

Our approach to tax compliance



Not paying the right amount of tax places an unfair burden on the honest majority of taxpayers. That is why the Government is investing £917 million between 2010 and 2015 to increase tax compliance. This includes illegal tax evasion and those who seek to avoid tax by operating within the letter - but not the spirit - of the law. This briefing explains our approach to tackling both evasion and avoidance, so we can collect the right amount of tax.

How we will do this

We aim to close the tax gap, which is the difference between the amount of tax that should in theory be collected, against what is actually collected, through a number of key compliance activities. They are:

- Identifying how to deal with customers in the most appropriate way. This ranges from educating them about their tax responsibilities to providing local help and support. It also includes substantial financial and custodial penalties for those who deliberately evade their tax.
- Understanding and managing risks to the tax system by focusing our compliance work across the full range of taxes and duties that we manage.
- Taking action to bring in late returns and payments, while supporting businesses in genuine temporary difficulty with Time To Pay arrangements.
- Receiving payments and accounting for tax and other monies through our banking section.
- Investing in a highly-skilled workforce by increasing the number of staff tackling avoidance, evasion and fraud by around 2,500 people by 2014-15.

- Focusing our resources on the highest-risk cases to reduce avoidance, evasion and criminal attack.
- Making the best use of new technology to analyse our data more effectively. This means we can identify the highest-risk cases and make previously-unseen connections between data more easily.
- Designing legislation to prevent tax avoidance without creating loopholes.

Because tax avoidance is within the letter, but not the spirit of the law, there can be disagreement about what is and is not acceptable practice. We always challenge arrangements which we believe are contrary to what Parliament intended for the tax system, with the final decision always made by the Courts.

What we have achieved so far

Our risk-based approach has achieved significant successes in recent years:

- Compliance yield has more than doubled in six years – from £7.4 billion in 2005-06 to £16.6 billion in 2011-12.
- In the three years to March 2012, the amount of tax debt owed has reduced by £10 billion to £15.4 billion.

- Prevented more than £1 billion in lost revenue through tackling criminals. By March 2012 we had charged 545 individuals with criminal offences, with 449 brought before the courts and 413 convicted – a success rate in court of 92 per cent.

How we are tackling evasion and avoidance

Campaigns

We are running four national campaigns a year between now and 2015, each involving around 200,000 taxpayers. The campaigns will provide opportunities for people voluntarily to put their tax affairs in order and become compliant. For those who choose to remain non-compliant, we will follow up with a range of actions, including prosecutions. Our approach has so far produced nearly £510 million from voluntary disclosures, and more than £120 million from follow-up activity, including more than 18,000 completed investigations. There are also 23 criminal cases underway, with one conviction already secured.

Taskforces

We have specialist teams who focus on high-risk sectors in locations where there is strong evidence of tax evasion. The 12 taskforces in 2011-12 are expected to bring in more than £50 million. We will launch a further 20 to 30 taskforces each year from 2012-13, with the first launched at the end of May 2012. They cover markets in London, taxi firms in Yorkshire and the East Midlands, property rentals in East Anglia, London, Yorkshire and north east England and restaurants in the Midlands.

Offshore

We have a number of agreements with tax authorities in other countries. The Liechtenstein Disclosure Facility requires tax agents and other financial intermediaries to notify us of clients who may have to pay UK taxes. It was originally planned to raise around £1 billion over five years from 2009, based on an expected 2,000 registrations, but the number of registrations is already almost 3,000 and we are hopeful of collecting up to £3 billion.

In October 2011, the UK and Switzerland finalised a groundbreaking agreement on tackling tax evasion. It is expected to come into force in 2013, with Swiss account holders based in the UK having to pay a possible one-off payment to clear past tax liabilities. Swiss banks will also pay about £400 million to the UK in advance as a sign of good faith.

Affluent teams

We have deployed 200 staff in six locations across the UK to deal with avoidance and evasion by wealthy taxpayers. This population is defined as those earning more than £150,000 and those with wealth between £2.5 million and £20 million – around 300,000 people in total. The teams have received specialist training in a range of topics including trusts, dealing with offshore assets and wealth management. A specialist intelligence unit, with access to a wide range of internal and external data, will identify some of the highest-risk cases. Between 2012 and 2015 these teams will deliver £520 million in revenue.

Making the most of new technology

Cyber crime teams

We have brought together technical experts, intelligence analysts and criminal investigators to build on our existing cyber counter-fraud capability, using technology funded by the Government's four-year National Cyber Security Programme to protect the public purse from attempted fraud.

The cyber crime team will:

- use specialist forensic tools to gather intelligence against cyber criminals who target our repayment systems
- provide expert advice on keeping our services and customers secure
- pass real-time intelligence to operational risk and security teams.

Connect

Connect is a tool that allows us to cross-match a billion pieces of data to uncover hidden relationships between people and organisations that we could not previously identify. For the first time we can see, at the touch of a button, more information in one place for a single taxpayer. It has the capacity to find anomalies between information such as bank interest, property income and other lifestyle indicators, and compare it to what a customer is paying us in tax. We are using it to direct our resources more effectively through better case selection across the compliance spectrum – from organised criminal attack to the identification of common errors.

Transforming our approach to debt and payment

In 2011-12 we reduced the debt balance by £3.8 billion to £15.4 billion. Building on that success, we are making increasingly efficient use of our debt management resources, based on our improving understanding of customers' behaviour and risk. We have developed the expertise in our outbound telephone centres to enable us to collect debts by debit or credit card and educate customers about the benefits of future compliance. Our network of Field Force agents also continues to collect huge amounts of debt, by visiting those who owe us money. In 2011-12 Field Force banked over £1 billion, almost double the amount collected the previous year. We continue to take fast, firm and effective action against those who fail to engage with us, and ensure debts are repaid by using our debt collection agency partners and the PAYE coding system. We are also working closely with the Cabinet Office on improving debt management activities across central government.

To find out more

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