,450,380	3,270,956	3,117,978
VOA Administration	-2,085	-2,420	-1,425	-2,743	143,476	151,301	122,301
Utilised provisions	33,160	31,057	29,793	17,500	31,631	30,000	30,000
National Insurance Fund	322,125	328,902	328,579	315,500	320,306	287,000	283,300
Total resource DEL	**3,645,367**	**3,464,093**	**3,576,188**	**3,835,500**	**3,945,793**	**3,739,257**	**3,553,579**
Of which:							
Staff costs	2,260,253	2,171,463	2,250,106	2,406,240	2,401,849	2,242,601	2,051,735
Purchase of goods and services	1,130,017	1,089,582	1,156,655	1,269,919	1,145,766	999,280	999,858
Income from sales of goods and services	-321,142	-342,428	-423,119	-426,857	-202,750	-177,400	-180,700
Current grants to persons and non-profit bodies (net)	4,012	4,214	20,463	2,841	2,327	16,526	13,797
Current grants abroad (net)	449	424	1,301	1,286	1,054	2,040	780
Rentals	225,422	184,626	201,221	203,739	195,611	215,829	204,152
Depreciation[1]	233,890	247,555	271,151	278,038	296,974	351,372	379,428
Change in pension scheme liabilities	2,788	2,975	291	1,828	1,847	–	–
Other resource	109,678	105,682	98,119	98,466	103,115	89,009	84,529
	3,645,367	**3,464,093**	**3,576,188**	**3,835,500**	**3,945,793**	**3,739,257**	**3,553,579**

Table 1: Public spending (£000)

	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Outturn	2018-19 Plans	2019-20 Plans
Resources AME							
Social Benefits and Grants	11,492,064	11,601,947	11,700,897	11,651,914	11,689,654	11,540,459	11,542,498
Tax-Free Childcare	–	–	–	6	28,783	777,200	866,325
Providing payments in lieu of tax relief to certain bodies	76,396	99,703	75,399	70,068	85,027	90,071	95,068
LISA	–	–	–	–	–	480,000	–
HMRC administration	24,631	70,610	28,547	32,000	37,975	30,000	30,000
Payments to add capacity	–	2,732	–	–	–	–	–
VOA – Payments of rates to local authorities on behalf of certain bodies	60,085	65,939	66,995	63,836	76,085	79,430	81,460
VOA Administration	825	963	2,902	3,100	5,690	2,000	2,000
Utilised provisions	-33,383	-31,068	-29,798	-17,412	-31,633	-30,010	-30,010
Personal tax credit	29,329,220	29,123,165	28,450,152	27,143,623	26,362,989	23,455,000	26,126,139
Other reliefs and allowances	1,624,497	1,997,314	2,898,728	3,381,936	3,705,182	3,854,769	3,815,153
Total resource AME	**42,574,335**	**42,931,305**	**43,193,822**	**42,329,071**	**41,959,753**	**39,759,442**	**42,528,633**
Of which:							
Purchase of goods and services	74,442	85,715	81,710	94,963	91,916	83,770	85,910
Income from sales of goods and service	-3,702	-4,064	-3,774	-3,764	-4,725	-4,340	-4,450
Current grants to persons and non-profit bodies (net)	41,963,365	42,037,716	41,977,679	40,706,128	36,665,624	39,633,782	42,397,948
Subsidies to private sector companies	551,816	764,666	1,126,492	1,531,740	2,204,456	44,240	47,235
Depreciation[1]	2,859	2,072	131	-2,144	1,854	–	–
Take up of provisions	20,219	69,501	30,771	26,137	41,811	30,000	30,000
Release of provision	-33,383	-31,068	-29,798	-18,912	-31,633	-30,010	-30,010
Change in pension scheme liabilities	–	–	–	–	–	2,000	2,000
Other resources	-1,281	6,767	10,611	-5,077	-9,550	0	0
	42,574,335	**42,931,305**	**43,193,822**	**42,329,071**	**41,959,753**	**39,759,442**	**42,528,633**
Resource budget							
Total resource DEL	3,645,367	3,464,093	3,576,188	3,835,500	3,945,793	3,739,257	3,553,579
Total resource AME	42,574,335	42,931,305	43,193,822	42,329,071	41,959,753	39,759,442	42,528,633
Total resource budget	**46,219,702**	**46,395,398**	**46,770,010**	**46,164,571**	**45,905,546**	**43,498,699**	**46,082,212**
Of which:							
Depreciation[1]	236,749	249,627	271,282	275,894	298,828	351,372	379,428

Continued

Table 1: Public spending (£000)

	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Outturn	2018-19 Plans	2019-20 Plans
Capital DEL							
HMRC Administration	211,019	223,985	220,162	314,622	273,268	240,800	220,660
VOA Administration	7,101	7,694	7,569	11,778	7,517	9,000	8,000
Total capital DEL	**218,120**	**231,679**	**227,731**	**326,400**	**280,785**	**249,800**	**228,660**
Of which:							
Purchase of assets	220,229	237,864	228,970	327,774	308,339	252,800	231,660
Income from sales of assets	-2,109	-6,185	-1,239	-1,374	-27,554	-3,000	-3,000
	218,120	**231,679**	**227,731**	**326,400**	**280,785**	**249,800**	**228,660**
Capital AME							
Child Trust Fund	223	11	5	4	2	10	10
Utilised provisions	–	–	–	–	–	–	–
Total capital AME	**223**	**11**	**5**	**4**	**2**	**10**	**10**
Of which:							
Capital grants to persons and non-profit bodies (net)	223	11	5	4	2	10	10
	223	**11**	**5**	**4**	**2**	**10**	**10**
Capital budget							
Total capital DEL	218,120	231,679	227,731	326,400	280,785	249,800	228,660
Total capital AME	223	11	5	4	2	10	10
Total capital budget	**218,343**	**231,690**	**227,736**	**326,404**	**280,787**	**249,810**	**228,670**

1 Includes impairments.

Table 2: Administration budget (£000)

This table shows HMRC administration expenditure, utilised provisions and the administration element of the National Insurance Fund. This table does not include programme expenditure.

	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Outturn	2017-18 Outturn	2018-19 Plans	2019-20 Plans
Resource DEL							
HMRC Administration	777,741	706,563	717,025	788,643	754,343	837,158	845,854
Utilised Provisions	26,156	18,831	13,642	8,596	8,596	14,000	14,000
National Insurance Fund	60,254	71,647	61,223	74,100	78,597	52,174	51,474
Total administration budget	**864,151**	**797,041**	**791,890**	**871,339**	**841,536**	**903,332**	**911,328**
Of which:							
Staff costs	306,449	311,376	328,875	359,968	329,804	319,058	300,381
Purchase of goods and services	401,842	354,374	417,815	474,151	350,347	416,884	431,267
Income from sales of goods and service	-68,469	-95,341	-126,465	-134,700	-40,483	-71,816	-71,310
Current grants to persons and non-profit bodies (net)	2,981	3,027	1,920	1,988	1,687	2,612	2,683
Rentals	139,403	116,203	90,869	95,355	103,038	123,597	126,978
Depreciations	67,232	96,617	68,609	68,359	88,050	99,836	107,808
Other resource	14,713	10,785	10,267	6,218	9,093	13,161	13,521
	864,151	**797,041**	**791,890**	**871,339**	**841,536**	**903,332**	**911,328**